

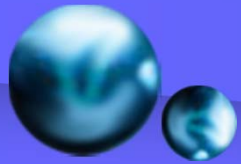
# Closed-End Fund Advisors

## Diversification, Income, & Tactical Management



***“Why Hire CEFA As Your Investment Manager?”***  
***an introduction to the firm***

**Last Updated**  
**April 12, 2012**



# Disclaimer

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# Presentation Goals



1. What are the key benefits of hiring CEFA for your investment needs?
2. Who is an ideal fit for the firm?
3. What are the operational details involved in working with CEFA?



# What Are We Going to Cover?

## Introduce

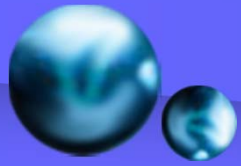
- Overview on The Firm
- Crash Course in Closed-End Funds
- Why CEFs for a Investment Accounts?

## Educate

- Income and Growth Investing with CEFs
- CEFA Research & Tools
- CEFA's Portfolio Management Process

## Execute & Evaluate

- Summary and Portfolio Models
- Net Performance, Client Experience, CEF Resources & Manager Bios

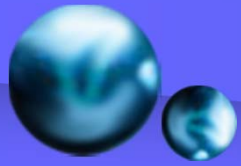


# What is CEFA?

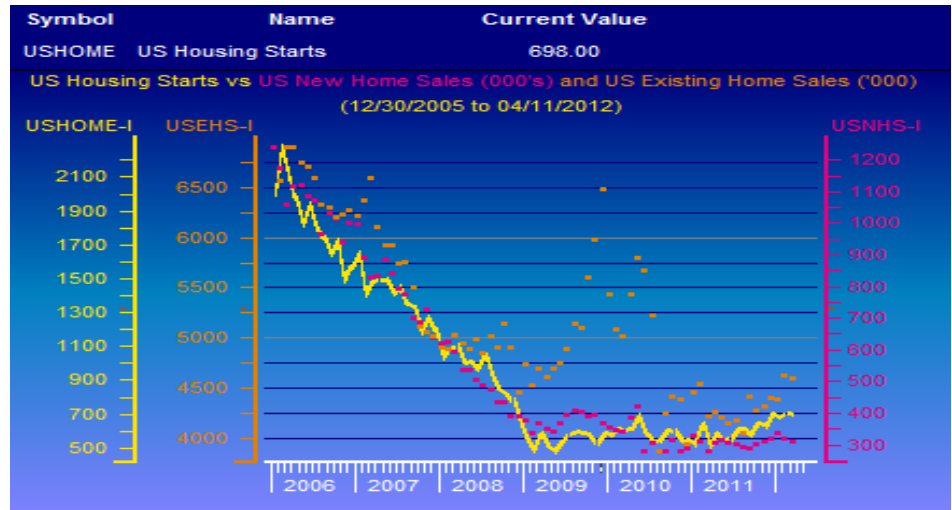
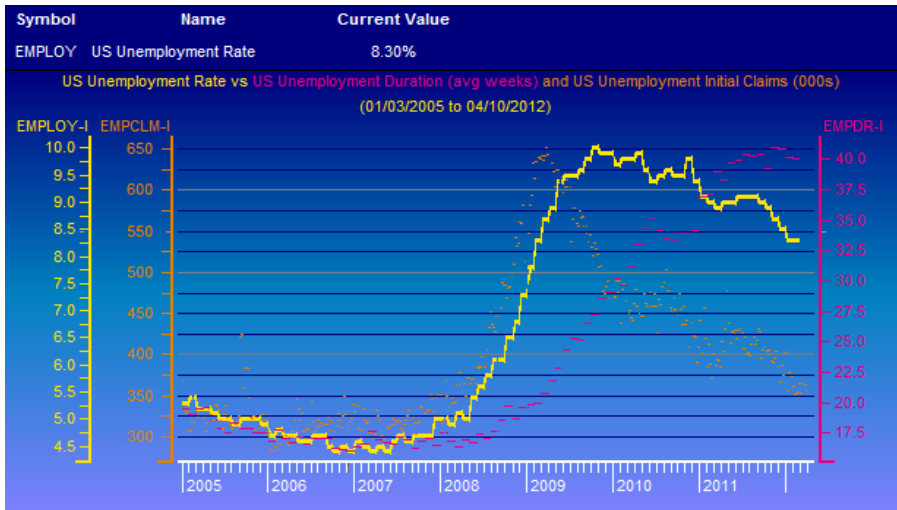
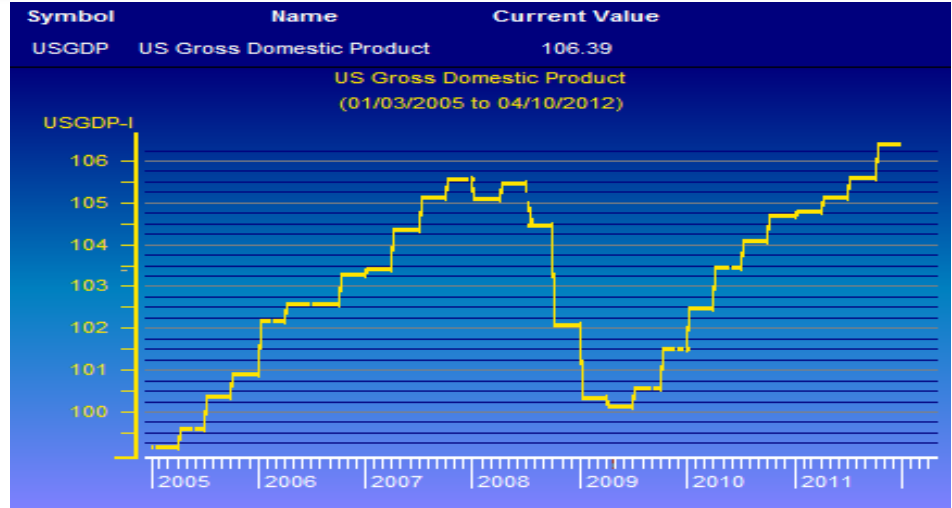
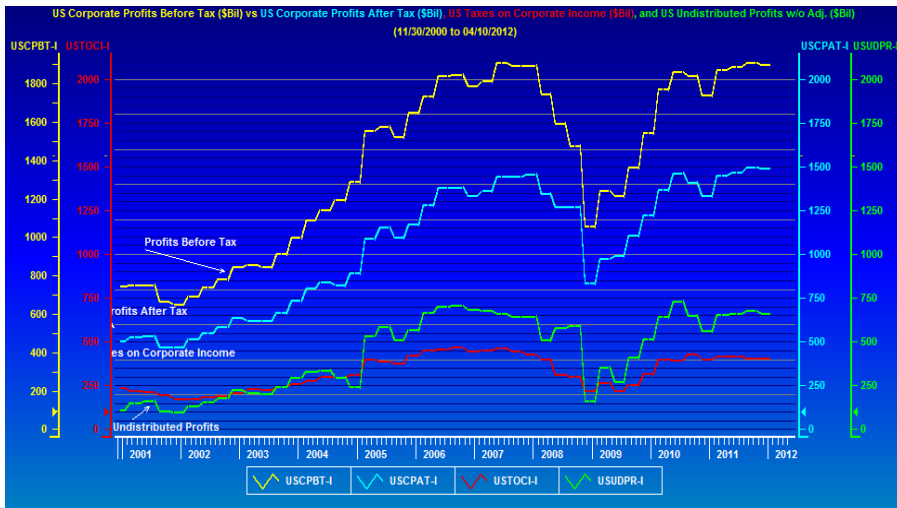
## SEC Registered Investment Advisory Firm

