



Panel #5 - Institutional Perspectives On Today's CEF Market: Structure, Strategy & Trading Discipline

Wednesday, November 19, 2025

DAN SILVER: All right. Well, I'd like to congratulate everyone on making it to the last panel of the day ahead of happy hour, so congrats to all, and hopefully we can enjoy another lively panel discussion and no one falls asleep, I know I needed the afternoon coffee. So our fifth panel today is "Institutional Perspectives on the Closed-End Fund Market: Structure, Trading Discipline, et cetera". My name is Dan Silver, I am a closed-end fund portfolio manager with Closed-End Fund Advisors. Our esteemed panelists, I'm going to ask you to introduce yourselves, and it would be great if you could give a little bit of a bio, a little bit of information on your firm, the strategy, and especially the turnover profile that you have so people can understand. I'll tell you what, yeah, why don't we go from David to the other side?

DAVID TEPPER: : Good afternoon, I'll start with a disclaimer just in case anybody thought I was David A. Tepper of Appaloosa Capital, owner of the Carolina Panthers, I'm not, I'm just a David Tepper. I'm a little bit of an outlier on this panel, I wouldn't consider myself an institutional investor, I'm an independent, relatively small-time registered investment advisor in San Francisco, I've been at that for 35 years. I was a broker with Dean Witter for much of the 1980s, and I lived and worked through the rise of international investing and the boom in closed-end funds from that era. It was huge, at one point there were two or three Brazil funds, there were four India funds, there were Thailand funds, and Latin America Discovery Fund, and many of those funds, there was the inevitable bust and they fell by the wayside over time. In the last 40 years that I've been investing in closed-end funds, we've seen similar things with MLPs and some other things, and as Wall Street is want to do, if there's a trend, they'll ride it as far and as long as they can. I sort of take a top-down bottom-

up approach looking for macro trends I think that are viable and investible, and then typically when the negativity on those sectors is at maximum, so are the discounts, and I look to buy a beaten down asset class at discounts that are unusually attractive, and I've been doing it for a while.

ROB SHAKER: Hi, my name's Rob Shaker, I work at Shaker Financial Services, a company started by my father. We've been doing this for about 20-30 years, managing separately managed accounts using almost exclusively closed-end funds, but we actively manage them. So the general concept here is what we call discount capture, in which what we're doing is we're taking a traditional model, it's probably best with an example, so if you have a 60/40 portfolio, we're going to take the 60/40 and get 60% equity across a whole bunch of different closed-end funds, the 40% in a whole bunch of different bond funds, but what we're going to do is we're going to actively manage that, tactically trading. Trying to find, for example, a bond fund that's artificially wide, we're going to buy it, we're going to sell it when it narrows back and replace it with something else that's artificially wide. So in terms of turnover, we love to do as much as possible, because every time that we do we get what we call a discount capture, that's the idea. If you actively manage, you can take a traditional allotment and then just keep adding little additives through this discount capture, and that's what we do all day.

MARK MILNER: Mark Milner, I'm with Parametric, I'm sure you've heard of Parametric, we are also owned by a small little rinky-dink upstart you may not have heard of called Morgan Stanley, they're new, so just give 'em a chance. I lead their Systematic Income Team, one of the things within our systematic income suite is what we call enhanced income, it's basically a fund of funds or an SMA of closed-end funds, and that's used across not only Morgan Stanley Wealth Management but also other firms as well. Our process is a systematic rules-based implementation, but using the same dynamics that the two gentlemen to my right have talked about, discount capture, and obviously trying to maximize yield as much as possible. We have about, call it \$1.5 billion under management on the closed-end fund side. Oh, and turnover, somewhere in the 20-40% range, of course depends on the market condition.

JOHN COLE SCOTT: Great. I'm John Cole Scott, I may be doing the introduction for the benefit for our audience from home, but I am the president of CEF Advisors, it's a firm that my father bought in distress at almost his 60th birthday, and we overlapped for 19 years of his [50-year 0:05:40] career, leveraging his time as a journalist, a book in closed-end funds in 1990,

a newsletter called *The Scott Letter* from 1988 to 1996 in print, which you can find on our website if you want to read old versions of closed-end fund news and history. We have basically developed ourselves as, again, another separate account manager like my peers, but we've really focused on, besides closed-end funds, we've been an active investor for over a decade in listed BDCs, we've also have had an interval fund database since, I think 2017, used those appropriate for our separate account clients, and then recently we have added ETFs as a tactical sleeve or fill the holes in asset allocation as appropriate to certain of our clients as we expand our opportunity. The main way I think we're different than many of our peers is partially I say yes to most ideas, so we have 17 different composites, and because Dan Silver and I manage our client portfolios separately, independently, there's a lot of uniqueness, whether it's a different type of client, there's a lot of nuance. And one reason we can do that is because with CEF Data, we can report daily all of the closed-end fundedness or holdings data to our clients or prospects. I think I covered everything, but let me know if I didn't, Dan.

