

Money Flowing into Closed-End Funds Remained Steady in 2013 After Several Years of Increases

Money Flowing into Closed-End Funds Remained Steady in 2013 After Several Years of Increases

Equity Closed-End Fund Assets Comprise Growing Share of Total CEF Market

Washington, DC, March 28, 2014 - Money flowing into closed-end funds (CEFs)—net new issuance—remained steady from 2012 to 2013, after three previous years of steady increases, according to new research published today by the Investment Company Institute (ICI).

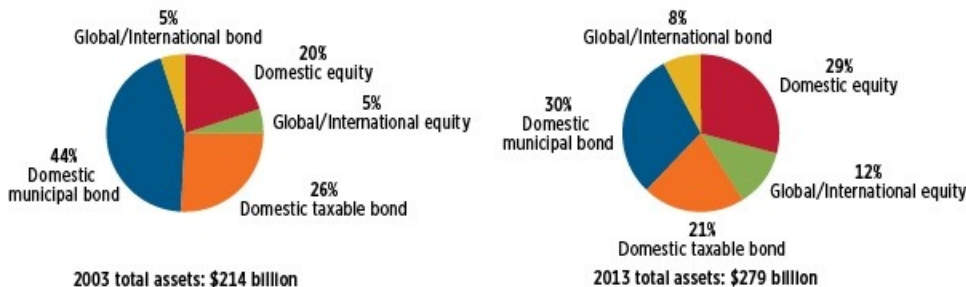
“The Closed-End Fund Market, 2013” analyzes data on closed-end funds, a type of investment company that issues a fixed number of shares that trade intraday on stock exchanges at market-determined prices. The study shows net issuance of closed-end fund shares was \$10.1 billion for 2013, slightly less than the \$10.5 billion in 2012, but significantly higher than the \$6.0 billion in 2011 and \$5.5 billion in 2010. Total closed-end fund assets were \$279 billion at year-end 2013.

Growth in Equity CEF Market Share Driven by Multiple Factors

In addition, the market share of equity closed-end fund assets rose from 25 percent of total closed-end fund assets at year-end 2003 to 41 percent at year-end 2013, spurred by two related factors. First, as is often the case when there are gains in U.S. stock prices, investors remained attracted to equity closed-end funds. Total returns on U.S. stocks averaged 8 percent annually from year-end 2003 to year-end 2013, while, by comparison, total returns on U.S. bonds averaged less than 5 percent annually. Second, the gains in equity prices during this period boosted the value of equity assets in closed-end funds.

Equity Funds’ Growing Share of the Closed-End Fund Market

Percentage of closed-end fund total assets, year-end 2003 and 2013



Source: Investment Company Institute

Nevertheless, bond closed-end fund assets continued to comprise the majority of closed-end fund assets, as they have traditionally. However, over the past decade the share of the closed-end fund assets invested in bonds declined—from 75 percent in 2003 to 59 percent at year-end 2013.

Competitive Dynamics Are at Play in the Closed-End Fund Market

The ICI study illustrates in several ways the competitive dynamics of the closed-end fund market. Evidence of competitiveness includes:

- No single closed-end fund sponsor has dominated the market. In particular, of the largest 25 closed-end fund sponsors in 2003, only 12 remained in this group at year-end 2013.
- Only 10 sponsors offer more than 10 closed-end funds, whereas 37 sponsors offer only one closed-end fund, and 37 sponsors offer two to five funds.
- The share of assets managed by the largest 10 firms (64 percent) has edged down since 2003.

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.