

**8<sup>th</sup> ANNUAL**  
**Closed-End Funds and Global ETFs**  
CAPITAL LINK FORUM

**Closed-End Funds  
& ETF Awards**

**8<sup>TH</sup> ANNUAL CAPITAL LINK FORUM ON  
Closed-End Funds and ETFs a tremendous success**

Wednesday, April 29<sup>th</sup>, 2009, New York City – Over 722 members of the investment community and the financial press attended the 8<sup>th</sup> Annual Capital Link Forum on Closed End Funds and ETFs which took place at the Metropolitan Club in New York City.

The Forum focused on current trends and developments in Closed-End Funds (CEFs) and



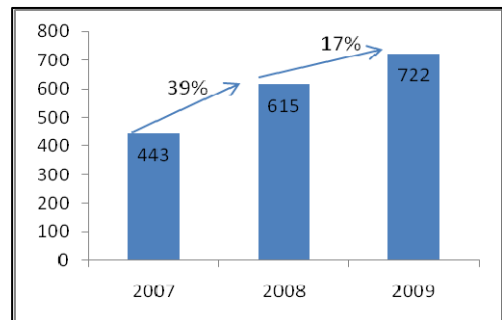
Exchange Traded Funds (ETFs) with presentations by fund managers, analysts and specialists from the industry, as well as with industry roundtables with discussion among industry participants.

With a successful track record of eight years, the Annual Capital Link Forum on Closed-End Funds and Global ETFs has been established as a major industry event where analysts and portfolio managers can debate with their peers and present to a wider investor audience.



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Attendance has been increasing every year averaging 500. This year's attendance of 722 set a new record indicating the Forum's recognition and standing within the investment community as the "Meeting Place for Closed-End Funds, ETFs and Investors." The Forum has established itself as a unique marketing platform and also as an effective networking event. Given the current economic trends it was particularly gratifying to have attendance surpass that of previous years.



YEARLY ATTENDEE GROWTH

## **Forum Organizers:**

This Annual Forum is organized by Capital Link, a New York based Investor Relations and Financial Communications firm which among other activities maintains a strategic focus on the Closed-End Fund and ETF sectors. It was organized in cooperation with NYSE Euronext.



## **Sponsors and Presenters:**

Milberg LLP was the Lead Sponsor of this event, while Barclay Global Investors: iShares was the Silver Sponsor.

Other Sponsors included Alps, BlackRock, Chicago Board Options Exchange, Claymore, Direxion Shares, Ernst & Young, Evergreen Investments, FBN Securities, Fund Data, ING Investment Management, Invesco PowerShares, Maxim Group, Nuveen Investments, NYSE Euronext, ProShares, Prospect Capital, RevenueShares, RiverNorth Funds, SmartGrowth Mutual Funds, Tortoise Capital Advisors United States Commodity Funds, LLC and WisdomTree, as well as Standard and Poors.

## **Media Partners:**

The Forum's Media Partners included Barclay Hedge, Barron's, Bloomberg, Euromoney Yearbooks, Financial Planning, Investor's Business Daily, Investment Advisors, Market Media, Registered Representative, Research, Reuters HedgeWorld, and Wealth Manager

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### Welcome Remarks:

**Mr. Nicolas Bornozis**, President of Capital Link, made the introductory remarks highlighting the significance of this Annual Forum as a unique and major industry event. The Forum serves the double purpose of enhancing the overall visibility of Closed-End Funds and ETFs in the investment community while also highlighting current trends, developments, challenges and opportunities in these areas.



### THE STATE OF THE CLOSED-END FUND INDUSTRY IN 2009



**Ms. Mariana Bush**, Closed-End Funds & Exchange-Traded Funds Analyst at Wachovia Securities, in her address spoke of “The State of The Closed-End Fund Industry In 2009.”

### INDUSTRY ROUNDTABLES CLOSED-END FUNDS: The Use of Leverage in CEFs”

**Ms. Mariana Bush**, Closed-End Funds & Exchange-Traded Funds Analyst, Wachovia Securities then moderated an Industry Panel on “The Use of Leverage in Closed-End Funds”.

This panel consisted of **Mr. Steven A. Baffico**, Managing Director, Head of Listed Funds BlackRock Investments, **Mr. Paul Williams**, Managing Director, New Product Development Nuveen Investments, and **Mr. Jon Maier**, Investment Strategy Group - Closed-End Funds, Bank of America Securities - Merrill Lynch



**Ms. Mariana Bush** Closed-End Funds & Exchange-Traded Funds Analyst, Wachovia Securities discussed several issues pertaining to CEFs highlighting the following:

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**Performance.** In general, the net asset values of closed-end funds have performed fairly in line with their underlying assets classes over the last year — adjusted for leverage wherever relevant. There have been only a few outliers that substantially underperformed their peers and/or their underlying asset class. Those isolated cases had a couple of common denominators: they did not deliver fast enough as their underlying asset classes declined, and/or the portfolio managers took a leveraged bet, which went against them. Most of those performance outliers have already changed

managers or are in the process of liquidation.

