+12.33% YTD June 30th 2014
As a firm focused on closed-end fund (CEF) portfolio management, I want to keep you up to date on current CEF market stats/developments as well as our performance. The Matisse Discounted Closed-End Fund Strategy returned 2.25% for the month of June, and is up 12.33% YTD after fees, which would place us in the 2nd percentile of funds listed under a Tactical Asset Allocation for YTD performance in major databases. The Strategy’s current average discount to NAV is 12.6%, and its current distribution yield is 5.9% (see Strategy Performance Highlights). Surprisingly, discounts in the CEF market have only slightly narrowed since the beginning of the year.

WHY IS THE STRATEGY OUTPERFORMING YTD?
The average CEF discount has narrowed by approximately 1% this year, which still leaves discounts at historically high levels. The strategy’s outperformance YTD can be attributed to owning CEFs whose discounts have narrowed more than the market average. Sector selection has also played an important role in the strategy’s outperformance, as a number of our CEF holdings have outperformed their benchmarks at NAV. Additionally, some outperformance can be contributed to our ability to capture favorable discount movements by trading.

MUTUAL FUND EXPENSE RATIO REDUCED
As of July 1st, the expense ratio in our mutual fund has been lowered to 1.35%. Our plan has been to reduce the expense ratio as the fund’s total assets grew. Assets in our mutual fund have now grown from $10 M at our launch date (10/31/2012) to approximately $92 M today. We are targeting a 1.25% expense ratio with the next major inflow of funds expected before year-end.

TODAY’S CEF OPPORTUNITIES
We are finding the best CEF opportunities in income-oriented equity CEFs this year. Specifically, in REITs, Energy/MLPs, and Utilities. In June, the average CEF in these 3 areas saw its discount to NAV widen from already attractive discount levels, providing us with fresh opportunities to add new names to the portfolio (See Current Market Opportunities).

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BILL GROSS INCREASES PERSONAL POSITION IN CEFs TO $200 MILLION

As reported by Bloomberg on July 3rd (see full article here), Bill Gross has put another $60 M into CEFs during May and June. The additional purchases increase his total position to about $200 M. Gross has been buying CEFs based on his belief that sluggish global growth will induce central banks to keep policy rates lower for longer than many people currently expect. He’s obviously putting his money where his mouth is, which is something we admire. If Gross is correct with his prediction, our strategy should perform very well going forward. Regardless, the current income we receive at 5.9% allows us to be patient as we are paid to wait for narrowing.

WHAT’S HAPPENING AT MATISSE

- I will be attending and speaking at the 5th Annual Innovative Alternative Investment Strategies Conference in Denver, CO on July 31st – August 1st. The conference is put on by Financial Advisor & Private Wealth Magazine. For more information on the conference, click here.
- We have been in the process of developing a new website for several months, and we hope to have it launched later this summer.
- In May, I was published on a number of news sites after speaking at the Ivy Family Office Network Forum in Philadelphia, PA. For the full article, click here.

HISTORICAL CEF DISCOUNTS