DAN SILVER: No, you definitely did. That said, John, I'm going to stay with you. I would like to shift to the topic of discounts, this is a closed-end fund panel, things do not trade at NAV, or at least very rarely do they trade exactly at NAV, maybe you want to kick it off by commenting on current discount levels, anything that stands out to you?

JOHN COLE SCOTT: Yes, so right now, the average of sector equity taxable bond funds and muni funds are trading in mid-single five and change discounts, that is mildly wider than a 10-year average, but there's obviously a lot of un-homogeny inside those sectors. The one area that generally trades wider than that are the more traditional classic global and regular US stock funds, those are usually lower yields when they're there, and have generally been not the most excited use of the wrapper. I'd say what we find, and again with our process of balancing discounts, balancing not only the distribution style or taxation for our clients and the net NAV or manager analysis, is really understanding what's causing that discount, what we look at. Some discounts are driven by headlines in the market, so that might be what's happening in the world around us today, whether it be tariffs or inflation, other discounts are driven sometimes by the mechanics of the fund themselves, so discounts widen out generally during a rights offering as they're usually doing that below net asset value, studying that and understanding those discount relationships is important for our work, for

our clients. Just like also when a fund decides to do a tender offer, closer to net asset value, there's a discount tailwind there. So I'd say the discount view that we look at, we're at a moderate level right now, it is constructive for possibly more primary funds maybe second half of next year, but can I update you July 1st? And we've noticed that the discount volatility, when we look at our portfolios routinely, whether it's this year, last year, 10 years ago, we find the average discount for a basket of our 35-40 positions for clients moves around 15-20% around net asset value on average for that basket, which is why we always argue for even regular financial advisors to be a little bit tactical, because there's times where you can buy extra cheap and sell extra narrow.

DAN SILVER: Before I pose a follow-up about the outlook for discounts in the near term, or even the next 12 months, Rob, I was hoping, do you think you can explain your view on discounts, but teeing off of what John said about discount volatility and how you characterize the current environment?

ROB SHAKER: Yeah, so I'd agree with John on one level, I think currently you have a broader range of corporate actions affecting things. As a closed-end fund investor, one of the things you have to do is you have to monitor discounts, because if things are moving, that's just something you need to know. There are times in which everything moves, there's fear-based, right? Right after Liberation Day everyone got scared, everything goes really wide, that's going to come back, that's what we call generic, everything's sort of moving down. If you're watching an individual fund, and all of a sudden you see it widening, the first thing you have to ask is why? That's what we love. We love to buy them when they're widening, but we have to check to make sure that it's not because of something. If it's just because of excessive selling pressure, maybe some big institution is trying to get out of it or someone's trading it lazily, that's great, we can buy it, but what if it's a rights offering? Rights offerings tend to sag, it sags, it sags, it sags, you basically have to wait that out. What if it's a merger? A lot of times you'll see two, or there's an example going on right now where there's three funds merging, and technically you might think, oh, they're just going to all meet in the middle. Well, I find personally that they all just sort of sag to the lowest guy, and they'll just all keep sagging because you're never really going to really buy the lowest guy, but if some guy's 2% narrower, you're going to sell him and there's more selling pressures. So you sort of have to be watching about what's going on, but this time of year particularly is the one time you do

know there's going to be widening, and that's for tax-loss selling. The closed-end fund environment is a great place for tax-loss selling because there's so much yield going out there, there's so much income coming out, that you're going to be able to realize short-term capital losses in a lot of things even if they were flat on the year, especially if some of these guys who are going to give these huge year-end distributions, you're going to be able to have tax-loss selling. Where we sit, we've started doing it earlier and earlier in the year, especially coming off back to back 20%, 20%, and another strong year, you've got a lot of tax-loss selling going on, and knowing that you have to let it sit for 30 days before you can get back in, and knowing that there's going to be all kinds of bargains. The last of the year, right after Christmas, it's a really good time to frontload that, I think a lot of people are, we've seen a lot of different individual ones widen out.

