Closed-End Fund Market Update

by Bryn Torkelson, President and Chief Investment Officer & Eric Boughton, CFA, Portfolio Manager and Chief Analyst

+9.68% YTD 2016

Q 2016 Performance Review:

<table>
<thead>
<tr>
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<th>June 2016</th>
<th>YTD 2016</th>
<th>Annualized Since Inception</th>
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</thead>
<tbody>
<tr>
<td>Matisse Discounted Closed-End Fund Strategy</td>
<td>+2.1%</td>
<td>+9.7%</td>
<td>+8.1%</td>
</tr>
<tr>
<td>S-Network Composite CEF Index</td>
<td>+1.7%</td>
<td>+8.9%</td>
<td>+6.0%</td>
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<tr>
<td>S&amp;P Target Risk Growth (Balanced)</td>
<td>+0.6%</td>
<td>+3.5%</td>
<td>+5.2%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>+0.3%</td>
<td>+3.8%</td>
<td>+7.3%</td>
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As a firm focused on closed-end fund (CEF) portfolio management, we 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 composite returned +9.7% net for the first half of 2016. The Strategy’s current average discount to NAV is 16.1%, and its current distribution yield is 6.9% (see Strategy Performance Highlights).

Q 2016 CEF MARKET REVIEW

The CEF universe is still “modestly undervalued” but if you look “under the hood”, a closer examination reveals that the CEF universe is full of incredible bargains. Overall, Bond CEFs are starting to trade closer to their NAVs, while Equity CEFs’ discounts remain attractive.

Discount Analysis:

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<tbody>
<tr>
<td>Bond CEFs</td>
<td>2.3%</td>
<td>3.6%</td>
<td>0.4 std devs narrower</td>
</tr>
<tr>
<td>All Other CEFs</td>
<td>8.6%</td>
<td>6.3%</td>
<td>0.8 std devs wider</td>
</tr>
<tr>
<td>Our Portfolio</td>
<td>16.1%</td>
<td>13.2%</td>
<td>0.9 std devs wider</td>
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</table>

Our strategy automatically reallocates away from expensive and towards value – a classic “buy low (value), sell high (expensive)” discipline that is difficult for most people to employ. We are now approximately 80% Stock and 20% Fixed (ironically this has happened when investors have been driving yields to their lowest levels ever and taking money out of the stock market). For those concerned that discounted CEFs no longer offer bargains, our research and current portfolio indicate the opposite.

As investors reach for yield (note in July they drove the 10-year Treasury rate to an all-time low of 1.36%), it is our opinion that so far they have almost completely overlooked certain CEFs (especially international CEFs and certain sector CEFs) which offer attractive cash distribution income.

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CURRENT MARKET OPPORTUNITIES

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<th>Avg. Discount End Q2 2016</th>
<th>Avg. Discount Since Strategy Launch</th>
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<tbody>
<tr>
<td>Our Strategy</td>
<td>16.1%</td>
<td>13.2%</td>
</tr>
<tr>
<td>Allocation</td>
<td>9.7%</td>
<td>7.7%</td>
</tr>
<tr>
<td>REITs</td>
<td>10.1%</td>
<td>8.6%</td>
</tr>
<tr>
<td>International Equity</td>
<td>7.3%</td>
<td>5.3%</td>
</tr>
<tr>
<td>US Equity</td>
<td>6.8%</td>
<td>5.3%</td>
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STRATEGY PERFORMANCE HIGHLIGHTS

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<td>June 2016 Return</td>
<td>2.1%</td>
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<tr>
<td>YTD 2016 Return</td>
<td>9.7%</td>
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<tr>
<td>One-Year Return</td>
<td>2.7%</td>
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<tr>
<td>Three-Year Annualized Return</td>
<td>5.5%</td>
</tr>
<tr>
<td>Five-Year Annualized Return</td>
<td>5.3%</td>
</tr>
<tr>
<td>Ten-Year Annualized Return</td>
<td>7.9%</td>
</tr>
<tr>
<td>Current Discount to NAV</td>
<td>16.1%</td>
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<tr>
<td>Current Distribution Yield</td>
<td>6.9%</td>
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Annualized Return Since Inception | 8.1%
Compare to S-Network Composite CEF Index | 6.0%
Compare to S&P Target Risk Growth (Balanced) | 5.2%
Compare to S&P 500 | 7.3%

*Data (except for distribution yield) is after a 1% annual mgmt. fee
From a cash distribution income perspective, consider that the median equity/balanced CEF currently has an 8.1% indicated cash distribution yield to go with an already attractive discount. Bond CEFs have run up (and many have cut distributions), but still offer a median indicated 5.5% cash distribution yield. So equity/balanced CEFs might be considered an attractive source of cash distributions for income and growth investors.

**HISTORICAL CEF DISCOUNTS**

**Bond CEFs vs. Equity/Other CEFs**

**Our portfolio today has an average discount of 16.1%**
**BENEFITS OF HAVING MATISSE DISCOUNTED CEF STRATEGY AS PART OF A PORTFOLIO**

**Proven Strategy**
- Supported by academic studies ([University of Oregon](#), [University of Rutgers](#))
- Supported by our 10+ year track record

**Proven Results**
- Peer Group Morningstar Rankings (3 years in Asset Allocation):
  - YTD: top 10th percentile
  - 1-Year: top 14th percentile
  - 3-Year: top 20th percentile
  - 5-Year: (separate accounts) top 17th percentile
  - 10-Year: (separate accounts) top 1%
- 0.75 Beta, 2.66 Alpha, and 0.64 R² vs. S&P 500

**CEFs have Unique Characteristics**
- NAV/Market Value disparity not available in stock/bond funds → this is a proven and unique "alpha source"

**Higher Income than Most Alternatives**
- Current distribution yield 6.9%
- Helps fill the "income gap" for clients

**Portfolio Certainty**
- **Highly Diversified** – 40-60 CEFs selected from the deepest 10% of discounts of all CEFs (approx. 600 funds)
- **Known Lookthrough Allocation Ranges** – 10-Year average allocation 66% equity / 34% fixed income (strategy max. equity exposure 80%, max. fixed exposure 60%)
- **Allocation Changes Made are a Function of Discount Opportunities**
  - Portfolio constantly migrates to widest discounts (inherently a contrarian strategy)
  - Changes are not based on our forecast of the future direction of the stock or bond markets

**Strategy Helpful in Low or Negative Interest Rate Environment**
- High current income becomes more attractive
- Minor use of leverage within CEFs has a positive contribution to future returns
WHAT’S HAPPENING AT MATISSE

- On June 25th, Bryn was featured in Forbes’ Investment Guide for the Second Half of 2016: 11 Best Funds to Buy. To read the article, please click here (see #11. Boulder Growth & Income Fund).
- Total AUM in the strategy is approximately $183 M as of quarter-end.
- We recently put a new white paper up on our website that analyzes General American Investors (GAM), a CEF that is one of our strategy’s larger holdings. To read the white paper, please click here.

TYPICAL ACCOUNT LOOKTHROUGH ALLOCATION 6.30.16

Source: Morningstar®

TOP 10 HOLDINGS AS OF 6.30.16

Boulder Growth & Income
Alpine Global Premier Property
RMR Real Estate Income Fund
Brookfield Glo List Infr Income
BlackRock Resources & Commdty
Clough Global Opportunities
Liberty All-Star Equity
Central Securities Corporation
Adams Diversified Equity Fund
Royce Value Trust

Source: Morningstar®