- Asset Management, Research & Data Firm
- 50 years Combined Manager Experience
- Independent, Fee Only & Family Owned
- 27 Years on a CEF Board of Directors ('76-'03)
- Published only Hardback CEF Book (1991)
- *Scott Letter*: 20 years & *CEF Universe*: 4 Years
- Owner *CEF Network* on LinkedIn (725+ Members)
- Nine Regular Webinar Sessions (Six Are Educational on CEFs)
- \$75 Million in Assets Under Management
- Clients in 17 states with Average Assets of \$500K+
- Publically Publish Performance to 2000+ Subscribers





# Economic Update



Source: Telemet Data





# Closed-End Funds: Overview

- Oldest US Fund Structure: 1893
- NOT an *Exchange Traded Fund* (ETF) or *Mutual Fund* Closed to New Investors
- 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
- Best Way to Capture Market Inefficiency's: Fear & Greed
- *Above Normal* Yield from Equity & Fixed Income Exposure
- A Diversified & Professionally Managed Investment



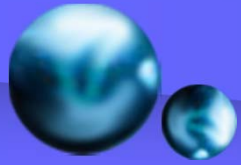
More info: [http://www.cefadvisors.com/closed\\_end\\_funds.html](http://www.cefadvisors.com/closed_end_funds.html)



## Closed-End Funds vs. Open-End Mutual Funds & Exchange Traded Funds

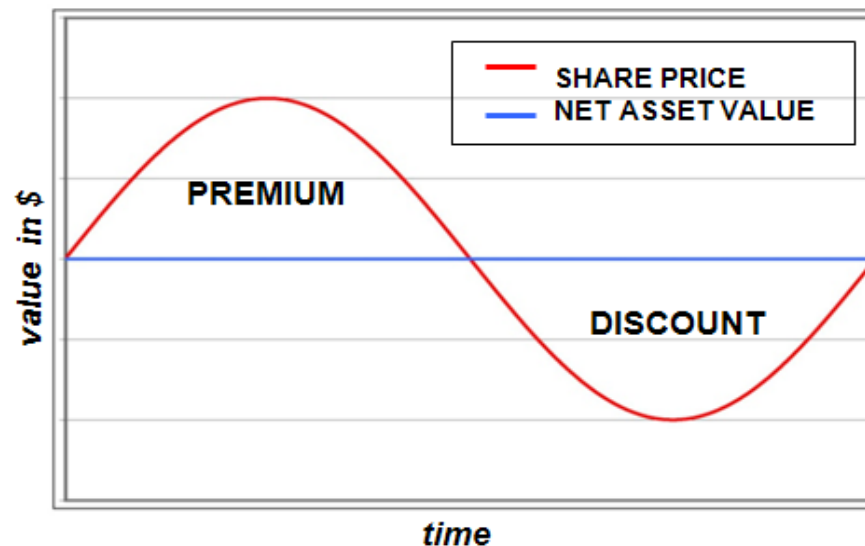
	Discount	Trading	Capitalization	Redemption Pressure	Leverage	Active Management	Expense Ratios
<b>CEFs</b>	Yes	Intraday	Fixed at IPO* (except DRIPs, secondary, tender, etc.)	None, manager can make pure investment decisions	Yes, if the fund wishes. (income)	Yes	Often lower than comparable MF peers
<b>ETFs</b>	No*	Intraday	Creation Unit Redemption	Not really as "not managed"	No* (derivatives only)	No	Tends to be lowest
<b>Mutual Funds</b>	No	After 4pm post trading	Constant in and out flow ("open")	Yes, can force manager to make buy/sell decisions	No*	Yes	Can be higher, many have load fees and 12b1 fees.





