

Edgar Filing: Cushing Renaissance Fund - Form N-Q

Cushing Renaissance Fund
Form N-Q
April 27, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT
INVESTMENT COMPANY

Investment Company Act file number: 811-22499

The Cushing Renaissance Fund
(Exact name of registrant as specified in charter)

8117 Preston Road, Suite 440, Dallas, TX 75225
(Address of principal executive offices) (Zip code)

Jerry V. Swank
8117 Preston Road, Suite 440, Dallas, TX 75225
(Name and address of agent for service)

214-692-6334
Registrant's telephone number, including area code

Date of fiscal year end: November 30

Date of reporting period: February 28, 2018

Item 1. Schedule of Investments.

The Cushing Renaissance Fund

SCHEDULE OF INVESTMENTS (Unaudited)

February 28, 2018

	Shares	Fair Value
Common Stock - 61.1%		
Chemicals - 8.7%		
Netherlands - 2.0%		
LyondellBasell Industries NV ⁽¹⁾	21,000	\$ 2,272,620
United States - 6.7%		
Albemarle Corporation	12,500	1,255,375
DowDuPont, Inc. ⁽¹⁾	65,000	4,569,500
Huntsman Corporation	60,000	1,936,200
		10,033,695
Diversified General Partnerships - 2.5%		
United States - 2.5%		
HollyFrontier Corporation ⁽¹⁾	67,500	2,891,025
Exploration & Production - 13.5%		
Canada - 1.7%		
Suncor Energy, Inc.	60,000	1,975,200
Netherlands - 6.1%		
Royal Dutch Shell Plc	110,000	6,959,700
United Kingdom - 4.7%		
BP Plc	140,000	5,440,400
United States - 1.0%		
QEP Resources, Inc. ⁽²⁾	130,000	1,120,600
		15,495,900
General Partners - 4.5%		
United States - 4.5%		
Targa Resources Corporation ⁽¹⁾	115,125	5,140,331
Industrials - 7.6%		
United States - 7.6%		
Dover Corporation	32,000	3,203,200
Emerson Electric Company ⁽¹⁾	77,000	5,471,620
		8,674,820

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Oil Services - 1.7%

Netherlands Antilles - 1.7%

Schlumberger Ltd.	30,000	1,969,200
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Refiners - 11.4%

United States - 11.4%

CVR Energy, Inc. ⁽¹⁾	75,000	2,221,500
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PBF Energy, Inc. ⁽¹⁾	100,000	2,931,000
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Phillips 66 ⁽¹⁾	44,000	3,976,280
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Valero Energy Corporation ⁽¹⁾	44,000	3,978,480
		13,107,260

Utilities - 11.2%

United States - 11.2%

Exelon Corporation ⁽¹⁾	99,000	3,666,960
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FirstEnergy Corporation ⁽¹⁾	140,000	4,526,200
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NRG Yield, Inc. ⁽¹⁾	300,000	4,695,000
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12,888,160

Total Common Stocks (Cost \$67,109,587)		\$ 70,200,391
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Master Limited Partnerships and Related Companies - 32.3%

Crude Oil & Refined Products - 7.0%

United States - 7.0%

MPLX, L.P. ⁽¹⁾	115,000	\$ 3,970,950
Sunoco, L.P. ⁽¹⁾	140,000	4,048,800
		8,019,750

Large Cap Diversified - 4.4%

United States - 4.4%

Energy Transfer Partners, L.P. ⁽¹⁾	275,000	5,007,750
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Natural Gas Gatherers & Processors - 3.2%

United States - 3.2%

DCP Midstream, L.P.	50,000	1,792,000
Western Gas Partners, L.P.	40,000	1,862,000
		3,654,000

Shipping - 11.9%

Republic of the Marshall Islands - 8.1%

GasLog Partners, L.P.	220,000	5,170,000
Golar LNG Partners, L.P.	225,000	4,160,250
United States - 3.8%		
Cheniere Energy Partners, L.P. ⁽¹⁾	150,000	4,398,000
		13,728,250

Upstream - 0.7%

United States - 0.7%

Mid-Con Energy Partners, L.P. ⁽³⁾	465,116	776,744
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Yield - 5.1%

United States - 5.1%

NextEra Energy Partners, L.P. ⁽¹⁾	150,000	5,886,000
Total Master Limited Partnerships and Related Companies (Cost \$31,292,514)		\$ 37,072,494

Fixed Income - 30.0%

Engineering & Construction - 5.5%

United States - 5.5%

Zachry Holdings, Inc., 7.500%, due 02/01/2020 ⁽¹⁾⁽⁴⁾	6,250,000	\$ 6,343,750
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Exploration & Production - 14.4%

