

Closed-End Fund Advisors

Diversification, Income, & Tactical Management



“Generating Retirement Income in a Low Interest Rate Environment with Closed-End Funds”

Online Webinar
April 11, 2012



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Today's Goal



How can a managed portfolio of closed-end funds generate *above normal* income → while offering unique ways to reduce many of the risk factors inherit to an income oriented portfolio.



What Are We Going to Cover?

Introduce

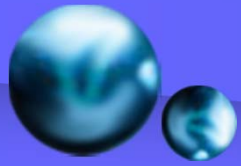
- Overview on CEFA & Economic Update
- Crash Course in Closed-End Funds
- Overview on Mutual Funds, ETFs & CEFs for Income

Educate

- Why & How: CEFs for Income Oriented Investing?
- Leverage Benefits with CEFs, Fund Evaluation
- Portfolio Management Process, Why Buy? When To Sell

Execute & Evaluate

- Summary, Clients Examples & Portfolio Models
- CEFA Performance, Review & Next Steps
- More Info, CEF Resources & Firm Manager Bios

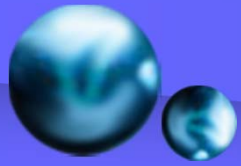


What is CEFA?

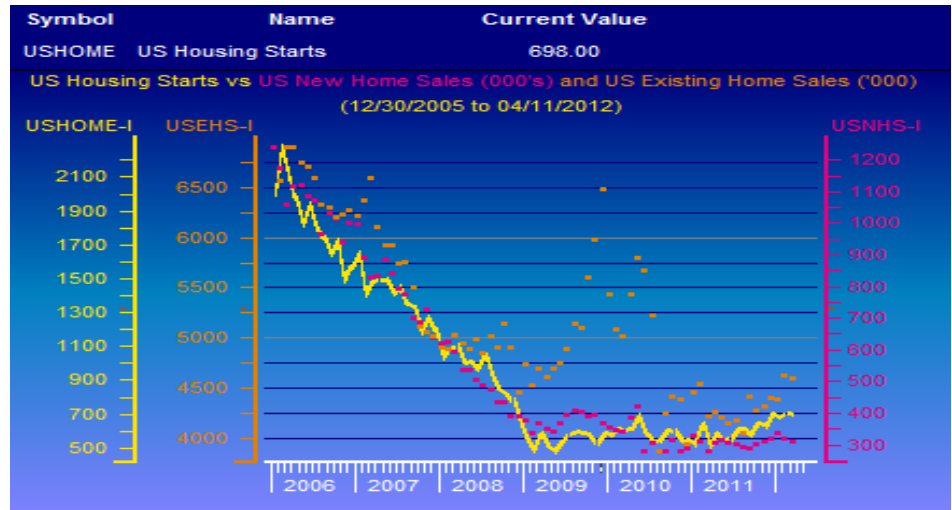
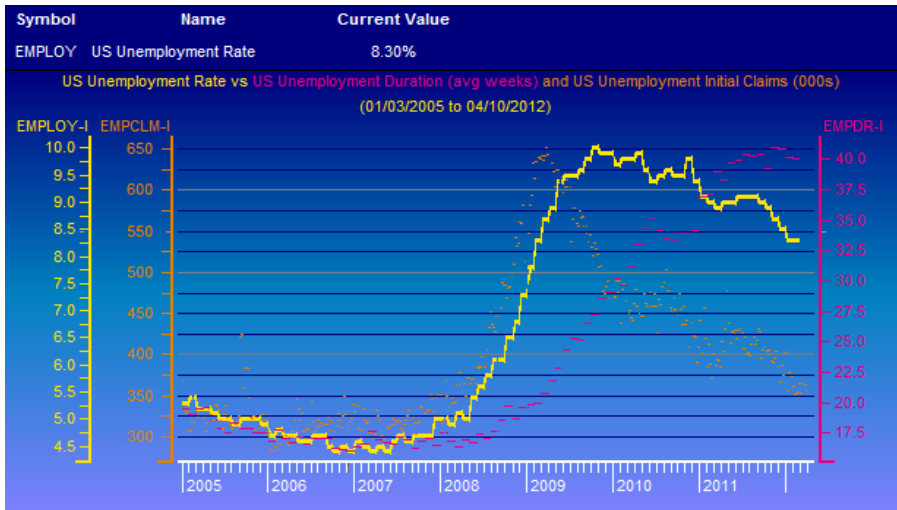
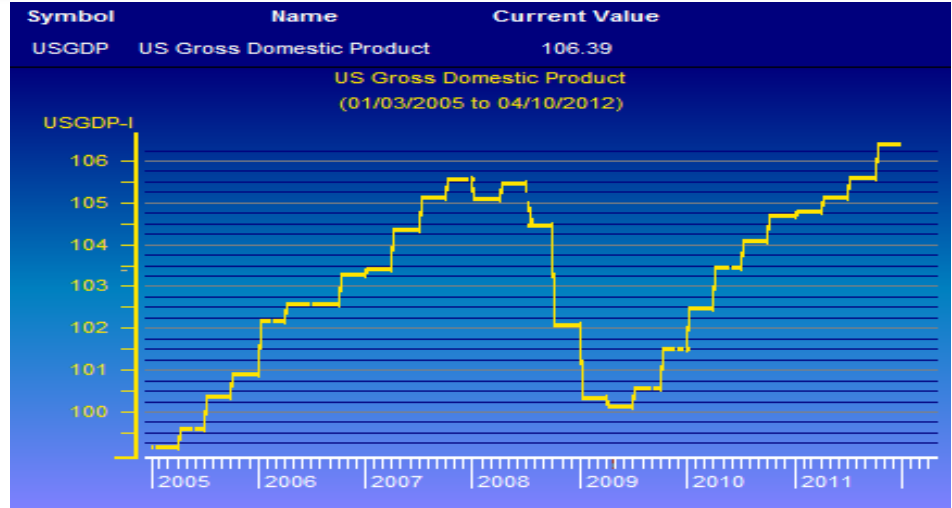
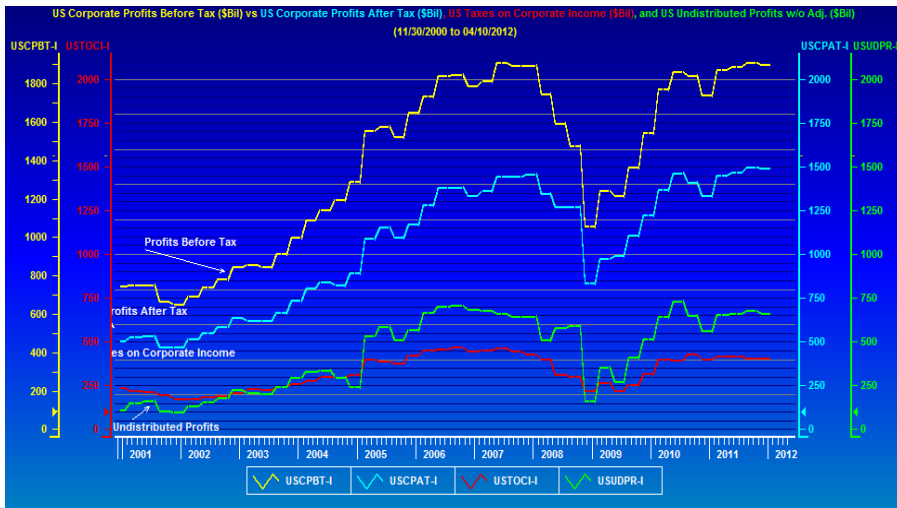
SEC Registered Investment Advisory Firm