DAN SILVER: Two topics there I want to come to later, and that's tax-loss selling season as well as yield income distributions in general. Mark, do you think you can chime in? As you mentioned earlier, so your approach is systematic rules-based but also with a yield focus, on how you think about, not sensitivity, but the importance of discount in your framework and whether or not this is a good, bad, or indifferent time?

MARK MILNER: Yeah, I think discount of course is always important in closed-end funds, I don't think anyone up here on this stage makes it a habit of buying things at a premium, that's not how any of us make our living. We do things from an execution standpoint, it's a systematic rules-based strategy, however there is obviously an active management component to that as well. Everything that we do in our strategy, but everything we do at Parametric in general, is all research based. And so John's research I'm sure will tell you this, our research will tell you this, buying funds at a discount and then obviously selling them when the discount narrows, and then repeating that trade over and over again has historically been a winning bet. When you do that within your various asset class groupings, I'm not going to say we're completely agnostic to the individual funds, but we're certainly a little bit less sensitive from a fund A to fund B if those fundamental characteristics indicate a buy-sell opportunity. So as a whole, it all works out because we're large and diversified, not only across the actual asset classes themselves but the holdings within those, so we're able to do that. If you're running a much smaller more concentrated portfolio, may not be the best thing. If you're obviously heavier-weighted in an individual fund, that may have some

idiosyncratic risk in your portfolio. On a diversified basis it works out well for us, yeah, it's been great.

DAVID TEPPER: : On the subject of discount, one thing I would add is, at least for me, the absolute size of the discount is important obviously, but also the current discount relative to the historic discount of a given closed-end fund. At CEF Connect you get the average discount over the past one, three, five years, let's say it's been around 4% and the current discount is 8%, to me that's pretty attractive. Whereas if the average discount has been 10% and the current discount is 11%, on a relative basis I don't think that's as attractive a situation, so I might be inclined to buy the 4%, now 8% discount, versus the 10%, now 11% discount. And conversely, it's a rule of thumb that I don't stick to all the time, but if the discount at some point let's say gets, I'm not as active a trader as Mr. Shaker here, but if the discount at some point, let's say is 50% of what the average discount has been over the last one, three, and five years, well, to me that's when the fund might move to my sell list and give some consideration on that basis. Again, at least for myself, I think how the NAV is doing and how that asset class is performing, probably my biggest mistake has been selling too soon, because as we've seen time and time again, at market peaks things can go up a lot further than anyone's expecting, and conversely, typically I buy too soon on the way down, I sell too soon on the way up, and you can wind up leaving a lot of money on the table.

DAN SILVER: Well, along those lines, if I could just have you follow-up on that. One of the things that came up in prep for this panel is you had highlighted the importance of total return and capital gains, and not just the income focus that many closed-end fund investors have. David, do you think you could talk about, not only the capital gains piece, and obviously that fits with your profile, but the idea of there's money to be made by staying long, it's not just discounts.

DAVID TEPPER: : Absolutely. I think post-when the internet bubble burst in 2000-2001 and the yield curve got very, very steep, we saw creation of a boatload of closed-end funds designed to use leverage to exploit that and to generate outsized yields, whether you were leveraging a portfolio of utility stocks or MLPs or REITs or bonds. I think the long-term, that distracted people from the capital appreciation that a well-run closed-end fund can provide over time. If you look what the Adams Equity Fund has done, General American, Central Securities, some of these funds go back to 1929, and I do think they exploit some of the

features, aside from the use of leverage, that the closed-end fund structure offers, where you can invest in smaller companies, less liquid companies, in some cases private companies, and also the manager is not forced to buy more shares, as in a mutual fund, when the money's pouring in, and the manager is also not forced to liquidate stocks that he likes to meet redemptions. If you talk to some mutual fund managers, and get them to talk honestly, I think they'll say that's one of the problems of managing a mutual fund, is managing the cash flows in and out of the funds, and the closed-end fund structure insulates the portfolio manager from that burden.

DAN SILVER: Okay. Well, shifting gears, I'd like to talk about distributions and yields, and there are three things that I'd like to talk about. And I guess we don't have to do them all at the same time, we can kind of unpack it layer by layer, but to talk about current yields, the sustainability of those distributions, certainly in relation to what's going on with the Fed, what the Fed is up to, I'm curious whether you guys are happy or sad to see potential distribution or dividend cuts, and the last part that I'd like to get into is return of capital. So I'll tell you what, John, you want to go first?

