



# S-Network Composite Closed-End Fund Index

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**Q3 2018**

**S%NET**  
CLOSED-END FUND  
INDEXES

# Index Overview

- ❑ **A Diversified Portfolio of 137 Closed-End Funds**
- ❑ **Targets Yield**
  - Investment Grade Fixed Income Funds
  - High Yield Fixed Income Funds
  - Option Income Funds
- ❑ **All US-Registered**
- ❑ **Modified Net Assets-Weighted**
- ❑ **Multiple Qualitative Screens**
  - Discount
  - Expense Ratio
- ❑ **Screened for Liquidity**
- ❑ **Designed to Take Advantage of Inefficiencies in the Closed-End Fund Market**

**CEFX Provides Diversified Exposure to a Broad Range of High Quality Closed-End Funds.**

# Closed-End Fund Overview – Key Features

- ❑ **Diversification**
- ❑ **Professional Management**
- ❑ **Efficient Portfolio Management**
- ❑ **Periodic Distributions**
- ❑ **Pass Through Taxation**
- ❑ **Opportunity to Buy at a Discount**
- ❑ **Leverage Potential**
- ❑ **Lower Expense Ratios**

**Closed-End Funds – a \$224 Billion Investment Class – Offer Investors a Number of Key Benefits That Are Incorporated into CEFX.**

# Index Composition

## ❑ Investment Grade Fixed Income Funds

- Hold government and corporate bonds, mortgage backed securities, and preferred stock
- Some funds may concentrate on one particular debt instrument, various forms of debt securities or international fixed-income securities in developed and emerging markets

## ❑ High Yield Fixed Income Funds

- Hold portfolios of corporate bonds with ratings below investment grade
- Bank loan funds hold senior bank loans of companies with bond ratings below investment grade
- Some funds have allocations to non-US gov't. and corporate issuers

## ❑ Option Income Funds

- Invest in portfolios of common stocks and write-call options on those stocks or comparable indexes
- Attractive to investors seeking higher income and lower volatility
- Actively managed to produce favorable taxation

**CEFX Includes Three Types of Closed-End Funds that Provide Diversification, Yield, Discount, and Some Tax Advantages.**

# Index Rationale

- ❑ **Diversification by Asset Class**
- ❑ **Diversification by Investment Strategy**
- ❑ **Diversification by Manager**
- ❑ **High Current Yield**
- ❑ **High Current Discount to NAV**



**CEFX Substantially Diminishes the Risks Implied in Owning a Single Closed-End Fund, While Providing High Current Yields and Discounts.**