**Discounts.** Premiums and discounts have behaved pretty much as expected: discounts widened during market weakness and they narrowed in the face of market strength. As is also customary of closed-end fund behavior, changes in premium/discounts were exaggerated. The average discounts widened tremendously during particularly highly volatile markets — reaching an extreme 24% average discount on October 10, 2008 — and narrowing to a complacent 3% discount in mid-February just before the market weakened forcefully.

**Corporate Restructuring.** Many funds have announced mergers and liquidations. We expect to see more. There are several reasons why closed-end funds should merge. First, merging two or more similar funds (similar objective, same manager, same underlying asset class) would increase the liquidity of the surviving fund. Second, in the wake of the market devastation last year, the assets of some funds have shrunk to levels where expenses are disproportionately large and burdensome. Merging into another larger fund would reduce expenses and therefore their burden on performance. Third, while there may be some one-time expenses incurred by a merger, the longer term benefits of lower expenses on performance are greater. Fourth, as assets have shrunk so have share prices. In some cases, especially where share price are lower than \$5 purchasing such funds may entail additional compliance paperwork for financial advisors, which may reduce demand for a fund. In such cases, we envision that managers may reverse split a fund to alleviate those potential compliance restrictions.



A few funds may even change their investment objective possibly following a broader mandate.

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A lot of progress has been made regarding the redemption of auction rate preferreds since their auctions started to fail in February 2008. Some of the redemptions reduced the leverage of certain closed-end funds as their asset declined, and other redemptions served to replace other funds' form of leverage. Once the credit markets open up, we think new instruments will develop similar to the Variable Rate Demand Preferreds (VRDPs) introduced by four Nuveen municipal closed-end funds in the fall. It is possible that a few closed-

end funds will remain with a lower leverage ratio.

**IPOs.** After a long hiatus, closed-end fund IPOs appear to be back, and in the future they may enjoy superior structures. So far, the return of closed-end fund IPOs has been cautious and slow, and the objective of the newest closed-end funds has been conservative and "dull" — no or low leverage, high-quality municipal bonds.

The extreme market activity will probably force positive innovation among closed-end fund IPOs. Paul Williams at Nuveen referred to the 2008 experience as a "game changing market."



**Transparency.** Especially around leverage, there is not enough transparency. All closed-end funds already post their funds' levels of 1940 Act leverage — auction rate preferreds and debt such as a line of credit. After all, they are required to do so. While not required, a few others have started to publish leverage data of tender option bonds, which has the same impact on a fund's earnings level and performance as the 1940 Act types of leverage. Few if any, go for extra credit. We think they should in order to avoid misleading shareholders and investors. We think funds should publish — in plain English — the effect on volatility or a portfolio's risk of investing in inherently leveraged

instruments such as credit default swaps, futures, total return swaps, etc. Inherently-levered instruments add to the risk of a portfolio, but such risks are not always clearly disclosed.

Some investors may incorrectly assume that the only manner to achieve leverage is by borrowing assets or issuing senior securities such as auction rate preferreds. In fact, closed-end funds (and some mutual funds also) can be — and are — much more creative than that in order to stretch for yield. We would like to challenge closed-end funds to fully disclose, in plain English, and quantify the total leverage ratio of a portfolio.

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**Mr. Steven A. Baffico**, Managing Director, Head of Listed Funds at BlackRock Investments,



Mentioned that "What we've seen is an acute dislocation of price in many sectors of the fixed income markets due to both technical inefficiencies as well as deteriorating fundamentals," Mr. Baffico explained. "Having said that, the ensuing price ambiguity creates rare opportunities to find quality assets at deep discounts for those who possess intimate sector knowledge and understand the idiosyncrasies, therein, as well as having sophisticated analytical tools essential to extract returns and effectively manage risk. At BlackRock, to monetize that opportunity for clients, we use our human capital, market experience and technology to build the appropriate fund structure to access these markets. I think it's essential for leading issuers to understand that today's complex markets

demand evolution in terms of originating and structuring investment vehicles for retail investors."

