

# THE **ABC's** OF BDCs

(BUSINESS DEVELOPMENT COMPANIES)

## AND **CLOSED-END FUNDS**



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***Closed-End Fund Advisors is a Registered Investment Advisory Firm Specializing in Closed-End Fund & BDC Research, Trading and Management Founded in 1989***

# What is a Closed-End Fund (CEF) / Business Development Company (BDC) ?

- **1940 Act Investment Company with Fixed-Capital, Active Management, and Daily Liquidity**
- CEFs have traded on The NYSE since 1893
- Tax-advantaged and earnings are passed through to investors in the form of dividends and distributions (similar to REITs and MLPs)
- CEFs can have debt and preferred shares as leverages
- BDCs Limited to 200% (\*150%) asset coverage = total assets / total debt or “one turn” of leverage, excluding SBIC facilities (BDCs). Higher fee structure w/ carry
- The closed-end structure is not an asset class but an investment vehicle “*wrapper*”
- BDCs were created by Congress in 1980 to provide an opportunity for individual non-accredited investors to participate in private investments
- BDCs are closed-end funds that provide small, growing companies access to capital
- Interval & Tender Offer CEFs (nonlisted), have been around since 1989, but gaining traction since 2017: 149 Strategies and \$75.3 Billion in AUM.



# Types of Loans Held By BDCs

1. First Lien Loans: 60%
2. Second Lien Loans: 18%
3. Unsecured Loans: 6%
4. Equity/Other: 16%

- Avg Portfolio Turnover: 34%
- Avg Variable Loans: 84% / Fixed: 16%
- Libor Floors: 42% at 1.1% Avg Level
- Avg Loan Size: \$8.8M
- 74% of Loans Under \$25MM
- Average Maturity 4.2 with a range of 2 Years to 6 years
- Avg No of Loans: 182 from 132 Companies

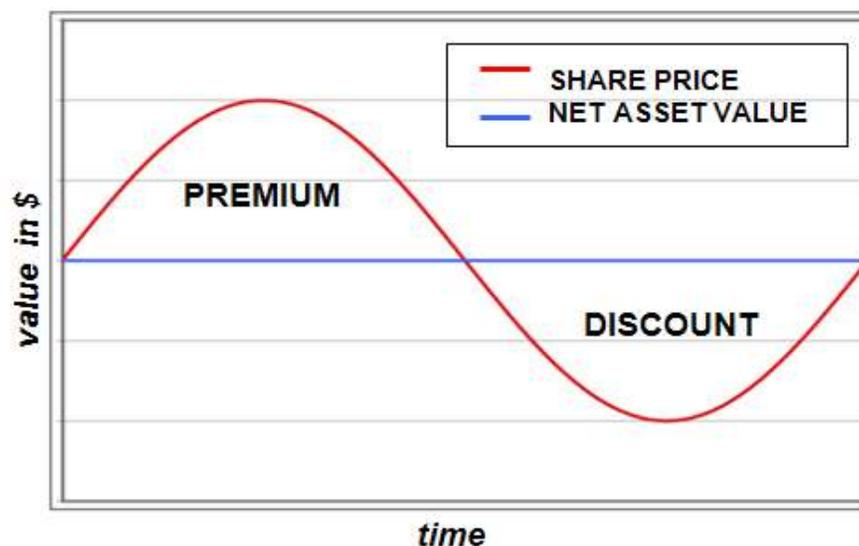


*Source: Data as of September 30, 2019 from CEFData.com*



# Discounts / Premiums

- CEFs and BDCs are often known for their ***‘infamous’ discounts***. The discount is the feature built into the “closed-ended structure” that makes them unique & potentially lucrative.
- We believe that many CEFs historically trade at discounts because they can, and you have to price this into the value of the fund. BDCs often trade above NAV in normal markets because they are a unique way to own access to the sector.





# Broad Investable Universe

	# of Funds	Total Net Assets	Premium / Discount	Market Yield	Beta	Duration	Leverage	Non Lev Expense Ratio	Average Net Assets
Equity Funds	199	\$110,110	-5.29%	7.84%	0.73		15.90%	1.47	\$553
Taxable Bond	150	\$63,714	-3.13%	7.83%	0.19	3.2	25.76%	1.43	\$425
Municipal Bond	150	\$67,204	-4.55%	4.11%	-0.03	8.4	31.95%	0.98	\$448
BDCs	49	\$35,859	-9.49%	8.86%	0.52		43.62%	6.26	\$732
<b>Total CEFs</b>	<b>548</b>	<b>\$276,888</b>	<b>-4.87%</b>	<b>6.91%</b>	<b>0.36</b>	<b>6.0</b>	<b>25.46%</b>	<b>1.76</b>	<b>\$505</b>
National Muni Bond	87	\$49,015	-3.63%	4.33%	-0.03	8.0	31.03%	0.95	\$563
Debt Focused BDC	44	\$35,184	-5.13%	9.70%	0.53		46.08%	6.75	\$800
Covered Call	27	\$19,452	-2.23%	8.23%	0.79		2.74%	1.11	\$720
US Stock	29	\$21,003	-7.50%	7.24%	0.88		10.99%	1.38	\$724
MLP Funds	24	\$10,813	-7.68%	11.18%	1.10		31.03%	1.83	\$451
High Yield Bond	33	\$11,679	-4.35%	7.62%	0.21	3.1	23.68%	1.23	\$354
World Stock	45	\$12,066	-10.56%	6.81%	0.70		10.15%	1.61	\$268
Senior Loan	29	\$12,321	-9.16%	7.88%	0.11	1.0	32.97%	1.63	\$425
Preferred Equity	16	\$10,634	3.69%	6.69%	0.22	4.6	32.50%	1.25	\$665
REIT Funds	10	\$6,390	-6.52%	6.99%	0.49		21.33%	1.39	\$639
Convertible Bond	10	\$4,094	-2.45%	8.71%	0.71	2.5	30.84%	1.42	\$409
Investment Grade Bond	12	\$3,967	2.16%	5.81%	0.09	5.2	18.49%	0.91	\$331

Source CEFData.com 9/30/2019





# Asset Class Annual Returns (NAV) 2009-2019

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 YTD	2009 - 2018
Senior Loan 69.91%	MLP 24.35%	Muni Bond 9.73%	REIT 25.56%	MLP 28.71%	REIT 24.47%	Preferred 6.37%	MLP 33.64%	World Stock 25.80%	BDC 9.39%	REIT 28.92%	REIT 12.11%
World Stock 54.35%	REIT 19.63%	MLP 4.14%	Preferred 23.75%	US Stock 25.62%	Muni Bond 19.70%	Muni Bond 5.53%	HY Bond 18.43%	US Stock 19.79%	Muni Bond 0.52%	Preferred 20.15%	Preferred 11.36%
HY Bond 52.35%	World Stock 14.57%	BDC -0.05%	HY Bond 20.49%	Convertible 20.89%	Preferred 17.57%	BDC 3.90%	Senior Loan 14.91%	Covered Call 17.59%	Senior Loan -1.34%	Convertible 19.50%	Senior Loan 11.25%
Convertible 51.37%	Preferred 13.01%	Investment Grade -0.21%	Tactical Sector 18.88%	Tactical Sector 16.85%	US Stock 11.20%	Covered Call 1.35%	Convertible 12.06%	Tactical Sector 15.93%	Investment Grade -2.51%	US Stock 16.06%	HY Bond 10.27%
MLP 50.62%	Tactical Sector 10.68%	Preferred -2.15%	World Stock 18.27%	Covered Call 16.31%	BDC 8.10%	REIT 0.95%	Tactical Sector 11.98%	Preferred 14.19%	HY Bond -3.49%	Covered Call 15.35%	Tactical Sector 9.30%
Preferred 42.35%	Intl Bond 8.02%	Senior Loan -2.94%	Intl Bond 17.94%	BDC 13.36%	Investment Grade 7.73%	US Stock 0.42%	Intl Bond 11.84%	Convertible 12.57%	US Stock -5.54%	Tactical Sector 14.02%	Convertible 9.19%
REIT 40.91%	Senior Loan 7.40%	REIT -5.08%	Convertible 16.40%	HY Bond 10.02%	Tactical Sector 7.46%	Investment Grade -2.38%	BDC 10.09%	REIT 12.42%	Tactical Sector -6.00%	World Stock 13.66%	US Stock 8.46%
Tactical Sector 29.86%	HY Bond 7.25%	Intl Bond -6.32%	Muni Bond 15.38%	Senior Loan 8.49%	Covered Call 4.86%	Senior Loan -2.66%	Investment Grade 8.74%	Intl Bond 12.05%	Convertible -6.09%	MLP 13.42%	World Stock 8.11%
Intl Bond 29.07%	Convertible 5.91%	US Stock -6.53%	Investment Grade 15.38%	REIT 3.65%	MLP 3.45%	Tactical Sector -3.23%	Covered Call 8.67%	Investment Grade 10.77%	Preferred -7.02%	HY Bond 12.02%	MLP 7.77%
Muni Bond 26.64%	Investment Grade 5.78%	HY Bond -7.49%	US Stock 13.52%	World Stock 3.34%	HY Bond 1.59%	HY Bond -4.99%	World Stock 8.45%	BDC 8.83%	Covered Call -7.31%	Investment Grade 11.98%	Muni Bond 7.51%
Investment Grade 22.04%	US Stock 4.76%	Covered Call -8.92%	BDC 13.13%	Preferred 2.15%	Senior Loan 1.32%	World Stock -6.55%	US Stock 7.65%	HY Bond 8.50%	REIT -8.27%	Muni Bond 9.93%	BDC 6.45%
US Stock 13.73%	BDC 2.87%	Tactical Sector -9.38%	Senior Loan 12.6%	Investment Grade -1.5%	Intl Bond 0.49%	Convertible -7.25%	Preferred 6.89%	Muni Bond 8.41%	Intl Bond -8.72%	Senior Loan 8.42%	Investment Grade 6.38%
Covered Call 7.25%	Covered Call -2.35%	Convertible -14.09%	Covered Call 9.47%	Intl Bond -6.57%	Convertible 0.12%	Intl Bond -8.46%	REIT 6.84%	Senior Loan 4.82%	World Stock -14.93%	BDC 7.36%	Covered Call 4.69%
BDC -5.10%	Muni Bond -4.08%	World Stock -21.93%	MLP 1.85%	Muni Bond -7.35%	World Stock -0.26%	MLP -44.23%	Muni Bond 0.61%	MLP -5.77%	MLP -19.05%	Intl Bond 6.96%	Intl Bond 4.94%

US Stock – CEFA’s US Equity Index; REIT – CEFA’s Global Real Estate, REIT & Real Asset Index; MLP – CEFA’s Master Limited Partnership (MLP) Fund Index; BDC – CEFA’s Debt-Focused Business Development Company (BDC) Index; High Yield Bond – CEFA’s High Yield Bond Index; Preferred – CEFA’s Preferred Equity Index; World Stock – CEFA’s International Equity Index; Sr Loan – CEFA’s Senior Loan Index; Muni Bond – CEFA’s National Municipal Bond Index; Covered Call – CEFA’s Covered Call / Option Funds Index; Convertible – CEFA’s Convertible Bond Index; Investment Grade – CEFA’s Investment Grade Bond Index.; Tactical Sector – CEFA’s Hybrid / Balanced Fund Index (50%) & CEFA’s Multisector Bond Fund Index (50%); Intl Bond – CEFA’s International Bond Index. Returns data are NAV total returns which include dividends and capital appreciation. “2009 - 2018” column shows yearly average for each sector. You cannot invest directly in an index. Past performance is not an indication of future results. Data for all indexes is sourced from CEFDATA.COM, as of 9/30/2019. Index Performance prior to 2015 was determined using index constituents as of 12/31/2014.

