



November 2023 Live Event-AICA Fall Roundtable CEF Track Panel #3; “Equity Income Exposure for Dividend Confidence”

Wednesday, November 15, 2023

Dan Silver, Portfolio Manager with Closed-End Fund Advisors, moderates the third panel of the AICA November 15th, 2023 live event; “Equity Income Exposure for Dividend Confidence”. Read the transcript below to hear the discussion among Mr. Silver and panelists Adam Sparkman, Client Portfolio Manager with Thornburg, Chris Janus, Portfolio Manager of RA-Brookfield, and Josh Duitz, Deputy Head of Global Income and Infrastructure with abrdn.



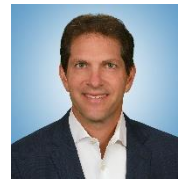
Dan Silver



Adam Sparkman



Chris Janus



Josh Duitz

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Dan Silver: Hi everybody, ready to kick this off. My name is Dan Silver, I’m a portfolio manager with Closed-End Fund Advisors. I am basically a full-time closed-end fund specialist, and I am definitely excited for this panel because I think it really illustrates some of the interesting things about the way that this niche, the structure of what’s going on. Certainly the pricing these days is interesting, and I’m sure the panelists would love to get into that. So if we could start out, maybe you guys each want to introduce yourselves, the firm, funds you manage, et cetera.

Adam Sparkman: Hi, I’m Adam Sparkman, I’m a client portfolio manager with Thornburg Investment Management. We manage roughly \$40 billion across a suite of actively managed equity, fixed income, and multi-asset solutions, primarily within open-ended mutual funds but we launched our first closed-end fund in 2021.

Chris Janus: Hi, Chris Janus, I'm a PM within the public securities group within broader Brookfield, we manage roughly \$20 billion all across real asset sectors. I'm an asset allocation PM as well as a credit PM, our credit team manages roughly \$7 billion within that \$20 billion AUM.

Josh Duitz: Hi, good morning, I'm Josh Duitz, I work at abrdn. I'm the head of global income and infrastructure, I manage both the income strategy and infrastructure strategy. So on the income side I manage AOD and AGD, I've been managing those funds for over 10 years now. And on the infrastructure strategy, although I manage an open-end infrastructure fund for over 15 years now, we launched ASGI about a little over three years ago where we manage both public and private infrastructure together.

Dan Silver: Okay. Well, I guess I'll drop some questions and we'll move from one side to the other. But one of the things that I think is interesting right now, when you have income-oriented closed-end funds that are trading a pretty substantial discount, the funds themselves can be interesting total return vehicles. So I think that all these guys have an interesting story to tell, and I think it's definitely something that investors should be paying attention to.

Josh, I'm curious, if you want to kick it off, how you would generally characterize income investing, and certainly how you would think about the fact that there's yield and equity these days. Dividend growth is real.

Josh Duitz: And I'll say, it's not only that we're trading at a discount right now for total return, hopefully we can generate a total return regardless of the discount, the discount just enhances the total return that you can earn from investing in income funds, so I think that's an important part of it.

Dividends grow over time, over the long term, over the past 20 years, globally dividends have grown about 8.4%, and in a time like this. To me this is a unique time to invest in companies that actually pay dividends, like you said, a unique time. So right now we're on track for US Treasuries, the 10-year, to lose money for the third year in a row, that has never, ever happened in the 250 year history of the US. And why is that? Because we've had a staggering increase in nominal GDP over the past three years, since the Covid lows we're up over 40%, that's only happened twice before. From 1949 to '52 and from '75 to '78.

And the market loves it, it's just fuel for the fire, right? That's why from '49 to '52 the market was up 136%, from '75 to '78 up 97%, and we're now up over 100%. But it's very different this time than those two times because now value is underperforming growth, where the past two times value outperformed growth, by 45% from '49 to '52, 105% from '75 to '78, and now value's underperforming by roughly 25%. And we're not a value fund per se, our income funds, but dividend stocks actually are on the spectrum of value obviously and we think it's a great time to invest in companies that pay dividends and grow their dividends.