JOHN COLE SCOTT: Sure. So right now the average closed-end fund, as being measured with our equal-weight 15 index at CEF Data yields about 10%, what we've seen in the last couple years is thankfully a steepening of the yield curve, not quite as steep as earlier periods, but a very benign yield period for closed-end fund leverage. We have seen many funds, I think yesterday as BlackRock was saying for their munis, when we're over 40% leveraged in our muni funds, that means we have a far more positive view on the yield curve, when we're below 30% on average, that means we're more concerned about the yield curve. One thing that's changed as a result of pressure on the sector after some tough years is fund sponsors that previously would have been very distraught to have return of capital show up in their 1099-DIVs for their clients, are now using them as a way of managing their discount. One way we've changed our thinking about at CEF Advisors, we do enjoy, as I'm sure my peers do, oversubscribing to tenders because we typically get 2.5% times the stock, because most retail and most FA don't do tenders, we now talk about these overdistributions as democratized tenders because they do hit every shareholder. And any time you buy a closed-end fund at a modest discount and it overpays a distribution, it's basically better for the shareholders and worse for the fund sponsor because they're losing capital they bill fees on.

When we think about the characterization of dividends, we use it as a big part of our work for our separate account clients, we recognize that not every fund is going to maintain the same flavor of their previous one-year dividend classification, but we find that for asset allocation mixes, it's very stable, the amount of short-term gains, long-term gains, QDI, return of capital. There is return of capital that's actually accounting, and we use a rough three-year NAV return versus three NAV yield, it's not a perfect data point but we designed it 11 years ago, and we've learned in our data business to not change rules as actively as we change our portfolio holdings for things. So I think that covers our thinking about it, it's part of the structure and a way of helping to keep discounts narrower, which allows investors to have funds to use and hopefully gets the market back to a footing where the fund sponsors can figure out a way to bring new, interesting funds to market for the benefit of the four of us.

DAN SILVER: Along those lines, Mark, you had said in prep for this call that 2025 is a weird year because of both distribution levels, there's also discounts. Do you think you can expand on that as it relates?

MARK MILNER: Yeah, I think John kind of touched on it at the very beginning, on the current discount levels. We've kind of had, I would say general narrowing maybe to start the year, obviously Liberation Day kind of liberated us from narrower discounts, at least for a short term, continued narrowing maybe throughout the summer and early fall, and now we've seen a little bit more widening out if you look at it on a broad basis. However, if you cut it down to the asset class level or sector level, you see some very different results, you'll see 200-300 basis point or more discount narrowing in things like infrastructure, real asset type funds, meanwhile you see the exact opposite in convertibles or leveraged loans, so there's definitely been a rollercoaster there, so if you're just pure discount capture, you can end up focusing too much on a single sector, meanwhile you're going to get it somewhere. On the distribution side, John mentioned BlackRock, they've got a couple of feline-tickered funds, CAT funds, you can probably figure out which ones they are, that have a 20+% distribution rate, and I don't think there's a single person in this room that thinks that that's a sustainable long-term number. They were very coy about that, and maintaining that yesterday, but I think the moment that that was announced last year, of course as a result of all the activism in early 2024, my first thought was is, great, this is awesome for the portfolio now, when are they going to cut it? So I think since that time it's been about managing position sizing for

what I would say are those elevated, and in this case, outsized distribution, because obviously with that subsequent distribution cut will come a price fall and the discount will widen out significantly.

DAN SILVER: Rob, I'm curious, how does that work for you guys in your strategy in relation to potential cuts? Does that disrupt your approach, your model? Does it break the discount focus?