- Investment Management Firm
- 50 years Combined Manager Experience
- Independent, Fee Only & Family Owned
- 27 Years on a CEF Board of Directors (1976-2003)
- Published only Hardback CEF Book in 1991
- Scott Letter: 19+ years & CEF Universe: 3+ Years
- \$75 Million in Assets Under Management
- Clients in 17 states with Average Assets of \$500K.
- Publicly Publish Performance to 2000+ Subscribers





Economic Update



Source: Telemet Data

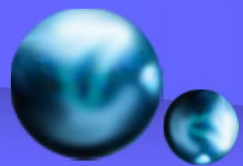


Closed-End Funds: Overview

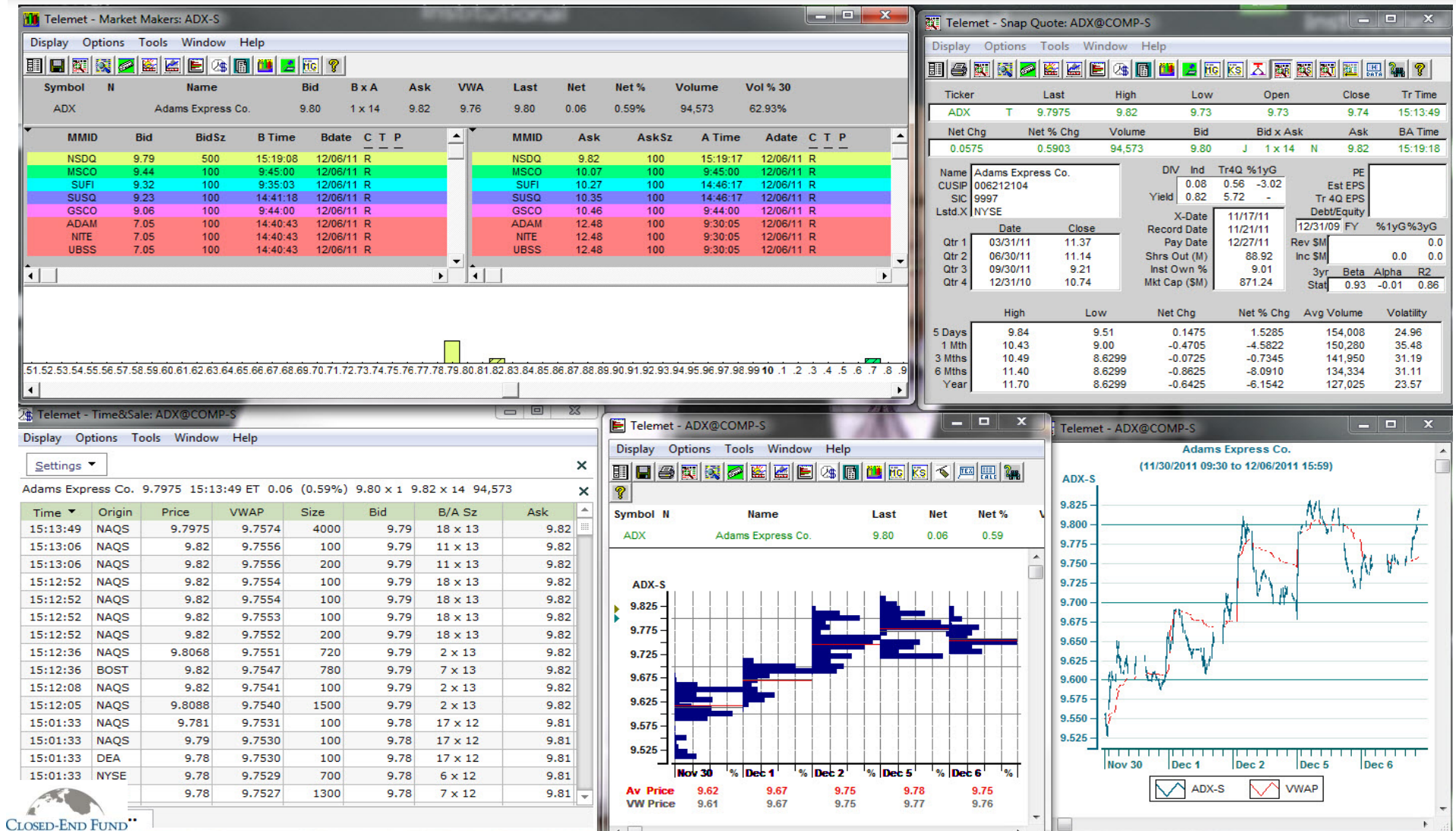
- Oldest US Fund Structure – 1893
- Best Known for Income, International & Municipal Bonds
- Discounts & Premiums to Net Asset Value
- Ability to Use *Two Unique* Types of Leverage
- Fixed Capitalization (no redemption pressure)
- Intraday Trading (Control in Price Execution)
 - Stop Loss, Limit & Good Till Cancelled Orders
- Most CEFs Listed on *The New York Stock Exchange*
- Some Unique Asset Classes: (*Covered Call / Senior Loan*)
- A Diversified & Professionally Managed Pool of Assets

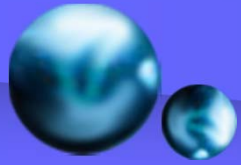


More info: http://www.cefadvisors.com/closed_end_funds.html



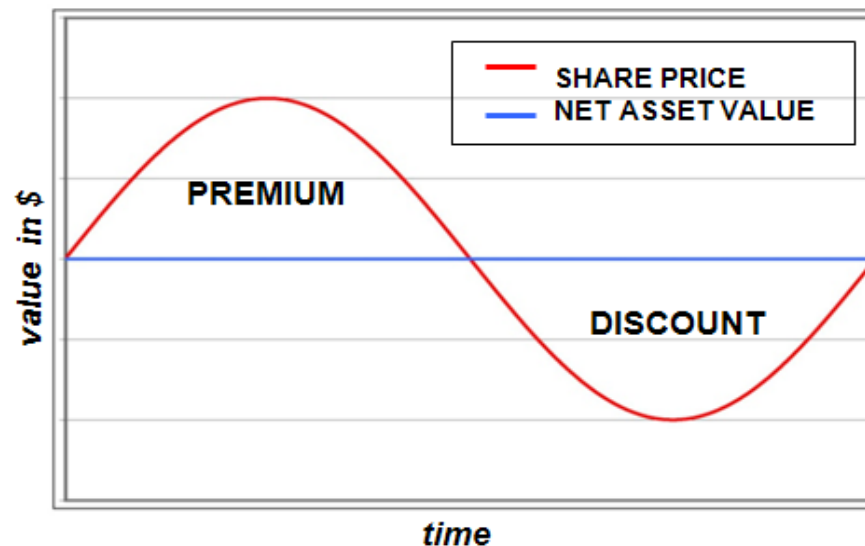
CEF Trading Example: ADX





Closed-End Fund Discounts

- CEFs are often known for their ***'infamous' discounts***. The discount is the feature built into CEFs that make them unique & potentially quite lucrative.
- We believe that CEFs historically trade at discounts because they can, and you have to price this into the value of the fund.





Relative Discount

Relative Discount: The current discount/premium of a closed-end fund vs. the fund's historical discount/premium. This data point is intended to help identify relative value for the fund vs. the absolute value of the current discount/premium.



As of 12/5/2011

Period	Avg Discount
6 Month	1.18%
1 Year	1.58%
3 Year	-3.99%
5 Year	-5.14%

Templeton Emerging Markets Income Fund: NYSE: TEI



Chart Source: CEFconnect.com



Fear and Greed with Closed-End Funds

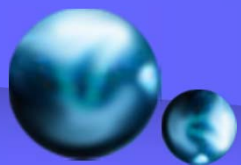


► Individual investors (85% of CEF holders) trade for various reasons, many based on **fear or greed** creating opportunities for diligent and patient investors.

► CEFs are the best investment structure to take advantage of fear and greed opportunities. They are the only investment vehicles where it is possible to know what it's worth (NAV) versus the current market price or 'perceived value'.