Companies that grow their dividends outperform over the long term, outperform companies that don't pay dividends, outperform companies that have stagnant dividends or cut their dividends.

So we're always looking to find companies that have the ability to grow their earnings and grow their dividends for the long term. And that enhances a total return and allows for not only that large discount to hopefully narrow, but even without that hopefully you get a nice dividend with a good total return.

Dan Silver: Okay, so I think, Adam, why don't we jump to you so that we can kind of stay on this equity income piece of, obviously the fund is broader than just equity income. And dovetailing off the last question, obviously for a while things have been basically capital appreciation driven and not as income driven, or rather dividend paying as the piece of total return formula. Why do you think or how would you guys describe why investors should be looking at dividend payers today?

Adam Sparkman: Yeah, I think one of the big themes that we're thinking about in this environment is the cost of capital normalization that we've seen since the beginning of 2022. If you think back for the 15 years since the Financial Crisis up until the beginning of last year, we were in an environment where interest rates were artificially held at near zero. I think that that setup really favored higher growth, longer duration companies, it pushed investors out further on the risk curve looking for total return.

Now that we have a normalized cost of capital, I think companies that earn money today, that are generating free cash flow, that are able to self-fund their own growth and also compensate investors, makes a lot more sense. So I think that we're getting a structural shift, or we think that we're going to see a structural shift in the market that should favor income and more value-oriented companies over these high-duration growth companies that weren't necessarily making any money today.

I think a lot of those companies are going to be challenged potentially, as we move forward, the ones that have less cash on the balance sheet, that are more reliant on debt markets. The portfolio managers in this fund have referred to it as kind of a *Revenge of the Nerds* type moment. They've been stuck in value and income, primarily looking outside the US for the last decade, getting beat up a little bit, and now I think we're really seeing that flip.

To Josh's point about growth outperforming value, I think it's an interesting divergence here in the US versus internationally. Growth has ripped value year to date, a lot of that led by The Magnificent Seven, which through the end of October, those seven stocks, I think it contributed more than 100% of the total contribution of return to the S&P 500. But if you look at select international markets, and really if you look at the MSCI ACWI ex US, so kind of a proxy for the rest of the world, value stocks are working a lot better in some of these other segments.

So while it still looks like a bit of a growth-led market here in the US, I think we are seeing that rotation to value a bit to these companies that have more free cash flow, stronger balance sheets to fund their growth. We're finding a lot of attractive opportunities in that segment of the market, especially internationally.

Dan Silver: Okay, a little bit of a pivot. I'm curious, Chris, if you could describe the current positioning of the fund knowing that it does shift and swing between the equity allocation, although it's still pretty small.

Chris Janus: Yeah, thanks. Maybe I'd first set the stage with what the strategy is and then I'll get into how we're positioned today. So our fund Brookfield Real Asset Income Fund, by mandate we are 65% or greater fixed income and 35% or less equity. Within the fixed income allocations, it's split between what we call real asset high yield and then securitized credit allocations across RMBS and CMBS. On the equity side we run core infrastructure equity strategies as well as REIT equity strategies, and then we have a dedicated concentrated MLP strategy as well as a renewable strategy.

And so we dynamically allocated across those different asset classes where we see value. At times we've been at our max, 35% equity, today we're close to zero, and that's just a function of really the yields on offer on the credit side as well as a bit of a view on the outlook or the uncertainty around the economy. The really interesting thing in this exact environment is you get paid so much more in credit that you can be patient and wait on that rather than really feeling like you have to max out that equity allocation in terms of a total return strategy. So that's how we're currently positioned, but we're excited to swing some of that capital back into equities when we see the time is more appropriate.

Dan Silver: So staying with that, on the corporate credit side, what do you guys see? What do you like? I guess I'll leave it open ended.

Chris Janus: Yeah, so as I mentioned, we run what we call a real asset debt strategy, and so that is focused primarily on infrastructure, real estate, and natural resources, so kind of what the bread and butter of what Brookfield is. I would kind of back up a second, within credit we think high-yield bond market is in one of the best places it's been in a while. On a relative basis, if you look at rating composition, there's more BBs in the index than there have been in a long time, the maturity schedule is very manageable, the idea that that maturity schedule is also laddered, so you're not resetting to these higher rates, you're resetting a portion of your capital structure to these higher rates.

