



# S-Network Investment Grade Fixed Income Closed-End Fund Index

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**Q1 2018**

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

- ❑ **A Portfolio of Closed-End Funds**

- ❑ Those with Fixed Income as their Stated Objective

- ❑ **Targets Yield**

- ❑ **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**



# 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**



# Index Rationale

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



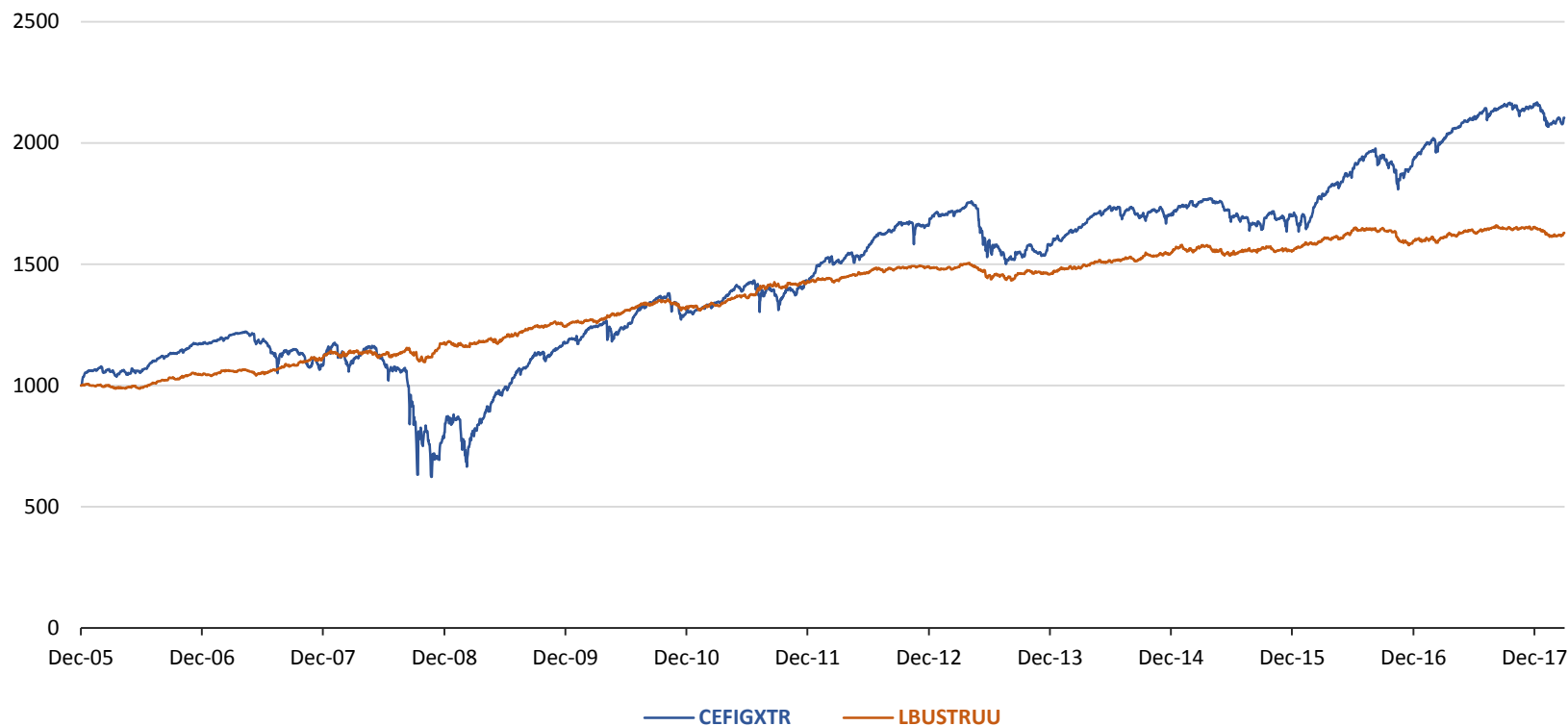


# Index Constituents and Performance

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# Historical Performance vs. Benchmarks