ROB SHAKER: No. As a starting point, we don't care at all about dividends or yield, we care about total return. And so if some fund says, I always find it funny with equity funds, in an equity fund, I'm going to say it's with the S&P 500, and I'm going to say I'm going to give you 10% back as yield, that doesn't make any sense. Markets go down some years, there's no way that you're actually thinking that that's the estimated earnings, you just know they're going to give you back 10% in cash throughout the year. Great, it comes right off the price, you've just got to build that into your total return. Your total return is whatever the change in the price is, plus or minus whatever dividends they put in your account. And so we're agnostic about the level of dividends because we're only caring about total return, but there is this thing in which sometimes people really care about it, so if there's a dividend cut and you might have a mandate that I have to have everything in my client's account that's at least 8% yield, or 8% income, that if it then moves to a 6%, you've got sell it. If you have to sell it, then you have excessive selling pressure, and it sort of goes back to what David was saying, the difference and one of the most important things to remember about closed-end funds. The difference between mutual funds and ETFs and closed-end funds, the real big difference is that fixed capital structure, which means that when there's excessive selling pressures, there's not redemptions, there's widening, that's what happens, because they can hold on, the managers can keep doing what they're doing, it's just going to widen. So when everyone got scared at the Liberation Day, none of the managers had to do anything, and the NAVs weren't affected by it. I mean, they weren't affected by the excessive selling pressure, but their discounts were, everything widened, then things stabilized, everything comes back up. So if you see a dividend cut, our typical rule is three days, it takes about three days for everyone who has to get out of there to panic sell it. And you'll see it, the day that the dividend comes out, somebody sells a whole bunch down a percent or two, later in the day another guy comes in and sells half a million, pushing it down another percent, that lasts about two

to three days. All those people sort of get done, and then you can start building your position back up, and it'll probably narrow back.

DAN SILVER: Mark, I'm curious, again, to harp on it, as it relates to your strategy and how you think about it, the idea that there are fake yields right now, and how you think about what you like, what you don't like, and how do you prepare for the inevitable?

MARK MILNER: Yeah, I guess a couple different ways. I mean, diversification gives us that buffer, so we're not married to a single sector or a single asset class, using that rules-based process that blends not only the discount, which you can also think of as a sentiment gauge, but also Mr. Tepper mentioned relative discount is another nice thing to look at, and then volatility too, not just the price volatility but the NAV volatility, so you understand what the underlying drivers are of those funds themselves. And so when you marry all those things together with a diversified portfolio, you can ride those out, and we know that, just like discounts, distributions will ebb and flow, hopefully not as much, but we're in this higher than normal, higher than average distribution environment, which I think any prudent manager would be informing their clients will not last forever. The Fed is currently in a rate cut cycle, presumably we're getting another one in December, and possibly two more next year if you're going to use the consensus guide. Obviously that's going to put pressure on distributions overall, I think from a leverage standpoint it's been talked about, hopefully that should help, the cost of leverage comes down, then that also increases the use of leverage as the cost of it decreases. So there is some tradeoff there, but I think the long-term, or I guess interim-term, the next maybe 18 to 24 months, we'll probably see a slightly lower discount environment.

DAN SILVER: John, I'd like to follow up because it's something you've mentioned in the past. If you were giving advice to boards who are assessing distribution levels, what would you say they should or shouldn't be doing now, and what should they or shouldn't they do if they decide they need to make a change?

JOHN COLE SCOTT: So the easy question. I would say there are still some closed-end funds that are maintaining they earn the dividend policy and that's important to them, it's far fewer than two years ago. I would say that it's really important, as you think about your distribution policy, that it's a number that you believe long term that you can meet your total return, or you're basically slowly killing the fund. As funds start to get smaller, you start to have higher

fixed costs which starts to increase the erosion of net asset value, gets harder for investors like Parametric to own you, and so that's an important thing to consider. It's a really tough balance, because some people will say they're just doing this for them and, again, they are protecting, trying to give a better price to NAV for their shareholders, and that's a positive thing, we want more positive experiences for retail investors from FAs and RIAs, which are a large bucket of the ownership base of the US closed-end fund market. And I would just say, one of my favorites is just a really good thorough 2% a quarter, they're not right there right now, is a good long-term number for most asset classes, they're elevated right now, but that means that over time that type of policy adjusts with the market. We generally would say that's a more positive distribution policy than X cents per share, because that doesn't opine about whether markets are up 20% or down 20%, and it's a lot easier for folks to model for that, that we'll be looking for that experience. Even 10 years ago, we've been tracking dividend changes since we launched CEF Data on 12-31-11, I mean, it's about 10% of dividends are changed almost every quarter for the last 57 quarters of our review, it's just the magnitudes got larger. Right now we're seeing increased cuts or future cuts for floating rate loans, because logically they're getting less yield because the market's getting cheaper, and if you go back I think roughly three years, they're still yielding almost 300 basis points more than where that sector was three years ago. And so just remind our investors, we remind boards, that when you're a floating-rate product, you're going to float, there's a positive to that when rates go up, there's a negative to that when rates go down. Just keep it simple and don't be too cute about it, and just talk about it in very strong, direct terms in your communication with investors, whether it be institutional investors or FA or RIA.