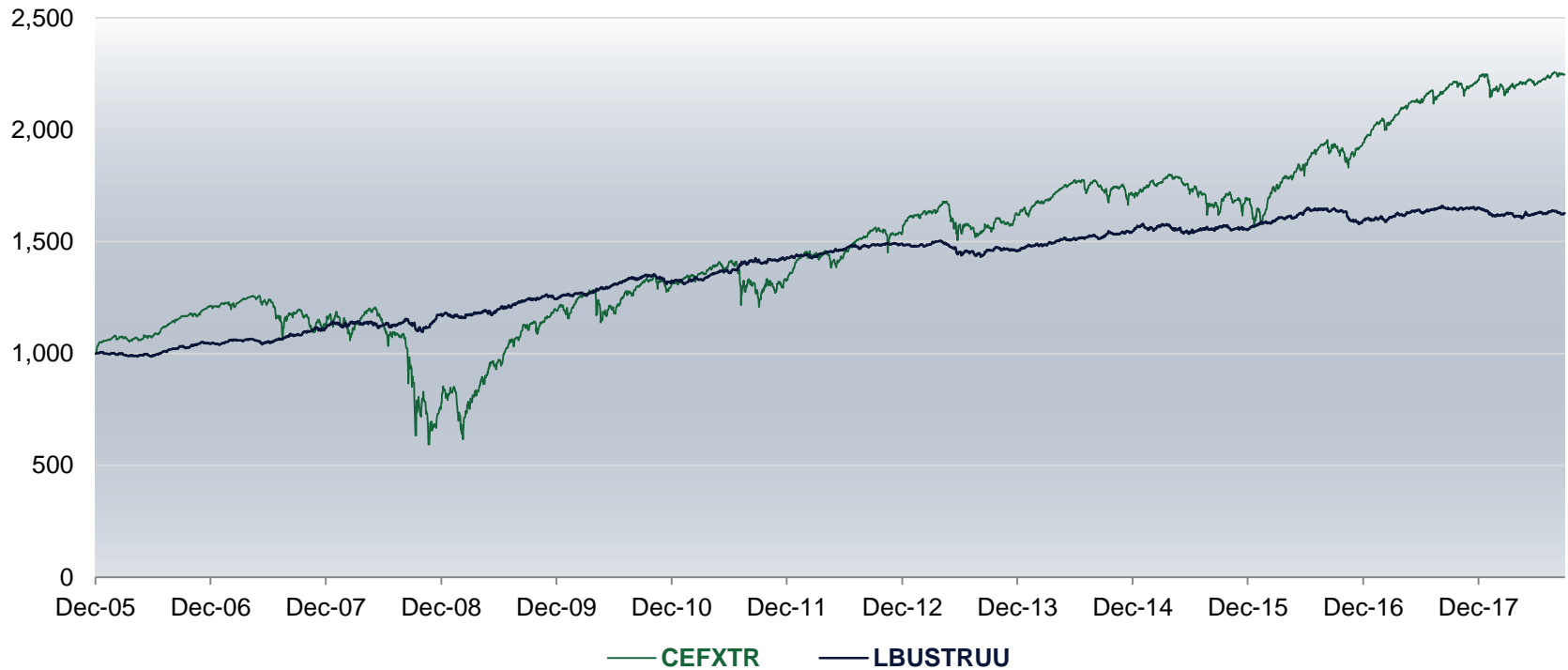


# Index Constituents and Performance



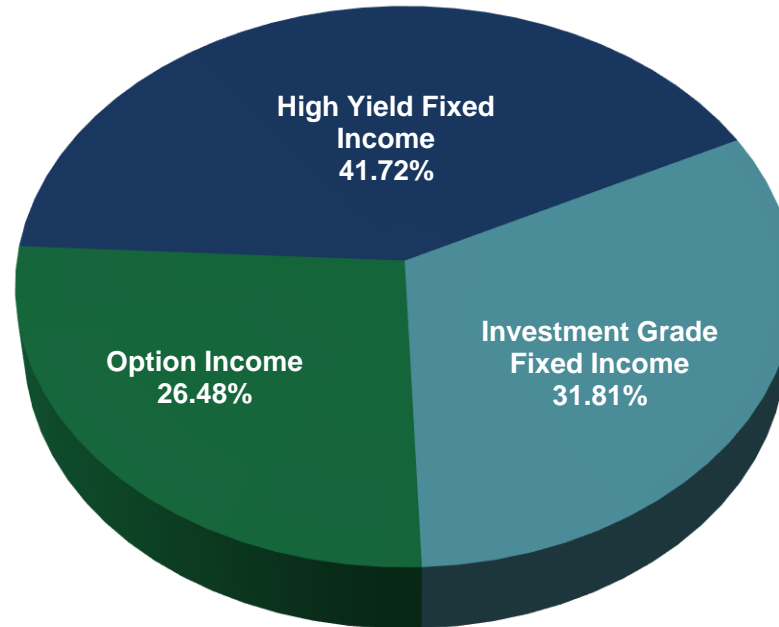
# Historical Performance vs. Benchmarks

**S-Network Composite Closed-End Fund TR Index vs. Barclays U.S. Aggregate TR Index  
(12/31/2005–9/30/2018)**



Source: Bloomberg, as of 9/30/2018

