



Introduction to Closed End Funds

Closed End Funds (CEFs) were introduced in the United States in 1893 predating open-end mutual funds by 30 years. CEFs are structured as collective investment companies just like open-end mutual funds and exchange traded funds (ETFs).



Trading

Closed End Funds (CEFs)

Intraday between market participants – Similar to common stocks.

Mutual Funds (Open End)

End of day pricing – Traded directly with fund sponsor.

Exchange Traded Funds (ETFs)

Intraday between market participants – Similar to common stocks. Large transaction can be done with a market maker.



Pricing

Closed End Funds (CEFs)

Driven by supply and demand, as well as underlying holdings.

Mutual Funds (Open End)

Resulting from underlying holdings.

Exchange Traded Funds (ETFs)

Based on underlying holdings, but supply & demand can play a role during periods of high volatility.



Premiums/Discounts

Closed End Funds (CEFs)

Yes – Trade away from NAV frequently.
When a CEF trades at a discount-to-NAV an investor's yield is further enhanced - similar to buying a discount bond.

Mutual Funds (Open End)

No – NAV struck daily by fund sponsor.

Exchange Traded Funds (ETFs)

Yes, but infrequently – No arbitrage structure helps ensure that funds trade at or near NAV.



Summary

What is a CEF?

Pre-date open-end mutual funds, with the first CEF coming to market in 1893

A collective investment company – just like a traditional open-end mutual fund or ETF

Trade intra-day (similar to an ETF), but the number of shares are static

Market Characteristics

Over 400 CEFs in existence

~\$200 billion in total market cap

Top issuers are industry leading investment managers – Nuveen, BlackRock, PIMCO, etc.

Key Traits

Broadly diversified portfolios

Actively managed

Focus on yield and income distribution

Market prices can trade meaningfully away from net-asset-value (NAV)

Who Typically Buys CEFs?

Income-Seeking Retail Investors

Hedge Funds

Opportunistic Investors (e.g., iCM)



Disclosures

Integrated Capital Management, Inc. is an SEC registered investment advisor. Registration does not imply a certain level of skill or training. Past performance is no guarantee of future results, and every investment may lose money. No guarantees or assurances can be made as to future performance.

The views expressed herein are intended solely to report on various investment views held by Integrated Capital Management. Opinions, estimates, forecasts, and statements of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice. We believe the information provided here is reliable but should not be assumed to be accurate or complete. References to specific securities, asset classes and financial markets are for illustrative purposes only and do not constitute a solicitation, offer or recommendation to purchase or sell a security. Please note that investments in foreign markets are subject to special currency, political, and economic risks.

All reports are created with MPI Stylus. Data supplied by Morningstar, Bloomberg, MSCI, BOA/ML, Standard & Poor's & FTSE Russell. Investments offered by Integrated Capital Management, Inc. are not deposits or obligations of, or guaranteed or endorsed by any bank or depository institution, nor are they insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board, and the National Credit Union Association or any other agency. All investing involves risk of loss, including possible loss of principal amount invested.

All investing involves the assumption of risk and the possible loss of principal. The main risks as it pertains to this strategy are US equity risk, international equity and fixed-income market risk, interest rate risk and currency risk. While attempting to achieve the objectives of the strategy, you will be exposed to the risk of loss from these sources along with others yet to be identified.

Closed end funds are exchange traded, may trade at a discount to their net asset values and may deploy leverage. When the strategy purchases shares of a closed-end fund at a discount to its net asset value, there can be no assurance that the discount will decrease and may possibly increase. If a closed-end fund uses leverage, increases and decreases in the value of its share price may be magnified. Distributions by a closed-end fund may include a return of capital, which would reduce the fund's net asset value and its earnings capacity. Closed end funds are offered by prospectus. The prospectus and/or other applicable offering documents contain this and other important information about the investment strategy. You should read the prospectus and/or other applicable offering documents carefully before investing. iCM uses third-party data that is believed to be accurate and complete. All data is subject to change.

Indexes are unmanaged and it is not possible to invest directly in an index. Unmanaged index returns do not reflect any fees, expenses or sales charges. (MMXXVI)

Contact Us



icm-invest.com



888.426.4689

Integrated Capital Management is an SEC registered investment advisor. Registration does not imply a level of skill or training.
Past performance is no guarantee of future results.