Performance Highlights¹

<table>
<thead>
<tr>
<th>Performance (as of 12.31.2018)</th>
<th>3 Mo</th>
<th>YTD</th>
<th>1 Yr</th>
<th>3 Yr</th>
<th>5 Yr</th>
<th>10 Yr</th>
<th>Since Inception (01.01.2006)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matisse Discounted CEF Strategy</td>
<td>-7.4%</td>
<td>-9.1%</td>
<td>-9.1%</td>
<td>8.5%</td>
<td>5.5%</td>
<td>11.5%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Morningstar®² Percentile Rank</td>
<td>32</td>
<td>71</td>
<td>71</td>
<td>2</td>
<td>5</td>
<td>3*</td>
<td>–</td>
</tr>
<tr>
<td>S-Network Composite CEF Index</td>
<td>-9.5%</td>
<td>-8.5%</td>
<td>-8.5%</td>
<td>6.4%</td>
<td>4.7%</td>
<td>10.1%</td>
<td>5.6%</td>
</tr>
<tr>
<td>S&amp;P 500 Total Return Index</td>
<td>-13.5%</td>
<td>-4.4%</td>
<td>-4.4%</td>
<td>9.3%</td>
<td>8.5%</td>
<td>13.1%</td>
<td>7.8%</td>
</tr>
</tbody>
</table>

*10-Year Percentile Rank sourced from the Morningstar®² Separate Account Database

Discount Mean Reversion – Here We Go Again (2008-09, 2011, 2015)!

Why does our contrarian, mean reversion, asset allocation approach outperform the fund giants? Investment strategies based on market timing (not sure what this is), economic forecasting (interest rates, inflation, and Fed watch), and one-dimensional management “styles” (value or growth only) have produced mostly mediocre returns. Why has our method had consistent success? Our strategy is based on several simple tenants that take the emotion out of investment decisions.

The Matisse Formula:

1. Buy a diversified portfolio of the most discounted CEFs.
2. Let discounts determine the asset allocation (and not economic forecasting, market timing, or sticking to only one investing style – we can tactically rotate into and out of asset classes and style boxes as needed).
3. Do fundamental research on the funds before purchasing, and know what you own and why.
4. Benefit from the extra income accumulated from holding deeply discounted CEFs.
5. Stay nimble and small, and be willing to close our fund to new investors before assets get bloated – “Size is the Enemy of Returns” as someone once said.

The Investor Behavior Penalty

It’s well documented that the majority of investors are unsuited to make good decisions about when to buy and sell mutual funds or individual stocks and bonds. Morningstar®² actually tracks (what we call) the “Investor Behavior Penalty”, where the average investor actually underperforms the mutual funds they have money in by approx. -1.2% / year (as of 12/31/2018) because they buy and sell at the wrong time. Hundreds of books have been written on Behavioral Finance, and it boils down to human nature. Investors typically buy funds when recent performance (1-12 months) has been good (greed) or the news is positive. Conversely, investors sell assets when the news is bad or recent performance has been poor (fear).

In the Closed-End Fund (CEF) space where we’ve specialized and managed assets for 13+ years, the “Investor Behavior Penalty” is even worse for the average investor. Not only does the average investor typically sell at the wrong time, but unlike open-end mutual funds or ETFs that let you sell at Net Asset Value, these scared investors usually sell at a 10-20% discount to what the underlying assets are actually worth (studies available on request)! We estimate the “Investor Behavior Penalty” in CEFs for the average investor is between 4-5% annually.
Peer Group Comparison (as of 12/31/2018)

Matisse Discounted CEF Strategy Composite vs. the 10 Largest Mutual Funds in our Morningstar® Category:

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>3-Year Total Return</th>
<th>5-Year Total Return</th>
<th>10-Year Total Return</th>
<th>AUM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matisse Discounted CEF Strategy Composite</td>
<td>28%</td>
<td>31%</td>
<td>196%</td>
<td>$60 M</td>
</tr>
<tr>
<td>PIMCO All Asset Instl</td>
<td>23%</td>
<td>13%</td>
<td>88%</td>
<td>$17,278 M</td>
</tr>
<tr>
<td>PIMCO All Asset All Authority Inst</td>
<td>20%</td>
<td>3%</td>
<td>56%</td>
<td>$5,976 M</td>
</tr>
<tr>
<td>Columbia Adaptive Risk Allocation Inst</td>
<td>19%</td>
<td>25%</td>
<td>--</td>
<td>$2,897 M</td>
</tr>
<tr>
<td>SEI Multi-Asset Accumulation F (SIMT)</td>
<td>15%</td>
<td>16%</td>
<td>--</td>
<td>$2,689 M</td>
</tr>
<tr>
<td>Putnam Dynamic Asset Allocation Cnsrv A</td>
<td>9%</td>
<td>19%</td>
<td>110%</td>
<td>$1,016 M</td>
</tr>
<tr>
<td>SEI Multi-Asset Income F (SIMT)</td>
<td>15%</td>
<td>21%</td>
<td>--</td>
<td>$931 M</td>
</tr>
<tr>
<td>Goldman Sachs Growth &amp; Inc Strat Instl</td>
<td>13%</td>
<td>16%</td>
<td>101%</td>
<td>$909 M</td>
</tr>
<tr>
<td>USAA Managed Allocation</td>
<td>2%</td>
<td>1%</td>
<td>--</td>
<td>$734 M</td>
</tr>
<tr>
<td>Leuthold Core Investment Retail</td>
<td>13%</td>
<td>22%</td>
<td>97%</td>
<td>$712 M</td>
</tr>
<tr>
<td>Eaton Vance Rich Bern All Asst Strat I</td>
<td>14%</td>
<td>17%</td>
<td>--</td>
<td>$694 M</td>
</tr>
<tr>
<td><strong>MEDIAN</strong></td>
<td>14%</td>
<td>17%</td>
<td>97%</td>
<td>$974 M</td>
</tr>
<tr>
<td><strong>AVERAGE</strong></td>
<td>14%</td>
<td>15%</td>
<td>90%</td>
<td>$3,384 M</td>
</tr>
<tr>
<td><strong>MAX</strong></td>
<td>23%</td>
<td>25%</td>
<td>110%</td>
<td>$17,278 M</td>
</tr>
</tbody>
</table>