## S-Network Composite Closed-End Fund Index: Sector Distribution

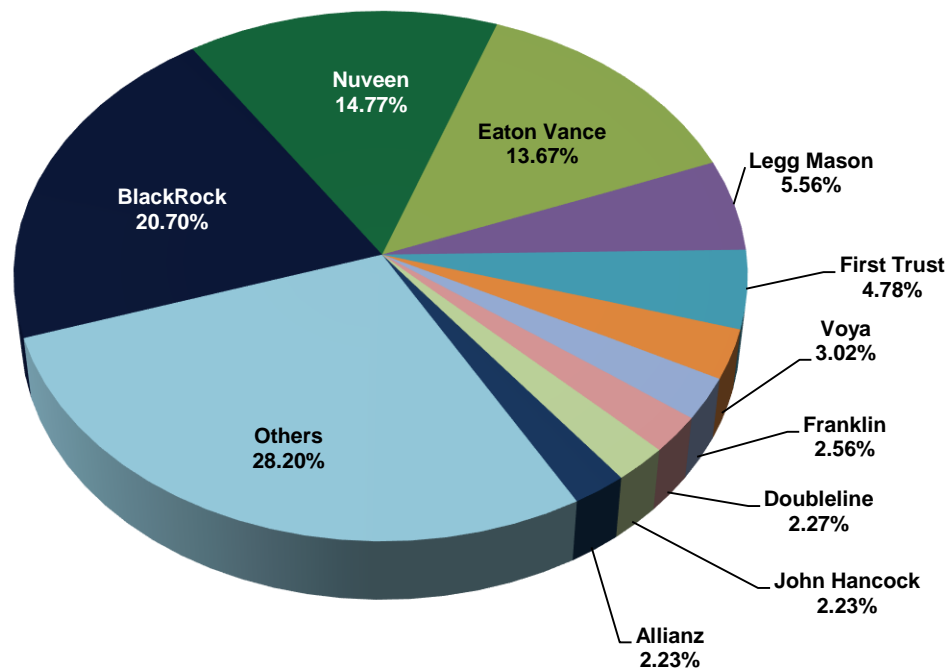


Source: Bloomberg as of 9/30/2018

**CEFX Diversifies Risk by Including Closed-End Funds that Hold Differing Asset Classes and Employ Differing Investment Strategies.**