That's just very different than the environment within levered loans, or perhaps private credit, where that's predominantly a floating-rate market. And the other thing, if you just think about real asset sectors and what's happened over the last 10 years, a lot of the frothy LBO private equity risk taking happened outside of our sectors and primarily was funded via the levered loan market, and so we like high yield bonds in general, and we really like real asset sectors within high yield bonds even more.

Dan Silver: Okay, and I guess one last one which kind of ties into that. How do you think about the fund's leverage levels? And how should investors think about how leverage levels will develop over the next year or so?

Chris Janus: Yeah, so as I mentioned, we're pretty defensively positioned here, obviously by way of being almost 100% in fixed income, and we view our fund level leverage in the exact

same vein. We are currently running roughly 16-17% gross asset basis, we've had that leverage as high as 30%. We very prudently take leverage and we're very rarely at anywhere near our max, which is the 40 Act rule of a third on gross assets. So going forward, where we see there's a lot more certainty in the economy, you'll see an asset allocation shift probably first to equities and then potentially to increase leverage.

Dan Silver: Fair enough. So as an aside, one of the things I think is interesting, if I look at some of the funds that are on stage, Josh, I guess you've got at least three. I've been making this joke that right now the number is 15, it doesn't matter what it is, everything seems to be trading at a 15. So we've got credit fund that's at a 14, you've got infrastructure fund, it's still at a 14, you've got global equity income fund, they're all at a 14% discount. So it seems like the market is really painting everything with an exceptionally broad brush, so I think certainly investors don't seem to be discerning, right? But to that point, on ASGI, I would certainly like to hear, Josh, your thoughts on just infrastructure in general as it relates to the fund, positioning, your thoughts?

Josh Duitz: Let's just talk about ASGI because it is the newest fund that I run, and like I mentioned, it's only been around for about three years now. So ASGI, I think all the funds are interesting, but ASGI's specifically interesting to me because what it does is it allows investors, the retail investors, to have access to private infrastructure investments for the first time. So I've been running, as I said, an open-end fund, AIFRX for the past 15 years, which now is the number one rated fund over that time period, so we use the model from the public funds and combined it with the private.

The question is why is infrastructure interesting at all? So to me there's several reasons for it. One, in developed markets we need to repair our infrastructure, every several years the American Society of Engineers goes out and rates our infrastructure and they've rate it as a C-. And generally we know why, because we see bridges collapse, we see potholes in the road, we need to repair our infrastructure and we don't invest enough in it. I've been talking about that for several years now, probably for 15 years since the beginning of the fund. And what we did when we started the fund, we researched where infrastructure was going to spend and was going to take place both by region and by sector, and that's what we used as a framework.

And although infrastructure is slow moving investments, it's actually interesting because it's evolved over time, our thought process. And what we have now is the energy transition, which we didn't have 15 years ago, and we look at the amount of money being spent on energy infrastructure and for the energy transition, and the projections going out of how much money needs to be spent for it. So last year we spent \$385 billion on clean energy, which was a record. The energy mix in the US was about 10.2%, wind last year was up 100 basis points, solar was about 4.8%, up 80 basis points, so this money is being spent and the outlook for it is even stronger.

Last year we passed in the US, IRA, the Inflation Reduction Act, I would argue it had zero to do with inflation, probably increased inflation, but it had a lot to do with climate transition and the amount of money going to be spent on it. The projections are that we need to spend between a hundred and \$300 trillion on energy transition out to 2050 in order to achieve net zero. We spend

about 2.5%, so about \$2.5 trillion a year on energy infrastructure, on the low end we need to increase it to about 4.5% of GDP from 2.5% at GDP out to 2030. So it's not only the US, obviously Europe's focused on it, and globally we're focused on spending more and more. We won't invest in it just because of climate change, whether that's a benefit, we'll only invest if we actually see good returns and the possibility.