► If we like the **discount** AND we like the **asset class or fund**, there's clear upside when the fund's discount reverts back to normal.





Yield Comparisons

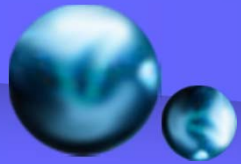
2007-Today

Symbol	Name	Last	Net	Net %	Net Chg 90	Net Chg 360	Net % 360	Net % 3Y	Net % 5Y	Net % 10Y
TYX	30 Year Bond T Yield	31.29	-0.77	-2.40%	1.58	-15.24	-32.75%	-16.69%	-36.34%	-44.60%
TNX	10 Year Note T Yield	19.83	-0.72	-3.50%	0.74	-15.96	-44.59%	-32.23%	-58.16%	-61.54%
FVX	CBOE 5 Yr Treasury Note Yie	8.50	-0.58	-6.39%	0.25	-14.61	-63.22%	-54.93%	-81.72%	-81.10%
TYA	30 Day Interest Rate	0.16	0.04	33.33%	0.08	0.07	77.78%	14.29%	-96.96%	-91.26%

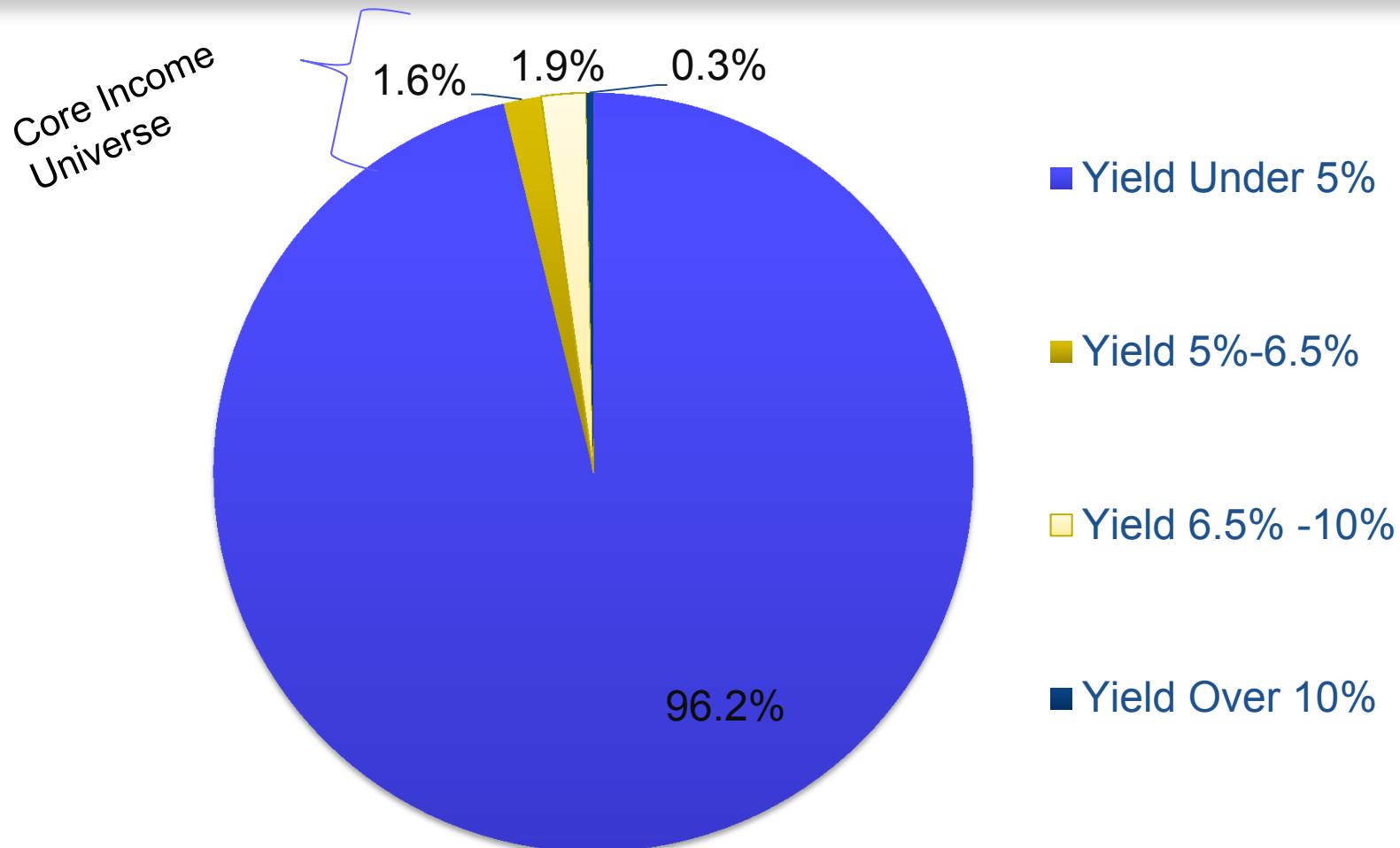
30 Year Bond T Yield vs 10 Year Note T Yield, CBOE 5 Yr Treasury Note Yield Index, and 30 Day Interest Rate
(01/01/2007 to 04/10/2012)



Source: Telemet Quote Service



Mutual Funds: By Yield



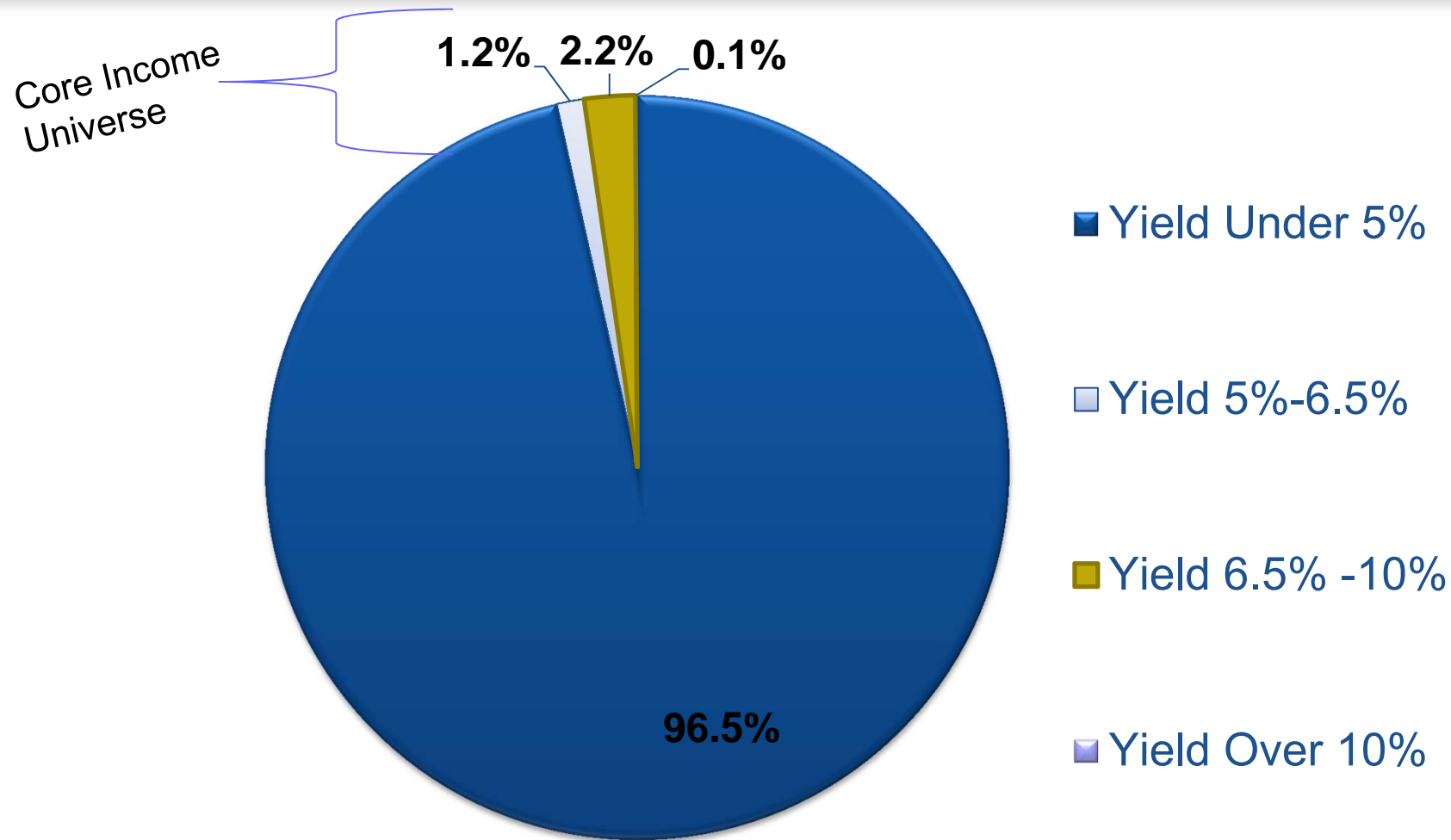
Note: 2812 mutual funds; data as of 11/1/10. We filtered for funds that were; no-load, open to new investors, minimum initial under \$25K, expense ratio under 2.75% and a maximum 12b1 fee of 0.50%. There are 23,342 open-end ticker symbols.