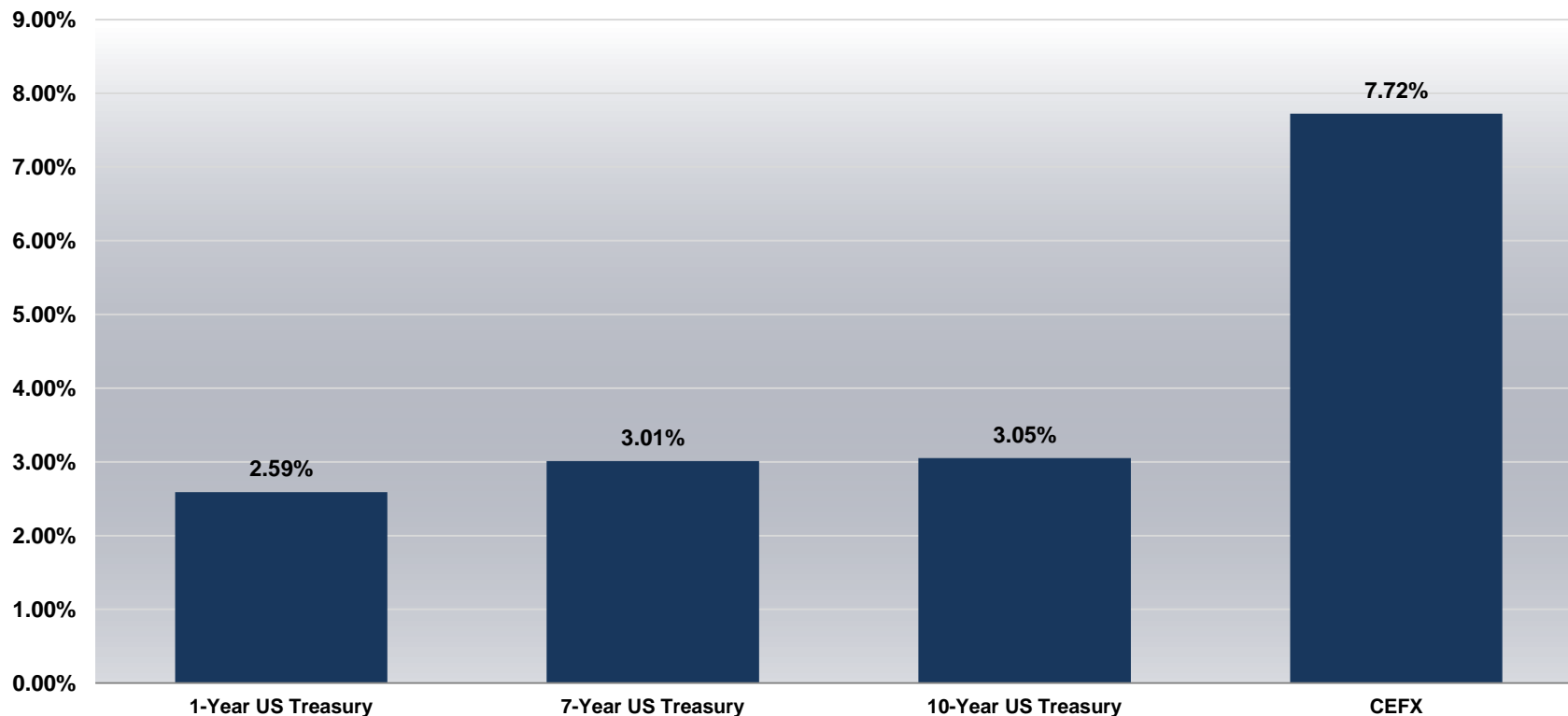
## S-Network Composite Closed-End Fund Index: Manager Distribution