So that's one area that's changed. The other area is on the tower side and the change from 3G to 4G to 5G. If you look at data, data's grown 62x since 2011, the amount of data is incredible, and that's the transition from 3G to 4G, now we're transitioning from 4G to 5G. During that transition from 3G to 4G, we spent about \$30 billion annually in capex, now it ebbed and flowed, but on average, we think something's similar going to happen from the transition of 4G to 5G. And if we could all remember the beginning, about 20+ years ago when we just started using our cellphones, the flip phones, and then we transitioned to the smartphone which was only a Blackberry and all we had was email on it. Once we had 3G into 4G, then the real smartphone, the iPhone came out and we saw all the different apps on it.

We believe the same thing's going to happen in that transition from 4G to 5G, whether it's autonomous driving cars, remote surgeries. Once we have that transition from 4G to 5G, the cell companies are going to have to spend more and more on their capex, and the easiest way to deploy that spectrum are through investing in the towers, so we're a big believer in investing in the towers.

Now one other part of infrastructure, if you give me one more minute, which I think's important, we've been talking about for 15 years about the inflation protection component of infrastructure investing and the defensiveness of infrastructure investing. We were able to prove the defensiveness during the '08 GFC crisis because EBITDA of globally listed infrastructure funds were flat during that time period, but we were never able to really prove the defensiveness and the inflation protection component of it, and we actually saw that last year when inflation was really high. We still have higher inflation than we've had, I guess 3+% now instead of below 2%, and infrastructure stocks and infrastructure funds significantly outperformed in 2022, kind of proving our defensiveness/infrastructure protection to it.

So we think there's a lot of growth aspects of infrastructure in the future that pays a great dividend, steady, predictable cash flows and that's why I can pay that dividend, but yet there's actually great growth opportunities, much more so than I would say in the beginning when I started investing 15 years ago. So we're pretty excited about the opportunities within infrastructure, and then to balance it and have the private investments in our fund, I think makes it a really unique opportunity.

Dan Silver: So a follow up to that, could you characterize the US versus international aspect? Obviously it's a global fund. I would kind of leave it at that, the ex-US piece, the growthy-ish piece of it?

Josh Duitz: It really depends, US versus globally. So first I will say we're not macro investors, we're looking to find the greatest opportunities and what's partly spurring this infrastructure spend globally? So you have to look at the different parts of it, and part of it is because of

population growth and urbanization. In my lifetime the world's population has doubled, but the number of people who've lived in cities, so urbanization, has tripled over that time period. If you look out to 2025, the world's population expected to grow another 25%, but urbanization's even faster than that.

Where is that happening? The majority of that population growth is happening in emerging and developed markets, so all those people, they're all going to need sewers, they're all going to need roads, they're all going to need subways, and that's what we're trying to take advantage of. It's a small part of the fund, it's about 20-25% invested in emerging markets for that growth aspect to it, but we think that's a great opportunity in emerging markets. And I know EM scares a lot of people, if you look back even with our overallocation to EM, we've outperformed our peers as well as the benchmark over the time period because it's a necessity.

And I think the growth, and comparing the investments in the US versus outside, it's really different investments a lot of times. Because in the US there's very few airports that have been privatized and roads that have been privatized, although there's some, so you'll see that outside of the US. In the US you'll see more investments in utilities or rails because we think those are good opportunities, so we separate the type of investments. And as well as on the private side, we'll see different opportunities in both in the US and outside the US.

Dan Silver: All right, now if we shift gears. I'm curious, Adam, if you could talk about the option writing piece of the portfolio and why it matters given the structure, the income? Well, I'll leave it at that.

Adam Sparkman: Sure. Yeah, TBLD, our closed-end fund is a multi-asset income fund. We have three levers that we can pull, we've got global equities, global bonds and hybrids, and then we've also got the options writing piece. I think the options writing piece gives us the ability in certain markets. So this fund came to market in July 2021, right before rates began to rise, I think the yield to worst on high yield was 4% then, it's now 9%. So in that environment at the beginning of the fund launch, having the option piece, being able to write covered calls and generate an additional source of income, really helped get the yield to the 6.5% target at IPO that we needed.