# 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.

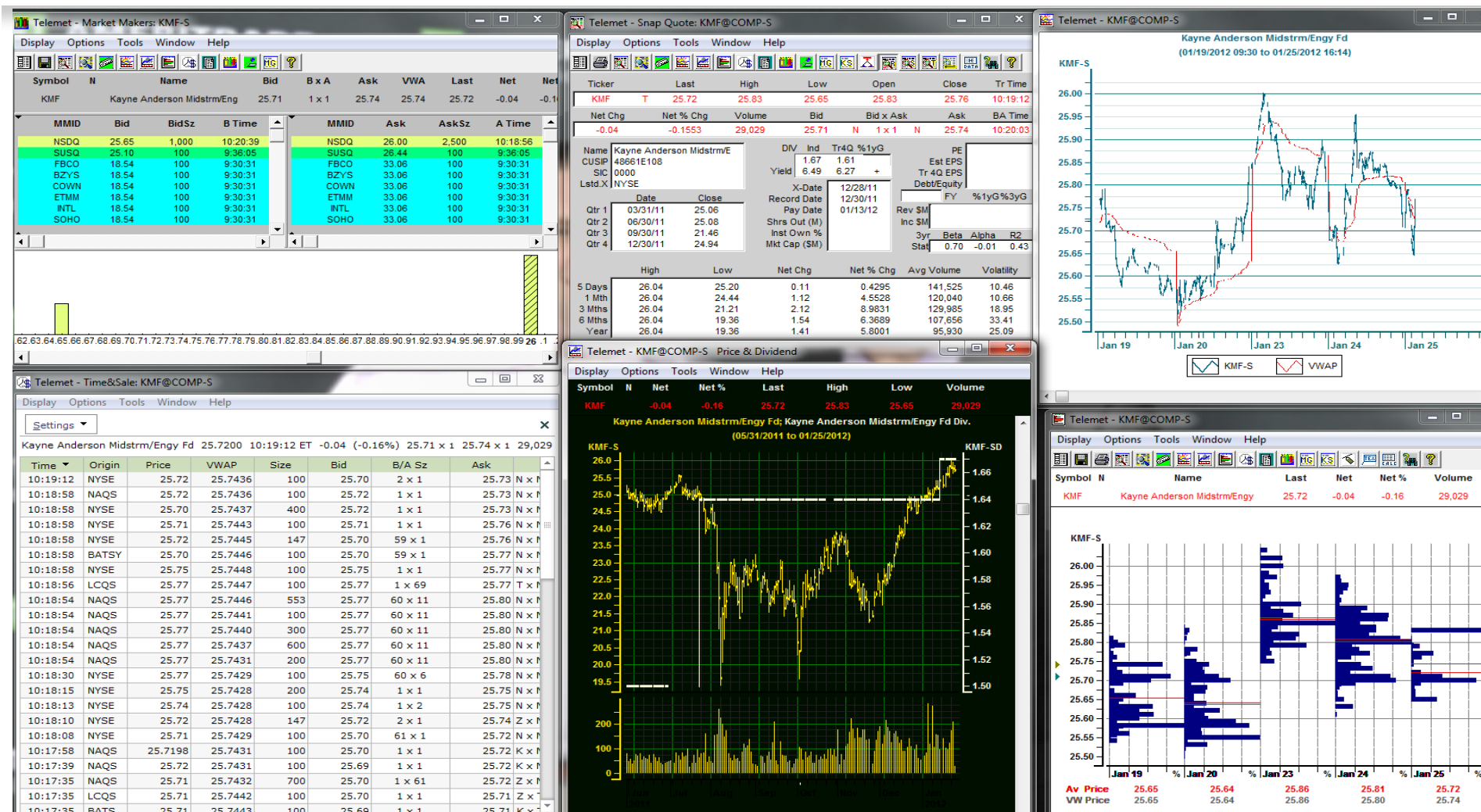
► CEFs are the best investment structure to take advantage of fear and greed opportunities. They are the only investment vehicles where it is possible to know what it's worth (NAV) versus the current market price or 'perceived value'.

► 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.





# CEF Trading Example: KMF





# Growth & Income Investing with CEFs

- CEFs offer the ability to gain exposure to every major (and a few unique) sectors of the equity and fixed income marketplace.
- CEFs have the opportunity to offer tax sensitive investors exposure to *Tax Advantage Equity* and *Municipal Bond Funds*.
- Only 6.0% of CEFs have a distribution yield of under 3.5%, so they are often viewed total return investment vehicles.
- While CEFs work well in taxable accounts, they offer extra advantages in foundation, tax-free or tax-deferred accounts.
- For over 20 years, we have found that a dividend-based investment strategy has worked well for our clients of all ages, investment objectives and tax brackets.





