

VIDEO

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Focus on Funds: Closed-End Funds Attract Investors

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Despite the market downturn in 2018, investor demand for closed-end fund shares remained positive. In the June 28, 2019, edition of *Focus on Funds*, ICI Associate Economist James Duvall highlights key trends from ICI's recent market report.

Transcript

Stephanie Ortvals-Tibbs, ICI director of media relations: What's the latest on closed-end funds—their assets, the demand, the competitive nature of the industry, and just who owns them? It's all in [ICI's latest report](#), and here are the key details.

James Duvall, ICI associate economist: Well, like the assets of other registered investment companies, closed-end fund assets were down in 2018, and they fell about 10 percent, to \$250 billion.

Ortvals-Tibbs: And that's probably because of what was going on in the markets overall at the end of the year.

Duvall: Equity markets around the world were down in 2018, lowering the value of the stocks in those portfolios. And additionally, bond market returns were near zero. As a result, return of capital distributions played more of a role in lowering the assets of closed-end funds.

Ortvals-Tibbs: We've talked about the asset fall. What did you see, though, in terms of demand? It was still there.

Duvall: Closed-end funds received inflows in 2018, and in particular to preferred classes of municipal bond funds. Preferred share classes only pay dividends, and they don't share in the gains and losses of the funds. Investors were probably attracted to preferred share classes since long-term interest rates were rising for most of 2018. And, so, closed-end fund investors were able to invest in preferred share classes and not have to incur the risk of any losses that those funds may incur.

Ortvals-Tibbs: What's the household look like that owns a closed-end mutual fund?

Duvall: Closed-end fund investors tend to be on the older side of fund-owning investors. And in particular, 37 percent of households owning closed-end funds were at or near retirement age. And this is compared with 23 percent for mutual fund-owning households.

Ortbals-Tibbs: And that's not surprising because of what closed-end funds offer an older investor.

Duvall: Yeah, so bond closed-end funds provide a stable level of income, which is very important for those in retirement.

Additional Resources

- [ICI Research Perspective: The Closed-End Fund Market, 2018](#) (pdf)
- [Closed-End Fund Assets, First Quarter 2019](#)
- [Resource Guide: Closed-End Funds](#)
- [2019 Investment Company Fact Book](#) (pdf)

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