

ICI Issues Closed-End Fund Market Research, March 2006

ICI Research – The Closed-End Fund Market in 2005

Equity Funds Fuel Recent Asset Growth

Washington, DC, March 22, 2006 - Assets in closed-end funds grew to \$276.3 billion in 2005. This marks the fourth consecutive year that closed-end fund assets rose, and this recent increase is largely fueled by equity funds, according to research released today by ICI.

Closed-end fund assets have grown 93 percent since year-end 2000 when total assets stood at \$143.1 billion. For much of the past decade, bond funds represented the vast majority of assets in closed-end funds. However, equity funds have fueled about half of the recent growth in closed-end fund assets. From year-end 2000 through 2005, assets in closed-end equity funds increased by \$68.0 billion, or 186 percent, while assets in closed-end bond funds rose by \$65.2 billion, or 61 percent.

“Millions of US households invest in closed-end funds and these funds are an important component of their diversified investment portfolios,” said ICI Chief Economist Brian Reid. “[Our research](#) finds that these households tend to be experienced investors who own a range of equity and fixed-income investments.”

The Institute reported that an estimated 2 million U.S. households held closed-end funds in 2005. The majority of closed-end fund investors also own individual stocks and mutual funds and share many characteristics with stock and mutual fund owners. For instance, owners of closed-end funds, stock and mutual funds all tend to be college educated and have household incomes above the national average. However, the research finds that closed-end fund investors display certain distinctive characteristics, such as having much greater household financial assets than either individual stock or mutual fund owners.

The research also indicated that a growing number of closed-end funds are being offered to investors, especially within the last few years. At the end of 2005, there were 634 closed-end funds, up from 482 at the end of 2000. As with assets, equity funds accounted for about half of the increase in the number of closed-end funds during this five-year period.