# 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)

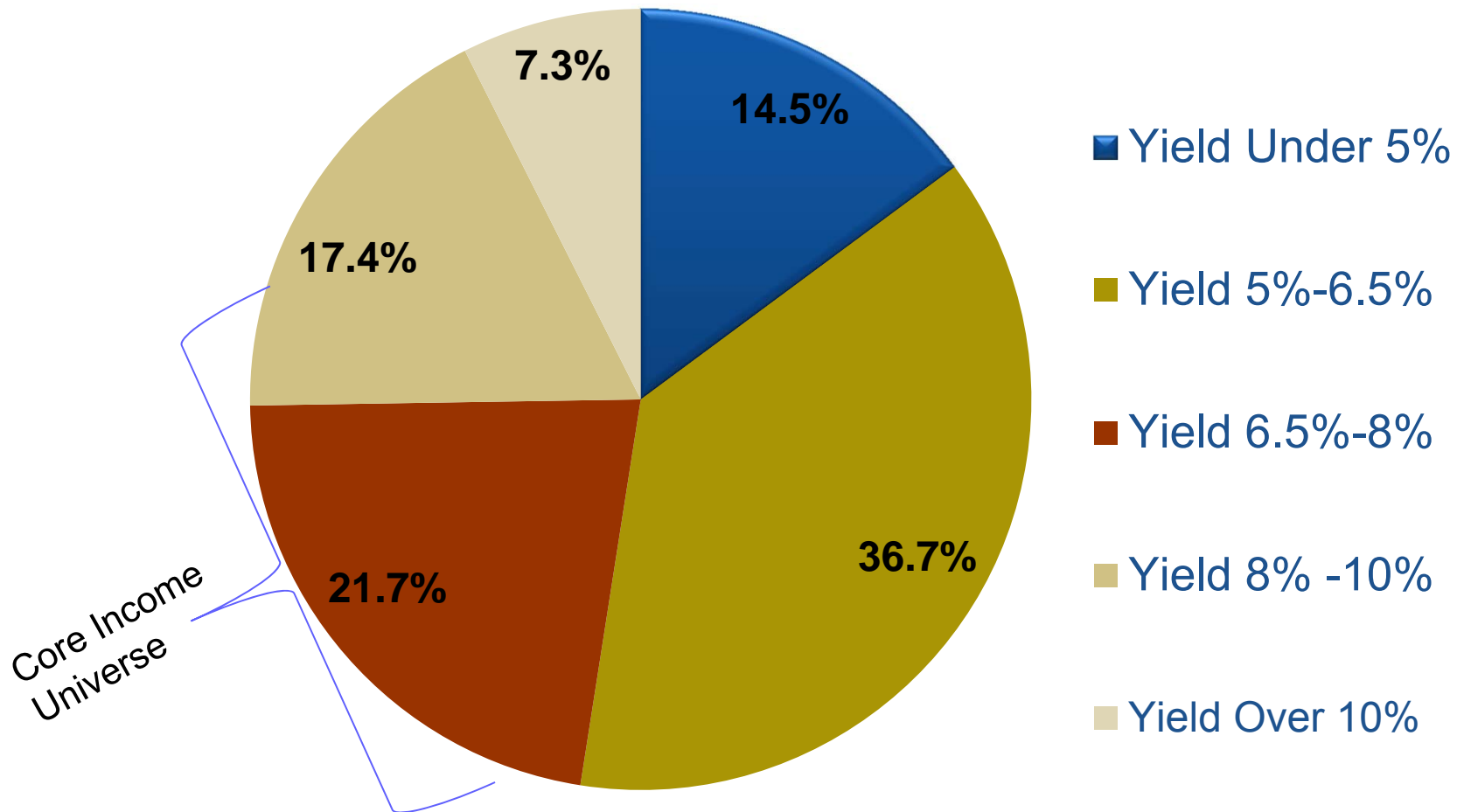


Source: Telemet Quote Service





# Closed-End Funds: By Yield

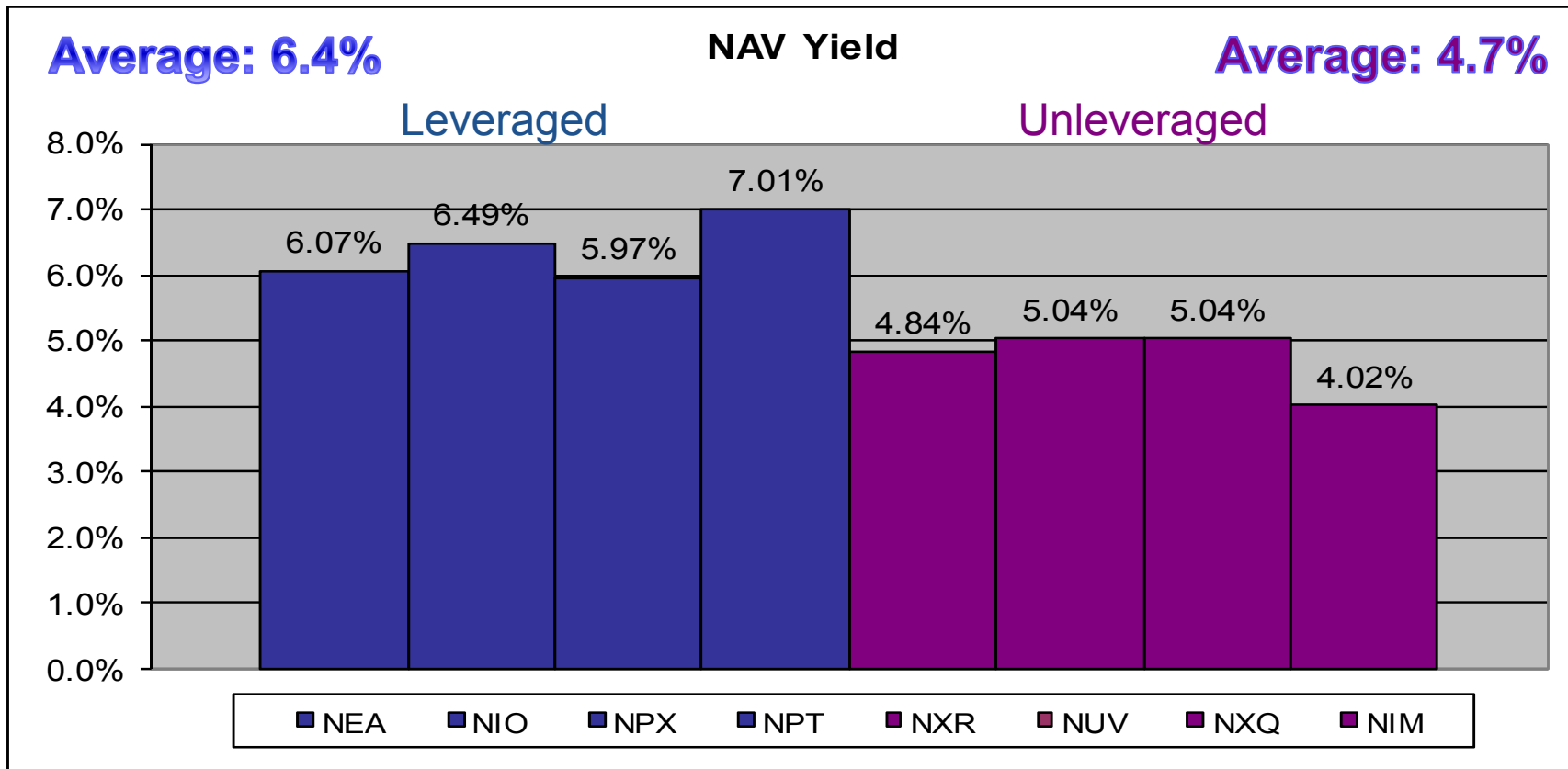


Note: 621 closed-end funds; data as of 4/10/12 , CEFConnect.com



# Impact of Fund Leverage

## Municipal (Tax-Free) Bond Funds



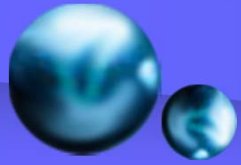
Credit Quality ranges from AA- to AA+.