Mr. Baffico went on to discuss the recent efforts of the United States Government. "We believe through government securitization programs like, the Term Asset-Backed Securities Loan Facility Program (also known as 'TALF'), the Public-Private Investment Program (also known as 'PPIP') and others, that the U.S. Treasury and other government agencies are attempting to achieve the functional objectives of creating large pools of liquidity to be deployed within specific areas of the market with the goal of creating floor pricing and a clearing bid. Secondly, they are attempting to create incentive for the private sector to enter these markets and commit risk capital as participants, not spectators."

"It is vital to understand that this high degree of government subsidy and intervention has completely changed the face of the U.S. fixed income market. As investors, we must think critically and think differently about how we deploy assets in these sectors going forward, as government securitization programs will inevitably continue to expand over the next half decade to ten years."

### **EQUITY & TOTAL RETURN INVESTING**

**Mr. Kristoph Rollenhagen** Senior Vice President – Research, Closed-End Funds and ETFs at Oppenheimer and Co. introduced the panel on "Equity and Total Return Investing". He mentioned "I was very pleased to have the opportunity to moderate a panel on closed-end fund total return investing. My esteemed panelists included **Mr. David J. Schulte**, Managing Director of Tortoise Capital Advisors and **Mr. Timothy**



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**O'Brien**, a principal in Crow Point Capital Partners, which is majority owned by M.D. Sass/Macquarie Strategies, L.P. I would argue that the total return dimension of closed-end fund investing is frequently overshadowed by the “yield of the day” (which may not be the yield of tomorrow, particularly in the closed-end environment we’ve been subject to for the past two years).”

**Mr. David J. Schulte commented** “Infrastructure, often defined as the backbone of our economy, depends on petroleum and natural gas to exist and function optimally. Energy infrastructure master limited partnerships (MLPs) that operate real assets are essential for transporting and storing these commodities,” said Tortoise Capital Advisors’ Managing Director Dave Schulte.



“MLPs offer investors an attractive investment. Demand for energy remains strong with the Energy Information Administration forecasting energy use to grow by 0.50 percent annually through 2030. MLPs offer ‘emerging market’ return potential with ‘developed market’ risk and an opportunity for 10% - 14% long-term total return and low risk due to diversification, political stability and low operating level leverage. (Or we expect long-term distribution growth to approximate economic and population growth.)

Historically, MLPs have weathered market disruptions favorably, and during constrained economic periods, these companies experience limited price sensitivity to crude oil and natural gas prices and adequate coverage to maintain distributions.”

“We believe large capitalization long-haul pipeline companies with moderate leverage are capable of strong performance on a risk-adjusted basis. These critical assets facilitate economic productivity and promote a high quality standard of living,” added Mr. Schulte.

David Schulte is a Co-Founder and Managing Director at Tortoise Capital Advisors, Tortoise LLC is a pioneer in capital markets for MLP investment companies and a leader in closed-end funds and separately managed accounts focused on MLPs in the energy sector. As of March 31, 2009, the adviser had approximately \$1.7 billion of assets under management.



**Mr. Timothy O'Brien, CFA** Co-founder and Principal Crow Point Partners, LLC Portfolio Manager Evergreen Funds spoke on “EVERGREEN UTILITIES & HIGH INCOME FUND (ERH) & EVERGREEN GLOBAL DIVIDEND OPPORTUNITY FUND (EOD)” while **Mr. David Schulte** Tortoise Capital Advisors

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discussed “INVESTMENT OPPORTUNITIES IN THE ENERGY INFRASTRUCTURE SECTOR”

## INDUSTRY ROUNDTABLE: CEFs - CURRENT TRENDS, OPPORTUNITIES & OUTLOOK



**Mr. Dennis Emanuel**, Managing Director, CEF & ETF Research Citigroup Investment Research moderated the second industry discussion panel.

**Mr. Steven A. Baffico** Managing Director, Head of Listed Funds BlackRock Investments, **Ms. Karen R. McColl**, CFA, Vice President,

Investment Product Management Evergreen Investments, **Mr. Paul Williams**, Managing Director, New Product Development, Nuveen Investments and **Mr. Stephen O'Neill**, CFA, Portfolio Manager RiverNorth Capital Management participated in this panel discussing the current trends, challenges and outlook in the sector.



**Mr. Stephen O'Neill**, CFA, Portfolio Manager RiverNorth Capital Management, stated that “At current discount levels, we believe that patient investors will be rewarded by making opportunistic, discount based investments in closed-end fund shares. Such investments provide investors with an opportunity to earn excess returns over the closed-end fund’s benchmark index.”