Source: Thomson Financial

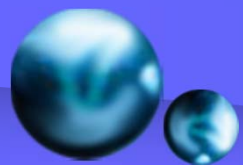




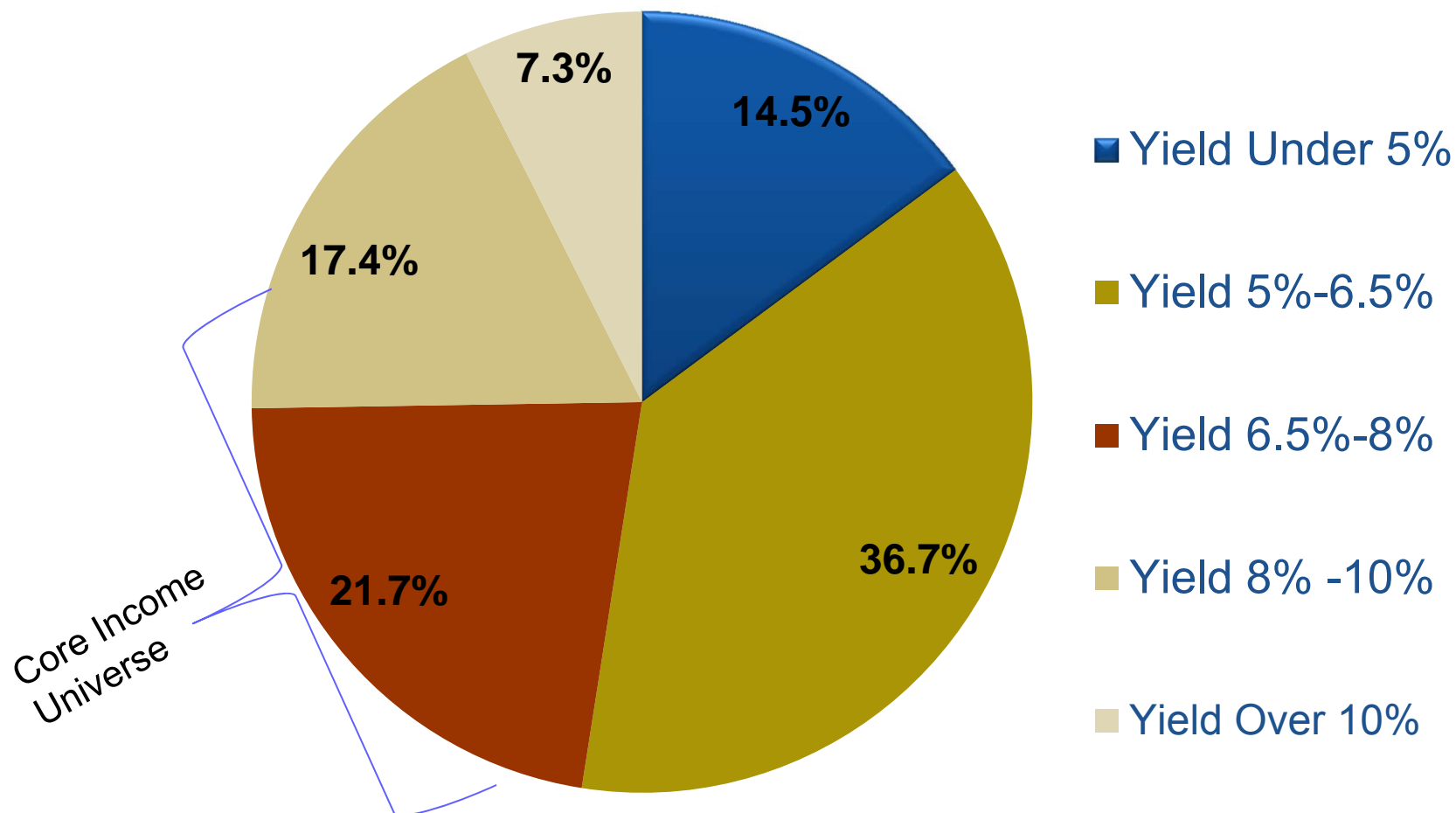
Exchange Traded Funds: By Yield



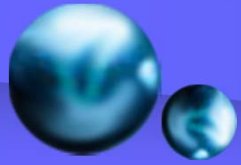
Note: 997 exchange traded funds; Morningstar data as of 12/1/10.