Source: CEF Connect: August 10, 2011

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



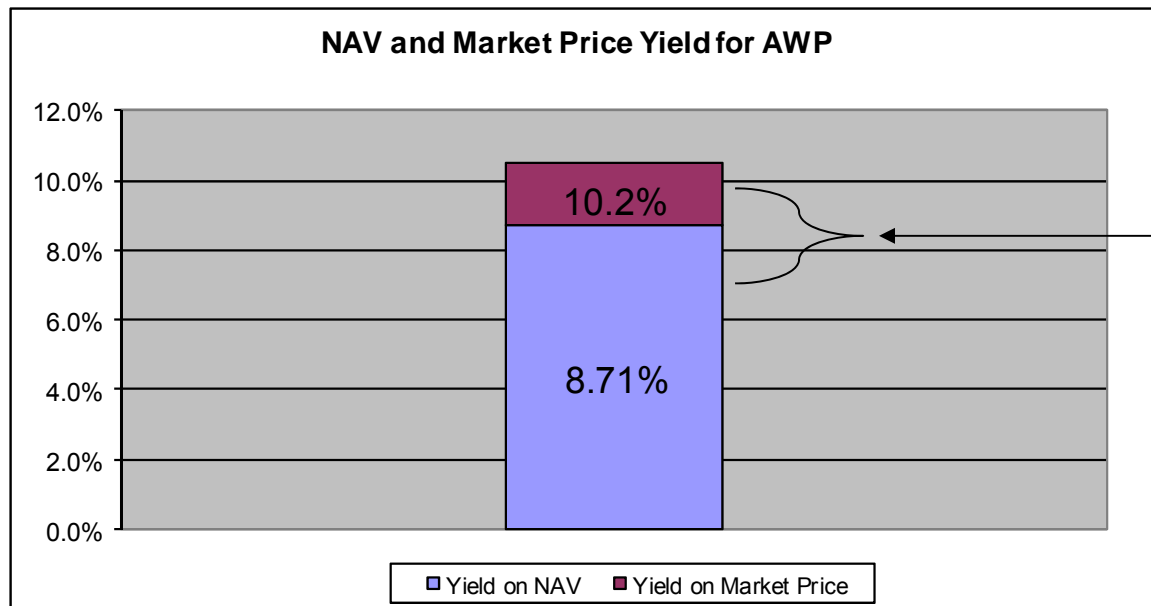
Past performance is not indicative of future results. This presentation is not intended as an offer to sell any of the funds shown. Rather, funds shown are for illustrative purposes only.



# 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

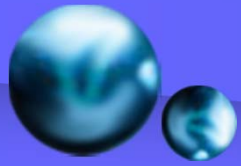
- US Gr. & Inc Funds
- Global Dividend Funds
- Preferred Equity Funds
- Covered Call Funds
- MLP Funds
- US REIT Funds
- International REIT Funds

## 50% Bond Funds

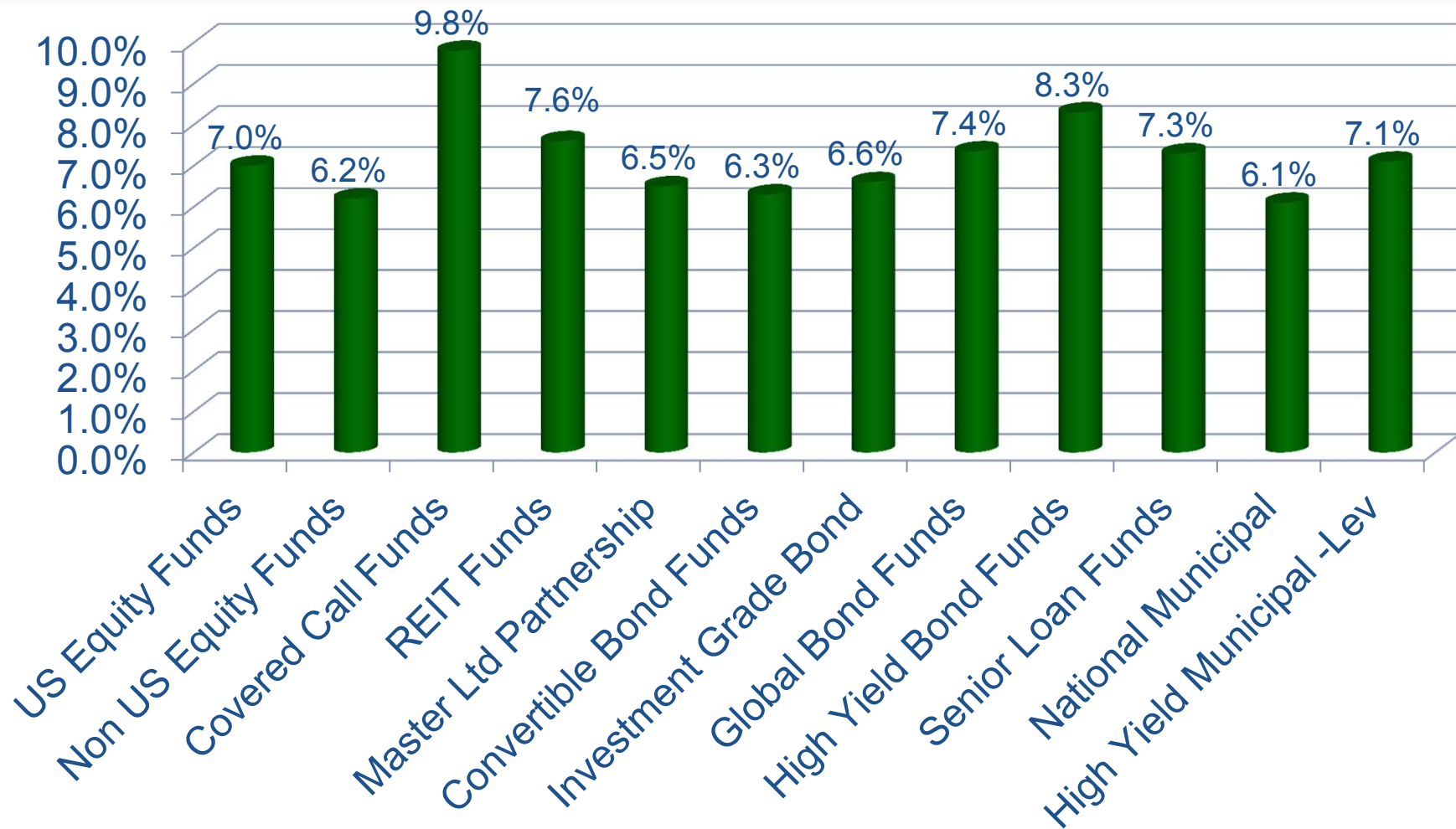
- Municipal Bond Funds <sup>(1/2)</sup>
- Convertible Bond Funds
- Emerging Markets Income
- High Yield Bond Funds
- Investment Grade Bonds
- Limited Duration Bonds
- Mortgage Bond Funds