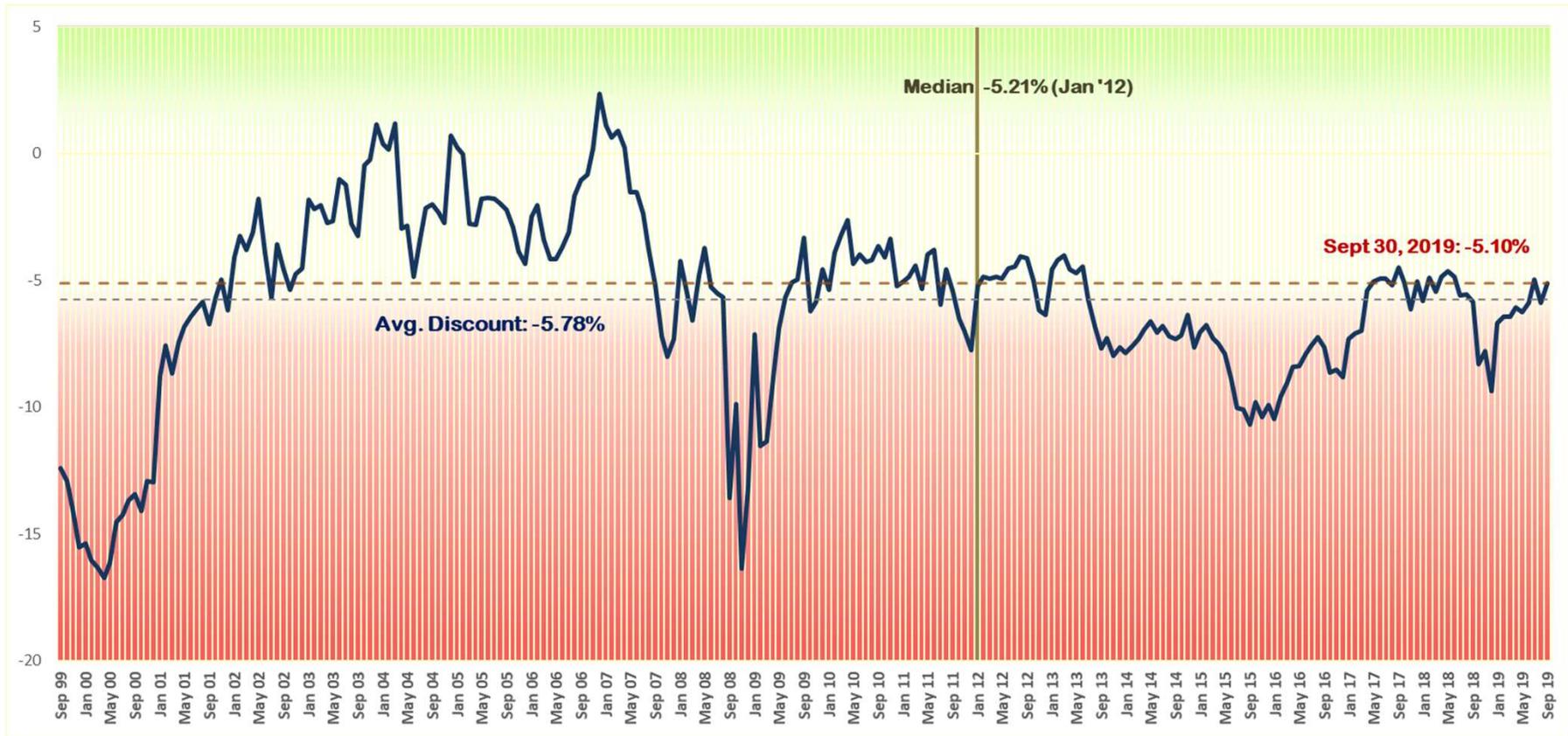


# Average Discounts/Premiums 2009-2019

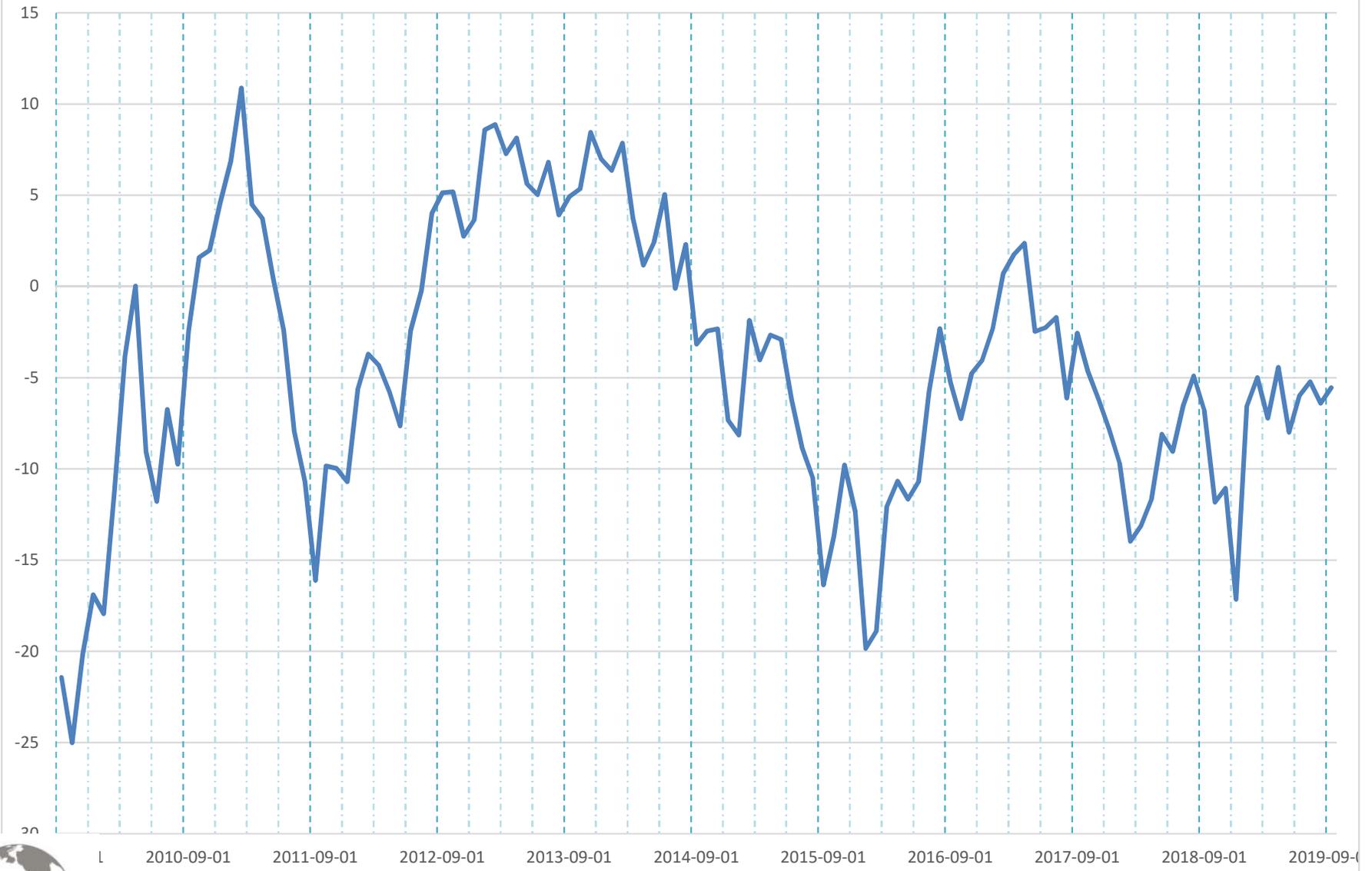
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 YTD	2009 - 2018
MLP 10.99%	MLP 7.93%	HY Bond 4.81%	HY Bond 8.27%	BDC 8.03%	BDC 1.69%	Tactical Sector -5.37%	Preferred -0.77%	Preferred 0.03%	Convertible -1.35%	Preferred 1.22%	MLP 0.57%
Investment Grade 0.49%	HY Bond 2.99%	MLP 3.36%	MLP 4.82%	MLP 1.95%	Tactical Sector -2.63%	MLP -6.10%	Muni Bond -1.88%	Tactical Sector -1.42%	Tactical Sector -1.84%	Tactical Sector -0.28%	HY Bond -1.75%
HY Bond -2.97%	Muni Bond 0.57%	Investment Grade 0.14%	Investment Grade 4.32%	Senior Loan -0.12%	Convertible -3.17%	Muni Bond -6.44%	Investment Grade -3.74%	Investment Grade -2.09%	Covered Call -2.39%	Investment Grade -1.06%	Investment Grade -1.81%
Muni Bond -3.31%	Investment Grade 0.23%	Muni Bond -0.53%	Preferred 2.87%	HY Bond -0.63%	HY Bond -3.48%	Investment Grade -6.81%	Tactical Sector -3.89%	MLP -3.11%	Investment Grade -2.74%	Covered Call -2.87%	Tactical Sector -1.97%
Preferred -4.24%	Tactical Sector 0.06%	Tactical Sector -0.53%	Muni Bond 1.99%	Tactical Sector -1.72%	MLP -4.54%	Preferred -6.89%	HY Bond -4.84%	Muni Bond -3.32%	Preferred -2.91%	Convertible -3.34%	Preferred -2.66%
Tactical Sector -4.26%	Senior Loan -0.02%	Senior Loan -1.27%	Tactical Sector 1.93%	Investment Grade -2.92%	Investment Grade -4.93%	Convertible -7.98%	MLP -5.05%	Convertible -4.00%	MLP -4.57%	Intl Bond -4.03%	Muni Bond -3.15%
World Stock -5.31%	Covered Call -1.97%	Preferred -1.61%	BDC 0.81%	Muni Bond -3.85%	Muni Bond -6.40%	BDC -8.61%	Covered Call -7.39%	Covered Call -4.25%	Intl Bond -7.62%	Muni Bond -5.85%	Senior Loan -4.62%
Convertible -6.25%	Convertible -2.09%	Convertible -2.40%	Senior Loan -0.37%	Preferred -3.83%	Senior Loan -6.49%	Covered Call -8.11%	Senior Loan -8.75%	Senior Loan -4.32%	Senior Loan -7.77%	HY Bond -5.94%	Convertible 4.68%
Covered Call -7.30%	Preferred -2.55%	Intl Bond -2.68%	Intl Bond -0.78%	Intl Bond -5.04%	Covered Call -6.62%	HY Bond -8.41%	Convertible -10.08%	BDC -4.48%	HY Bond -8.04%	BDC -6.29%	BDC -6.13%
Senior Loan -8.43%	BDC -3.37%	BDC -2.92%	Convertible -3.25%	REIT -5.65%	Preferred -6.73%	Senior Loan -8.70%	BDC -10.98%	HY Bond -5.19%	US Stock -8.06%	MLP -7.35%	Covered Call -6.24%
REIT -9.66%	World Stock -4.03%	REIT -4.48%	REIT -5.20%	Convertible -6.22%	World Stock -9.04%	World Stock -11.00%	Intl Bond -11.21%	Intl Bond -6.85%	Muni Bond -8.57%	US Stock -9.19%	Intl Bond -6.99%
Intl Bond -10.03%	Intl Bond -4.28%	World Stock -5.69%	World Stock -7.47%	Covered Call -8.13%	Intl Bond -8.45%	US Stock -11.00%	US Stock -11.47%	REIT -9.18%	World Stock -9.6%	REIT -9.55%	World Stock -8.22%
US Stock -10.56%	US Stock -7.34%	Covered Call -7.41%	Covered Call -8.83%	World Stock -8.15%	US Stock -9.63%	REIT -12.21%	REIT -11.62%	US Stock -9.44%	BDC -9.75%	Senior Loan -9.74%	REIT -8.79%
BDC -31.78%	REIT -9.10%	US Stock -8.27%	US Stock -9.66%	US Stock -9.32%	REIT -10.63%	Intl Bond -13.02%	World Stock -12.44%	World Stock -9.50%	REIT -10.05%	World Stock -10.46%	US Stock -9.48%

Historical Premium / Discount expressed as average value over each year. 2019 YTD Premium / Discount average value as of September 30, 2019. "2009 - 2018" column shows yearly average for each sector. Data sourced from Closed-End Fund Advisors 'CEFU Report' and CEFData.com. Past performance is not an indication of future results