Canada - 2.0%

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MEG Energy Corporation, 6.375%, due 01/30/2023 ⁽⁴⁾	2,725,000	2,350,312
United States - 12.4%		
Barrett Bill Corporation, 7.000%, due 10/15/2022 ⁽¹⁾	2,750,000	2,763,750
Denbury Resources, Inc., 4.625%, due 07/15/2023	4,000,000	2,980,000
Murphy Oil Corporation, 5.875%, due 12/01/2042	5,000,000	4,700,000
Sanchez Energy Corporation, 6.125%, due 01/15/2023 ⁽¹⁾	5,000,000	3,775,000
		16,569,062
Industrials - 3.2%		
United States - 3.2%		
Cleaver-Brooks, Inc., 7.875%, due 03/01/2023 ⁽⁴⁾	3,500,000	3,701,250
Natural Gas Gatherers & Processors - 2.7%		
United States - 2.7%		
DCP Midstream, L.P., 7.375%, due 06/15/2023	3,000,000	3,031,875

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Refiners - 4.2%

United States - 4.2%

PBF Holding Company, LLC / PBF Finance Corporation, 7.000%, due 11/15/2023	4,655,000	4,864,475
Total Fixed Income (Cost \$36,649,969)		\$ 34,510,412

Short-Term Investments - Investment Companies - 0.6%

United States - 0.6%

Fidelity Government Portfolio Fund - Institutional Class, 1.26% ⁽⁵⁾	169,565	\$ 169,565
First American Government Obligations Fund - Class Z, 1.25% ⁽⁵⁾	169,564	169,564
Morgan Stanley Institutional Liquidity Funds - Government Portfolio, 1.26% ⁽⁵⁾	169,564	169,564
Invesco Short-Term Government & Agency Portfolio - Institutional Class, 1.30% ⁽⁵⁾	169,565	169,565
Total Short-Term Investments - Investment Companies (Cost \$678,258)		\$ 678,258
Total Investments - 124.0% (Cost \$135,730,328)		\$ 142,461,555
Written Options ⁽⁶⁾ - 0.0% (Premiums paid \$32,038)		(22,880)
Liabilities in Excess of Other Assets - (24.0%)		(27,507,155)
Net Assets Applicable to Common Stockholders - 100.0%		\$ 114,931,520

(1) All or a portion of these securities are held as collateral pursuant to the loan agreements.

(2) No distribution or dividend was made during the period ended February 28, 2018. As such, it is classified as a non-income producing security as of February 28, 2018.

Restricted security. Fair valued by the Adviser using the Fund's valuation procedures and subsequently ratified by the Board of Trustees. The position was acquired on October 7, 2016 at \$1,000,000 and the fair value accounted for 0.68% of the Fund's net assets as of February 28, 2018.

Securities purchased pursuant to Rule 144A of the Securities Act of 1933, as amended, and may be sold only to dealers in that program or other "qualified institutional buyers." These securities have been deemed to be liquid by the Fund's adviser under the supervision of the Board of Directors. As of February 28, 2018, the value of these investments was \$12,395,313 or 10.78% of total net assets.

(5) Rate reported is the current yield as of February 28, 2018.

(6) <u>Description</u>	<u>Exercise Price</u>	<u>Expiration Date</u>	<u>Currency</u>	<u>Number of Contracts</u>	<u>Premiums Received</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Dover Corporation, Call Option	\$105.00	3/1/2018	USD	160	\$14,074	\$13,280	\$794
Emerson Electric Company, Call Option	\$75.00	3/1/2018	USD	400	<u>\$17,964</u>	<u>\$9,600</u>	<u>\$8,364</u>
					<u>\$32,038</u>	<u>\$22,880</u>	<u>\$9,158</u>
							-

Tax Basis

The cost basis of investments for federal income tax purposes at February 28, 2018 was as follows*:

Cost of investments	\$ 135,698,290
Gross unrealized appreciation	13,261,227
Gross unrealized depreciation	(6,520,842)
Net unrealized appreciation	\$ 6,740,385

* The above table only reflects tax adjustments through November 30, 2017. For the previous fiscal year's federal income tax information, please refer to the Notes to Financial Statements section in the Cushing Renaissance Fund's (the "Fund") most recent semi-annual or annual report.

Fair Value Measurements

Various inputs that are used in determining the fair value of the Fund's investments are summarized in the three broad levels listed below:

- Level 1 — quoted prices in active markets for identical securities
- Level 2 — other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 — significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

These inputs are summarized in the three broad levels listed below.

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Description	Fair Value Measurements at Reporting Date Using			
	Fair Value at February 28, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)		
		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets				
Equity Securities				
Common Stock ^(a)	\$70,200,391	\$70,200,391	\$-	\$ -
Master Limited Partnerships and Related Companies ^(a)	37,072,494	36,295,750	776,744	-
Total Equity Securities	107,272,885	106,496,141	776,744	-
Notes				
Senior Notes ^(a)	34,510,412	-	34,510,412	-
Total Notes	34,510,412	-	34,510,412	-
Other				
Short Term Investments ^(a)	678,258	678,258	-	-
Total Other	678,258	678,258	-	-
Total Assets	\$142,161,555	\$107,174,399	\$35,287,156	\$ -
Liabilities				
Written Options	\$22,880	\$22,880	\$-	\$ -
Total Liabilities	\$22,880	\$22,880	\$-	\$ -

^(a) All other industry classifications are identified in the Schedule of Investments. The Fund did not hold Level 3 investments at any time during the period ended February 28, 2018.