Closed-End Funds: By Yield

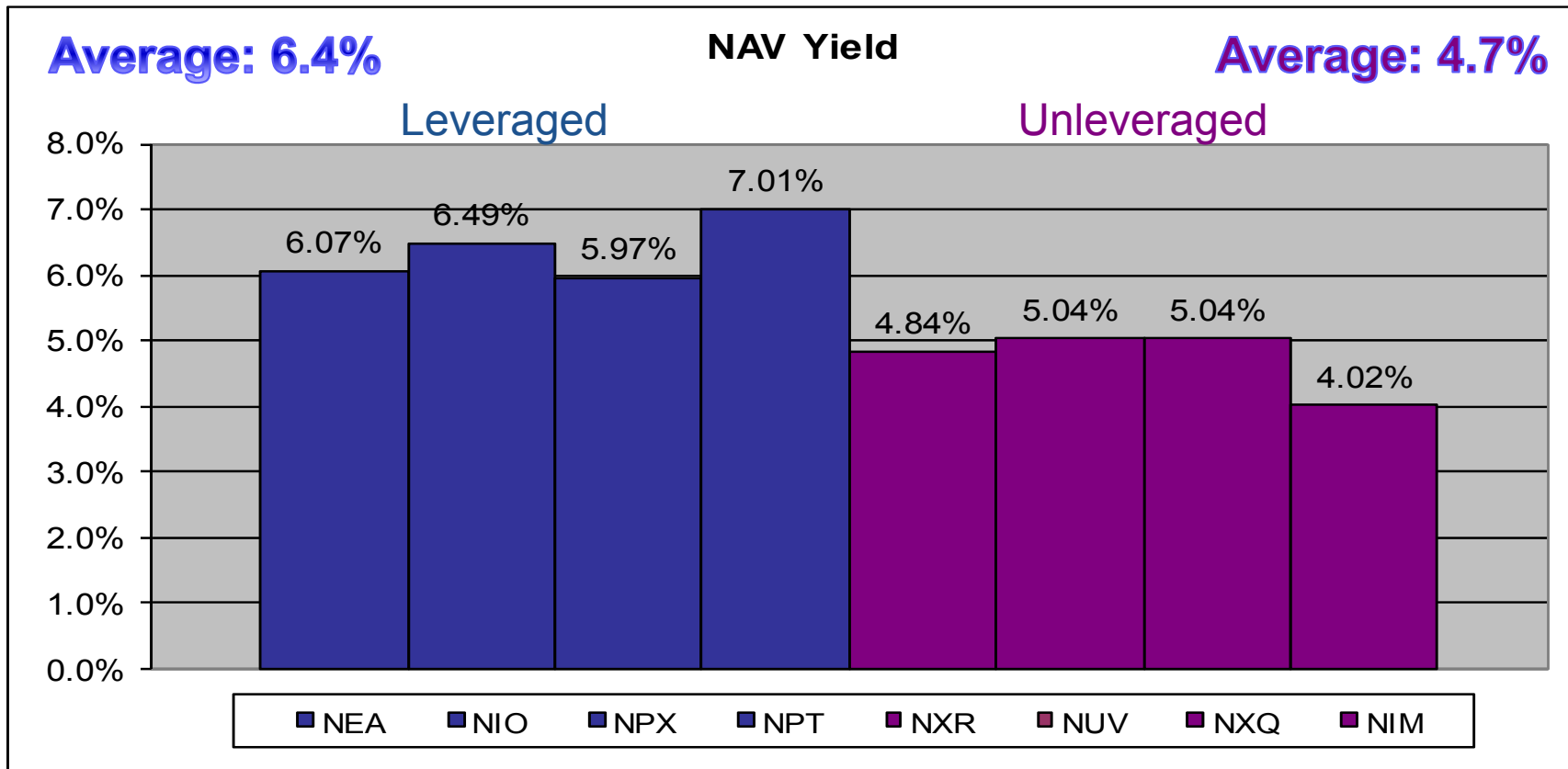


Note: 621 closed-end funds; data as of 4/10/12 , CEFConnect.com



Impact of Fund Leverage

Municipal (Tax-Free) Bond Funds



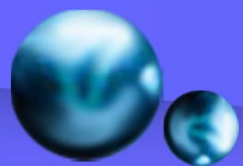
Credit Quality ranges from AA- to AA+.

Source: CEF Connect: August 10, 2011

*Currently leverage is giving muni CEFs an average of 1.65% higher distribution yield



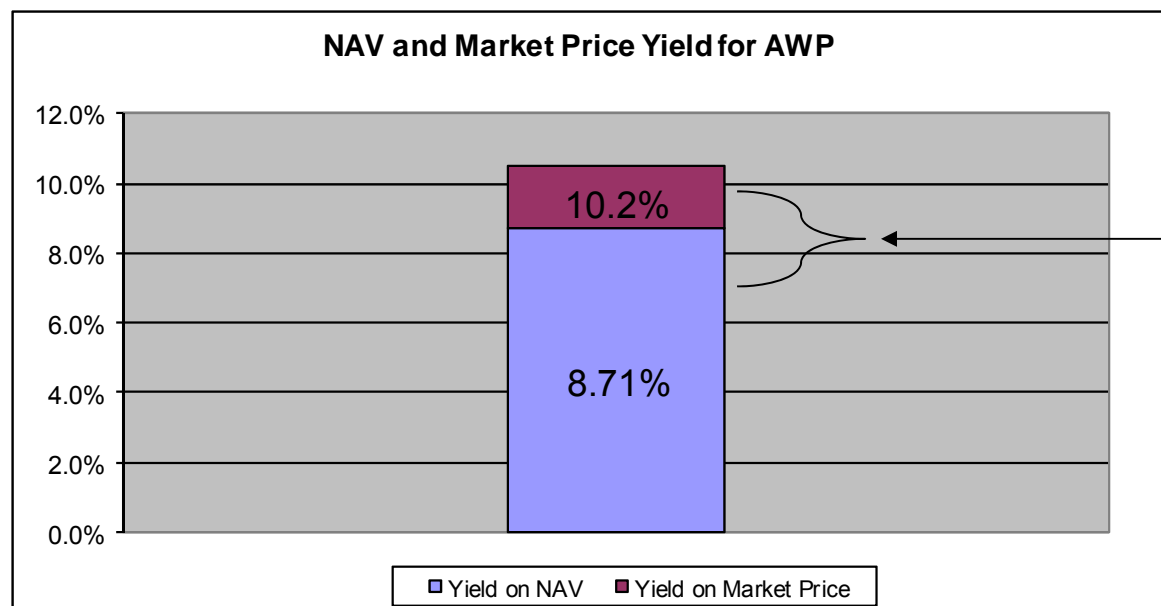
Past performance is not indicative of future results. This presentation is not intended as an offer to sell any of the funds shown. Rather, funds shown are for illustrative purposes only.



Discount Yield Benefit

Advantage of Paying “85 cents for \$1.00 of Assets”

Example: Alpine Global Premier Property (NYSE: AWP)



Discount Yield Benefit = 1.79%

Market Price: \$5.88

NAV: \$6.88

Discount: -14.53%

As of Jan 24, 2012

Source: CEF Connect



Past performance is not indicative of future results. This presentation is not intended as an offer to sell any of the funds shown. Rather, funds shown are for illustrative purposes only.



Hypothetical Portfolio of CEFs

50% Equity Funds

- US Gr. & Inc Funds
- Global Dividend Funds
- Preferred Equity Funds
- Covered Call Funds
- MLP Funds
- US REIT Funds
- International REIT Funds

