

New ICI Analysis: Competitive Closed-End Fund Market Continues to Grow Assets Under Management

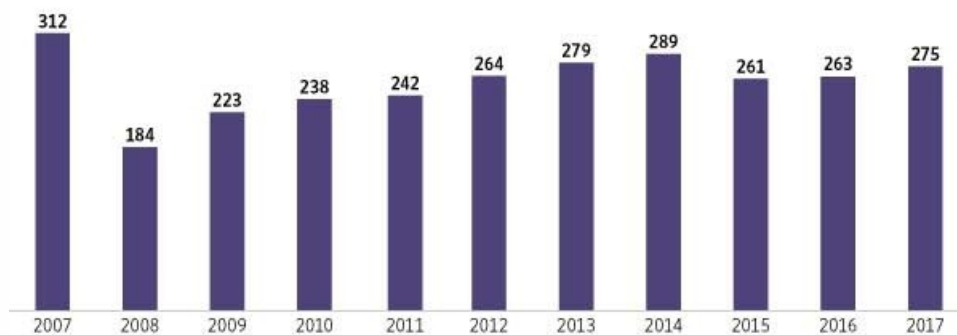
New ICI Analysis: Competitive Closed-End Fund Market Continues to Grow Assets Under Management

Washington, DC, April 19, 2018—Total assets for closed-end funds (CEFs) increased to \$275 billion by the end of 2017, according to “The Closed-End Fund Market, 2017,” a report released today by the Investment Company Institute. These assets rose 4.6 percent from 2016’s year-end total of \$263 billion.

The annual study analyzes data on CEFs, a type of registered investment company that issues a fixed number of shares listed on a stock exchange or traded in the over-the counter market.

Total Assets of Closed-End Funds Were \$275 Billion at Year-End 2017

Billions of dollars; year-end, 2007–2017



Source: Investment Company Institute

Investor Demand for Bond CEF Shares Increased

In 2017, net issuance of bond CEFs, as a whole, significantly increased to \$3.3 billion from \$1.5 billion in 2016. Demand for new shares of domestic municipal bond CEFs spiked in the fourth quarter as it became evident that tax reform would not alter the tax-exempt treatment of certain types of municipal bonds.

Bond CEFs Make Up Majority of CEF Total Assets and Share Is Rising

Traditionally, bond CEFs have constituted the majority of CEF assets, and that continued to hold true at year-end 2017. Bond CEFs made up 60 percent of the total CEF market, up from 54 percent at year-end 2007. Over the past 10 years, cumulative net issuance of bond CEF shares has exceeded that of equity CEF shares.

Competition Drives the Closed-End Fund Market

The ICI study illustrates the competitive dynamics of the CEF market:

- No single CEF sponsor has dominated the market. Only 10 sponsors offer more than 10 CEFs, whereas 38 sponsors offer only one CEF, and 30 sponsors offer two to five funds.

- The CEF industry is “unconcentrated.” The Herfindahl-Hirschman Index weighs both the number and relative size of firms in the industry. An index number smaller than 1,000 indicates that an industry is unconcentrated; at year-end 2017, the index for the closed-end fund industry was 815.

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