**S-Network Investment Grade Fixed Income Closed-End Fund TR vs. Bloomberg Barclays  
US Agg Total Return Value Unhedged USD TR**  
(12/31/2005-3/31/2018)

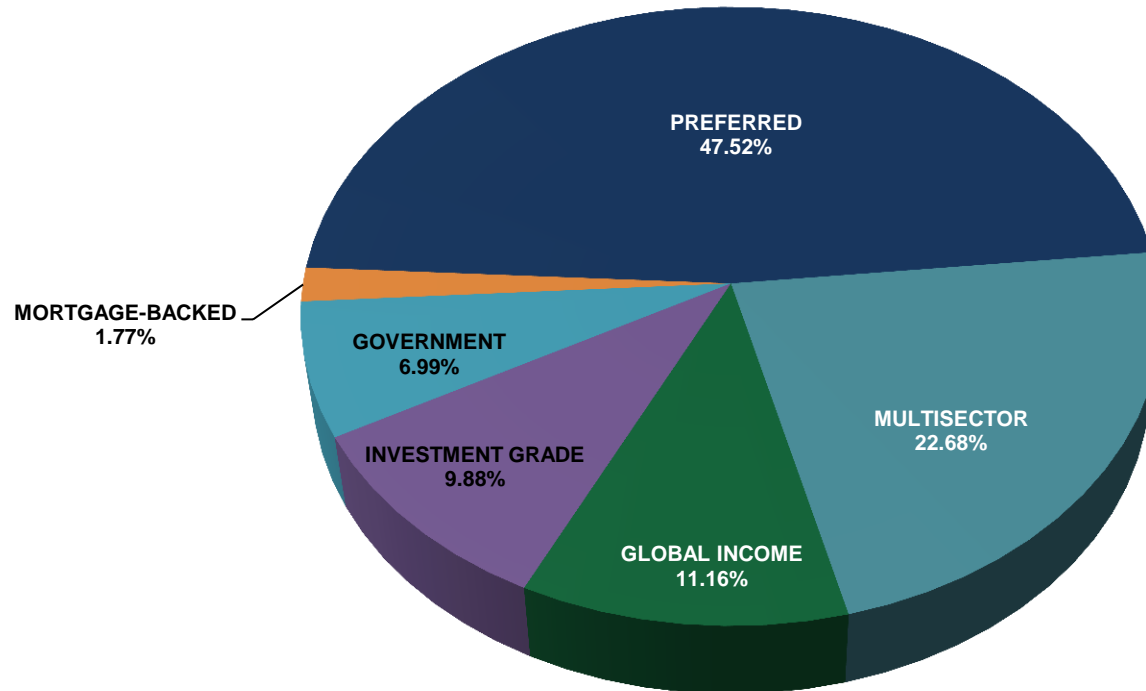


Source: Bloomberg as of 3/31/2018



# Index Rationale – Sector Breakdown

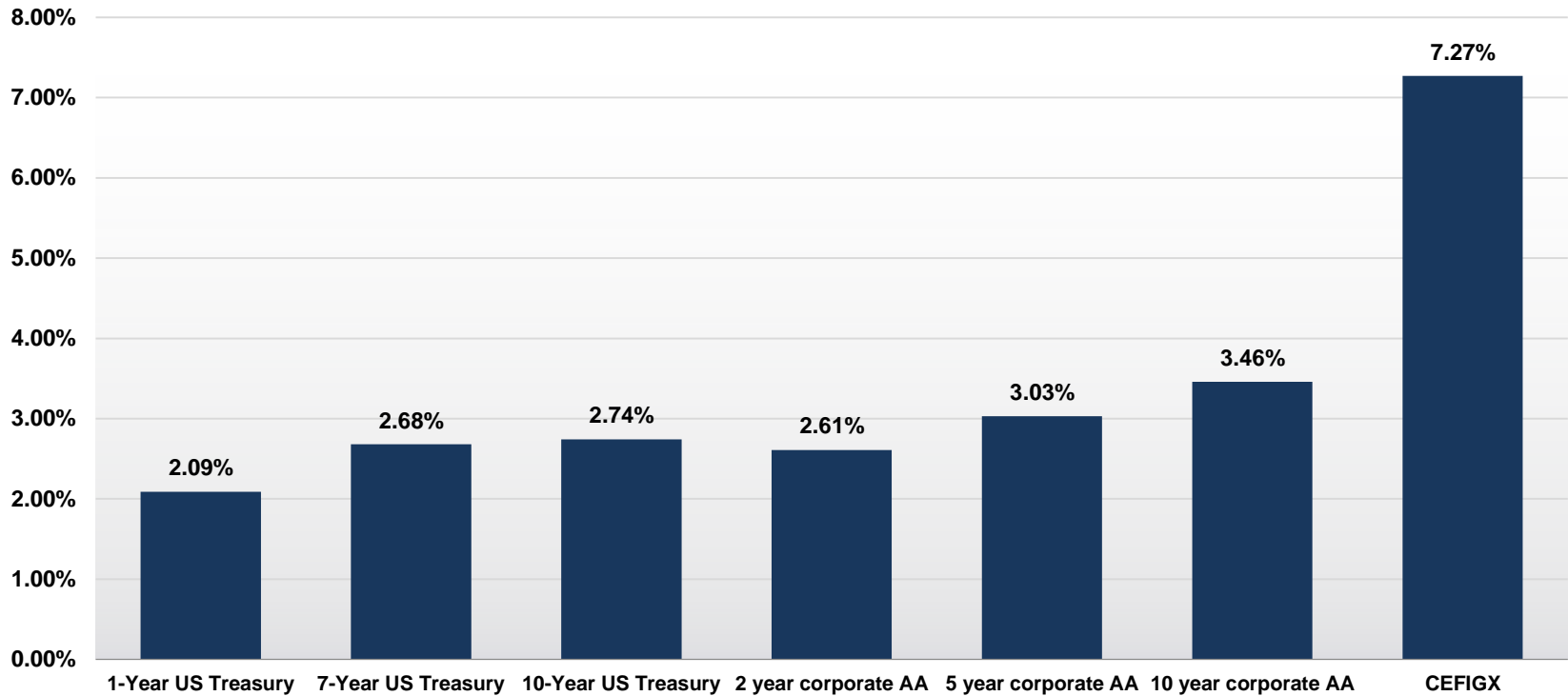
## S-Network Investment Grade Fixed Income Closed-End Fund Index



Source: Bloomberg as of 3/31/2018



## Current Yields



Source: Bloomberg as of 3/31/2018







# Index Construction

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# Index Construction - Eligibility

- ❑ **Must Be Registered in the United States**
- ❑ **Must Have a Stated Objective of Fixed Income**
- ❑ **Minimum Market Capitalization for Inclusion = \$100 Million**
- ❑ **Fund Must Be Listed on a Regulated North American Exchange (No OTCs)**
- ❑ **Funds Representing 95% of Index Weight Must Have 3-month ADTV >\$500,000 Per Day (SEC Requirement for ETFs)**
- ❑ **Must Have a Total Expense Ratio < 2%**
- ❑ **Funds Trading at Premiums > 20% Eliminated**
- ❑ **Current Constituents Must Maintain 3-Month ADTV > \$300,000**
- ❑ **New Constituents Must Have 3-Month ADTV > \$500,000**