Source: Bloomberg as of 9/30/2018

**CEFX Also Diversifies Risk by Manager and Includes the Leading Fixed Income Managers in the US.**

## Current Yields



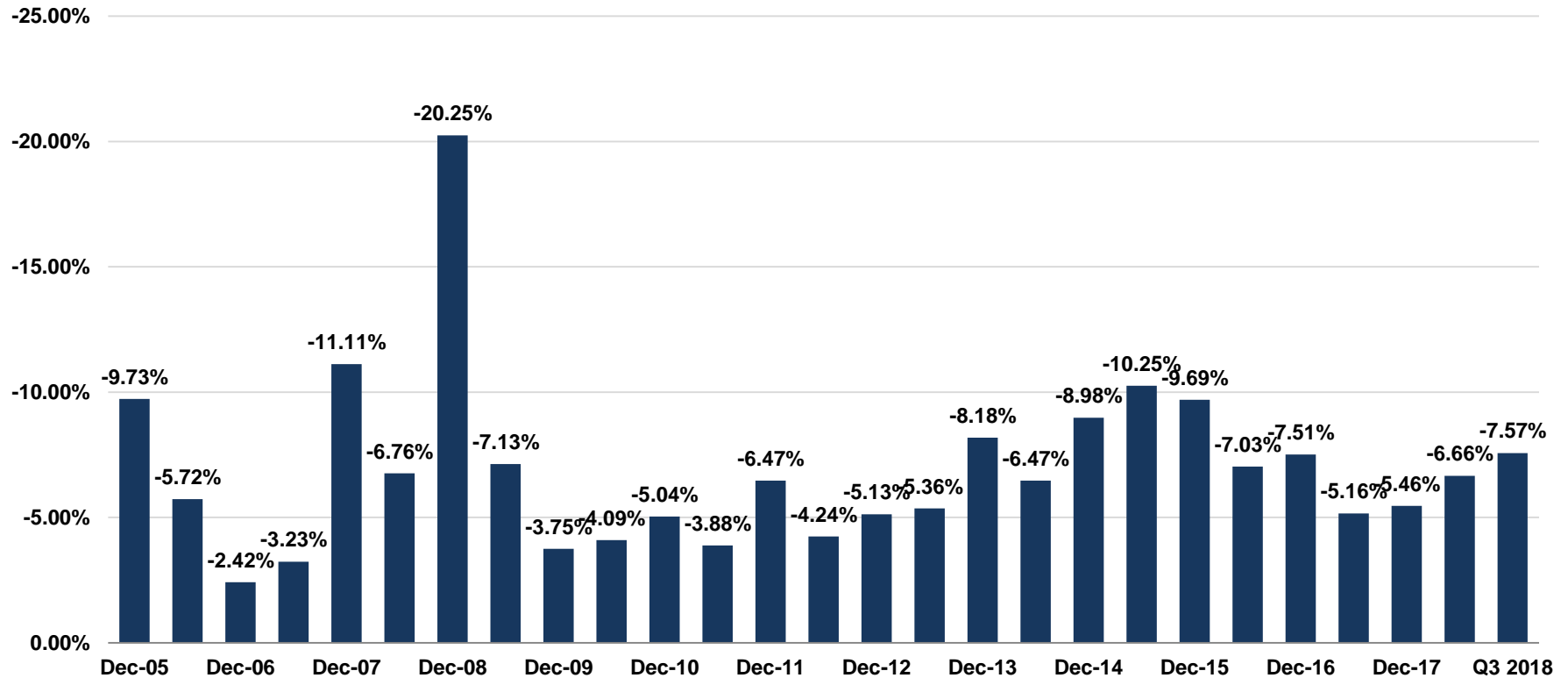
Source: Bloomberg as of 9/30/2018

**With a Current Yield of 7.72%, CEFX Indicates a Higher Yield than Most Other Classes of Fixed Income Investments, Including Government and Corporate Bonds.**

# Index Rationale – Discount

## Historical Discounts

12/31/2005–9/30/2018



Source: Bloomberg as of 9/30/2018

**CEFX's Current Market Value Trades at a Discount to Net Asset Value of -7.57%, Indicating Significant Undervaluation.**



# Index Construction

**S%NET**  
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# Index Construction – Eligibility

- ❑ **A Universe of ~200 Fixed Income and Option Income Closed-End Funds**
  - Total universe ~550 Closed-End Funds
- ❑ **Must Be Registered in the United States**
- ❑ **Minimum Market Capitalization for Inclusion = \$100 million**
- ❑ **Fund Must Be Listed on a Regulated Exchange (No OTCs)**
- ❑ **At Least 95% of Index Weight Must Be Allocated to Funds That Have 3-Month ADTV >\$500,000**
- ❑ **Total Expense Ratio Below Threshold**
  - 2% Maximum at Inception of the Index
  - Based on 30-Day LIBOR Rate at Index Inception Compared to Current Rate
  - Expense Ratio Max Changes by 30% of LIBOR Rate Change from Inception
- ❑ **Funds Trading at Premiums > 20% Eliminated**

**CEFX is Rules Based, Providing a Fair and Accurate Measure of the Yield-Oriented Closed-End Fund Sector.**

# Index Construction – Weighting

- ❑ **Weights Based on Net Assets**
- ❑ **Net Assets Adjusted for Premium/Discount**
  - ❑ **Increases in Fund Net Assets for Funds Trading at a Discount\***
    - Discount > 6% = 30% Increase in Net Assets
    - Discount > 3% and < 6% = 20% Increase in Net Assets
    - Discount > 0% and < 3% = 10% Increase in Net Assets
  - ❑ **Decreases in Fund Net Assets for Funds Trading at a Premium\***
    - Premium > 6% = 30% Decrease in Net Assets
    - Premium > 3% and < 6% = 20% Decrease in Net Assets
    - Premium > 0% and < 3% = 10% Decrease
- ❑ **Funds Capped at 8% Index Weight**
- ❑ **Combined Weight of Funds with Weights over 5% Capped at 45%**



