



Closed-End Funds

It's time to know this 100+ year-old income solution

The oldest investment structure you've probably never heard of

What are closed-end funds?

Imagine an investment that is professionally managed and publicly traded. Now, imagine that investment was created with the goal of providing you with a powerful solution for income¹, diversification, and growth - in the late 1800s, some 30 years before the first mutual fund!²

That is the closed-end fund (CEF); and today there are over 600 CEFs to choose from.³

If you're an investor seeking income, consider how these time-tested investments may help you achieve your long-term goals.



CLOSED-END FUNDS

For Investors Seeking the Potential for:

- Income distributions¹
- Diversification across asset classes, worldwide
- Capital appreciation
- Total return
- Strategies aligned with your goals
- Professional fund management
- Exchange-traded liquidity

¹ Closed-end funds' historical distribution sources include net-investment income, realized gains, and return of capital. Distribution rates may vary. Past performance is no guarantee of future results.

² https://www.cefa.com/_/docs/content/Learn/CEFA_Brochure.pdf

³ <https://www.cefa.com/FundSelector/Classifications.fs>



The Power of Closed-End Funds

A closed-end fund (CEF) is a publicly traded investment company that invests in stocks, bonds or other securities. Here is how they work.

Initial Public Offerings

Each CEF has a stated investment strategy, and it raises the capital to invest through an initial public offering (IPO). The shares then trade on the secondary market, making it a publicly traded company. The assets raised through the IPO are invested and then managed by a professional portfolio manager with experience relevant to the fund's strategy.

What does "closed" mean?

The term "closed" means the investment company offers a fixed number of shares through its IPO and will not likely be issuing more shares – making the fund effectively "closed."

Flexibility in Trading

As a publicly traded company, each CEF has its own ticker symbol. Investors can buy and sell CEFs at any point during market trading hours, providing optimal flexibility.

Secondary Offerings

CEFs trade throughout the day at prices that are determined by market demand for the CEF. The CEF's value is a separate calculation – called Net Asset Value or NAV per share – determined at the close of each trading day. The NAV is reached by deducting a fund's total liabilities from its total assets, then dividing by the number of issued shares.

CEFs trade at prices usually above NAV (at a premium) or below NAV (at a discount – which can lead to enhanced returns).

The Investment Benefits of Closed-End Funds

CEFs offer investors a wide variety of potential benefits, including:

Income and Regular Distributions

CEFs are specifically structured with the goal of delivering consistent income. CEFs seek to generate regular income distributions on either a monthly or quarterly basis.¹

Potential for Capital Appreciation and Total Return

CEF investors can enjoy the potential for both income and growth – in other words, total return.¹ And as CEFs can be traded during market hours, gains can be captured should investors sell at a price above their initial investment. However, if a closed-end fund is trading at a discount, investors may not recoup their entire initial investment.

Portfolio Diversification

CEFs provide access to numerous alternative public and private asset classes, sectors such as real estate and global markets, offering significant portfolio diversification opportunities. In some cases, depending on the strategy and asset class, CEFs may help reduce overall portfolio volatility or provide an alternative to other types of income-producing investments.

Strategies that Align with Your Goals

You can choose from a wide range of CEF investment strategies based on your risk tolerance, as well as income and growth goals.

Professionally Managed

CEFs are actively managed by experienced investment professionals. As the funds in the CEF are fixed, the manager does not need to accommodate inflows or outflows of capital – a common challenge for mutual funds. This way, CEF managers can focus on achieving long-term results. Managers may also use leverage, which means they can borrow to gain greater investment exposure. Leverage creates the potential to maximize investment returns, but can also increase risk. Leverage may result in greater volatility in the NAV and the market price of common shares and also increases the investor's risk of loss.


Convenience

As publicly traded securities, CEFs are convenient to own at IPO and in the secondary market. CEFs can be traded through traditional brokerage accounts. Investors seeking IPO access should talk to their financial advisor.

Term-dated CEFs


While CEFs were commonly structured as perpetual funds with no maturity date, term-dated CEFs now offer investors predetermined termination dates. Features include:

- A set date for CEFs to be liquidated and capital distributed back to shareholders at the NAV
- Lower duration risk - Interest rate risk may decrease as the funds gets closer to maturity.



Get to Know CEFs

Discover another income solution



If you're seeking an income solution with the potential to provide a variety of other, important portfolio benefits, it's time to get to know closed-end funds. To understand the specific terms that may impact the performance of a particular closed-end fund, you should review the relevant offering documents. Talk to your financial advisor about the risks and suitability of adding closed-end funds to your portfolio.

¹ Closed-end funds' historical distribution sources include net-investment income, realized gains, and return of capital. Distribution rates may vary. Past performance is no guarantee of future results.

What you should know before investing in closed-end funds...

Income Sources

Closed-end fund income sources have historically included net investment income and realized gains. Past performance is no guarantee of future results, and it is possible to lose your principal investment in a CEF.

Market Risk

Closed-end funds are subject to market movements and volatility. If you decide to sell your CEF investment, the shares may be worth more or less than what you originally paid.

Interest Rate Risk

Changes in interest rates may reduce or increase the income generated by a CEF. Funds with significant portfolio allocations to fixed income assets such as bonds may be more exposed to interest rate risk.

Leverage

Closed-end funds may employ leverage, borrowing to gain greater investment exposure. In turn, this leverage creates the opportunity to magnify investment returns – higher highs and lower lows.

Fees

CEF IPO shares are subject to fees and costs, including commission paid to your advisor, offering expenses, and management fees as detailed in the offering documents. Additionally, a CEF investor buying or selling shares in the secondary market will likely pay a sales commission to a broker at the time of the transaction.

Liquidity Risk

There is no assurance that an active secondary market will be maintained for each CEF. If an active secondary market does exist, CEF shares may trade at a discount or premium to their NAV. Upon each trade, investors may receive more or less than their initial investment.

Other Risks

CEFs are subject to other risks including credit risk, concentration risk, and discount risk. Funds that invest in foreign market instruments may also have currency, political and economic risk.

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