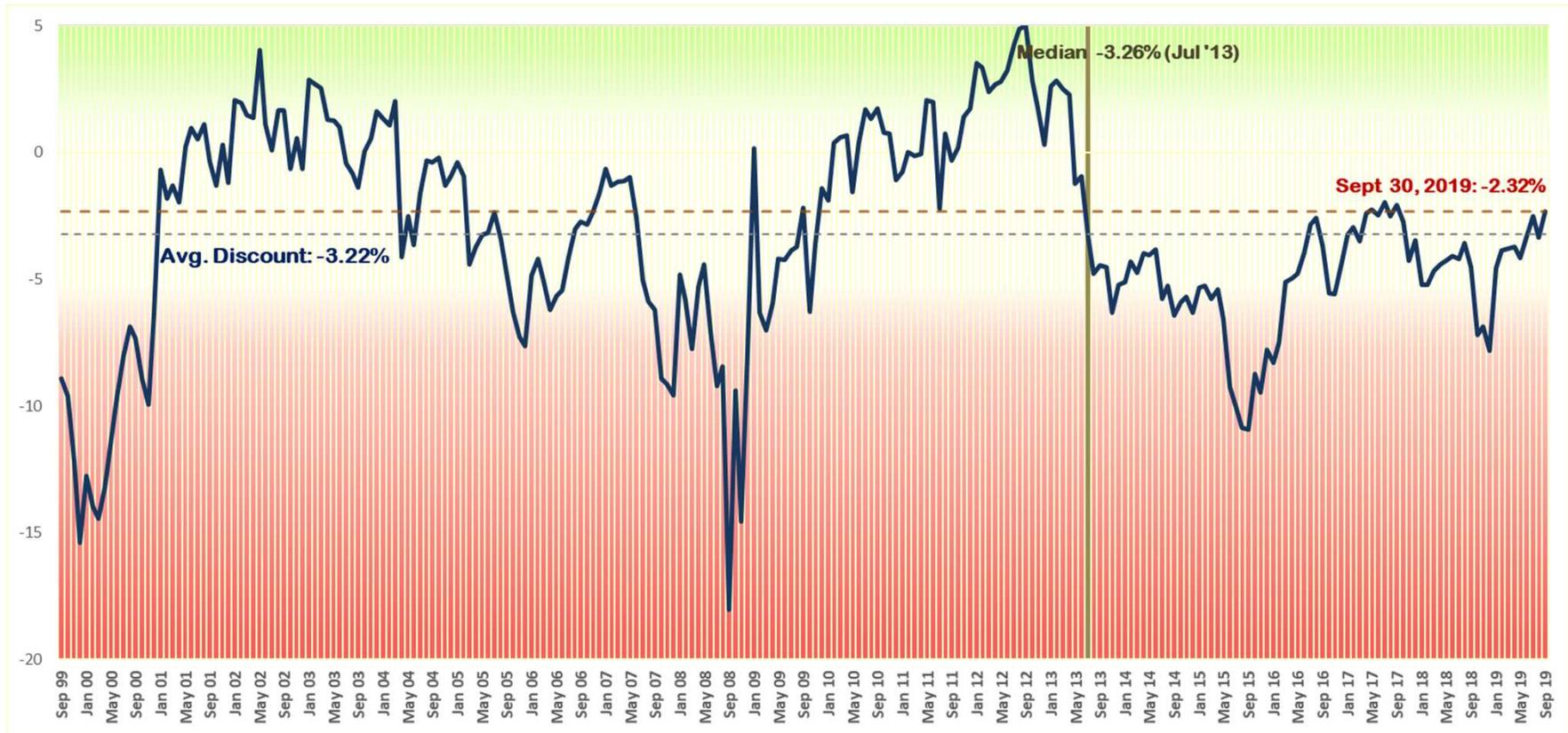
# Equity CEF 20 Year Discount Chart



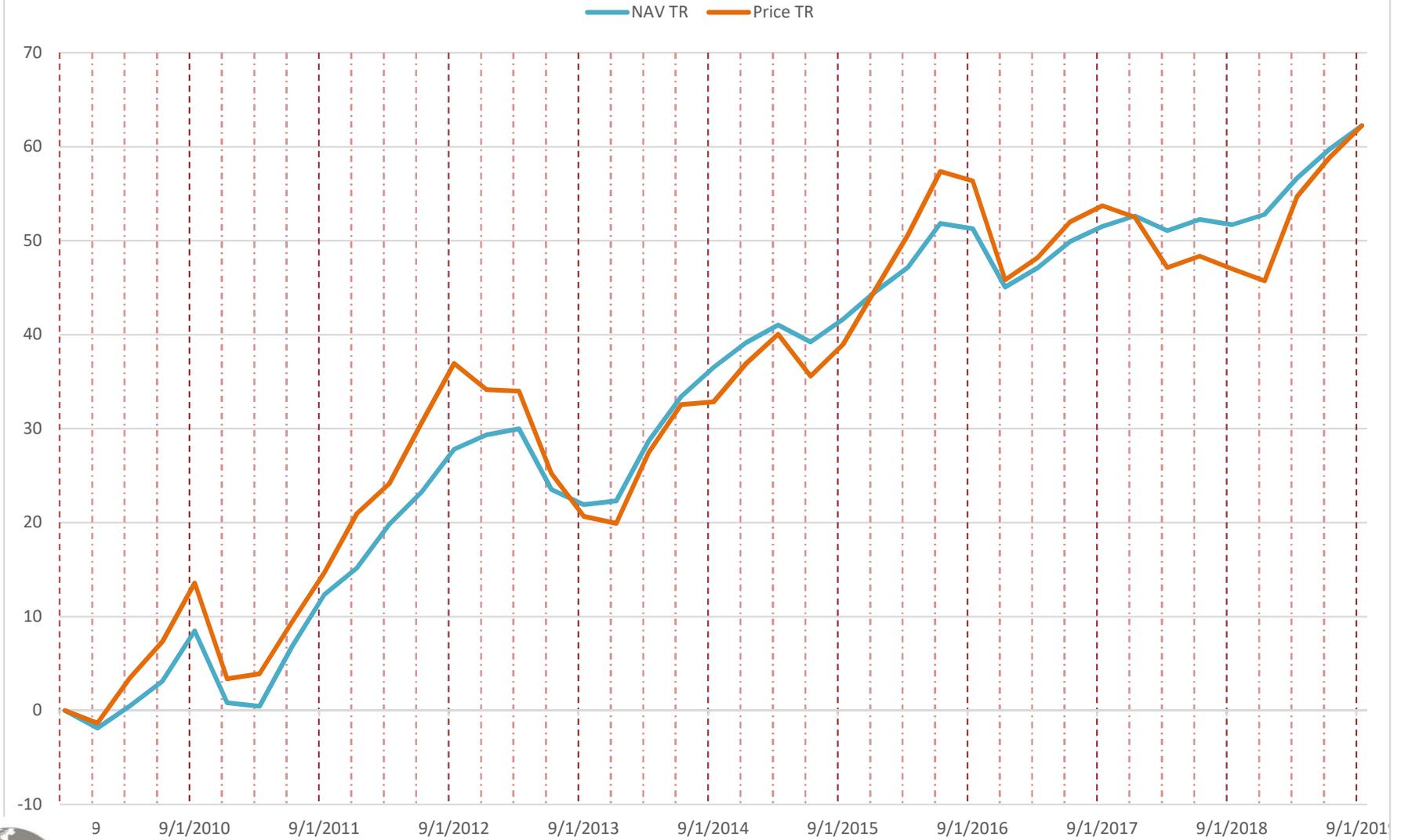
## BDC Debt - Average Discount / Premium September 30, 2009 - September 30, 2019



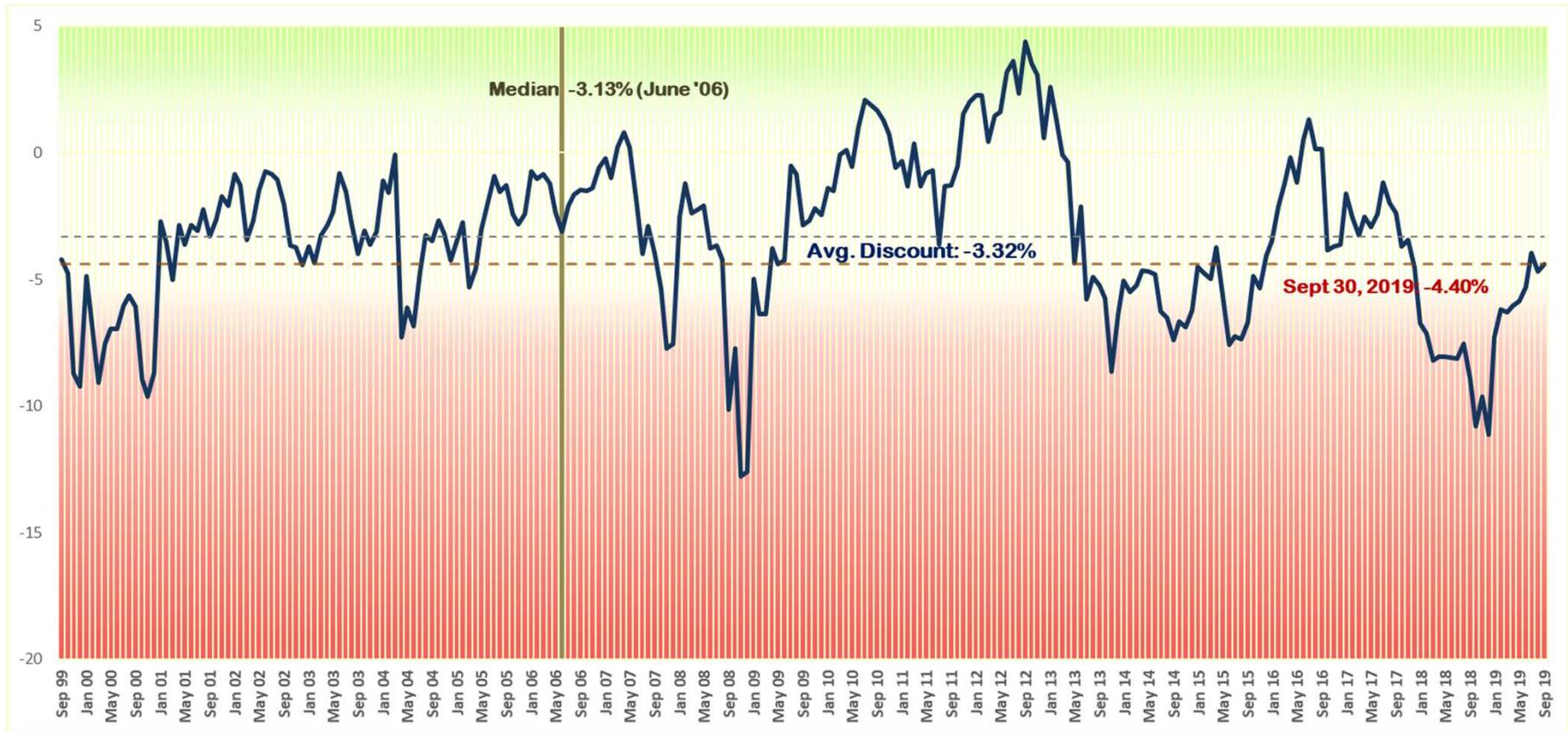
# Taxable Fixed Income CEF 20 Year Discount Chart



# Municipal Bonds - Total Return September 30, 2009 - September 30, 2019



# Municipal Bond CEF 20 Year Discount Chart





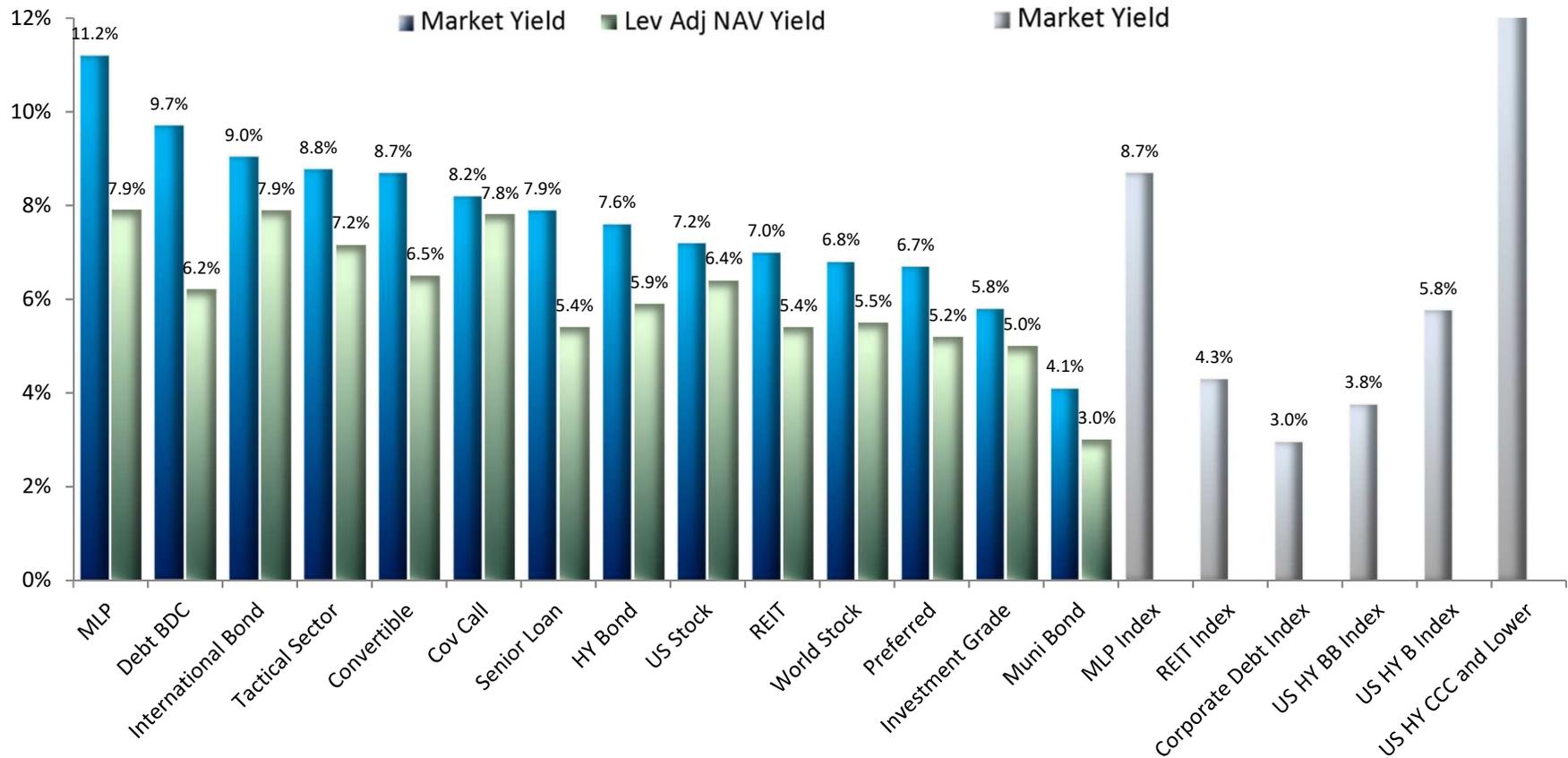
# 14 Sectors Correlation Matrix (Diversification)