**CEFX's Unique Weighting Methodology Accords Higher Weights to Closed-End Funds that Trade at Discounts.**

# Top Ten Holdings

Fund Name	Ticker	Sector	Weight	AUM
Nuveen Preferred & Income Securities Fund	JPS UN EQUITY	Investment Grade Fixed Income	2.94%	1.79 Billion USD
Eaton Vance Limited Duration Income Closed Fund	EVV UN EQUITY	High Yield Fixed Income	2.70%	1.47 Billion USD
BlackRock Enhanced Equity Dividend Trust	BDJ UN EQUITY	Option Income	2.55%	1.78 Billion USD
Eaton Vance Tax-Managed Global Diversified Equity Income Closed Fund	EXG UN EQUITY	Option Income	2.39%	2.86 Billion USD
BlackRock Credit Allocation Income Trust	BTZ UN EQUITY	Investment Grade Fixed Income	2.34%	1.29 Billion USD
AllianzGI NFJ Dividend Interest & Premium Strategy Closed Fund	NFJ UN EQUITY	Option Income	2.23%	1.24 Billion USD
BlackRock Corporate High Yield Fund	HYT UN EQUITY	High Yield Fixed Income	2.18%	1.31 Billion USD
DoubleLine Income Solutions	DSL UN EQUITY	High Yield Fixed Income	2.02%	2.05 Billion USD
Nuveen Credit Strategies Income Closed Fund	JQC UN EQUITY	Investment Grade Fixed Income	1.99%	1.08 Billion USD
First Trust Intermediate Duration Preferred & Inc	FPF UN EQUITY	Investment Grade Fixed Income	1.93%	1.31 Billion USD

Source: S-Network, as of 9/30/2018

**CEFX Includes Many of the Largest Closed-End Funds on the Market Today.**

<b>S-Network Composite Closed-End Fund Index: Market Capitalization Profile</b>	
<b>Number of Constituents</b>	137
<b>Total Market Capitalization</b>	75.11 Billion USD
<b>Largest Market Capitalization</b>	2.86 Billion USD
<b>Smallest Market Capitalization</b>	85.54 Million USD
<b>Average Market Capitalization</b>	548.27 Million USD
<b>Median Market Capitalization</b>	422.24 Million USD

Source: S-Network, as of 9/30/2018

**With an Average Market Capitalization of Approximately \$548.27 Million, the CEFX Offers a Broad Spectrum of Fund Sizes.**



# Summary – Index Features and Benefits

<b>Feature</b>	<b>Benefit</b>
<b>Asset Diversification</b>	Index constituents hold various types of assets, including government bonds, corporate bonds, emerging market bonds, high yield bonds, equities and options.
<b>Strategy Diversification</b>	Index constituents employ a wide range of trading strategies that diversify specific fund risk.
<b>Manager Diversification</b>	Constituent closed-end funds employ over 40 different managers, including some of the leading fixed income managers in the world.
<b>High Current Yield</b>	At 7.72%, the CEFX offers yields substantially higher than most fixed income investments.
<b>High Current Discount</b>	At -7.57%, the CEFX currently trades at an historically low valuation – exceeded only in times of severe market disruption.

**CEFX Offers Multiple Forms of Diversification that Help Diminish Specific Risks, while Providing High Current Yield and High Current Discount.**



# Statistical Profiles



Total Return Appreciation		
	CEFXTR	LBUSTRUU
Since Inception	124.69%	62.65%
10 Year	155.44%	44.82%
5 Year	43.86%	11.28%
3 Year	38.00%	3.99%
1 Year	2.05%	-1.22%

Compound Annual Growth Rate		
	CEFXTR	LBUSTRUU
Since Inception	6.56%	3.89%
10 Year	9.83%	3.77%
5 Year	7.54%	2.16%
3 Year	11.33%	1.31%
1 Year	2.05%	-1.22%