DAN SILVER: If we can just shift slightly to the topic that came up earlier, which is tax-loss season, I'm curious, and obviously Rob you had hinted a little bit or mentioned it earlier, what your expectations are this year for tax-loss selling, whether or not you think it'll be a factor or not and how you think that may or may not fit with the liquidity situation we have in the markets in general at the moment, or closed-end funds. And I'll tell you, anyone is welcome. John, go for it, it's all you if you want it.

JOHN COLE SCOTT: Quick, I forgot to say, we tax-loss sell a lot, I think for some of our taxable clients I think we've done it about seven times this year. We will trade constantly, a lot, level losses for some of our clients. In my review, senior loan funds I think are ripe for tax-loss

pressure as a sector, I think there's even going to be some mild across munis because they're basically roughly cost basis down on year for share price, but for convertibles and some equity funds, I don't think that their prices have really dipped below their early-year prices, so there should be less pressure there and how we think about the tax-loss season. We find that there's generally 3% on average most years, not every year because that's the way markets work, they don't always hit your goals, and we do find that the tax-loss season really buckets into either close to mid-November or close to the last week of December, really strong trends. It's very rarely between those two points, it's usually anchored to the front of the season or the end of the season based on the trend of that year.

DAN SILVER: Rob, is that consistent with what you were hinting at timing-wise?

ROB SHAKER: Yeah, I think that the two bottom points are typically from where we see, right before Thanksgiving and right before Christmas you could kind of say, those are where it's going to probably hit a bottom. But this year I think there's a little bit something interesting because of those big year-end distributions, and so you'll have, for example, GAM, not a lot of people were able to tax-loss sell that guy until they did the year-end distribution, and then all of a sudden, oh, now there's a little bit for some people, there's an opportunity, and so you got some selling pressure right after it. I actually think from what I've seen, that people might be gaining that too, which is something you can sort of be on the other side of. You'll see, if a big year-end distribution comes out, you're seeing a little bit of buying pressure into it, because you can do that, you buy it, let it take the big distribution, and then realize a giant short-term capital gains loss. So at least on the ones that have so far come through, and it's typically on the equity side you're seeing that, we'll see if that plays forward, but I think if it does, then we may have more of a, as John says, every tax year is a little bit different, but I think we might have more of an end-of-year bottom, but orderly, nothing that's not orderly.

DAN SILVER: Okay. David, I'm curious, I definitely would like to poll the panel about the prospect or potential for IPOs in, I don't know, let's call it the medium term, but before we go there, you've got more experience, you've been doing this for longer than we have, how have things changed? And I ask that in relation to, if there was going to be an IPO, what do you think is either appealing or unappealing in terms of focus of strategy, et cetera?

DAVID TEPPER: Well, I've been on both sides, I was a broker in the eighties when there was, as I mentioned earlier, a huge number, there was a boom of closed-end fund IPOs during the

international investing wave, and to be honest, I've avoided them ever since. I know the investment world has tried to structure them so the NAV or the discount doesn't go to 5% the next day or the first day the shares trade. To be honest, I really haven't thought about it very much, and certainly I'm not expecting another boom of closed-end fund IPOs. I note what's happening, typically it's a way of exploiting a current trend, and as just the previous panel, this whole private equity, private debt movement, I'm a little suspicious of. I remember in the late nineties, I think it was NVC Capital, there was a closed-end fund that was going to be a venture capital fund, and it was a way to bring in the average retail investor to give them exposure to this area that was previously an institutional domain, and it pretty much caught the top of that market, of that wave, so I'm very suspicious and I'm not holding my breath on any closed-end fund IPOs.

DAN SILVER: I guess on the other end of that, Mark, you had said in prep that you think there are opportunities for new closed-end funds, and I'm curious what you would want to see or not want to see come to market.