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## "THE MADOFF TRAGEDY: OPTIONS FOR RECOVERY"



**Professor Arthur Miller**, Special Counsel Milberg LLP, who were the lead sponsors of the conference, lead a panel titled The Madoff Tragedy: Options for Recovery. A host of questions will be addressed, few of which are susceptible to easy answers, including those concerning the SEC response and the recoveries that Madoff customers can expect. The role of feeder funds, potential liability and tax implications will be thoroughly covered. As Madoff investors struggle to recover losses through litigation

and other means, this panel examines what the Madoff tragedy reveals about transparency, due diligence, investment strategy, and the possibilities for recovery when all of these fail.

The panel consisted of **Mr. Brad N. Friedman**, Partner, Milberg LLP, **Mr. Jonathan M. Landers**, Partner, Milberg LLP, **Mr. Harvey L. Pitt**, Chief Executive Officer, Kalorama Partners, LLC. and **Mr. William McGuinness**, Chair, Litigation Department, Fried, Frank, Harris, Shriver & Jacobson LLP.



## RISK MITIGATION STRATEGIES



**Mr. Alex Reiss**, Vice President - Closed-end Fund Research Stifel Nicolaus introduced the panelists.

**Mr. Matthew Moran**, Vice President Chicago Board Options

Exchange (CBOE) and **Mr. Martin Jansen**, Senior Vice President, ING Investment Management and **Mr. Matthew Moran**, Vice President Chicago Board Options Exchange



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(CBOE) who discussed “CAN PUT- WRITE & BUY-WRITE INDEXES GENERATE HIGHER INCOME & RISK-ADJUSTED RETURNS?”

He noted that - "Many investors are distressed by the fact that the values of many of the so-called 'diversified' asset classes in their portfolios experienced huge declines in the past eight months. While many indexes experiences sharp declines, the CBOE Volatility Index (VIX) hit an all-time intraday high of 89.53 on October 24, 2008. Futures and options on the VIX now can be used for diversification purposes. With the VIX at high levels, investors also are exploring the possibility of selling stock index options to generate high premiums. On November 21, 2008 the CBOE S&P 500 BuyWrite Index (BXM) generated a record high 8.1% gross monthly premium. Both the BXM Index and the CBOE S&P 500 PutWrite Index (PUT) have experienced some good investor interest, as both indexes have had less volatility than the S&P 500 Index. Certain closed-end funds, ETFs, and ETNs now engage in options-based strategies based on CBOE's indexes."

**Mr. Martin Jansen**, Senior Vice President, ING Investment Management presented the “ING HIGH DIVIDEND COVERED CALL CLOSED END STRATEGIES” discussing ING's closed-end covered call funds using ING's high dividend strategies. He highlighted the surge in dividend yields globally and the broadening of the global opportunity set for dividend-focused strategies. He also emphasized the strategically valuable attributes of dividends in the current low interest rate environment. Additionally, he gave his perspective on how high dividend strategies allow for lower coverage ratios in covered call funds and more upside potential when markets do recover sustainably.

### ETF PORTFOLIO MANAGEMENT STRATEGIES



**Mr. Kevin D. Mahn**, Chief Investment Officer, Hennion & Walsh Asset Management, Portfolio Manager, SmartGrowth® Mutual Funds presented on “BUILDING A DIVERSIFIED GROWTH PORTFOLIO USING ETFs”. He mentioned: “The decision to become one of the sponsors at the 8<sup>th</sup> Annual Closed-end Funds and Global ETFs Capital Link Forum was a wise one for us. We found the information presented in the various sessions to be highly informative and the quality of the speakers and attendees was first rate.

Closed-end Funds and ETFs are a growing component of many investment portfolios and the Forum provided in-depth perspectives on both product areas from leading industry experts. I also appreciated the opportunity to be the main speaker during a 45-minute break-out session that focused on Building Diversified Growth Portfolios using ETFs. Based upon the attendance, follow-up questions and feedback that I received, session attendees seemed to

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find value in it as well. Overall, a great event. We look forward to participating again next year.”

### **INVESTMENT OPPORTUNITIES**



**Mr. M. Grier Eliasek**, President & Chief Operating Officer, Prospect Capital Corporation, talked about “INVESTMENT OPPORTUNITIES IN DISTRESSED AND SECONDARY DEBT.” He gave an overview of the company, reasons for outperformance, and his outlook for the current investment environment. Mr. Eliasek highlighted the fact that Prospect has increased its dividend 18 consecutive quarters and has an approximate 50% IRR track record on its realizations, which he attributes to the firm’s low leverage and analytically-driven credit culture.

On the current opportunity set, Mr. Eliasek noted that deleveraging has led to forced selling by owners of loan paper, resulting in significant discounts to par value. Discounts are currently available in the secondary market for healthy companies, too, not just distressed ones, and Prospect possesses the ability to currently “cherry pick” the best middle market corporate loans from motivated sellers.