	MLP	BDC	Convertible	HY Bond	Muni Bond	Senior Loan	Preferred	World Stock	Cov Call	US Stock	REIT	Investment Grade	Tactical Sector	International Bond
MLP	100%	69.2%	77.1%	75.2%	17.1%	65.3%	43.2%	70.0%	71.9%	73.7%	54.4%	58.0%	77.3%	69.5%
BDC	69.2%	100%	78.8%	72.0%	14.8%	72.4%	52.5%	71.0%	78.9%	80.7%	61.6%	59.1%	78.0%	63.8%
Convertible	77.1%	78.8%	100%	86.4%	35.0%	74.3%	62.2%	88.5%	91.7%	92.3%	78.0%	72.2%	94.4%	77.5%
HY Bond	75.2%	72.0%	86.4%	100%	38.9%	82.5%	69.4%	83.1%	80.4%	80.0%	74.4%	83.1%	92.7%	89.4%
Muni Bond	17.1%	14.8%	35.0%	38.9%	100%	11.7%	73.6%	25.5%	25.6%	19.8%	68.2%	61.0%	46.7%	39.0%
Senior Loan	65.3%	72.4%	74.3%	82.5%	11.7%	100%	51.5%	74.6%	73.9%	74.5%	57.5%	64.1%	79.4%	73.1%
Preferred	43.2%	52.5%	62.2%	69.4%	73.6%	51.5%	100%	52.2%	56.9%	52.2%	79.9%	82.9%	75.7%	65.4%
World Stock	70.0%	71.0%	88.5%	83.1%	25.5%	74.6%	52.2%	100%	91.0%	90.5%	65.9%	68.8%	90.1%	84.8%
Cov Call	71.9%	78.9%	91.7%	80.4%	25.6%	73.9%	56.9%	91.0%	100%	95.0%	69.8%	64.7%	90.4%	74.6%
US Stock	73.7%	80.7%	92.3%	80.0%	19.8%	74.5%	52.2%	90.5%	95.0%	100%	67.3%	63.1%	89.1%	71.6%
REIT	54.4%	61.6%	78.0%	74.4%	68.2%	57.5%	79.9%	65.9%	69.8%	67.3%	100%	78.6%	83.7%	63.8%
Investment Grade	58.0%	59.1%	72.2%	83.1%	61.0%	64.1%	82.9%	68.8%	64.7%	63.1%	78.6%	100%	83.9%	80.0%
Tactical Sector	77.3%	78.0%	94.4%	92.7%	46.7%	79.4%	75.7%	90.1%	90.4%	89.1%	83.7%	83.9%	100%	87.1%
International Bond	69.5%	63.8%	77.5%	89.4%	39.0%	73.1%	65.4%	84.8%	74.6%	71.6%	63.8%	80.0%	87.1%	100%

\*Correlation over previous 5 years, using monthly total returns. CEFData.com as of 09/30/2019



# CEF/BDC Yield Comparison

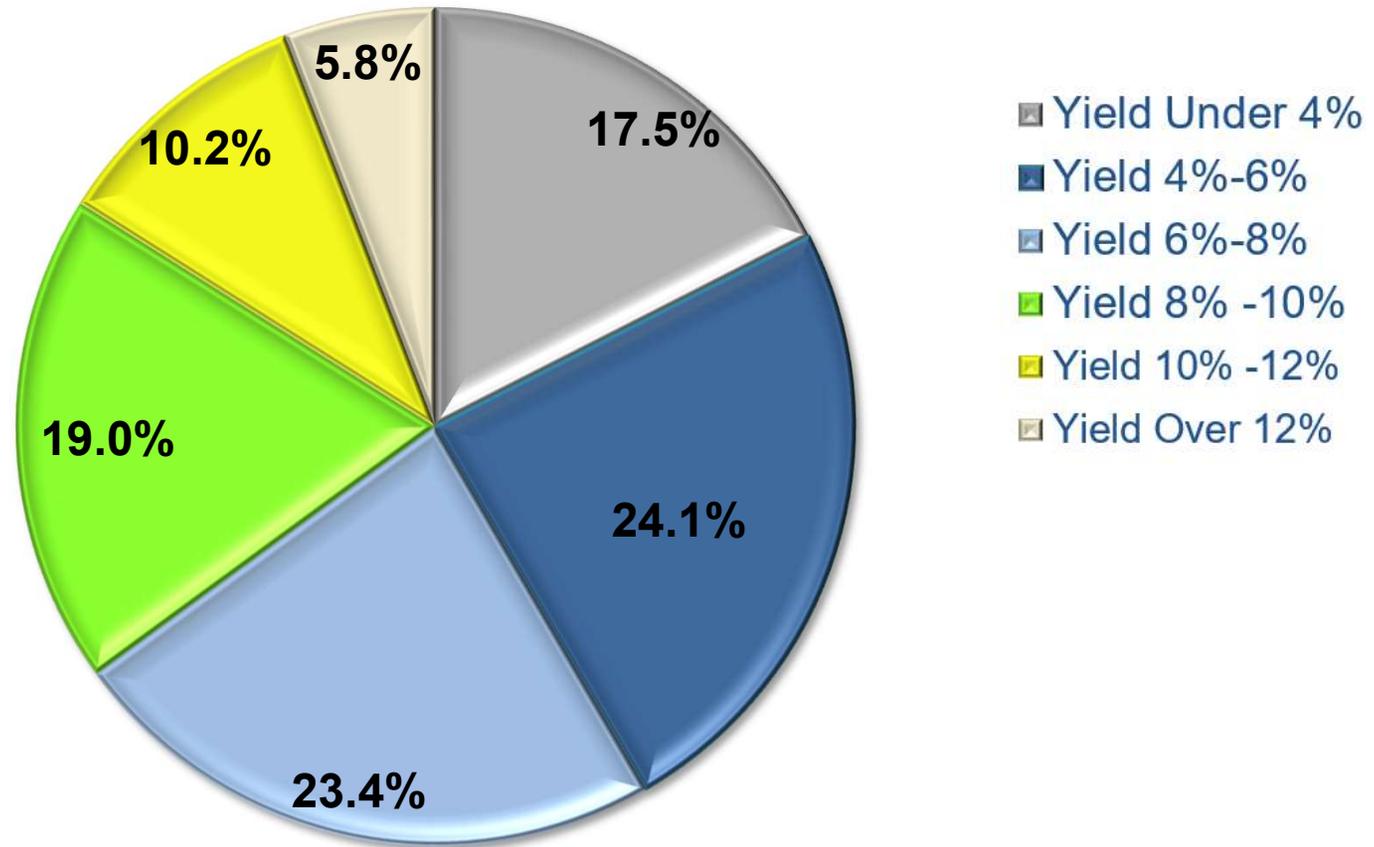


Data as of 9/30/2019.

MLP Index: **Alerian MLP Index**; REIT Index: **Wilshire US REIT Index**; Corporate Debt Index: **S&P 500 Bond Index**  
 US High Yield Indices : **BofA Merrill Lynch US High Yield (BB Rated, B Rated, CCC and Lower Rated )**