MARK MILNER: Yeah. I guess I haven't thought as much about what I don't want to see, that's a good question, I'll think about that while I'm answering. Selfishly, I think I always want more investible options out there. I don't think anyone at this table would disagree with me there. The previous panel talked about using privates, I think the current regulatory environment is much more conducive to putting other things in the closed-end fund wrapper, which I think is great. That fixed capital base is advantageous, versus call it our ETF cousins. The other thing too, when you look at it compared to all the explosion in new filings for ETFs, is that closed-end funds with a fixed capital base, we don't have to worry about the basket sizing like you did for creation redemptions with ETFs, and so you can stick longer term less liquid things in there, and it doesn't have to be something as crazy or sexy as anything on the private side. Just for example, it could be something as vanilla as an active equity fund with a buy-write component, but you write covered calls on the individual names because you can get called away, you can write more calls or you can write longer dated calls, versus the traditional space where we have your active equity or index-type equity exposure with an index option. So that's great, but guess what? You can actually generate more yield, I know I'm back on my yield topic again, you can generate more yield writing on individual names than just writing on the index, so there's a more vanilla way to do it. Another thing to

is that, okay, so you want obviously not to trade at a discount immediately, and some of that's beholden on all of us in this room, and investors, to not sell right away if you get an allocation. So then how do you do that? Well, okay, why don't you look at the current funds right now that are trading at a premium? Clearly there's interest in certain types of funds, so maybe, I don't want to say create clones of those, but that should give you a hunting ground of opportunity for new things. Yeah, as far as stuff I don't want, I don't know, I'll still have to think about that one.

DAN SILVER: Fair enough. Fair enough. Okay, well, there are a few other questions that I've got, and I want to at least give the audience a chance, but before I open it up, it would be great, so I really liked the last panel, Chuck did a great job saying, "This time next year what is going to be the story of 2026?" I think that is a much better way of saying, "What's your outlook?" So I'll tell you what, why don't we go from this side down, so David, starting with you, what do you think? Or hey, it doesn't have to be the only one, what do you think will be "a story" of 2026?

DAVID TEPPER: : I'm going to pass.

DAN SILVER: Okay, fair enough. Nothing wrong with that.

ROB SHAKER: I'll go with the average bond fund will trade at a premium.

DAN SILVER: Okay.

MARK MILNER: So Parametric is notorious for not making market calls or predictions, so these'll just entirely be my own and closed-end fund specific, so don't report this back to anyone, but I think we're going to see continued interest in the real assets, real estate, infrastructure type space. Probably continue discount narrowing there, again, probably to premiums for some of those. And then just by and large, I think the aggregate distribution level will come down slightly.

JOHN COLE SCOTT: So I will agree completely with those previous two comments, but I'll add that I think with a very benign yield curve and with such good use of the wrapper for both preferreds and munis, that those sectors will trade a lot tighter to book and some more of their funds will trade above net asset value because of where the yield curve sits and where we are in this stage of our feelings for equity markets and we use those funds actively. I do think the yields will come down a little bit, so that they're more closely aligned to potential long-term total returns for at least those two structures.

DAN SILVER: Okay. David?

DAVID TEPPER: : This could be wishful, and not could be, it is wishful thinking on my part. I think small cap stocks might have a burst, the gap in performance between the S&P 500 and the Russell 2000 over the last one, three, five and 10 years has been at historic levels, and I think there may be some reversion to the mean on that.

ROB SHAKER: From your lips.

DAN SILVER: Yeah, from your lips. Okay, well, let's see, I'd like to see if we can get any audience questions. Oh, we've got a couple. All right, you're closest, so Phil, you're first, and then, Ron, we'll shift to you. Over here, sir.

AUDIENCE QUESTION: Thanks. Those are very interesting predictions. First I want to just make a comment about the prospect of the IPO market. Take this for what it's worth, but I heard from a pretty reliable source that Bill Ackman is going to be coming back after his failed \$50 billion delusions of grandeur there, but he's going to be coming back with a closed-end fund, not \$50 billion but sizeable, and it could be a unique structure. I don't know, it could jumpstart the market. I thought your idea, Mark, about, well, why not see what funds are trading at a premium and come out with a clone and say, look, this is a better deal? That's a good idea. But if Ackman does this and he's got some success, a lot of people are ready to bury the closed-end fund market, but they've been doing that for 150 years. I want to ask an open-ended question, as an activist investor in both closed-end funds and outside closed-end funds. I started investing personally in closed-end funds in the mid-seventies, and there were not that many that were listed, they were only listed in *Barron's* or *The Journal* on Monday, you would see plain vanilla S&P clones like Tri-Continental or a Lehman fund trading at a 25% discount. So my open-ended question to the panel is, what's your view of activism in the closed-end fund space? Good, bad, does it help or hurt? And related to that is, what do you think about some of the pretty onerous anti-takeover provisions that some closed-end funds have taken to deter activism?