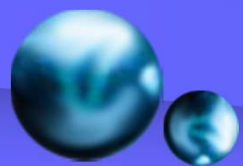
Average Blended  
Portfolio Yield  
**6.7%**

*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
- Earnings Ratio

## 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
- 1 Year Z-Stat
- Mkt Pr & NAV Divergence





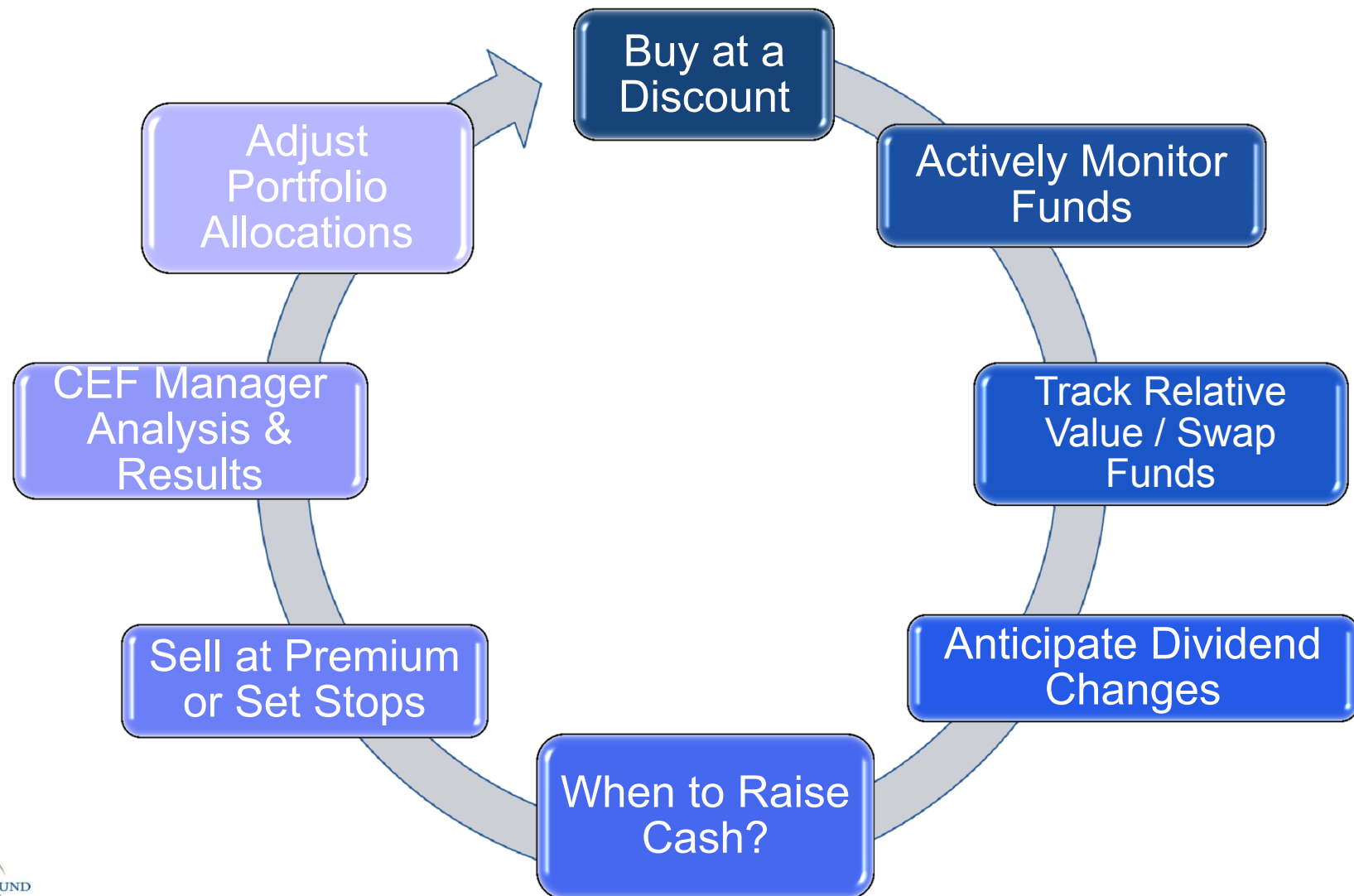
# CEFA Research & Resources

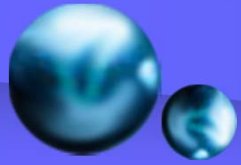
- Contact with Portfolio Managers & IR at many Funds
- CEF Analysts Coverage
- Level 2 Trade Data on All CEFs
- CEF Trading & Execution Firm
- Intraday NAV Changes
- Access to All Available CEF Resources
- CEF Discussion Groups (M\* / LI)
- Member of Closed-End Fund Association





# 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

(Data as of February 29, 2012)

- **CEFA Diversified Growth (1/1999)**
  - 90% equity, 10% bond: tactical and wide mandate w/ 3%-4% yield **[+5.87%]**
- **CEFA Growth & Income (1/1999)**
  - 85% equity, 15% bond: tactical and wide mandate w/ 4%-6% yield **[+4.59%]**
- **International Equity (11/2002)**
  - Equity oriented funds w/ little US exposure 2%-3% yield **[+12.20%]**
- **Hybrid Income (12/2006)**
  - 55/45 split of bond & equity income w/ 7%-8.5% yield **[+1.93%]**
- **Balanced/Foundation (10/2009)**
  - 65/35 balance of bond & equity funds w/ 5%-7% yield **[+17.02%]**
- **Conservative Diversified (5/2009)**
  - Primarily CEFs (60%), with exposure to ETFs (15%) & mutual funds (25%). Low correlation asset classes for lower volatility **[+7.25%]**