Mr. Eliasek noted that the middle market is particularly attractive because long-term structures like Prospect’s are ideal to own such less liquid paper. Mr. Eliasek also noted that buying leveraged loans in the secondary market offers the ability to earn “equity-like” returns while assuming senior debt risks, which is unprecedented from a historical perspective.

### **ANALYTICAL TOOLS FOR CEFs and ETFs**



**Mr. Connor Sloman**, Managing Director, Fundamental Data and **Mr. Tom Treanor**, Head of Sales, Fundamental Data made a presentation on “ANALYTICAL TOOLS FOR CEFs & ETFs”

Fundamental Data is a leading provider of data on global closed-end and exchange traded-funds. It specializes solely in the provision of information, providing facts, not opinion. Fund Data’s fund coverage includes

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all UK and US CEFs, as well as offshore and local market CEFs worldwide. The Company is currently expanding our ETF coverage to cover all UK and US listed ETFs. The global universe of funds currently provided by Fundamental Data exceeds 2500, on which the Company collects and stores over 3000 data items for every fund. This data includes all Price, NAV and Distribution histories, together with performance figures, risk statistics, earnings details and comprehensive analytics on the entire universe of funds. In October 2008, Morningstar, Inc. a leading provider of independent investment research announced the acquisition of Fundamental Data.



## KEYNOTE SPEAKER



Mr. Nicolas Bornozis, President, Capital Link, Inc. Introduced the Keynote speaker **Mr. Lawrence Leibowitz**, Group Executive Vice President, Head of US Markets and Global Technology, NYSE Euronext, Member of NYSE Euronext Management Committee who made a presentation on “**Equity Markets & Exchanges in Today's Global Landscape**”.

He spoke on the topic of Equity Markets & Exchanges in Today's Global Landscape

In his speech he mentioned the crisis of confidence in today's marketplace as the result of the subprime credit crisis and the high profile failures of established firms. The volatility and uncertainty have lead to losses in the value of investment portfolios, to corporate failures and job losses and to mortgage failures and bankruptcies. In this environment, there is increased need for transparency and disclosure, for untenable risk and exposure and for CEO compensation and accountability.

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In today's global financial marketplace we encounter an increasing number of maturing foreign markets, new alternative investment opportunities, new asset classes and market participants such as hedge funds. Competition within the Financial Services industry is increasingly global.

U.S. investors internationalize their portfolios pursuing profits abroad. They seek investments immune to the domestic U.S. economy's current economic afflictions. The

U.S. dominance has under pressure and there has been a rise in global trading with countries such as China, Japan, Taiwan and Israel emerging as significant market participants.

There has been extensive transformation in the Stock Exchange space. Financial markets now are truly global. Companies are no longer constrained to list their securities in their home market. Customers have many choices and many new ways to access capital and liquidity globally. In this environment, Exchanges are modernizing. Technology has been a key driver of change. There is a trend toward consolidation both domestically and globally. Exchanges are now publicly held companies forming strategic alliances. The Exchange of the future is a multi-product, single-platform, technology-focused global exchange, efficient, which will also be more cost-effective.

NYSE Euronext has gone through an extensive and successful transformation. It is a leader among Stock Exchanges and an innovator on a global scale. It has been transformed from a historically member owned company to a for-profit company; from floor based trading of stocks to a human/electronic platform; from equities only to futures, options, bonds, and technology sales; from offices in NY to a global footprint.

NYSE Euronext counts today 4,900 listed issuers and 6,500 listed issues in 58 countries. (this is old - CB) It has presence in China, Singapore, Japan; strategic relationships with Brazil, India, Tokyo, Philippines, Middle East (Qatar). The Amex acquisition and options trading added additional versatility to the NYSE floor.

In the area of regulatory Issues, the recent events underscore the need to modernize U.S. regulation domestically but also with a global perspective. We need to combine a Rules Based approach (SEC) with a Principles Based approach (Europe/CFTC). The goal is to facilitate cross-listing of world class companies and ETFs. Another area that needs additional oversight is the Hedge Fund reform industry as well as other, more specific trading rules, such as the Short Sale and Uptick Rules for example.

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### THE STATE OF THE ETF INDUSTRY IN 2009

**Ms. Deborah Fuhr**, Global Head of ETF Research and Implementation Strategy at Barclays Global Investors in London presented findings from her Team's ETF Landscape End Q1 2009 report on the state of the global ETF industry. She mentioned that ETFs are being used by a growing number of

institutional and retail investors around the world. At the end of Q1 2009 there are 1,635 ETFs with 2,857 listings, assets of \$633.55 billion, from 87 providers listed on 43 exchanges around the world.