TACTICAL ALLOCATION CATEGORY RETURN

<table>
<thead>
<tr>
<th>3-Year Total Return</th>
<th>5-Year Total Return</th>
<th>10-Year Total Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>11%</td>
<td>9%</td>
<td>90%</td>
</tr>
</tbody>
</table>

Historical CEF Discounts

Discount to NAV

- Average Discount for Entire CEF Universe (since 2005)
- Average Discount for Bond CEFs (since 2005)
- Average Discount for Equity/Other CEFs (since 2005)
- Current Discount Levels
- Average Discount for Our Portfolio (since 2005)

Source: Matisse Capital
What’s Happening at Matisse:

**MDCEX ASSIGNED 5-STAR RATING FROM MORNINGSTAR® (as of 12/31/2018)**

Our publicly traded mutual fund that employs our Discounted CEF Strategy has been assigned a 5-Star rating from Morningstar® for 3-Years, 5-Years, and Overall in the category of Tactical Allocation (as of 12/31/2018).

**MATISSE CAPITAL ON LINKEDIN, FACEBOOK, AND INSTAGRAM**

We are committed to growing our firm’s digital presence on social media, and encourage you to follow along. Click on the following links to visit our pages:

![LinkedIn](https://www.linkedin.com)
![Facebook](https://www.facebook.com)
![Instagram](https://www.instagram.com)

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**Portfolio Composition:**

**TYPICAL ACCOUNT LOOKTHROUGH ALLOCATION 12.31.18**

<table>
<thead>
<tr>
<th>Asset Allocation</th>
<th>Equity Cap Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bonds</strong> 30%</td>
<td><strong>Giant</strong> 31%</td>
</tr>
<tr>
<td><strong>US Stocks</strong> 24%</td>
<td><strong>Large</strong> 28%</td>
</tr>
<tr>
<td><strong>Greater Europe Stocks</strong> 14%</td>
<td><strong>Medium</strong> 26%</td>
</tr>
<tr>
<td><strong>Greater Asia Stocks</strong> 13%</td>
<td></td>
</tr>
<tr>
<td><strong>Non US Americas Stocks</strong> 9%</td>
<td></td>
</tr>
<tr>
<td><strong>Cash &amp; Other</strong> 10%</td>
<td></td>
</tr>
</tbody>
</table>

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**TOP 10 HOLDINGS 12.31.18**

<table>
<thead>
<tr>
<th>GDL Fund</th>
<th>RMR Real Estate Income Fund</th>
<th>MS Emerging Markets</th>
<th>Dividend and Income Fund</th>
<th>Mexico Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>NexPoint Strategic Opportunities Fund</td>
<td>Pershing Sq Hldgs</td>
<td>Eagle Growth &amp; Income Opportunities Fund</td>
<td>Nuveen GA Quality Muni Inc</td>
<td>BlackRock MuniYield NJ</td>
</tr>
</tbody>
</table>
Disclaimers:

1 Matisse Capital (Deschutes Portfolio Strategy, LLC) is the advisory firm to the Matisse Discounted Closed-End Fund Strategy and mutual fund. Performance cited currently represents a composite of all Matisse Capital-advised accounts employing our discounted closed-end fund strategy, including our publicly traded mutual fund, net of all commissions, and separate accounts with a presumed 1% management fee. For details of the performance calculation method, please see our separate audited report. All performance figures for the strategy (except cash distribution yield) are total returns net of actual commissions incurred, and net of a presumed 1% annual management fee. Benchmark returns, by contrast, do not reflect a deduction for fees. You cannot invest directly in an index. **Performance comparisons are for illustrative purposes only and are not a forecast of future returns.** Alpha, beta and R2 are annualized since inception. Please contact us if you would like to receive a copy of the performance audit from ACA Compliance Group (formerly Ashland Partners). Although the above data is derived from sources deemed to be accurate, Matisse Capital does not guarantee its accuracy.

2 Matisse Capital is not affiliated or endorsed by Morningstar, Inc. Morningstar® has placed our publicly traded mutual fund into its Tactical Allocation category. Morningstar® percentile ranks are published daily, monthly, and quarterly, and are publicly available online.

The newsletter contains information about Closed-End Funds and related financial markets. The information is not advice, and should not be treated as such.

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