Transfers into and out of each level are measured at fair value at the end of the period. There were no transfers between any levels during the period ended February 28, 2018.

Derivative Financial Instruments

The Fund provides disclosure regarding derivatives and hedging activity to allow investors to understand how and why the Fund uses derivatives, how derivatives are accounted for, and how derivative instruments affect the Fund's results of operations and financial position.

The Fund occasionally purchases and sells ("writes") put and call equity options as a source of potential protection against a broad market decline. A purchaser of a put option has the right, but not the obligation, to sell the underlying instrument at an agreed upon price ("strike price") to the option seller. A purchaser of a call option has the right, but not the obligation, to purchase the underlying instrument at the strike price from the option seller. Options are settled for cash.

Purchased Options — Premiums paid by the Fund for purchased options are included in the Statement of Assets and Liabilities as an investment. The option is adjusted daily to reflect the fair value of the option and any change in fair

value is recorded as unrealized appreciation or depreciation of investments. If the option is allowed to expire, the Fund will lose the entire premium paid and record a realized loss for the premium amount. Premiums paid for purchased options which are exercised or closed are added to the amounts paid or offset against the proceeds on the underlying investment transaction to determine the realized gain/loss or cost basis of the security.

Written Options — Premiums received by the Fund for written options are included in the Statement of Assets and Liabilities. The amount of the liability is adjusted daily to reflect the fair value of the written option and any change in fair value is recorded as unrealized appreciation or depreciation of investments. Premiums received from written options that expire are treated as realized gains. The Fund records a realized gain or loss on written options based on whether the cost of the closing transaction exceeds the premium received. If a call option is exercised by the option buyer, the premium received by the Fund is added to the proceeds from the sale of the underlying security to the option buyer and compared to the cost of the closing transaction to determine whether there has been a realized gain or loss. If a put option is exercised by an option buyer, the premium received by the option seller reduces the cost basis of the purchased security.

Written uncovered call options subject the Fund to unlimited risk of loss. Written covered call options limit the upside potential of a security above the strike price. Put options written subject the Fund to risk of loss if the value of the security declines below the exercise price minus the put premium.

The Fund is not subject to credit risk on written options as the counterparty has already performed its obligation by paying the premium at the inception of the contract.

The Fund has adopted the disclosure provisions of FASB Accounting Standard Codification 815, Derivatives and Hedging ("ASC 815"). ASC 815 requires enhanced disclosures about the Fund's use of and accounting for derivative instruments and the effect of derivative instruments on the Fund's results of operations and financial position. Tabular disclosure regarding derivative fair value and gain/loss by contract type (e.g., interest rate contracts, foreign exchange contracts, credit contracts, etc.) is required and derivatives accounted for as hedging instruments under ASC 815 must be disclosed separately from those that do not qualify for hedge accounting. Even though the Fund may use derivatives in an attempt to achieve an economic hedge, the Fund's derivatives are not accounted for as hedging instruments under ASC 815 because investment companies account for their derivatives at fair value and record any changes in fair value in current period earnings.

There were no transactions in purchased options during the period ended February 28, 2018.

The average monthly fair value of written options during the period ended February 28, 2018 was \$47,043.

The effect of derivative instruments on the Statement of Operations for the period ended February 28, 2018:

Amount of Realized Gain (Loss) on Derivatives Recognized in Income

Derivatives not accounted for as hedging instruments under ASC 815	Purchased Options	Written Options	Total
Equity Contracts	\$ -	\$ 105,799	\$ 105,799

Amount of Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income

Derivatives not accounted for as hedging instruments under ASC 815	Purchased Options	Written Options	Total
Equity Contracts	\$ -	\$ 9,158	\$ 9,158

Asset derivatives

Risk Exposure Category	Statement of Assets and Liabilities location	Fair Value
Equity Contracts	Written options, at fair value	\$ 22,880

Item 2. Controls and Procedures.

(a) The Fund's President and Treasurer have concluded that the Fund's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940 (the "1940 Act")) (17 CFR 270.30a-3(c)) are effective as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rule 13a-15(b) or Rule 15d-15(b) under the Securities Exchange Act of 1934, as amended (17 CFR 240.13a-15(b) or 240.15d-15(d)).

There were no changes in the Fund's internal control over financial reporting (as defined in Rule 30a-3(d) under the (b) 1940 Act) (17 CFR 270.30a-3(d)) that occurred during the Fund's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Fund's internal control over financial reporting.

Item 3. Exhibits.

Separate certifications for each principal executive officer and principal financial officer of the Fund as required by Rule 30a-2(a) under the 1940 Act (17 CFR 270.30a-2(a)). Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the Fund has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) The Cushing Renaissance Fund

By (Signature and Title) /s/ Jerry V. Swank
Jerry V. Swank, President & Chief Executive Officer

Date 4/11/18

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the Fund and in the capacities and on the dates indicated.

By (Signature and Title) /s/ Jerry V. Swank
Jerry V. Swank, President & Chief Executive Officer

Date 4/11/18

By (Signature and Title) /s/ John H. Alban
John H. Alban, Treasurer & Chief Financial Officer

Date 4/11/18