50% Bond Funds

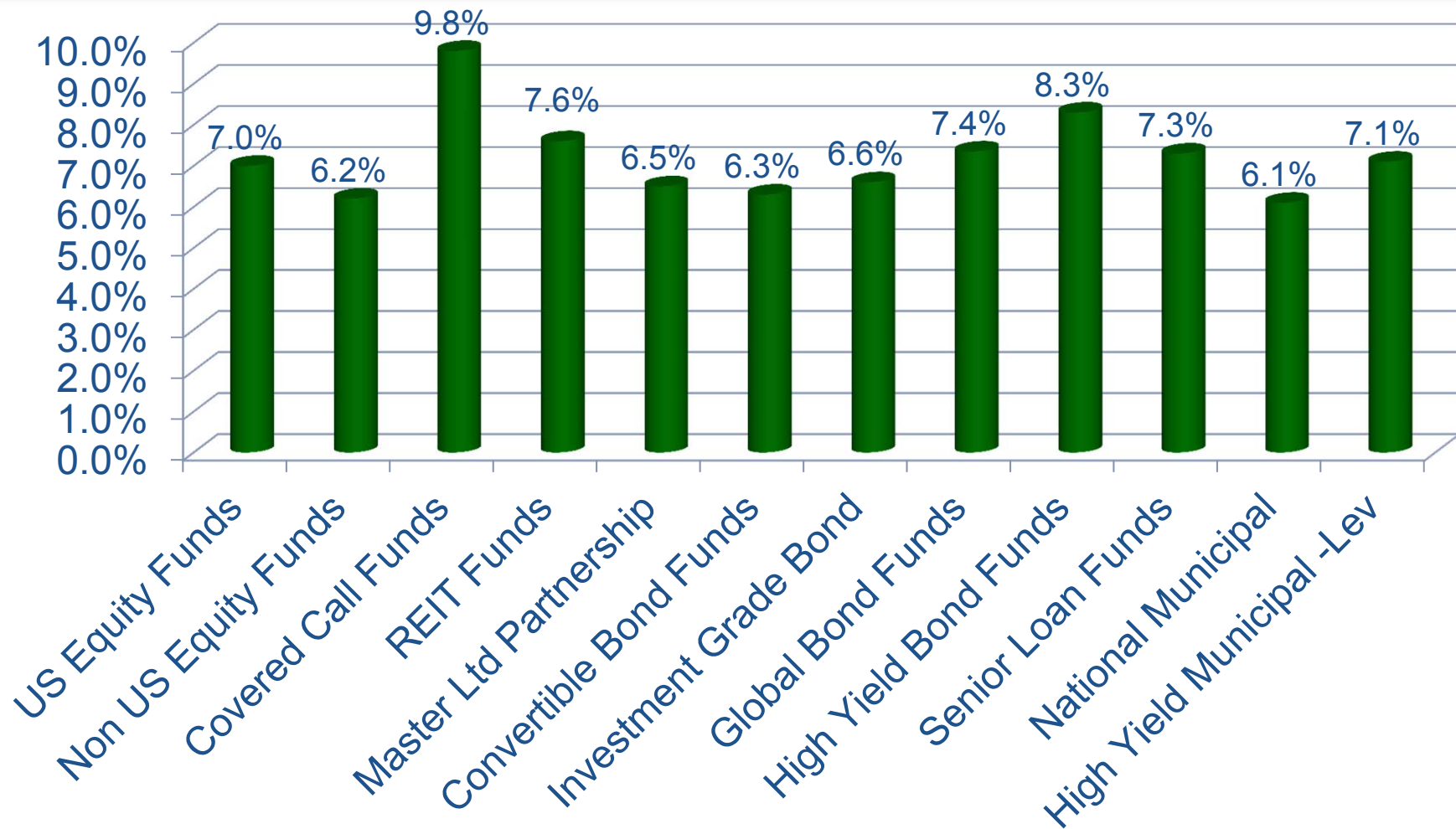
- Municipal Bond Funds ^(1/2)
- Convertible Bond Funds
- Emerging Markets Income
- High Yield Bond Funds
- Investment Grade Bonds
- Limited Duration Bonds
- Mortgage Bond Funds

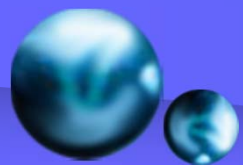
Average Blended
Portfolio Yield
6.7%

Note: We used CEF category average distribution yields as of April 6, 2012 from our CEFU report. Distribution yield does not take into effect changes in principal or market price values or fluctuations. Dividends are not guaranteed and the past cannot be used to predict future results.



Average Distribution Yield for CEFs





Key Closed-End Fund Evaluation Factors

Yield

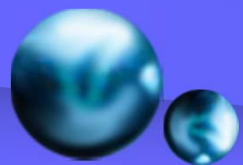
- Dividend Policy
- Income Yield vs. Indicated Yield
- Undistributed Net Investment Income (UNII)
- Return of Capital (ROC) vs. Principal

Fundamental

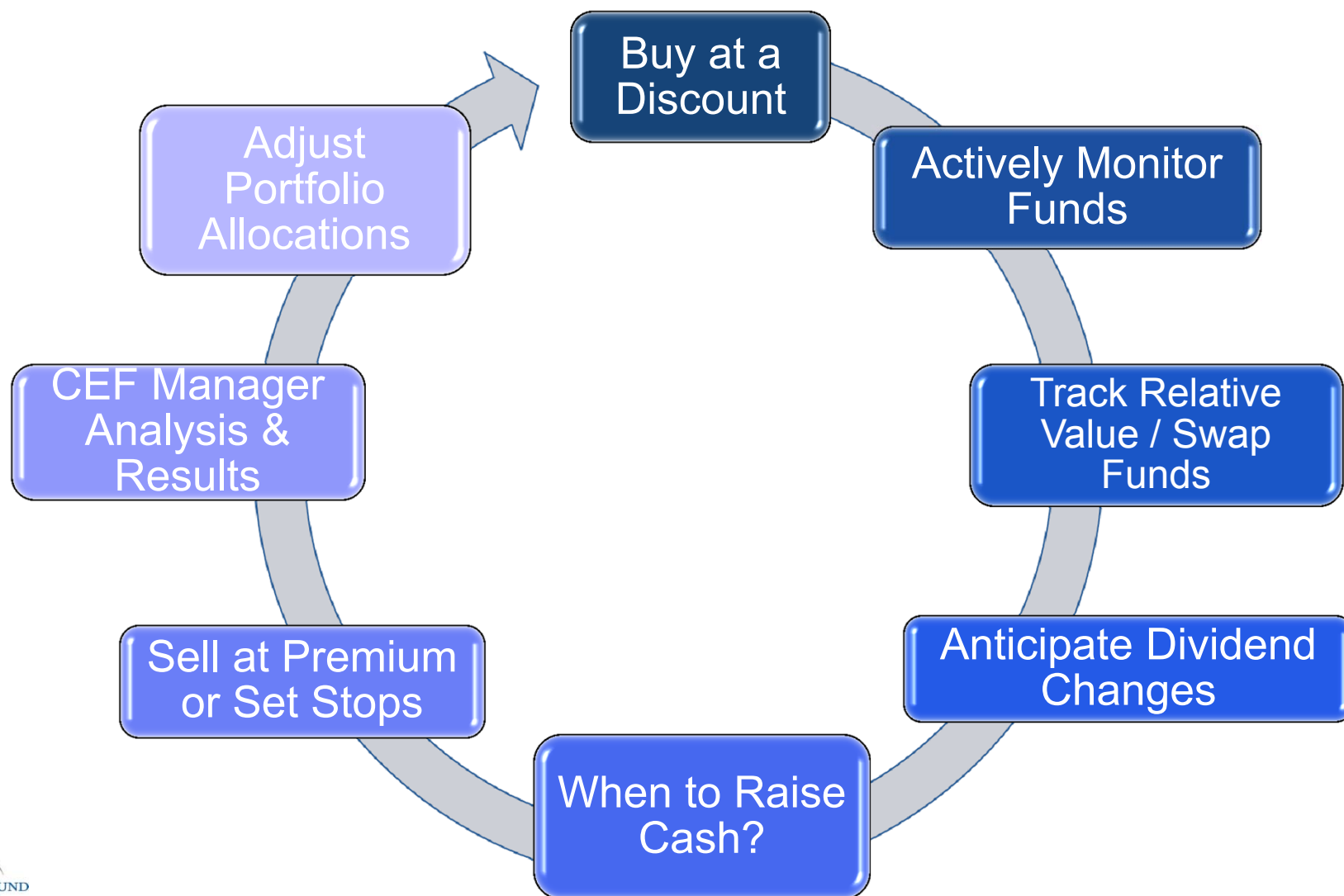
- Manager Reputation or Personality
- Portfolio Characteristics
- Net Asset Value Performance
- Press Releases / Dividend Announcements

Value

- Historical Discnt/Prem
- Peer Discounts
- Correlation & Tech. Analysis
- 52 Wk Rel.Price
- Upcoming IPO's



CEFA's Investment Process





Client Examples



- **Client #1:** \$800K IRA, wants \$5,250 a month (7.9%). *Expects* dividends to cover monthly draft.
- CEFA Portfolio: **Hybrid Income**



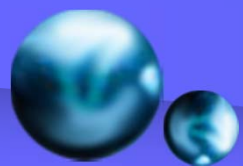
- **Client #2:** \$1.2M Trust Account and wants \$6000 a month in income (6%), 15% in tax-free bond funds and needs significant protection of principal.
- CEFA Portfolio: **Balanced/Foundation**



Current CEFA Portfolio Models

- **CEFA Diversified Growth (1999)**
 - 90% equity, 10% bond: tactical and wide mandate w/ 3%-4% yield
- **CEFA Growth & Income (1999)**
 - 85% equity, 15% bond: tactical and wide mandate w/ 4%-6% yield
- **International Equity (2002)**
 - Equity oriented funds w/ little US equity exposure 2%-3% yield
- **Hybrid Income (2006)**
 - 55/45 balance between bond & equity income funds w/ 7%-8.5% yield
- **Balanced/Foundation (2009)**
 - 65/35 balance between bond and equity funds w/ a 5%-7% yield
- **Conservative Diversified (2009)**
 - Primarily CEFs (60%), with exposure to ETFs (15%) & mutual funds (25%). Low correlation asset classes for lower portfolio volatility.