# 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%
<b>2010</b>	<b>+19.86%</b>	<b>+20.95%</b>	<b>+21.85%</b>	<b>+17.89%</b>	<b>+14.74%</b>	<b>+10.58%</b>



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%



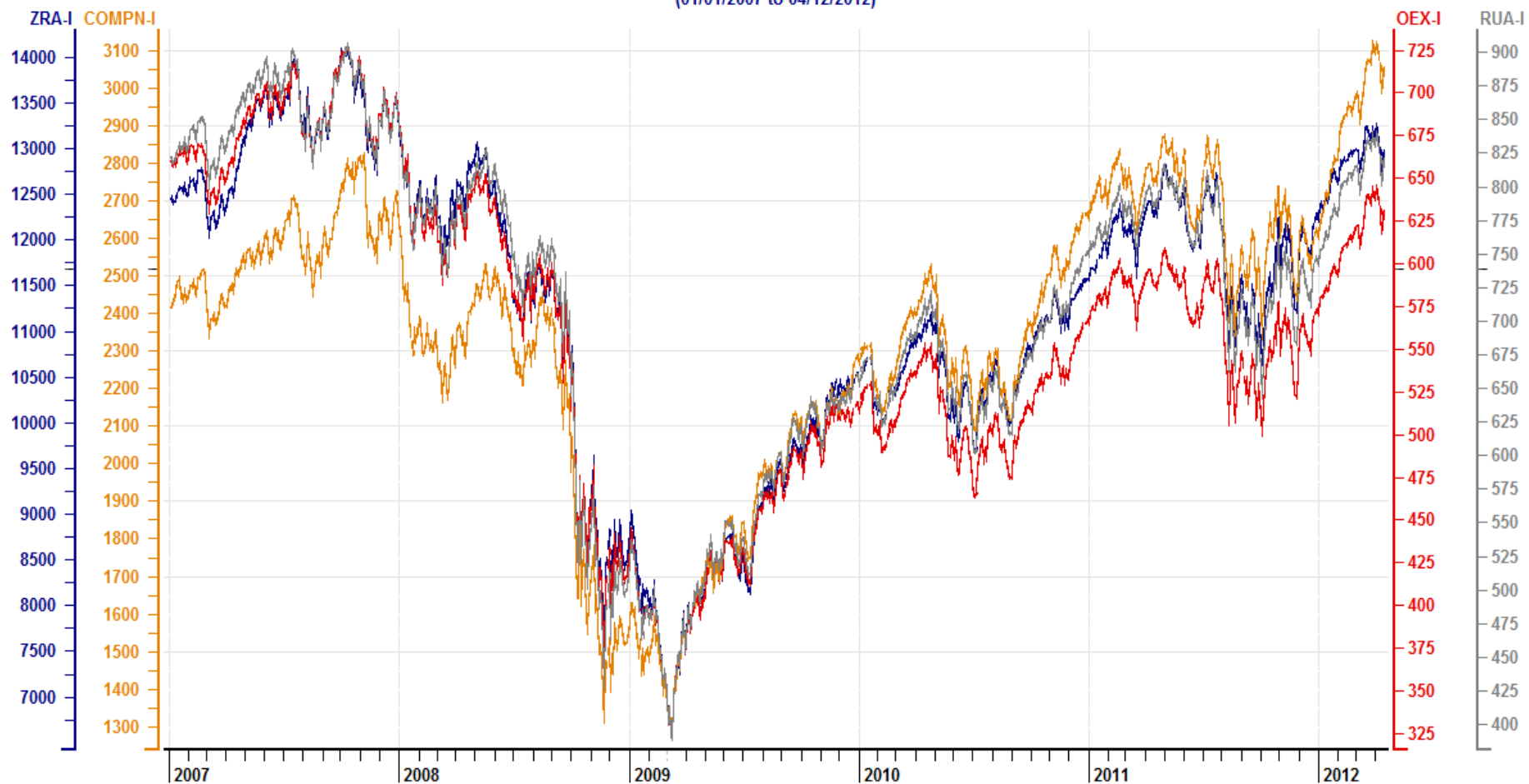
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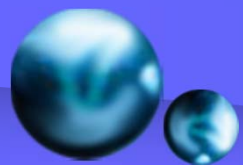
# US Stock Markets: 5 Year

DJ 30 Industrials vs S&P 100, NASDAQ Composite, and Russell 3000 Index  
(01/01/2007 to 04/12/2012)