Source: S-Network as of 9/30/2018

**CEFX Includes Many of the Largest Closed-End Funds on the Market Today.**

Annualized Monthly Standard Deviation		
	CEFXTR	LBUSTRUU
Since Inception	13.06%	3.13%
10 Year	12.48%	3.24%
5 Year	6.80%	2.70%
3 Year	6.52%	2.66%
1 Year	3.28%	2.25%

Sharpe Ratio		
	CEFXTR	LBUSTRUU
Since Inception	0.4698	0.8821
10 Year	0.7900	1.0583
5 Year	1.0250	0.6005
3 Year	1.5461	0.1646
1 Year	0.1183	-1.2843

Source: S-Network as of 9/30/2018



**CEFX Includes Many of the Largest Closed-End Funds on the Market Today.**

# S-Network Indexes – Company History

## □ S-Network Global Indexes

S-Network Global Indexes, Inc. is a publisher and developer of proprietary and custom indexes. Founded in 1997, S-Network publishes over 200 indexes, which serve as the underlying portfolios for financial products with over USD 7 billion in assets under management. S-Network indexes, which are supported by a state-of-the-art technology platform, are known for their transparency and efficiency.

S-Network is a leader in socially responsible investment, publishing best-practice benchmark indexes in collaboration with Thomson Reuters. S-Network published the first global alternative energy and water indexes, which today serve as the recognized benchmarks for those sectors worldwide. In addition to publishing socially responsible indexes, S-Network produces proprietary environmental, social and governance ratings on nearly 5,000 public companies worldwide.

S-Network publishes a comprehensive suite of benchmark indexes covering US, European, Pacific Basin and emerging markets companies and mirroring the performance characteristics of the most popular indexes. The benchmark series offers detailed historical data, including daily constituent level data, from December 31, 1999 to the present. S-Network benchmarks serve as starting universes for smart beta indexes, as institutional-quality performance benchmarks, and as bases for Separately Managed Accounts.

S-Network is a prominent provider of smart beta indexes that incorporate both standard market statistics, as well as unique and highly specialized proprietary data sets derived from non-traditional sources. Smart beta indexes developed by S-Network embrace powerful single-factor models as well as complex multi-factor models that incorporate over 200 discrete factors. All indexes developed by S-Network address and resolve issues such as liquidity, investability and index turnover characteristics.

For more information please visit <http://www.snetglobalindexes.com/>

## □ Paul Mazzilli

Paul most recently served as an Executive Director at Morgan Stanley, which he joined in 1975. From 1997 to 2008, Paul was Director of Morgan Stanley's ETF Research team covering index-linked ETFs and actively managed closed-end fund companies. Paul also spent five years in Equity Capital Markets Services. Paul's team was the first to provide research coverage on index-linked ETFs and won many awards, including the Most Useful ETF Research in the U.S. Every Year Since Inception in 2004 at the annual ETF Global Awards Conference and the Best Research Team for Exchange-Traded Funds in 2007 at the 7<sup>th</sup> Annual Capital Link Forum on Closed-End Funds and ETFs in April 2008.

**CEFX Was Developed by S-Network, a Leading Provider of Thematic Indexes and Paul Mazzilli, One of America's Leading Closed-End Fund Analysts.**

# Data Sources and Availability

- ❑ Rule Book Available at: [www.closedendfundindex.com](http://www.closedendfundindex.com)
- ❑ Historic Data and Portfolio Snapshots at: [www.closedendfundindex.com](http://www.closedendfundindex.com) and various data vendors
- ❑ Constituent Data Available at: [www.closedendfundindex.com](http://www.closedendfundindex.com) and various data vendors
- ❑ Back Test Data from December 31, 2005
- ❑ Live Data from October 29, 2009
- ❑ Real Time Price Index Values in USD (TICKER: CEFX; RIC: SNETCEF)
- ❑ EOD Total Return Index Values in USD (TICKER: CEFXTR; RIC: SNETCEFTR)

Extensive and Detailed Data Will be Available on CEFX to Support Analysis and Investment.