It was really a ballast in 2022 as markets were going down, both stocks and bonds, to be able to pull that options lever and generate income and dampen a bit of volatility for the fund, so we use it opportunistically and we'll move it up and down depending on the overall market. It was roughly 25% overlay of the portfolio through much of 2022, today that's about 8%, and a lot of that we've been able to dial down because yields in fixed income are much more attractive and doing a little bit more of the heavy lifting.

But really our goal is to provide attractive income, and we want to have the fullest toolbox that we can. In order to do that we can use leverage as well, we've not done that to date in this fund. I don't anticipate it as something we would do unless we saw major dislocation from here, something we think about very cautiously, but that option's overlay I think is a really nice complement to global equities and what it allows you to do. I would also say that because of that

option's overlay it gives us a little bit more flexibility to buy some stocks that are less traditionally seen in closed-end funds or in income portfolios.

For instance, Meta has been one of the top performers in the fund, year to date we thought it was really attractive coming out at the end of 2022, especially as they began to cut costs and move back a little bit from the Metaverse. And we wouldn't be able to own that other than the fact that, hey, we can write an out of the money covered call, benefit from creating that income from the premium and then also take part in a lot of that capital appreciation.

Dan Silver: That's interesting. That's something I hadn't thought about but that does make sense. Chris, transitioning from this discussion of equity, the equities that do end up in your book, I'm kind of curious, what's the evolution, how do the names end up there? And what's the outlook in terms of, all right, six to 12 months from now, here's where it could look and here's where it could be based on how things are going?

Chris Janus: Yeah, happy to answer that, but I'd love to answer that discount question you asked earlier, if you don't mind.

Dan Silver: Please.

Chris Janus: So the way we think about it, we can control NAV, we cannot so much control our stock price but we can act on it. So we feel we have a book that is incredibly stable, if you just focus in on our corporate credit book right now, I think our blended rating is about a BB+, the portfolio yields about 9%. If we can buy that portfolio at a 15% discount and turn it into an 11 or 12% yield, we'll do that. And we are engaging in modest amounts of share buybacks where we have extra capital because we think that is a cheap way to deploy capital rather than trying to reach and buy a CCC-rated credit at 12%, we'll just buy back our own book at a 15% discount. So I'll go to your next question now though.

Dan Silver: Sure.

Chris Janus: So it's a multi-portfolio manager approach, and I maybe should have touched on this a little bit more earlier. So we have effectively seven or eight sleeves at our disposal, one is a corporate credit strategy, two are securitized credit strategies, those are outsourced to our partners at Oaktree Capital, and then our two main equity strategies are run within Brookfield, a core infrastructure strategy and a REIT equity strategy. And from my seat, it's more so an asset class valuation call, I'm not picking those individual securities, that investment team is picking the individual securities. And for us it's more of a valuation call around what is the discount to NAV on REITs, and how discounted does it need to be to make sense, and what is the carry-give I would say?

So in an environment where I know I can earn a nine or a 10% without taking a ton of risk in the corporate credit market or the securitized credit market, and I have to buy a dividend paying REIT equity at, say a 4%, I have to be very clear on what the valuation is I'm getting into because I need capital appreciation. I need total return to earn out that mismatch in terms of income that is readily available in the fixed-income market. So it's a slew of different valuation

metrics that we'll go through, EV/EBITDA, mean regression, all that type of thing, but at the end of the day the capital goes into that sleeve and those investment teams produce the best portfolio that they have.

Dan Silver: So top down, when you think about it now, obviously there's a spectrum. Are you feeling a little bit cautious, we need to protect the book, stay defensively oriented? Or is not necessarily bullish, but let's position ourselves such that good things in up markets, this can work out well?

Chris Janus: Yeah, it's a good question. I think broadly speaking, we do want to deploy capital into REIT equity, we do think that asset class has been overly punished. At the same time, we can take that exposure via the debt markets. And we think at this time in the cycle, given the vast uncertainty around the path of interest rates and soft landing, hard landing, all those sorts of things, the relative value still sits within taking real estate exposure through credit.

The infrastructure space is a little more interesting. We do think utilities have been overly penalized. It is very interesting what's going on in the utility space as regards to the cost of capital and a lot of these renewable projects that have been entered into within some of these large utility players. And so again, we think that's an attractive asset class, but at the same time I can buy a BBB+ rated corporate bond at a 6.5% yield, which is just a different world than we were in two years ago.