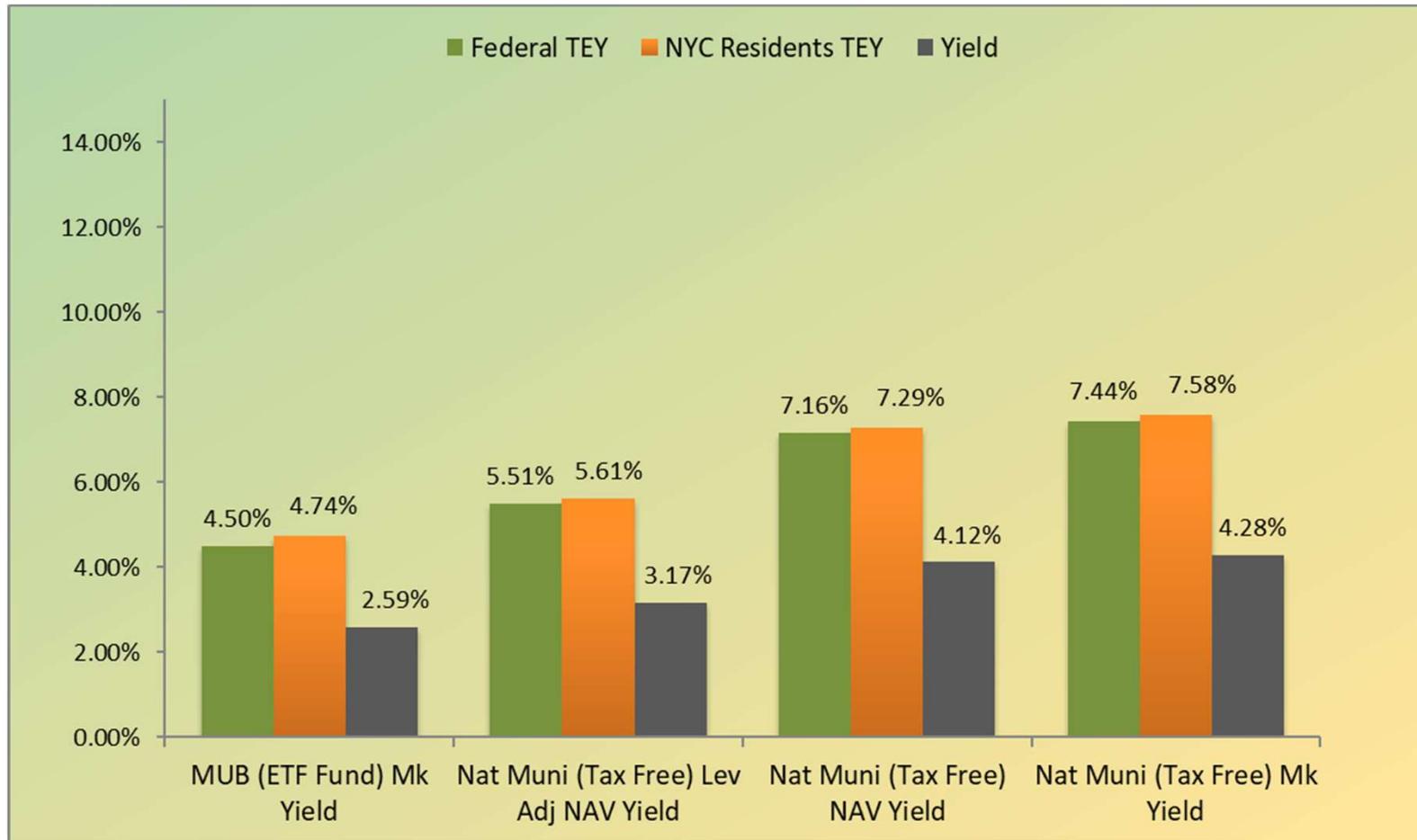
# Closed-End Funds & BDCs: By Yield



*Note: 548 CEFs; data as of 9/30/2019 , cefdata.com*

# Tax Equivalent Yield Comparison

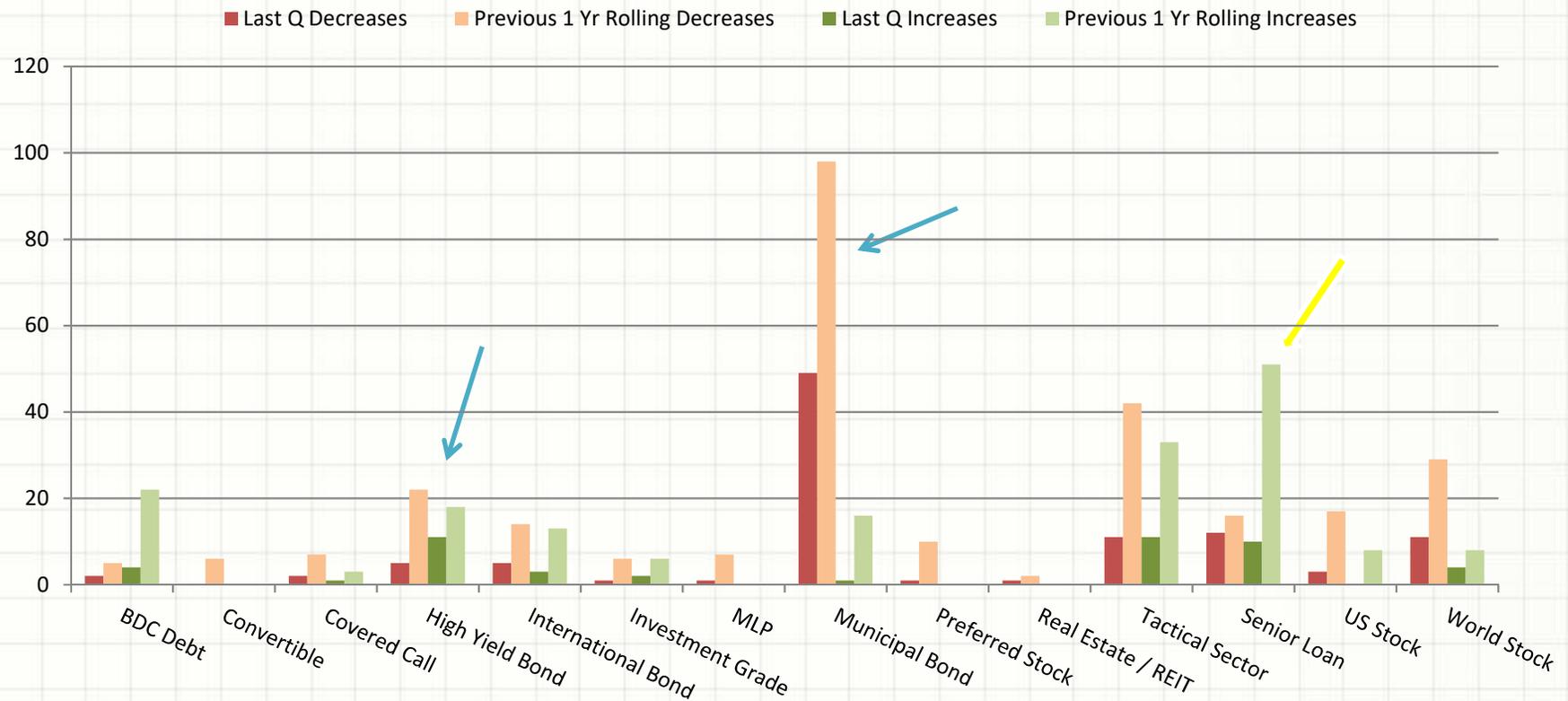
## Married Couple with W-2 Income of \$1MM+



Sources: CEFA's Universe Data as of 9/30/2019 and tax rates from IRS and NY State.

# 3Q 2019 Closed-End Fund Dividend Increases vs. Decreases

Major CEF Groups: Number of dividend decreases / increases  
Last Quarter & Previous 1 Year Rolling

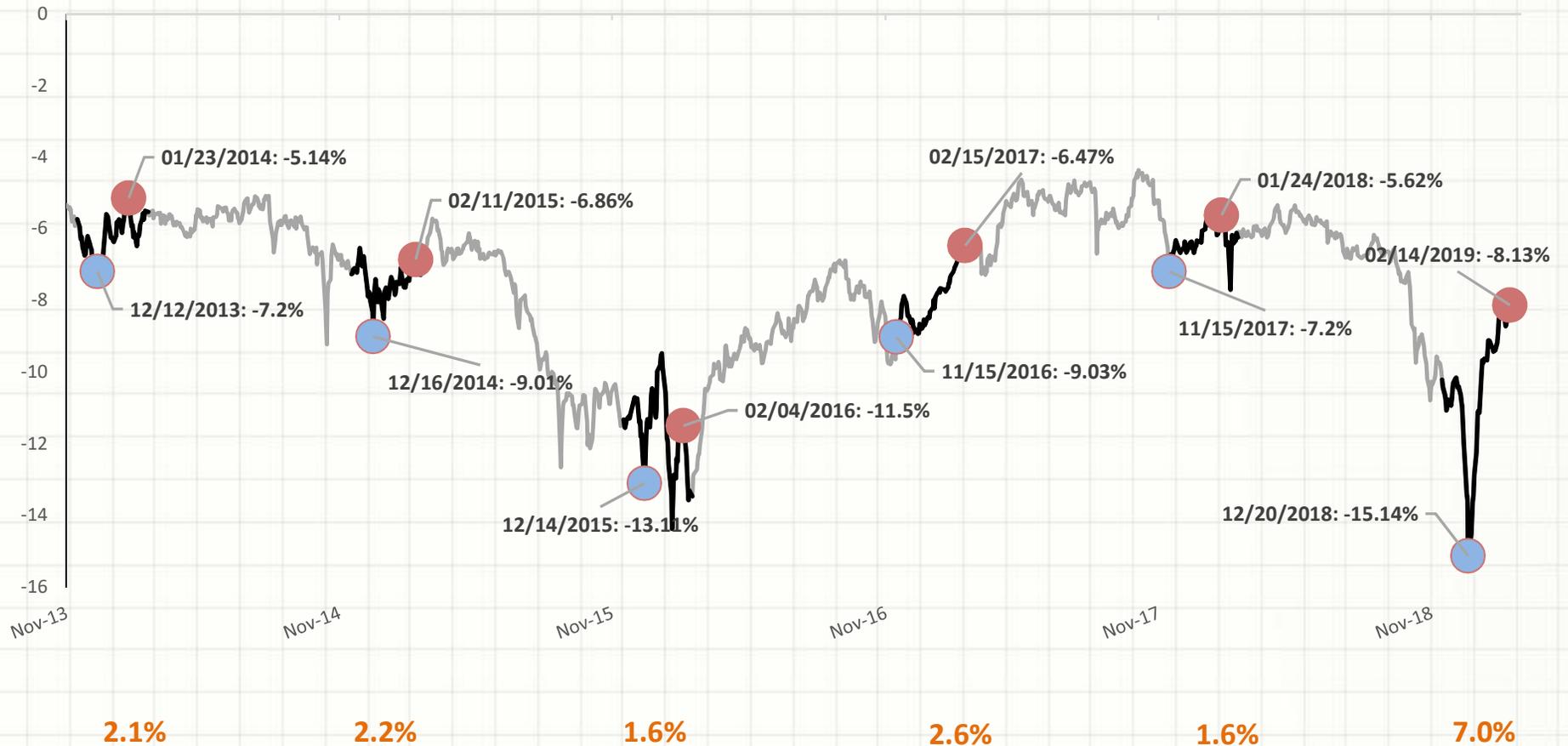


Source: Fund Press Releases



# Discount Trends & Tax Loss Selling

CEFs & BDCs with 1YR Price Return -5% or lower (Nov – Feb)

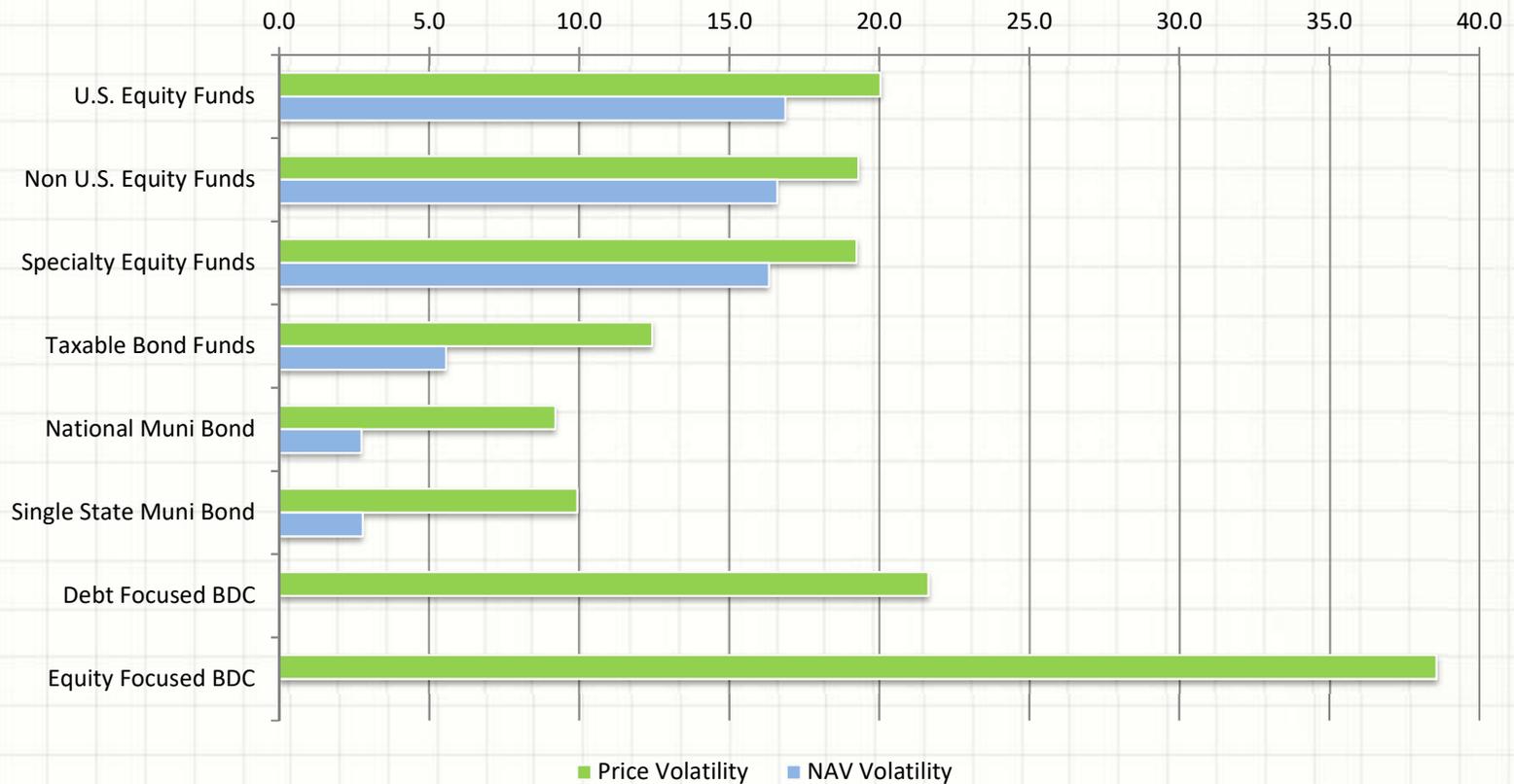


Source: CEFData.com

**Average Bounce: 2.9%**

# Closed-End Fund

## Market Price volatility vs. NAV volatility (1 Year)



Source: September 30, 2019 – CEFData.com

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



# Premiums: A 'Worst Case' Scenario

	AGD	AOD
6/18/10 – Monthly Dividend	\$0.11	\$0.12
6/18/10 – Premium	+38.5%	+31.5%
6/19/10 – Monthly Dividend	\$0.06 <b>(-45%)</b>	\$0.055 <b>(-54%)</b>
6/25/10 - Premium	+2.96%	- 4.25%
Relative Pricing Change	<b>-35.5%</b>	<b>-35.8%</b>



# CEFA's 'Trifecta' Analysis

## Suggested CEF/BDC Research Process

1. **Discount Direction:** CEFs/BDCs trade at prices in relation to their net asset value (NAV). NAVs are the 'anchor point' for market pricing. We seek generally funds where discounts can recover or are sustainable vs. potential to widen dramatically. Small premiums can be healthy for a BDC.
2. **Dividend Sustainability:** Research the reoccurring earnings/income produced by a bond CEF/BDC as well as trends in the sector and past policies of the Sponsor/ Board. NAV TR long-term should exceed the NAV Yield to make policy sustainable. Dividends are policies from the BoD are not promises like coupon payments on bonds or loans.
3. **NAV Total Return:** Manager performance after costs is important as poor results often impact the price investors use as the 'anchor point' for Funds. This also helps confirm that management can produce investment returns after their cost. Example: BDC loan creation is not typically a cheap and easy task, but shareholders need to know that management costs are in check with their results. *Avg BDC NonLev Expense Ratio: 6.2%\**