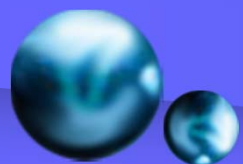


2010 Composite Performance (NET)

	Intl Equity	Diversified Growth	Growth & Income	Hybrid Income	Balanced / Foundation	Conservative Diversified
Jan	-4.30%	-3.97%	-2.29%	-0.93%	+1.25%	-0.97%
Feb	+2.67%	+2.63%	+2.42%	+2.93%	+1.94%	+1.38%
March	+5.55%	+5.12%	+4.80%	+3.51%	+2.70%	+2.40%
April	+1.27%	+2.76%	+2.16%	+1.20%	+2.28%	+0.84%
May	-8.97%	-9.15%	-7.93%	-3.96%	-5.51%	-3.82%
June	-0.55%	-1.93%	-0.67%	+1.46%	+0.46%	-0.24%
July	+7.44%	+6.72%	+5.96%	+5.08%	+3.66%	+2.05%
Aug	-1.12%	-1.78%	-1.01%	+0.12%	+0.30%	-0.03%
Sept	+9.52%	+9.19%	+7.12%	+4.70%	+4.03%	+4.06%
Oct	+7.37%	+6.05%	+6.37%	+2.57%	+3.07%	+1.43%
Nov	-2.47%	-0.09%	-0.03%	+0.08%	-1.38%	-0.21%
Dec	+3.47%	+5.16%	+4.08%	+0.16%	+1.40%	+3.46%
2010	+19.86%	+20.95%	+21.85%	+17.89%	+14.74%	+10.58%



Performance is net of fees & commissions and includes all accounts in each composite. Past performance cannot predict future results and investments with CEFA may lose value and are not guaranteed or FDIC insured. Data as of 12/31/10.



2011 Composite Performance (NET)

	Intl Equity	Diversified Growth	Growth & Income	Hybrid Income	Balanced / Foundation	Conservative Diversified
Jan	-0.85%	2.35%	+0.04%	+0.41%	-0.70%	+0.14%
Feb	+1.48%	+2.29%	+2.19%	+1.69%	+8.39%	+1.40%
Mar	+3.64%	+3.24%	+2.47%	+0.25%	+0.44%	-0.14%
Apr	+2.32%	+2.38%	+1.99%	+1.69%	+1.72%	+1.54%
May	-3.62%	-2.65%	-2.13%	+1.04%	+1.11%	+1.40%
Jun	-2.47%	-2.02%	-1.33%	-0.13%	-0.49%	-0.56%
Jul	-2.63%	-3.25%	-2.58%	-3.04%	-2.56%	-0.85%
Aug	-6.25%	-6.65%	-5.00%	-1.87%	-2.90%	-0.81%
Sep	-10.95%	-10.05%	-7.53%	-4.27%	-6.05%	-3.06%
Oct	+10.34%	+9.99%	+7.19%	+2.97%	+5.25%	+2.89%
Nov	-2.04%	-2.82%	-2.07%	-0.97%	-1.11%	-0.54%
Dec	+0.34%	+0.99%	+1.30%	+0.73%	+1.06%	+1.10%
2011	-11.56%	-9.53%	-6.11%	-1.71%	-2.20%	+2.41%



Performance is net of fees & commissions and includes all accounts in each composite. Past performance cannot predict future results and investments with CEFA may lose value and are not guaranteed or FDIC insured. Data as of 12/31/11.



US Stock Markets – 4 Year

DJ 30 Industrials vs S&P 100, NASDAQ Composite, and Russell 3000 Index
(01/01/2007 to 02/07/2012)

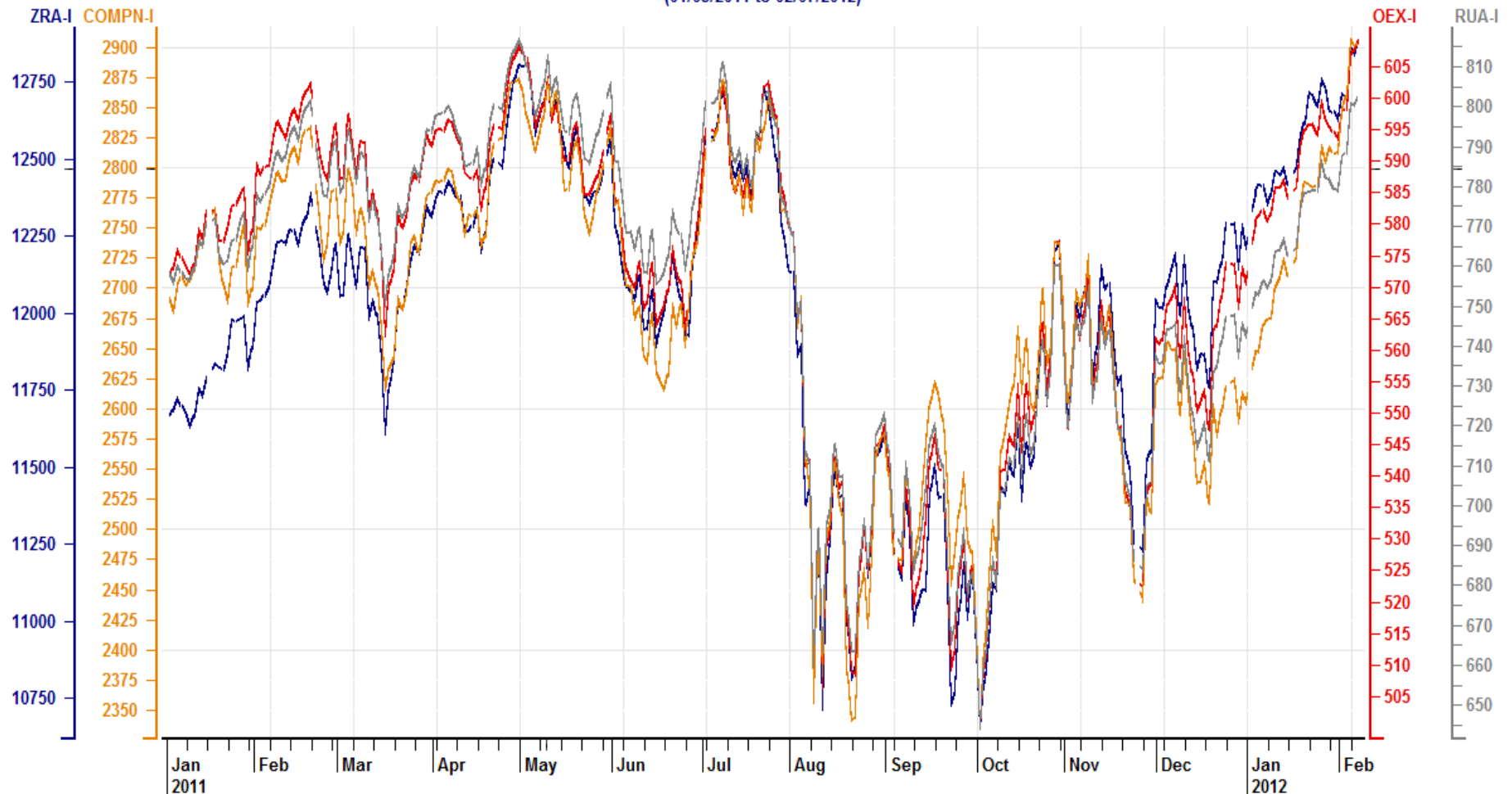


Source: Telemet

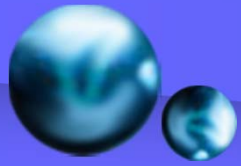


US Stock Markets – 2011-YTD

DJ 30 Industrials vs S&P 100, NASDAQ Composite, and Russell 3000 Index
(01/03/2011 to 02/07/2012)