Dan Silver: Yeah, that's a very fair point. Josh, if we can pivot, I'm curious, I think one of the topics that investors haven't heard that much about in a while is dividend capture, and that's something you have a tremendous amount of experience with. Can you maybe give an intro or an explanation, and go over how the funds are currently using it and how you think it might, I don't know, call it next year or so?

Josh Duitz: Thanks for that. Dividend capture is a unique strategy, so I'll explain it and then we'll talk about why I use it. So very simplistically, it's buying a stock before it goes X and selling it after it goes X, and I'll go into a bit more detail about the different ways we do that. But the question is why do we do dividend capture to begin with? So equity dividend funds in the closed-end space typically need a yield, call it between 6 and 8% to be competitive, and that's what investors want.

So there's several ways to have a yield that high with a pure equity fund. Number one is you can invest in only companies that have extremely high dividend yields, generally when a company has that high dividend yield it's for several reasons; number one, they're going to cut the dividend, that's what investors expect, or that company has gone X growth, and we really want to invest in companies that have growth. You can invest in specific sectors that only have extremely high dividend yields and then you've a very concentrated portfolio, and probably not the best type of names over the long term of the market cycles to invest in. Or you could sell covered calls, and when you sell covered calls, as you mentioned, Adam, really it does decrease the volatility somewhat, but it also caps your upside.

Equities historically have gone up over time, we believe that equities will continue to go up over time. If we didn't believe that, if you don't believe that you probably shouldn't invest in any equities portfolio, so we do believe it will, so we don't want to cap our upside. So by using dividend capture, it allows us to collect the dividend and then have a well-diversified portfolio. Similar to what you mentioned, Adam, about having stocks that have lower dividend yields, we only have one in the portfolio that doesn't pay a dividend, but you can have stocks that have lower dividends yields but has a potential for capital appreciation and growth.

So we have a well-diversified portfolio of names that have low dividend yields as well as high dividend yields, so across the dividend yield curve, and dividend capture allows us to do that by supplying the higher dividend. Now what does that mean to buy stock before it goes X and sell it after it goes X? Simplistically we could do that, which is one example, two, we invest in companies that pay special dividends. What is a special dividend? It's when a company pays an extraordinary amount out to the shareholders. Why do companies do that? Number one, they could have an inefficient balance sheet, so they want to pay that excess cash out to the shareholders. Number two, they could have extraordinary profits in a certain year, such as the shipping companies or oil companies have had in the past year or two. Or they could sell a business and use the proceeds to pay a special dividend.

So a good example is several years ago Norton LifeLock said they're going to sell one of the subsidiaries, and if they did that they were going to pay a special dividend with that cash. So I got an alert, I followed the company, we did our work on what it would look like if they sold it, how much that stub company was worth. Once they announced the sale of the company, we looked at the valuation, thought it was an attractive entry point, we bought it, and then they subsequently announced the special dividend. So we bought it and held it for probably eight, nine months, and had a nice total return because we got the special dividend as well.

Another example of the way we do dividend capture is a company that already own. In Europe many companies only pay an annual dividend, so the yields could be 4, 5, 6%, we might double up on our position prior to going X and then sell it afterwards. So if it has a 5% dividend, you basically get a 10% yield for only taking risk for a short period of time. It's not the day before, the day after, we'll leg into different transactions. So why do we like special dividends or doing it that way? If a company pays a special dividend of, call it 30%, our risk is only 70% of our position. So it's 1%, it's only 70 basis points of that position as opposed if a company's paying a 5% dividend yield, our risk is a 95%, so 5%.

Now when these funds started years ago, they started right before the GFC and dividend capture got a bad name because of it. Now I was at Alpine at that time and it had nothing to do with dividend capture, those funds underperformed. I've been managing these funds for over 10 years and we outperformed our peer group during that time period. And the knock was, what's going to happen in a downturn? So in 2020, and our big dividend capture is March, April, May because that's the European dividend capture, if you remember that's when Covid really started affecting the markets, we actually pulled back from dividend capture.