***CEFA feels that getting any of these items wrong can negate good investment research***



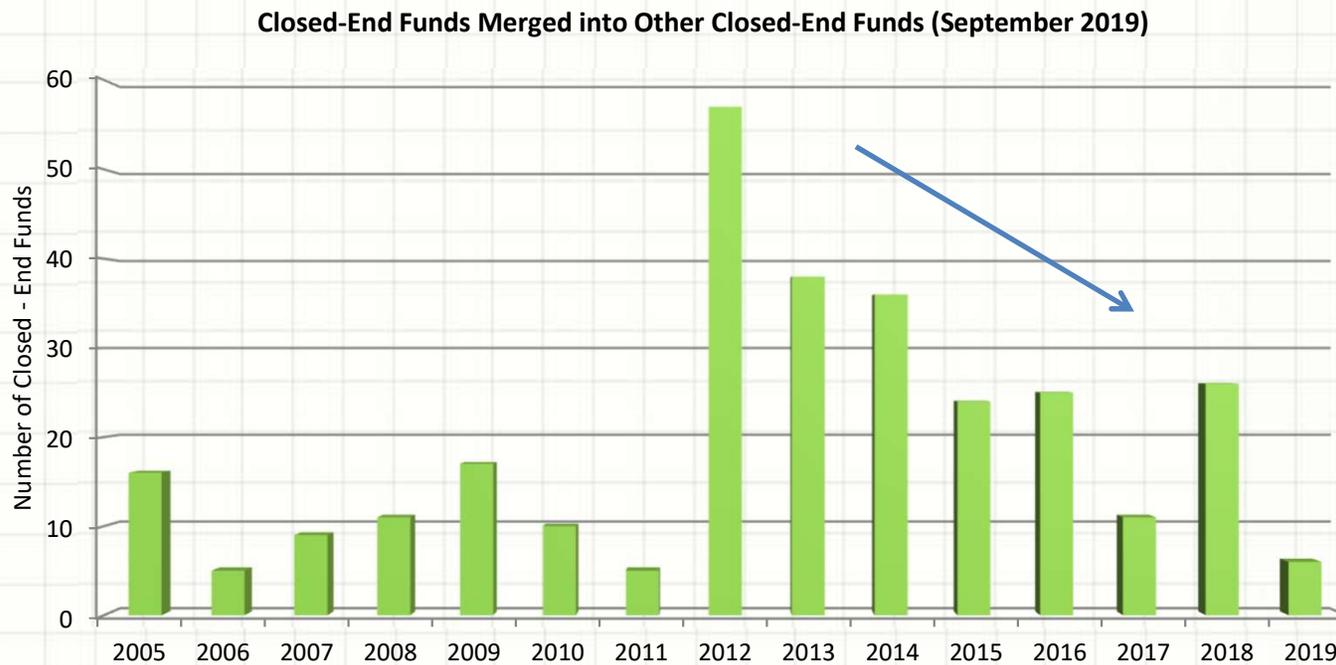
# CEF & BDC Historical IPOs (3Q 19)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Number of IPOs	10	5	13	8	9	15	29	28	26	22	14
Average Assets In \$ millions	\$413	\$94	\$646	\$225	\$272	\$511	\$511	\$442	\$258	\$371	\$192
Total New CEF IPO Assets in \$ Billions	\$4.1B	\$0.5B	\$8.4B	\$1.8B	\$2.4B	\$7.7B	\$14.8B	\$12.4B	\$6.7B	\$8.2B	\$2.7B

**10 Year Average:** 17 Funds per year, \$352MM Ave Fund, \$6.6 Billion Per Year



# Closed-End Fund Mergers



## Reasons to Merge:

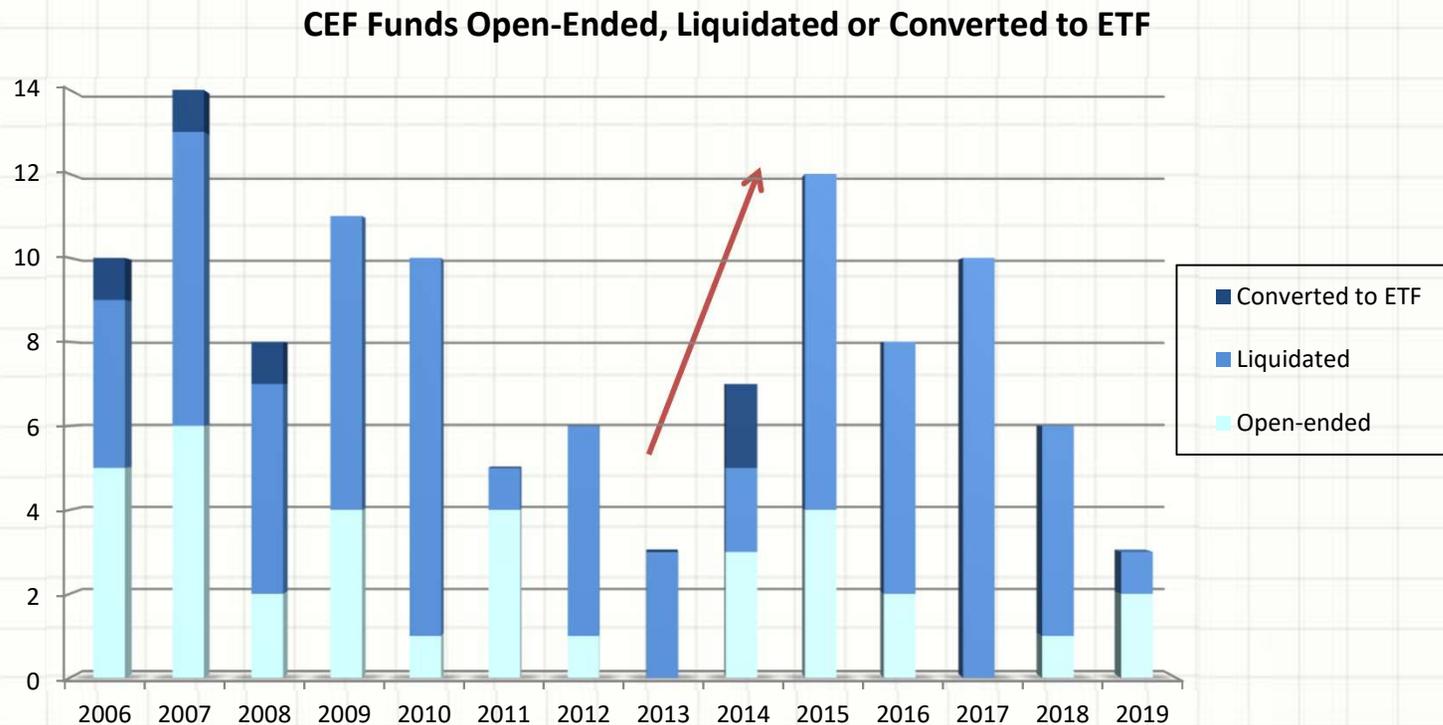
1. Reduce expense ratio
2. Increase liquidity
3. Reduce bid/ask spread
4. Improve cost of future leverage

Source: Fund Press Releases

Avg. – 17 per year  
31 Last 7 Yrs, 10 previous 7 Yrs



# Closed-End Fund Deaths



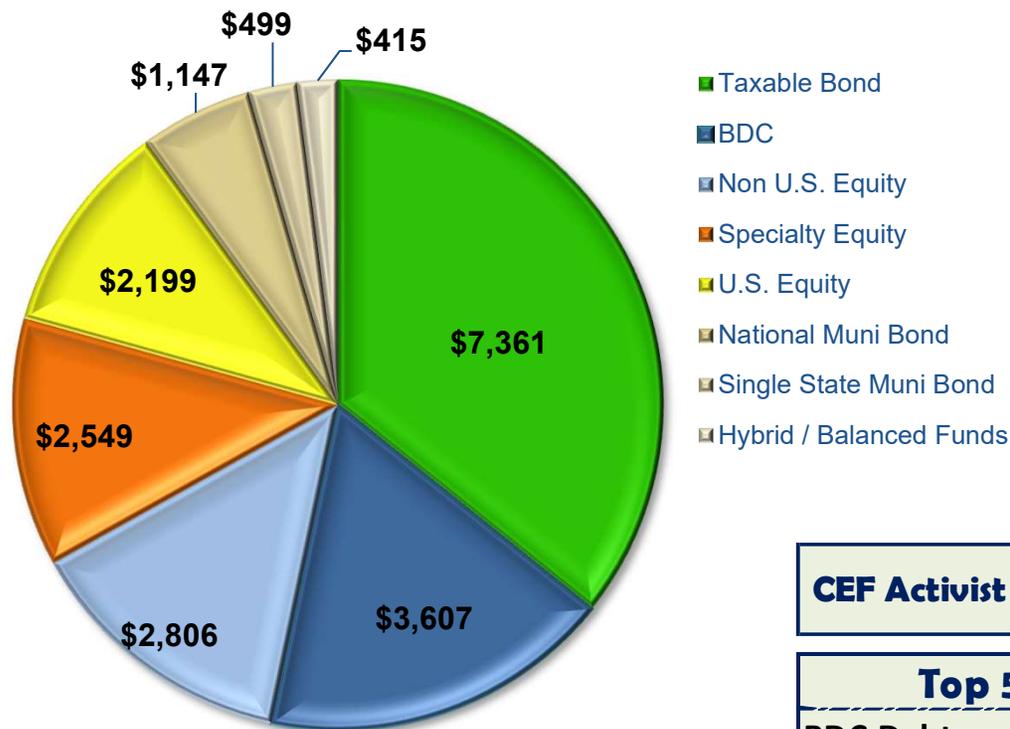
Source: Fund Press Releases

**Causes:** Open-ending, liquidation & conversion. (9 per year on average)





# Activist & Follower Ownership (13D/13G) by Investment Focus



Note: millions of dollars, data as of 9/30/2019, cefdata.com

<b>CEF Activist Ownership</b>	<b>\$20,583</b>
<b>Top 5 Peer Groups</b>	
BDC Debt	\$3,467
General Equity	\$1,894
Loan Participation	\$1,783
High Yield Bond	\$1,534
Asian Equity	\$1,490



# Closed-End Fund Advisors

7204 Glen Forest Drive, Suite #105 Richmond, Virginia 23226 USA ♦ Toll-Free: (800) 356-3508 / Local: (804) 288-2482 ♦ www.CEFadvisors.com ♦ Contact@CEFadvisors.com

## CEF ADVISORS' CEF/BDC INDEXES

[www.CEFdata.com/index](http://www.CEFdata.com/index)

DATA AS OF  FROM CEFDATA.COM

### Diversified Indexes

Index	Discount	1 Yr Avg Discount	3 Yr Avg Discount	5 Yr Avg Discount	Rel Disc Range(3yr)	Mk Yield	Lev Adj NAV Yield	After Tax Yield*	Est. Tax Friction*	1 Yr RoC %	3 Yr Dest RoC %	Lev %	Non Lev Expense Ratio	3 Yr NAV Volatility	% Equity Exposure	% Bond Exposure	# Holdings	Cash Weighted Duration	Beta (2yr)	Comp NAV TR	Comp Discount	Net Assets (M)	Liquidity - 90 day (K)
1. 12 Major CEF Sectors Index	-3.05	-5.17	-4.1	-5.11	62.67	8.33	6.58	7.02	1.31	22.2	8.9	24.7	1.56	9.06	39.33	59.72	84	1.99	0.48	0.72	1.17	1177	3300
2. High Income Index	-3.15	-4.42	-3.53	-4.81	57.5	11.46	8.9	9.93	1.53	41.5	27.7	28.1	2.06	11.67	47.17	50.43	93	1.35	0.6	-0.92	1.65	519	1956
3. Equity Income Index	-4.57	-6.17	-5.77	-6.77	62.75	8.71	7.36	7.72	0.99	40.2	20.1	14.7	1.31	14.17	90.6	7.92	67	N/A	0.81	-0.14	0.6	901	2289
4. 60/40 Balanced (w/ BDCs) Index	-3.88	-5.49	-4.97	-6.15	63.87	8.31	6.76	6.96	1.35	22.8	9.2	20.9	1.51	10.34	55.69	42.58	158	1.28	0.57	0.54	1.03	885	2402
5. Tax-Advantaged Equity Dividend Index	-4.21	-5.69	-5.57	-6.69	59.13	8.42	7.53	7.75	0.67	60.0	15.0	7.8	1.25	13.18	97.93	1.0	35	N/A	0.84	-1.03	0.8	631	1555
6. Tax-Sensitive Income Index	-4.72	-6.32	-4.74	-5.23	53.51	8.38	6.65	8.11	0.27	52.7	31.6	25.0	1.29	13.27	63.38	36.04	62	2.98	0.65	0.7	0.23	766	1893
7. Taxable Bond & BDC Index	-0.69	-3.31	-3.08	-4.52	68.09	7.99	6.29	6.33	1.66	12.8	7.2	30.3	1.51	4.9	2.43	94.72	79	3.68	0.17	0.18	2.2	850	2398
8. Discount CEF/BDC Index	-13.74	-13.72	-10.89	-10.46	37.46	7.75	5.36	6.7	1.05	26.5	19.1	26.7	1.88	11.04	45.3	50.28	54	1.51	0.5	-0.6	-6.9	543	1480
9. Premium CEF/BDC Index	11.38	7.1	4.37	1.21	72.1	8.59	7.79	7.24	1.35	19.8	12.5	26.5	2.1	7.96	34.41	63.55	33	2.75	0.4	-0.99	13.0	552	2194
10. All Sector Equity CEF Index	-5.72	-6.95	-6.62	-7.81	61.46	8.45	7.27	7.41	1.04	32.3	13.9	12.2	1.26	13.94	91.7	6.5	79	N/A	0.81	0.56	1.08	851	2058
11. Alternative Income Index	-0.99	-2.67	-2.16	-3.06	63.67	9.46	7.52	7.99	1.47	31.8	17.6	26.6	2.11	9.35	44.48	53.31	83	0.98	0.5	0.45	1.19	823	2747

