

## VIDEO

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# Focus on Funds: Strong Investor Demand for Closed-End Funds

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### Strong Investor Demand for Closed-End Funds

ICI's analysis of the 2017 closed-end fund market reveals a diverse, lively, and growing role for this investment product. In the August 10, 2018, edition of *Focus on Funds*, ICI Economist Morris Mitler examines the key trends and what is driving them.

## Transcript

**Stephanie Ortvals-Tibbs, ICI director of media relations:** What's the latest on closed-end fund investment? ICI Economist Morris Mitler shared with me some key takeaways from [ICI's latest report](#) breaking down the data and analysis.

**Morris Mitler, ICI economist:** Last year was a good year for the closed-end fund industry. Total net assets of closed-end funds were up almost 5 percent; they hit \$2.7 billion at the end of 2017. The increases were driven largely by broad-based gains in asset prices. We continue to see strong investor demand for closed-end funds. Net share issuance in 2017 was \$2.7 billion; that's up over \$1 billion from 2016.

**Ortvals-Tibbs:** That's a significant number. It also looks like your data show that it's a quite competitive marketplace.

**Mitler:** The market remains highly competitive based on commonly used measures of competition. We see that no single sponsor has come to dominate the industry. In fact, there are only 10 sponsors that offer 10 or more closed-end funds, whereas there are 68 sponsors that offer between one and five closed-end funds.

Still, despite the level of competition, more closed-end funds opened last year than were closed. There were 15 closed-end funds that were opened in 2017 versus 11 that closed via merger or liquidation.

**Ortvals-Tibbs:** Morris, people also are always curious about what's going on with bond fund investment in an interest rate environment like the one we're in. What do you see there?

**Mitler:** The report indicates that the bond closed-end fund market continues to remain strong and competitive. At the end of 2017, bond closed-end funds accounted for about 60 percent of total net assets of closed-end funds. That's up 6 percent from a decade ago.

The increase in demand for bond closed-end funds was largely driven by investor demand for global or international bond closed-end funds as well as municipal bond closed-end funds.

**Ortbals-Tibbs:** And what do we think are some of the drivers behind this kind of steady influx into bond funds. Is it similar to what we see across other types of fund categories?

**Mitler:** The trends affecting bond closed-end funds are broadly similar with trends affecting bond mutual funds or bond ETFs. In particular, there are demographic trends, such as the aging of the Baby Boomers, who are naturally rebalancing their portfolios toward fixed income as they approach retirement. At the same time, other investors have become overweight equities in their portfolio after a long bull market. And they, too, are rebalancing toward fixed income.

## **Additional Resources**

- *ICI Research Perspective:* [The Closed-End Fund Market, 2017](#)
- [ICI Statistics on Closed-End Funds](#)
- [2018 Investment Company Fact Book](#)

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