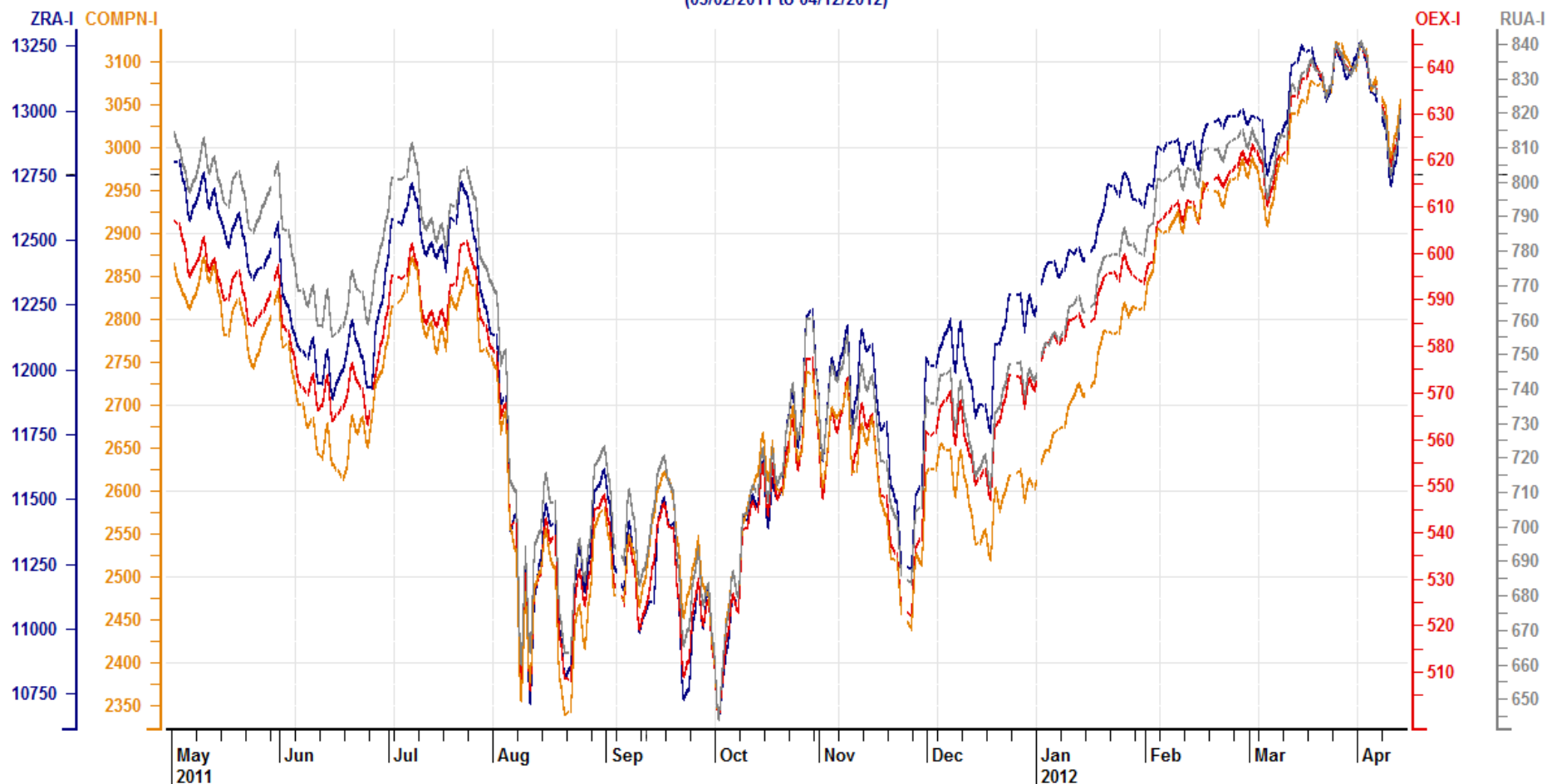
Source: Telemet

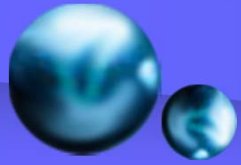




# US Stock Markets: 1 Year

DJ 30 Industrials vs S&P 100, NASDAQ Composite, and Russell 3000 Index  
(05/02/2011 to 04/12/2012)





# Fee's and Operations

- CEFA Charges (Annually):
  - 1.50% on the First \$500K
  - 1.25% on the Next \$500K
  - 1.00% from \$1M - \$5M
  - 0.85% on Amounts over \$5M
- Billed Quarterly in Advance from Account.
- Our Fee's/Compensation: *Tied to Your Performance*
- Open to Any Custodian that Gives Us Online Access & Step Out Trading. (TD Ameritrade is Primary)
- Minimum Client Household Assets \$500K.

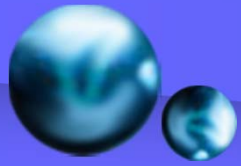




# New Client Experience

- Thorough Qualification and Interview Process *to Determine CEFA Model.*
- New Accounts or Assets: 45 to 100 Days To *Fully Invest.*
- Stay in Touch Regularly with New Clients, *especially* for first 90 Days.
- Individual Needs Addressed for Your Accounts.
- Client Letter, Scott Letter Interviews & Blog, Email Updates on the Markets, Models or Firm.
- Access to Your Portfolio Manager.

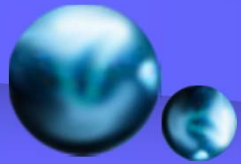




## In Summary: Why We Like Closed-End Funds

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





# Next Steps

Ask Us  
Questions



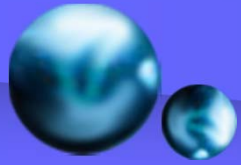
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Letter, CEF &  
Firm Updates @  
ScottLetter.com

Contact Us for  
More Information  
& Review our  
Form ADV II

[www.CEFAdvisors.com](http://www.CEFAdvisors.com)







# 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.





# For Your Information Free CEF Resources

Investment Company Institute – [www.ici.org](http://www.ici.org)

CEF Association – [www.cefa.com](http://www.cefa.com)

Nuveen's CEF Website – [www.cefconnect.com](http://www.cefconnect.com)

Morningstar's CEF Site: <http://www.morningstar.com/Cover/CEF-Closed-End-Funds.aspx>

The Scott Letter: Closed-End Fund Report – [www.scottletter.com](http://www.scottletter.com)

CEFA's Blog: [www.CEF-Blog.com](http://www.CEF-Blog.com)

CEF Quarterly Commentary: Jeff Margolin First Trust:  
[www.ftportfolios.com/Retail/Commentary/CEFCOMMENTARYMain.aspx](http://www.ftportfolios.com/Retail/Commentary/CEFCOMMENTARYMain.aspx)

CEF Insight (Altman Group's Activist Info): [www.cefinsight.com](http://www.cefinsight.com)

LinkedIn CEF Network Group: [www.cef-network.com](http://www.cef-network.com)

Pristine Advisor's CEFNetwork (Live Events & Webcasts): [www.CEFNetwork.com](http://www.CEFNetwork.com)

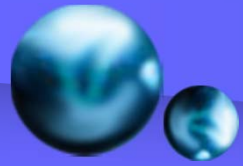
Morningstar CEF Discussion Group  
<http://socialize.morningstar.com/NewSocialize/forums/100000006.aspx>

Seeking Alpha – key word “closed-end fund” - [www.seekingalpha.com](http://www.seekingalpha.com)



More Useful Links at: [www.cefadvisors.com/investRes.html](http://www.cefadvisors.com/investRes.html)





# Contact Information

Thank you for your time and attention, we look forward to the opportunity to serve your investment needs.

**\*\* Please Send Us Your Feedback \*\***



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