### Equity Sector Indexes

Index	Discount	1 Yr Avg Discount	3 Yr Avg Discount	5 Yr Avg Discount	Rel Disc Range(3yr)	Mk Yield	Lev Adj NAV Yield	After Tax Yield*	Est. Tax Friction*	1 Yr RoC %	3 Yr Dest RoC %	Lev %	Non Lev Expense Ratio	3 Yr NAV Volatility	% Equity Exposure	% Bond Exposure	# Holdings	Cash Weighted Duration	Beta (2yr)	Comp NAV TR	Comp Discount	Net Assets (M)	Liquidity - 90 day (K)
1. International Equity Index	-12.07	-11.5	-10.62	-10.87	38.77	5.44	4.67	4.89	0.55	19.2	11.8	2.7	1.46	16.22	95.11	2.52	25	N/A	0.61	2.07	-1.15	256	574
2. US Equity Index	-1.67	-2.74	-2.71	-4.0	60.89	8.95	8.69	8.18	0.77	48.1	9.0	2.6	1.06	13.59	97.6	0.4	27	N/A	0.89	0.79	3.89	766	1897
3. Global Equity Index	-6.88	-7.74	-7.49	-8.86	60.16	8.19	7.19	7.09	1.1	24.3	7.7	9.7	1.2	13.7	92.81	5.08	31	N/A	0.81	1.28	1.57	801	1826
4. Covered Call / Option Funds Index	-1.66	-2.68	-3.04	-4.42	62.21	7.84	7.52	7.16	0.68	51.9	5.2	2.5	1.06	12.24	97.25	1.89	22	N/A	0.83	1.12	1.03	859	1965
5. Global Real Estate, REIT & Real Asset Index	-3.92	-8.64	-8.49	-9.76	78.53	7.05	5.69	5.99	1.06	28.0	6.2	19.4	1.25	11.33	69.1	29.28	8	N/A	0.44	-0.95	2.13	762	2346
6. Utilities / Infrastructure Index	9.45	4.19	1.58	-0.76	80.82	6.93	6.23	5.94	0.99	25.8	4.1	22.4	1.4	12.49	92.59	6.3	7	N/A	0.57	2.32	4.26	1280	2860
7. Master Limited Partnership (MLP) Fund Index	-6.44	-7.27	-4.06	-4.62	34.12	11.18	7.97	10.72	0.46	82.6	71.5	31.9	1.77	23.96	98.46	1.13	21	N/A	1.22	1.21	0.72	515	1868
8. Preferred Equity Index	4.22	-0.25	-1.04	-2.29	89.18	6.77	5.29	5.23	1.54	8.2	0.7	33.3	1.25	5.29	4.23	95.23	14	4.41	0.22	0.11	0.38	735	1626
9. Hybrid / Balanced Fund Index	-2.51	-4.23	-5.66	-7.89	65.94	9.57	7.51	8.41	1.16	43.4	16.0	24.1	1.6	10.71	63.05	26.87	14	N/A	0.73	-0.75	-0.52	431	1121

### DISCLOSURES

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## CEF ADVISORS' CEF/BDC INDEXES

[www.CEFdata.com/index](http://www.CEFdata.com/index)

DATA AS OF  FROM CEFDATA.COM

### Taxable Bond Sector Indexes

Index	Discount	1 Yr Avg Discount	3 Yr Avg Discount	5 Yr Avg Discount	Rel Disc Range(3Yr)	Mk Yield	Lev Adj NAV Yield	After Tax Yield *	Est. Tax Friction*	1 Yr RoC %	3 Yr Dest RoC %	Lev %	Non Lev Expense Ratio	3 Yr NAV Volatility	% Equity Exposure	% Bond Exposure	# Holdings	Cash Weighted Duration	Beta (2yr)	Comp NAV TR	Comp Discount	Net Assets (M)	Liquidity - 90 day (K)
<u>1. Debt-Focused Business Development Company (BDC) Index</u>	2.73	0.01	2.15	-1.1	55.26	9.17	6.33	6.92	2.25	0.6	0.5	45.7	3.64	3.7	9.71	88.76	28	N/A	0.54	4.67	8.23	1158	4597
<u>2. BDC Baby Bond / Debt Index</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	NA		N/A	N/A	N/A	N/A	N/A	N/A	N/A	31	N/A	N/A	N/A	N/A	N/A	N/A
<u>3. High Yield Bond Index</u>	-6.23	-8.84	-8.03	-9.06	70.27	8.07	6.05	6.12	1.95	3.1	0.6	24.4	1.23	4.59	0.72	97.08	21	3.23	0.21	-0.55	-1.94	463	1156
<u>4. Senior Loan Index</u>	-9.38	-10.09	-7.07	-8.03	36.69	7.2	4.88	5.4	1.8	0.0	0.1	33.4	1.5	2.89	1.44	97.7	18	0.8	0.1	0.36	-0.41	435	1097
<u>5. Convertible Bond Index</u>	-2.21	-2.57	-2.34	-3.78	51.57	9.15	6.76	7.75	1.4	30.7	4.9	32.1	1.44	10.05	8.7	89.51	9	2.76	0.69	-0.17	0.5	439	1170
<u>6. Investment Grade Bond Index</u>	-1.95	-3.93	-4.16	-5.2	68.0	6.63	5.4	5.25	1.38	13.3	9.8	22.1	1.03	4.6	0.49	97.39	35	5.6	0.05	1.28	-1.5	469	1199
<u>7. Multisector Bond Fund Index</u>	3.03	1.59	1.92	1.25	71.15	8.4	6.92	6.6	1.8	11.8	5.2	27.5	1.37	4.75	4.17	92.72	19	3.68	0.13	0.34	0.91	839	2866
<u>8. US Bond Index</u>	-4.34	-6.56	-5.57	-6.58	60.25	7.19	5.4	5.43	1.76	1.5	0.2	27.6	1.32	3.8	0.94	96.79	84	3.14	0.12	0.11	-0.53	486	1335
<u>9. International Bond Index</u>	-2.67	-6.21	-7.36	-9.26	75.36	9.4	8.48	7.64	1.76	19.3	22.4	16.9	1.45	7.22	0.05	88.02	11	4.14	0.18	-1.08	-0.78	479	1218

### Tax-Free Bond Sector Indexes

Index	Discount	1 Yr Avg Discount	3 Yr Avg Discount	5 Yr Avg Discount	Rel Disc Range(3Yr)	Mk Yield	Lev Adj NAV Yield	After Tax Yield *	Est. Tax Friction*	1 Yr RoC %	3 Yr Dest RoC %	Lev %	Non Lev Expense Ratio	3 Yr NAV Volatility	% Equity Exposure	% Bond Exposure	# Holdings	Cash Weighted Duration	Beta (2yr)	Comp NAV TR	Comp Discount	Net Assets (M)	Liquidity - 90 day (K)
<u>1. National Municipal Bond Index</u>	-4.7	-7.62	-6.22	-5.86	61.77	4.47	3.14	4.46	0.01	1.1	0.2	36.1	0.96	3.84	0.0	99.78	33	8.28	-0.02	0.42	-0.91	965	1810
<u>2. High Yield Municipal Index</u>	-1.51	-3.99	-3.38	-2.85	62.08	4.53	3.45	4.53	0.0	0.0	0.0	29.7	1.04	3.16	0.07	99.74	8	7.52	-0.01	0.8	0.55	377	882
<u>3. Term Municipal Fund Index</u>	-1.94	-3.73	-2.95	-3.84	61.68	3.49	2.75	3.37	0.12	2.6	2.6	23.0	0.87	2.95	4.03	94.85	11	4.98	-0.02	-2.64	1.44	453	784
<u>4. California Municipal Index</u>	-2.47	-5.57	-3.75	-2.88	51.24	4.07	2.86	4.04	0.03	1.3	0.1	39.7	1.02	3.76	0.0	99.96	10	10.93	-0.03	0.24	-0.38	666	1215
<u>5. New York Municipal Index</u>	-4.27	-7.17	-6.15	-5.34	58.73	3.97	2.81	3.97	0.0	1.2	0.1	36.1	1.02	3.48	0.0	99.66	11	9.36	-0.02	0.08	1.35	364	469
<u>6. State Municipal Index (Non NY/CA)</u>	-9.88	-12.58	-10.18	-9.48	54.09	3.93	2.58	3.92	0.01	0.1	0.0	37.0	1.06	3.44	0.0	99.76	19	9.37	-0.02	0.65	-1.51	302	454

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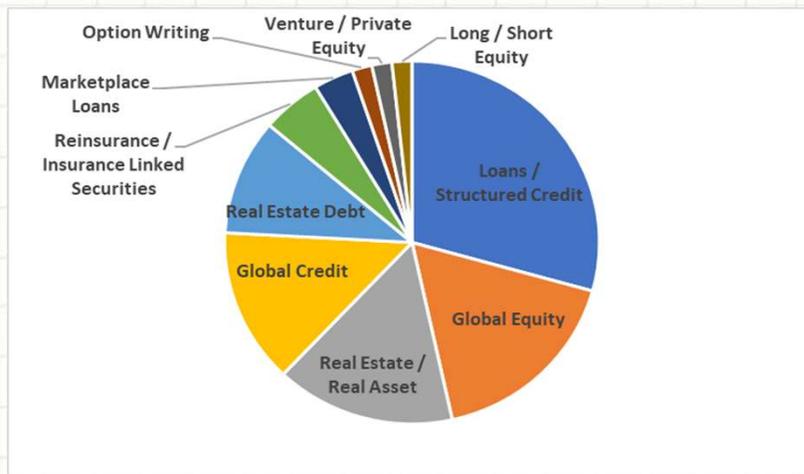
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# Interval Closed-Ended Fund (iCEFs)

Interval funds (iCEFs) are growing in popularity as an alternative investment vehicle. The SEC officially authorized iCEFs in 1992 as a best of both world's alternative to closed-ended and open-ended funds. iCEFs had a slow start, the second iCEF wasn't created until 2001 and the third fund formed in 2005. The structure is a small (0.1%) portion of the overall multitrillion dollar fund industry. However, iCEFs are growing assets quickly, in the 50% range annually with 58 current funds with a combined \$31.52B in AUM as of 9/30/19. This compares to CEF/BDC listed AUM of \$277 billion in 548 funds according to CEFData.com.

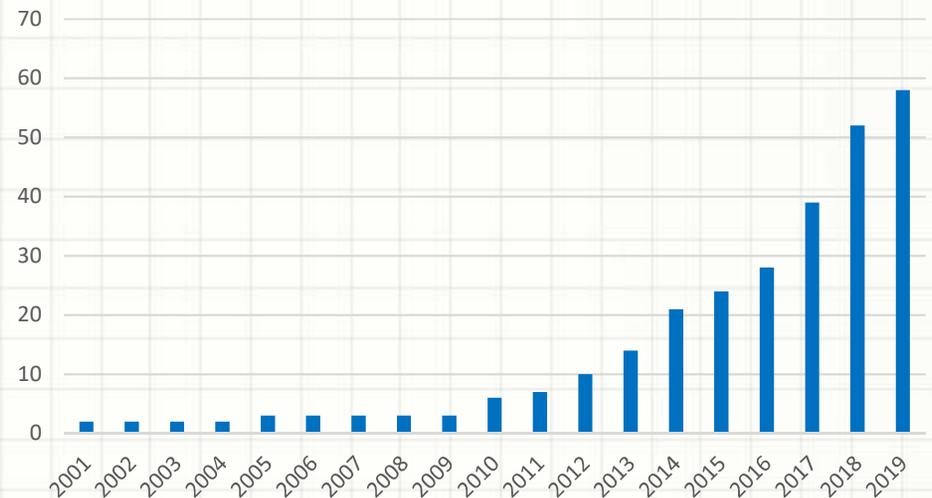
Along iCEFs, CEFData.com also tracks another type of non-listed CEFs: Tender Offer Funds. As of 9/30/19, there were 90 Tender Offer Funds with \$45.3B in AUM.