Year to date 66 new ETFs have been launched, the average daily trading volume has increased 10.4% to 88.8 billion. Globally iShares is the largest ETF provider in terms of number, 369 ETFs and assets of \$269.8 billion, reflecting 46.8% market share, State Street Global Advisors is 2nd with 102 products and \$ 103.5 billion, 16.3% market share followed by Vanguard with 38 products and assets of 44.2 billion and 7.0% market share at the end of Q1 2009.

### INDUSTRY ROUNDTABLE ETFs: LEVERAGED ETFs



**Mr. Dominic Maister**, Executive Director, Morgan Stanley, Markets Group moderated the panel discussion and the panelists were the following: **Mr. Daniel D. O'Neill**, President and Chief Investment Officer, Direxion Shares, **Mr. Solomon G. Teller**, CFA Head of Investment Analytics, ProShares, **Mr. Scott Burns**, Director ETF Research, Morningstar.

**Mr. Dominic Maister**, Executive Director, Morgan Stanley, Markets Group mentioned that "Leveraged and leveraged inverse ETFs generally capture a high percentage of their targeted daily returns, particularly on a net asset value basis. As a result, we believe that they may be appropriate tools for some investors looking to make short-term tactical trades if they perceive a high likelihood of a strong market move occurring in a relatively short period of time."



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“However, the effects of compounding and the daily rebalancing that occurs within these ETFs can lead to unexpected results over longer periods. Specifically, in highly volatile trendless markets, a traditional benchmark index could increase slightly, while the leveraged and leveraged inverse ETFs tracking that same index could both decline sharply.”

**Mr. Daniel D. O'Neill**, President and Chief Investment Officer, Direxion Shares mentioned that “The innovation occurring in ETFs today is transforming the way the world invests. I was



honored to participate on behalf of Direxion and speak about the opportunities we see, particularly in the leveraged ETFs space,” said Dan O'Neill, President and Chief Investment Officer of Direxion Shares. “Our niche in this market is in developing sophisticated tactical investment solutions. Our leveraged ETFs are designed for sophisticated investors who actively manage their portfolios on a daily basis. As pioneers in this field, we understand how important it is to educate the public about the risks and appropriate use of these powerful investment tools. That’s why engaging in open dialogues with colleagues and outside analysts, such as at this forum, is such a top priority at Direxion. We expect to see, and welcome, more innovation in this rapidly growing realm as sophisticated

investors demand increasingly sophisticated solutions that meet their needs.”

**Mr. Scott Burns**, Director ETF Research, Morningstar mentioned that “While there is nothing inherently wrong with leveraged ETFs, there is a problem with not using them properly. When held over short periods and used as trading vehicles, these funds do their jobs. However, many advisors are errantly holding these ETFs over longer periods of time because they don’t fully understand how the daily rebalancing and leverage eat away at their returns over time. Because of this lack of understanding, investors have been shocked by the results of these funds in their portfolios, even though what happened was actually quite predictable.

Educating advisors and individual investors on how to properly utilize these tools has been the number one goal of Morningstar’s ETF Research team in 2009.”

### **INDUSTRY ROUNDTABLE: ETFs: COMMODITY ETFs**



**Mr. Joe Witthohn**, Director of ETF Research, Janney Montgomery Scott moderated the panel discussion.

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The panelists included **Mr. Dodd F. Kittsley**, CFA, Strategist, Barclays Global Investors, **Mr. Edward McRedmond**, SVP - Portfolio Strategies, Invesco PowerShares Capital Management, **Mr. John T. Hyland**, CFA, Chief Investment Officer, United States Commodity Funds

**Mr. Joe Witthohn**, Director of ETF Research, Janney Montgomery Scott mentioned that “In both traditional and untraditional times (such as the environment we now find ourselves in) we search out ways to improve upon the risk-adjusted return of our portfolios. Key to our investment strategy is the asset allocation we select, while individual constituents that make up our mix are an integral part of our allocation.”



“What do we look for as ideal ingredients for our asset allocation recipe? We seek out sectors that exhibit low correlation between themselves and the opportunity for a decent return. Having low

long-term correlation to both stocks and bonds, commodities are an ideal portfolio component. Providing diversification and a degree of inflation protection, many recently-

introduced exchange traded commodity products make the inclusion within portfolios easier than ever”

**Mr. Edward McRedmond**, SVP - Portfolio Strategies, Invesco PowerShares Capital Management mentioned that “The introduction of commodity ETFs has provided investors with access to a previously difficult to access asset class and along the way have become an invaluable tool for many investors. PowerShares is proud to partner with Deutsche Bank to bring investors a wide range of unique commodity ETFs and ETNs based on Deutsche Bank’s Optimal Yield Index methodology.”