Source: Telemet



In Summary: Why We Like Closed-End Funds

- Total Return (Yield Driven)
- Diversification
- Professional Management
- Leverage Used by Fund
- Leverage of The Discount
- Control: *Limit & Stop Orders*
- Fixed Capitalization: *No Redemption Pressures*
- Capitalize on Market Inefficiencies
- Little Institutional Ownership / Mostly Retail





For Your Information Free CEF Resources



Investment Company Institute – www.ici.org

CEF Association – www.cefa.com

Nuveen's CEF Website – www.cefconnect.com

The Scott Letter: Closed-End Fund Report – www.scottletter.com

CEFA's Blog: CEF Education & Ideas – www.CEF-Blog.com

CEF Quarterly Commentary: Jeff Margolin First Trust:
www.ftportfolios.com/Retail/Commentary/CEFCCommentaryMain.aspx

Altman Group's Activist Info: www.cefinsight.com

LinkedIn CEF Network Group: www.CEF-Network.com

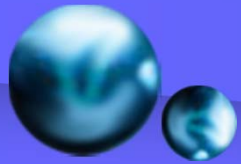
Pristine Advisor's CEFNetwork (Live Events & Webcasts): www.CEFNetwork.com

Morningstar CEF Discussion Group
<http://socialize.morningstar.com/NewSocialize/forums/100000006.aspx>

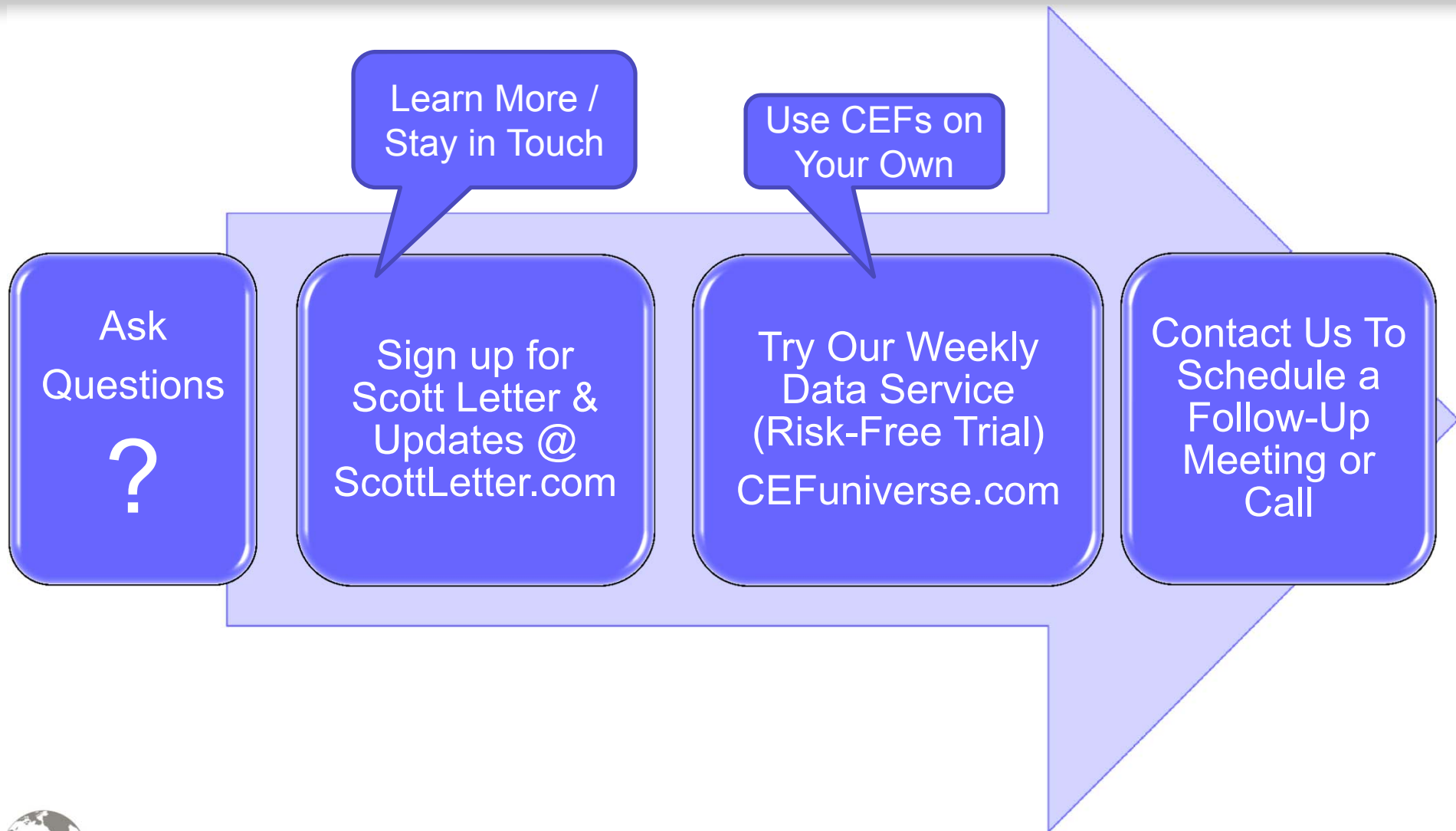
Seeking Alpha – key word “closed-end fund” - www.seekingalpha.com

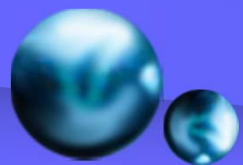
More Useful Links at: www.cefadvisors.com/investRes.html





Next Steps





Principal's Biographies

George Cole Scott

Sr. Portfolio Manager, President of Closed-End Fund Advisors

George's investment career started in 1969 when he joined a regional brokerage firm after a career as a journalist. In 1976 he helped a client buy control of a deeply discounted CEF which became Bergstrom Capital (AMEX: BEM). He served on the board of the highly rated fund for 27 years. In 1987 he founded *The Scott Letter: Closed-End Fund Report* which was a top rated print newsletter until he became a shareholder in CEF Advisors in 1996. In 1991 he co-authored the only hardback and 500 page book on CEFs with a finance professor. He is a graduate of The University of Washington, holds the FINRA 66 License and is a long time member of The Society of Financial Analysts and CFA Virginia. He has been widely published, interviewed as well as consulted with various closed-end funds. George is one of two CEF specialists with more than four decades of CEF expertise.

John Cole Scott, CFS

Portfolio Manager, Executive VP of Closed-End Fund Advisors

John has worked at the firm since 2001. He sits on the firm's investment committee holds the FINRA 66 License and the Certified Fund Specialist designation (CFS). He is a graduate of The College of William and Mary and has been quoted widely in the financial press and presented at conferences and for investment groups. In 2008 John founded *CEFA's Closed-End Fund Universe*, a comprehensive weekly data service covering 26 data points for all US listed closed-end funds. He also founded and manages The CEF Network group on LinkedIn and is editor of the firm's blog. John is a long time member of The Richmond Association for Business Economics (RABE), serves on the Investment Committee for The New York State Society of The Cincinnati and is past President and long-time Board Member of The William & Mary Society of The Alumni Richmond Chapter.





Contact Information

Thank you for your time and attention.



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