Source: S-Network as of 12/31/2017

# 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%**



# Top Ten Holdings

| Fund Name                      | Ticker | Sector        | Weight | AUM                |
|--------------------------------|--------|---------------|--------|--------------------|
| Nuveen Quality Preferred Incom | JPS US | PREFERRED     | 8.18%  | 1.99 Billion USD   |
| Blackrock Credit Allocation In | BTZ US | PREFERRED     | 7.22%  | 1.35 Billion USD   |
| Aberdeen Asia-Pacific Income F | FAX US | GLOBAL INCOME | 5.79%  | 1.20 Billion USD   |
| Nuveen Credit Strategies Incom | JQC US | PREFERRED     | 5.31%  | 1.08 Billion USD   |
| First Trust Intermediate Dur   | FPF US | PREFERRED     | 4.86%  | 1.41 Billion USD   |
| Templeton Global Income Fund   | GIM US | GLOBAL INCOME | 4.59%  | 857.18 Million USD |
| Nuveen Preferred Income Opport | JPC US | PREFERRED     | 4.35%  | 1.03 Billion USD   |
| Blackrock Build America Bond T | BBN US | MULTISECTOR   | 4.33%  | 1.29 Billion USD   |
| Wa/Clay Us Infl-Lkd Opp&Inc    | WIW US | GOVERNMENT    | 3.34%  | 692.60 Million USD |
| Blackrock Multi-Sector Incom   | BIT US | MULTISECTOR   | 3.15%  | 640.82 Million USD |

Source: Bloomberg as of 3/31/2018

# Capitalization Profile

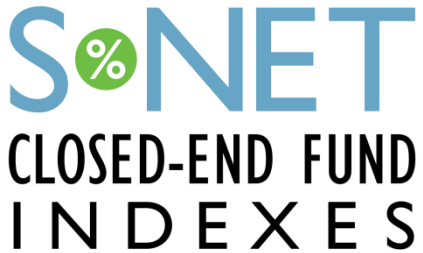
| <b>S-Network Investment Grade Fixed Income Closed-End Fund Index: Market Capitalization Profile</b> |                    |
|---|--------------------|
| <b>Number of Constituents</b>   | 43                 |
| <b>Total Market Capitalization</b>  | 25.81 Billion USD  |
| <b>Largest Market Capitalization</b>  | 1.99 Billion USD   |
| <b>Smallest Market Capitalization</b>   | 147.50 Million USD |
| <b>Average Market Capitalization</b>  | 600.20 Million USD |
| <b>Median Market Capitalization</b>   | 532.37 Million USD |

Source: S-Network as of 3/31/2018





# Statistical Profiles



# Statistical Profile I

| Total Return Appreciation |          |          |
|---------------------------|----------|----------|
|                           | CEFIGXTR | LBUSTRUU |
| Since Inception           | 110.40%  | 62.87%   |
| 10 Year                   | 91.88%   | 42.84%   |
| 5 Year                    | 22.29%   | 9.46%    |
| 3 Year                    | 19.91%   | 3.64%    |
| 1 Year                    | 4.50%    | 1.20%    |

| Compound Annual Growth Rate |          |          |
|-----------------------------|----------|----------|
|                             | CEFIGXTR | LBUSTRUU |
| Since Inception             | 6.26%    | 4.06%    |
| 10 Year                     | 6.73%    | 3.63%    |
| 5 Year                      | 4.11%    | 1.82%    |
| 3 Year                      | 6.24%    | 1.20%    |
| 1 Year                      | 4.50%    | 1.20%    |

Source: S-Network as of 3/31/2018

# Statistical Profile II

| Annualized Standard Deviation |          |          |
|-------------------------------|----------|----------|
|                               | CEFIGXTR | LBUSTRUU |
| Since Inception               | 12.08%   | 3.16%    |
| 10 Year                       | 12.68%   | 3.27%    |
| 5 Year                        | 7.20%    | 2.93%    |
| 3 Year                        | 6.90%    | 2.69%    |
| 1 Year                        | 4.69%    | 2.37%    |

| Sharpe Ratio    |          |          |
|-----------------|----------|----------|
|                 | CEFIGXTR | LBUSTRUU |
| Since Inception | 0.4775   | 0.9384   |
| 10 Year         | 0.5551   | 1.0098   |
| 5 Year          | 0.5453   | 0.5087   |
| 3 Year          | 0.8290   | 0.2418   |
| 1 Year          | 0.7075   | 0.0097   |

Source: S-Network as of 3/31/2018





# 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 6 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.

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