So we have the flexibility because when I took over the funds we cut the dividend yield and we now have flexibility, so that was one of our best years in dividend capture. And to me the proof

point was really last year in 2022, that we significantly outperformed the benchmark in the down market even using dividend capture and we delivered our dividend yield. Just to kind of prove out that dividend capture wasn't the negative effect that investors thought it was going through the crisis, so I think we've proven that out.

Now to be fair, I just want to make a point, we use a very small portion of our fund for dividend capture, we generally say 95% is our core, the names we really like for total return, 5% 's dividend capture. I'll tell you it's even smaller than 5%, because we want to make it a small piece of it, we want that to provide the yield, the rest of it provides the total return. The next question I always get, if it's less than 5%, how could you produce such a high dividend yield with it? So I'll just give you one example of it. So if our fund's yielding 7%, our actual fund, the core holdings yields a little over 3% so we have to get about 4% from dividend capture. If there's a company that pays a dividend on the first week of the year, that pays a 6% yield.

We hold that company for one week, we sell it, buy another company the second week that pays a 6% yield and so forth. We do that every week of the year, so call it 50 weeks. I need a few weeks of vacation. If we did that for 50 weeks, that 6% yield would yield 300 basis points of dividend yield, so by using only 1% of the fund. So that would be the majority of dividends we need. I just wanted to make sure, that's not the way we do it but that's just an example of how you can use such a small part of your fund in order to produce that yield, and that yield allows us the majority of the fund to work for the total return.

Happy to answer any other questions on dividend capture, because I know that was a lot, afterwards.

Dan Silver: That was helpful. So wrapping up, I'm curious if we can talk about closed-ended funds, the structure piece of it, the wrapper piece of it. One of the things that I think is, not misunderstood but certainly underappreciated, certainly ASGI has a term, and I believe, correct me if I'm wrong but, Adam, do you want to? I guess you could take the closed-endedness piece of it, as well as the term piece, and speak to that.

Adam Sparkman: Yeah, so we do have a term, we're two and a half years into the 12-year term. At this point, I think the wrapper, I don't think it surprises anybody, to your point, to hear the 15% discount, all of our funds trading double-digit discounts right now and pretty in line with the broader market. So I think from a wrapper standpoint, just the fact that you can buy really durable, strong assets at a discount helps you leg in. And then I think to Josh's point about dividend capture, to the options book and some of the interesting things that the structure allows you to do within a closed-end fund that you wouldn't be able to do within an open-end structure to really provide that strong level of yield.

Josh Duitz: Could I just add a comment on that, and specifically for the term funds. On the term funds, when you trade in at a 14-15% discount and there's 12 years left, or we have in ASGI 12 years left, you're basically getting your management fee for free if you held it, because you know that has to accrete to zero when the term ends. And it's interesting that the term structures are trading at the same discount than the funds that do not have terms that are around forever, because we know those term structures will have to shrink over time.

And then just on the wrapper piece, it's not only dividend capture and covered calls and others, it's also the fact that we could actually invest in the private side. Well, you don't have that opportunity with open-end funds that invest in private infrastructure or other type of private investments. So we do think it's a unique wrapper that investors don't recognize, especially with that discount, which on a term structure to me makes no sense that it has the same discount as the funds that do not have terms.

Dan Silver: I think I would agree with that, although I only speak for myself. So at this point I'd like to open it up to the audience for questions. Yes, sir?

Audience Question: Josh, could you just tell me what happened at Alpine again? [inaudible].

Josh Duitz: So at Alpine what happened was, dividend capture is a unique strategy, right? It's not used by many people. So the funds were launched, AGD was launched in '06 for \$350 to \$400 million, and then AOD raised about \$3.5 to \$4 billion in February of '07. And then the GFC came along and the markets got killed and those funds underperformed quite a bit, and investors were extremely upset, and rightfully upset. I was on the road marketing my infrastructure fund at the time, and if I said I was from Alpine, people wanted to throw me out immediately, which I understood.