**Mr. Luciano Siracusano**, Chief Investment Strategist, WisdomTree Investments discussed “CURRENCY ETF STRATEGIES: A FOCUS ON CURRENCIES OF THE EMERGING WORLD”.

He discussed how investors can gain exposure to difficult-to-reach currencies, such as the Chinese Yuan and the Brazilian real, through the ETF

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structure, and present the opportunity and potential of emerging currencies investing.

### **INDUSTRY ROUNDTABLE ETF's: CURRENT TRENDS, OPPORTUNITIES & OUTLOOK**

**Mr. Paul Mazzilli**, President, Mazzilli Advisors moderated the last panel of the conference and the round table consisted of **Mr. Dodd F. Kittsley**, CFA, Strategist, Barclays Global Investors, **Mr. Christian W. Magoon**, President, Claymore Securities, **Mr. Matt Forstenhausler**, Partner - Financial Service, Ernst & Young LLP, **Mr. Edward McRedmond**, SVP - Portfolio Strategies, Invesco PowerShares Capital Management and **Mr. Luciano Siracusano**, Chief Investment Strategist, WisdomTree Investments.



**Mr. Paul Mazzilli**, President, Mazzilli Advisors, mentioned that “The major ETF trends so far in 2009 are slower new listings, liquidations, less interest in equities and increased interest in ETFs giving exposure to fixed income and alternative assets. The number of US listed ETFs has declined by seven this year with only 15 new ETFs being launched while 23 ETFs were liquidated. Interest in traditional equity ETFs has waned as US and International equity ETFs experienced \$30 billion in net outflows in the first quarter. Investors continue to embrace ETFs as an efficient means of gaining exposure to alternative asset classes. Commodity ETFs had almost \$18 billion in net cash inflows and Fixed Income ETFs took in \$10.7 billion so far this year. Leveraged and Inverse ETFs experienced significant growth.”



“Although there are issues regarding tracking error and tax efficiency, they experienced \$10 billion in new flows in 2009, as these types of ETFs continue to be favored by active traders. One of the industry’s most exciting developments in 2009 was the listing of the first ETF designed to replicate hedge fund strategies on March 25. The IQ Hedge Multi-Strategy Tracker ETF (NYSE: QAI) managed by IndexIQ offers investors exposure to hedge fund type returns in an ETF.”

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**Mr. Dodd F. Kittsley, CFA**, Strategist, Barclays Global Investors stated “The need for exposure to non correlated assets is more important than ever in today’s market environment. Commodities, real estate and other alternative investments can now be accessed in an efficient and cost effective and tax efficient manner through ETFs and other exchange traded products. This has changed the game for financial advisors and has led to significant enhancements in portfolio construction. The ability to access distinct and unique risk and return streams through ETFs has resulted in more robust asset allocation models for many retail and institutional clients.”



“The ETF industry has experienced tremendous growth and innovation over the past few years. Assets now account for about 9% of all mutual fund assets and volume represents approximately 40% of all dollars traded on US exchanges. We attribute the growth, in part to an increased demand for and flight to transparent, low cost and tax efficient products. In our view, there has been a dramatic shift in investor behavior away from a focus on historical returns and towards things that can be controlled, such as risk, taxes and costs.”



**Mr. Matt Forstenhausler**, Partner, Financial Services, Ernst & Young LLP, discussed the following issues in detail: SEC rules related to ETF leverage, operational issues and potential risks associated to securities lending, the potential impact of the International Financial Reporting Standards (IFRS) on ETF financial reporting and he shared some thoughts related to past areas of focus in SEC examinations of Funds and Advisers. He mentioned that some of the issues most commonly referred to the SECs

Division of Enforcement in 2008 related to: conflicts of interest, corporate governance, misappropriation of assets, compliance program deficiencies, books and records concerns and pricing of fund assets.

He also added that "The ETF segment of the investment management business is demonstrating an incredible ability to be innovative to expand in these trying times. I am very impressed with the entrepreneurial spirit that I find in these managers who recognize the benefits that accrue to being creative by delivering product that satisfies investors' needs."

## Closed-End Funds & ETF Awards



**Mr. Edward McRedmond**, SVP - Portfolio Strategies, Invesco PowerShares Capital Management, mentioned that “The outlook for ETFs remains bright. During the difficult market environment of 2008, ETFs continued to see strong net inflows, as retail and institutional investors alike gravitate towards the transparency, flexibility and tax-efficiency of ETFs, and recent surveys suggested that advisors will continue to increase their use of ETFs. Invesco PowerShares is committed to providing investors with a wide range of value-added ETFs, from index-based ETFs to actively managed ETFs.”