Whitepaper / Overview on: [www.CEF-Blog.com](http://www.CEF-Blog.com)



Interval Funds By Asset Type

Interval Funds By Year

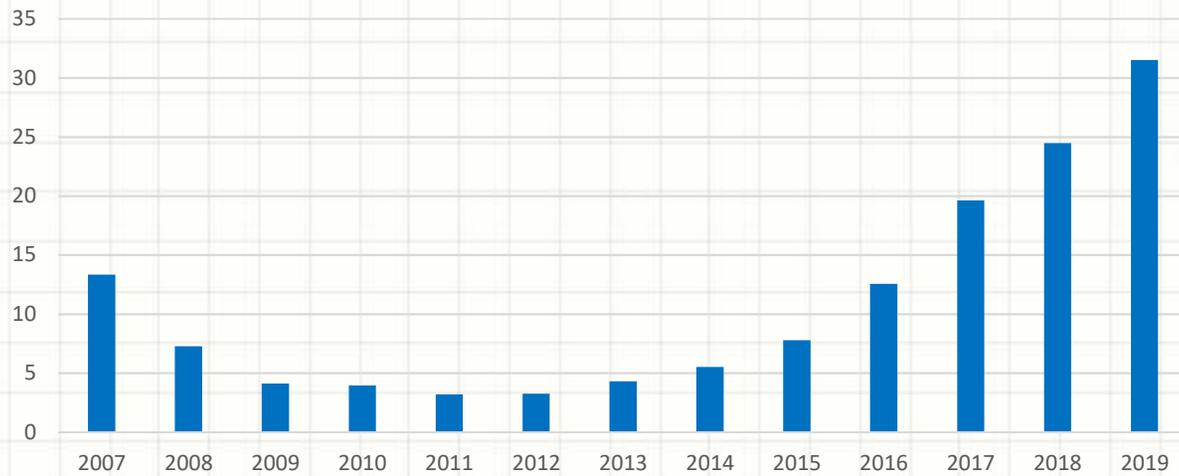


# Interval Closed-Ended Fund (iCEFs)

## iFunds - New and Ceased



## iFunds - Net Assets (\$B)



# PIMCO Flexible Credit Income Fund BOND - GLOBAL CREDIT

## Fund Info

Website	<a href="https://www.pimco.com/">https://www.pimco.com/...</a>
Sponsor	Pacific Investment Management Company
Custodian	State Street Bank and Trust Company
Transfer Agent	DST Systems, Inc
Fiscal Year	June
Redemption Details	Quarterly: 5% to 25%
Inception Date	Feb. 22, 2017

**Objective:** The Fund seeks to provide attractive risk-adjusted returns and current income.

## Capital Structure

Managed Assets (Aug. 31, 2019)	\$998M
Net Assets (Aug. 31, 2019)	\$571M
Leverage as % of Managed Assets (Aug. 31, 2019)	42.8%

## Fundamental Data

(From Shareholder Report dated Dec. 31, 2018)

Total Assets	\$1,247M
Net Assets	\$722M
Leverage as % of Total Assets	39.4%
Leverage Expense as % of NAV	1.3%
Rel Lev Cost %	1.91%
Leverage Type	Borrowings & Other Financing
Portfolio Turnover	8.00%
Inflow (1yr)	\$528M
Outflow (1yr)	\$32M

## Latest Repurchase Offer

Status	In Progress
Start Date	Oct. 11, 2019
End Date	Nov. 7, 2019
Shares (%) to Repurchase	5.00

## Tender Results

Last Tendered (%) on Nov. 8, 2018	1.77
Tendered 1yr (%)	5.64

[Show All Results](#)

## Portfolio Data

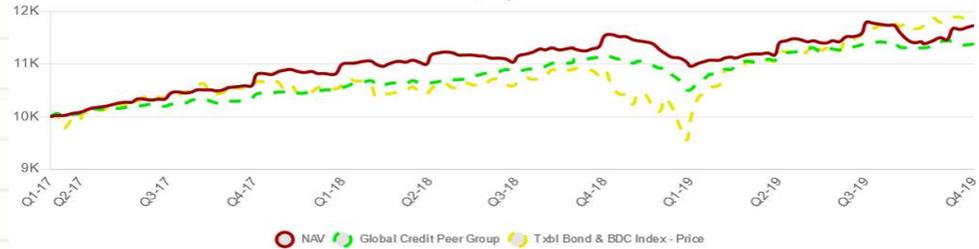
Maturity (-)	-
Duration (Aug. 31, 2019)	3.26
UNII / Share (Dec. 31, 2018)	0.000

## Top 10 Holdings (15.6 %)

Consumer Loan Underlying Bond Certificate Issuer Trust	2.6%
Freddie Mac Mortgage-Backed Securities	2.0%
Ballyrock CLO Ltd.	1.8%
Ardonagh Midco PLC	1.7%
VMC Finance LLC	1.4%
GSMSC Resecuritization Trust	1.4%
Associated Materials LLC	1.3%
Countrywide Home Loan Mortgage Pass-Through Trust	1.2%
Dubai World	1.2%
Cedar Funding VI CLO, Ltd.	1.2%

## FUND CLASSES

Growth of \$10,000: PFLEX



Change Class ▾

## Class Info

Ticker	Name	CUSIP	Inception	Div Freq
PFFLX	Class A		Feb. 22, 2017	Q
PFLEX	Institutional	72202M106	Feb. 22, 2017	Q

## Fundamental Data

Ticker	Shares Outstanding	Gross Expense Ratio	Net Expense Ratio
PFFLX	-	-	-
PFLEX	74,267	3.54	2.11

## Distribution Data

Ticker	Indicated Yield	Trailing Yield	Div Growth (1yr)	Div Growth (3yr)
PFFLX	7.47	5.05		
PFLEX	8.20	7.50	9.8	

## MPT Statistics

Ticker	NAV StDev (1yr)	NAV StDev (3yr)	Beta (2Yr) vs. S&P 500 (TR)	Corr (2Yr) vs. S&P 500 (TR)	Beta (2Yr) vs. Txbi Bond & BDC Index (Price)	Corr (2Yr) vs. Txbi Bond & BDC Index (Price)	Beta (2Yr) vs. Txbi Bond & BDC Index (NAV)	Corr (2Yr) vs. Txbi Bond & BDC Index (NAV)
PFFLX	4.10		0.02	12.9	0.06	5.7	0.59	8.9
PFLEX	4.02		0.08	-49.0	0.13	-55.6	0.64	-66.3

3 Year Distribution Levels(\$): PFLEX



www.CEFData.com

# Recent Active iCEFs

## (launched since 2018)

Fund Name	Structure	Major Group	Sub-Group	Sponsor	Inception	Min Inv	Lev(%)	Managed Assets(M)	Av Net Exp Ratio	Div Freq
<a href="#">PIMCO Flexible Municipal Income Fund</a>	Interval	Bond	Global Credit	PIMCO	2019-03-15	2,500	6.2	91.8	0.52	Q
<a href="#">Cliffwater Corporate Lending Fund</a>	Interval	Bond	Marketplace Loans	Cliffwater	2019-03-06	10,000	0.0	155.4	1.60	Q
<a href="#">1WS Credit Income Fund</a>	Interval	Bond	Loans / Structured Credit	1WS Capital	2019-03-01	1,000,000	0.0	60.0	1.27	Q
<a href="#">BlackRock Credit Strategies Fund</a>	Interval	Bond	Loans / Structured Credit	BlackRock	2019-02-28	250,000	0.0	101.8	1.40	A
<a href="#">Lord Abbett Credit Opportunities Fund</a>	Interval	Bond	Global Credit	Lord Abbett	2019-02-22	2,500	0.0	43.7	1.50	M
<a href="#">Axonic Alternative Income Fund</a>	Interval	Bond	Loans / Structured Credit	Axonic	2018-12-28	50,000	0.0	1.7	2.00	Q
<a href="#">ELLINGTON INCOME OPPORTUNITIES FUND</a>	Interval	Bond	Real Estate Debt	Princeton	2018-11-13	10,000,000	0.0	17.8	2.68	Q
<a href="#">Broadstone Real Estate Access Fund</a>	Interval	Equity	Real Estate / Real Asset	Broadstone	2018-10-04	2,500	23.5	48.0	2.86	Q
<a href="#">City National Rochdale Strategic Credit Fund</a>	Interval	Bond	Loans / Structured Credit	City National	2018-10-01	1,000,000	0.0	37.3	1.95	A
<a href="#">FS Multi-Alternative Income Fund</a>	Interval	Equity	Global Equity	FS/KKR	2018-09-27	2,500	9.6	36.9	0.55	Q
<a href="#">American Beacon Sound Point Enhanced Income Fund</a>	Interval	Bond	Loans / Structured Credit	American Beacon	2018-07-02	100,000	0.0	10.1	1.60	Q
<a href="#">OFI Carlyle Global Private Credit Fund</a>	Interval	Bond	Loans / Structured Credit	OCP	2018-06-04	25,000	27.3	170.4	5.20	Q
<a href="#">NexPoint Healthcare Opportunities Fund</a>	Interval	Equity	Global Equity	Highland Capital	2018-05-10	500	0.0	0.1	12.97	Q
<a href="#">Destra International Event Driven Credit</a>	Interval	Bond	Global Credit	Destra Capital	2018-05-09	2,500	0.0	51.8	3.08	Q
<a href="#">Tortoise Tax-Advantaged Social Infrastructure</a>	Interval	Bond	Loans / Structured Credit	Tortoise	2018-03-26	2,500	0.0	182.4	1.50	Q
<a href="#">Weiss Strategic Interval Fund</a>	Interval	Equity	Global Equity	Weiss Multi-Strategy	2018-02-01	-	0.0	306.8	1.70	Q
<a href="#">Blackstone / GSO Floating Rate Enhanced Income Fund</a>	Interval	Bond	Loans / Structured Credit	GSO / Blackstone	2018-01-18	10,000	29.2	573.0	2.36	M

Total Active iFunds: 58. AUM: \$31.5B

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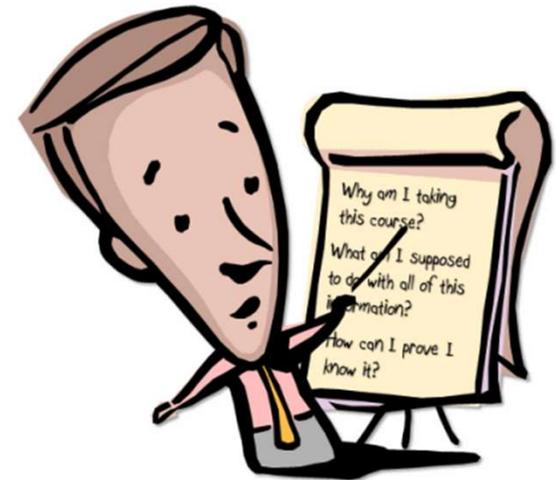
# Risks of CEF/BDC Investing

1. Poor Management, Credit Risk
2. Discount & Dividend Risk
3. Poor Fee / Shareholder Alignment
4. Quarterly NAV (BDC), subjective fair value estimates could take sudden and quick losses
5. Liquidity, Bid/Ask Spread Risk
6. Market Prices can be volatile, especially during earnings season, dividend changes, corporate actions or on 'headline risk' and 'risk off' trading.
7. Libor floors, variable leverage, spread widening,
8. Irrational trading behavior of retail shareholders



# In Summary: Why We Like Closed-End Funds

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



# What Is CEF Advisors?

- Investment Management, Research & Data
- Independent, Fee Only & Family Owned
- *“Scott Letter: Closed-End Fund Report”*
- Custom Discretionary Portfolio Management (SMA), Unit Investment Trust (UIT) & Model Portfolios
- CEF & BDC News/SEC Alert & *“CEFA’s Closed-End Fund Universe”* Report (w/ BDCs).
- Consulting with Institutional Investors and CEF/BDC Fund Sponsors
- CEFData.com: CEF/BDC /iCEF Web Modules Daily Data
- Founding Partner *“Active Investment Company Alliance”*



***Specializing in CEF/BDC/iCEF Research, Trading  
& Portfolio Management***

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

Founded in 1989



# Speaker's Biography



## John Cole Scott, CFS

### EXPERIENCE

**CIO of Registered Investment  
Advisor Focused Exclusively on CEFs  
and BDCs since 2001**

### EDUCATION

**College of William & Mary  
Bachelor of Science in Psychology  
2000**

## John Cole Scott, CFS

*Chief Investment Officer of  
Closed-End Fund Advisors & CEFData.com*

Mr. Scott has worked at Closed-End Fund Advisors since 2001. He 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 and interviewed widely in the financial press and presented at conferences and for investment groups on more than 50 occasions.

In 2008 John founded *CEFA's Closed-End Fund Universe*, a comprehensive weekly data service covering 240+ data points for all US listed closed-end funds and BDCs. He also founded and manages The CEF Network group on LinkedIn and is editor of the firm's blog. John is a past board member of The Richmond Association for Business Economics (RABE), Current Board Member and Finance/Investment committee for The College of William & Mary Alumni Association. He serves on the Investment Committee and as Assistant Treasurer for The New York State Society of The Cincinnati.



# Speaker's Biography

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## **Dan Silver, CFA**

*Portfolio Manager of  
Zoso Capital*

Daniel Silver, CFA manages Zoso Capital, an investment advisory firm primarily focused on long/short closed-end fund and equity strategies.

Prior to Zoso, Mr. Silver worked as an analyst at a hedge fund as well as several investment banks. He is a CFA charterholder, a member of CFA Society New York (CFANY), and a graduate of Emory University's Goizueta Business School.

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DATA, RESEARCH & INVESTMENT MANAGEMENT

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**Thank You For Attending  
Questions?**



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