And that's when I took over the funds 10 years ago, I changed what we were doing because of that, I understood investor expectations and they blamed dividend capture for that underperformance. And I would say, and I was there at the time, I wasn't managing the funds, and I didn't believe that was true but until it's proven out. And my point is over the past 10.5 years, I've proven out that dividend capture was not the cause of the underperformance, and with dividend capture we've actually outperformed our global peer groups in closed-end funds, high-income funds.

So a few of the things that I did. One, basically run with very little leverage. When I say very little leverage, I'm talking about under 3%, it's probably on average about 1% of leverage I used, so call it no leverage, because an investor's expectation to me for dividend fund is lower volatility. They don't want to underperform on the downside, you want to outperform on the downside, and when you have leverage it just adds to the volatility. When I took over the funds, yields were 14% on it, I cut it to 7% to try to make it a sustainable yield. The only way a yield is sustainable is if your total return is greater than that yield, so when I cut it to 7%, hopefully we could achieve that total return through the ups and downs of the market. It's been 10.5 years, we haven't had to cut the dividend. It's been a sustainable dividend, which I think that's what investors are looking for.

Also I wanted a smaller piece to be on dividend capture just so we could focus on the core portfolio, and that's focusing on the total return of the funds. So those are some of the changes I made, and also I wanted a more diversified fund and I don't want to take sector bets. So we're not a macro fund, I'm not a macro investor or fundamental bottom-up investor, and those are the risks that I wanted in the companies we invest in rather than the macro.

Audience Question: Why do you think that strategy isn't more prevalent if it actually can work?

Josh Duitz: Because I think it got a bad name in the beginning and people were afraid of it, no one wanted to hear dividend capture, so I think that's why. And I don't pretend that dividend capture is this unbelievable strategy where I make a tremendous amount of alpha, I don't want anyone to think that. What dividend capture allows us to do, it allows us to invest in companies that grow their earnings and grow their dividends across, so I don't only have to focus on yields of 4, 5, 6%. So I don't think it is this huge alpha generating and it's very hard for us to actually tell if it's alpha generating because of the way [inaudible] works.

Last year was the one year I know was alpha generating because we keep spreadsheets of it, or I should say I think it was, and we actually had a positive, a tiny positive return when the markets are down 20%. So I know it certainly didn't hurt, and you could argue that maybe I only invested in dividend capture on up days, and that's a possibility so I won't dismiss that, but I feel pretty confident that it added some alpha. But I don't think we will lose money in dividend capture, many trades every year, and certain years we'll lose money in dividend capture but overall it allows us to invest for total return across the rest of the portfolio. And that's what I like about it, and I think that's what's unique about it, and I think that's what allowed us to outperform for 10.5 years now.

Audience Question: So it would outperform, say SDY, right?

Josh Duitz: Well, SDY, the Aristocrats are only the US, correct? This is a global fund, so if you compare it to the global dividend funds, that's what we've outperformed. Global dividend funds with high yields.

Dan Silver: Anyone else? One question over here.

Audience Question: A question for Josh. If Trump gets reelected, how do you think that's going to affect ASGI? Trump did say he wanted to get infrastructure going when he was first time in office but he didn't do anything, so is that going to have some impact on you?

Josh Duitz: It's interesting. For years, that's the one thing both democrats and republicans agree on, is on infrastructure. I always discount that, I never expect our congressmen, senators to pass anything. So we're invested in companies that we think have the ability for good total return and for growth, and part of that's for a lot of different reasons. Like for air traffic, prior to Covid air traffic has increased 1.5 times GDP over the past 20 years, and Covid obviously affected it, and then you go back to the same trajectory.

So there's so many factors behind it, and if there's infrastructure bill like the IRA that's passed, to me that's just a call option. So I'm not counting on that, I don't expect that to happen, if it does and there's more infrastructure spending, that's great. But then I have to understand how it actually affects both the public and private companies that we invest in. So for sentiment it's positive when you have something passed, but again like I said, we can't count on that. I think there's so many growth tailwinds for infrastructure in the different sectors, and it's a defensive

sector, so I think it's just a good place to invest in for the next decade plus, at least certainly for the term of this fund.

Dan Silver: All right, well, with that I would like to thank our panelists as we move on through the day.

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