### ANNUAL CEF, ETF & ANALYST AWARDS

During the luncheon the CEF, ETF and Analyst Awards were presented to the Winners. The Awards are based on Nominations by industry analysts for the CEFs and ETFs Awards and by CEFs and ETFs for the Analyst Awards respectively. Capital Link is not a member of any of the Nominating Committees. The winners are the following:

#### Closed-End Fund Awards

- Most Innovative New Closed-End Fund in 2008: **BlackRock, BlackRock Defined Opportunity Credit Trust (BHL)**
- Best Shareholder Relations by a non-US Closed-End Fund Family in 2008: **Aberdeen Asset Management, Inc.**
- Best Shareholder Relations by a US Equity Closed-End Fund Family in 2008: **Eaton Vance Management**
- Best Shareholder Relations by a Fixed Income Fund Family in 2008: **Nuveen Investments**
- Best Investor Relations Website in 2008: **Nuveen Investments**
- For Contribution to the Closed-End Fund sector in 2008: **Mr. Jonathan Isaac, Eaton Vance Management**

#### Exchange-Traded Fund Awards

- Most Innovative New ETF Product in 2008: **Direxion Shares, Direxion Shares Daily 3x ETFs**
- Best Shareholder Relations in 2008: **Barclays Global Investors: iShares**
- Best Investor Relations ETF Website In 2008: **Barclays Global Investors: iShares**
- Most Innovative Index in 2008: **WisdomTree Investments, Inc., WisdomTree India Earnings Index (WTIND)**

## Closed-End Funds & ETF Awards

- For Contribution to the ETF Sector in 2008: **Mr. Edward McRedmond**, Senior Vice President - Portfolio Strategies, **Invesco PowerShares Capital Management**
- Best ETF Focused Publication In 2008: **Exchange-Traded Funds Report (ETFR)**, **Mr. Jim Wiandt**, Editor

### Closed-End Fund Analyst Awards

- Best Research Team for Closed-End Funds in 2008: **Citi Investment Research**
- For Contribution to the Closed-End Fund Sector in 2008: **Ms. Mariana Bush**, CEF & ETF Analyst, **Wachovia Securities**

### Exchange-Traded Fund Analyst Awards

- Best Research Team for Exchange-Traded Funds in 2008: **Morgan Stanley**
- For Contribution to the ETF Sector in 2008: **Ms. Mariana Bush**, CEF & ETF Analyst, **Wachovia Securities**

### **Special Award**

In Recognition of his Contribution to the Closed-End Fund & ETF Sectors: **Mr. Paul Mazzilli**

The cocktail hour after the conference was sponsored by FBN Securities.



You may find more information on the 8<sup>th</sup> Annual Capital Link CEF & ETF Conference at <http://www.capitallinkforum.com/cef/2009/main.html>

More information on the Awards can be found at [www.cefawards.com](http://www.cefawards.com), [www.etfawards.com](http://www.etfawards.com)

## **SAVE THE DATE** **9<sup>th</sup> ANNUAL CAPITAL LINK CEF's & ETF's FORUM - 2010**





## Closed-End Funds & ETF Awards

**About Capital Link:**

Capital Link is a New York based Investor Relations and Financial Communications firm, also with offices in London and Athens, with strategic focus, among other, on Closed-End Funds and ETFs.

Capital Link provides vertically integrated service packages which support its clients along all phases of the investor relations process. The objective is to establish and deliver the proper message to the investment community, identify the proper target investor and analyst group, establish and maintain contact with them, gather investor and analyst feedback, monitor the development of the shareholding base and keep track of developments in listed peer group companies. Also, to establish contact and coverage by the proper financial media.

Capital Link has developed specific programs and IR tools focused on CEFs and ETFs and on enhancing their investor outreach raising their profile among analysts, investors and the financial media.

**[www.cefforum.com](http://www.cefforum.com) ([www.ClosedEndFundForum.com](http://www.ClosedEndFundForum.com))**

Capital Link has established a web based resource which provides information on all US listed CEFs, including fund news, press releases, daily prices, NAVs, dividend yields, premiums and discounts, management interviews, fund presentations, webcasts, conference calls etc. The site visitors have the ability to personalize their screen with the funds and information they are interested in and they can sign up for press releases and other alerts. They can also track CEFs based on several criteria. Fund Data contributes the CEF data. The site will also feature the Standard and Poor's CEF FactSheets.

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