

CEFD

ETRACS Monthly Pay 1.5X Leveraged Closed-End Fund Index ETN

Fund Description

CEFD provides monthly 1.5x leveraged exposure to an index of three types of yield-focused CEFs: investment-grade fixed-income, high-yield fixed-income, and option-writing. CEFs that trade at discount receive higher weights.

FactSet Analyst Report

CEFD provides monthly 1.5x leveraged exposure to 200 publicly-traded closed-end funds (CEFs) that are yield-focused. CEFs differ from ETFs in that they lack ETFs baked-in creation/redemption plumbing, so CEFs often trade at discounts or premiums since they have no outlet for arbitrage to keep market price in line with fair value. As such, the fund uses a weighting methodology that favors CEFs that trade at discount. CEFs trading at higher discount receive greater weight. CEFD holds three flavors of CEFs domiciled in the US, namely Investment-grade fixed income, high-yield fixed income and equity covered-call strategies. As a geared product, CEFD is designed as a short-term trading tool and not a long-term investment vehicle, so long-term returns could materially differ from those of the underlying index.