ROB SHAKER: I'll start that because I use your name when I'm talking to clients, and I say, because one of the things, you get these generic widenings and they're scary a lot of times, right? And the concept that, "Oh, what if all the closed-end funds go to 20% discounts?" And I say, "Well, then Phil gets involved." And so whether or not I particularly care for what activists are getting at the end these days compared to back in the day when you would try

to open end them and things like that, I think the activists are getting a little bit less beneficial, but they still serve that really, really fundamental purpose of letting us all know that there's a floor. Because they can't stay down too long because the activists will get involved, and then you're going to win big, so I think it's a really, really incredibly important aspect of closed-end funds, that there are activists there that are the watchdogs.

DAVID TEPPER: : I agree, I think they've had a positive effect. One of the reasons I think discounts have gotten narrower is because of the activists, I think there's more capital committed to that space certainly than there were in the 1970s and my clients and I have benefited from this. If I wake up one morning and I see a fund's up 12% on an activist action, I'm certainly not complaining. The notion that there would be too few closed-end funds, if all the activists took over 50%, that would be a bad thing. Well, my clients and I, we'd move onto something else with some very handsome profit, so I don't have any problem. Be more active.

JOHN COLE SCOTT: I'll give a quick answer. I'll just say as I think about that, we think of that right now because of a lot of the pain that the fund sponsors felt in the last couple years, they've been forced to create a lot more beneficial outcomes for all shareholders. I hope that they keep that memory alive longer than they sometimes have, and I keep thinking that they work to, I'd say be in good communication with investors in ways that we understand that we don't invest in the London closed-end fund market, but there's a lot more communication between boards and management and ownership just in talking to our data clients that both invest in US and UK funds. I was not trading closed-end funds when Phil was, but my father was writing his newsletter, and I was reading about the discount levels in '88 and '89 and '90 in the last couple of weeks, and the discounts were a lot wider, 20-25% was a regular number back then, as Phil's shaking his head yes. I would say what we hope for is more pro-structured, diligent 13-filers that can help these products stay lively, useful. And we think that the funds that have taken, just think, yes, it's because of the terrible IPO experience of BIGZ, but repurposing BIGZ as BTX to me is a very powerful, positive thing. They gave a 50% liquidity event for those that wanted out, retail or activist, and it repurposed that fund into something I think is rather useful for the market of US closed-end fund investors in an environment where it's not easy to IPO a fund. And so I could see a place where we are able to repurpose funds into useful, like if you think about the Aberdeen country funds, it became AEF, that's a far more beneficial fund in today's market than having an Israel fund and a Chile

fund. I know my father loved the country funds because at the time he invested in those funds, but that's how I think of it. It always should be around, and I think that we need to find a way for institutional investors that are pro-structure to have good conversations with management to make sure it's a good outcome for all investors, not just the activists, and also make sure retail is included in the outcomes that are positive.

DAN SILVER: Okay. Ron, I think you get last licks.

AUDIENCE QUESTION: How do you deal with turnover and short-term trading versus long-term? Are your clients mostly taxable or tax-exempt? If you could make a few hundred basis points over an ETF or a closed-end fund index, like John's, his indices of all CEFs, how do you deal with that, and what would you say the characterization of your returns are over time between short-term, long-term, and income, and the tax rates of those?

DAVID TEPPER: : Well, for me it depends, number one, certainly in a tax-sheltered account, which is a sizeable portion of my business, a lot depends on the asset. If you're buying a bond fund at, let's say you'd be delighted to make 10 or 12% over 12 months, and you have a chance to make 3% in a week, and particularly now at Schwab you can trade commission-free, I'll take the 3% and buy it and sell it five, seven days later, and maybe look for an opportunity to buy it back a week, a month, six months from now. But generally, I've got core assets, some of the equity funds that I've mentioned earlier, that we've held for 35 years and never really sold a share. So it really depends whether it's a taxable or tax-free account, tax-sheltered account, and it depends on the underlying asset and what you're expecting to make, the return you're expecting to make that asset produce for you.

ROB SHAKER: So as a starting point, one of fundamental thoughts we have is we're going to always work to make that extra dollar regardless of how much it gets taxed, because it's still an extra dollar of gain. That being said, it's something to think about, especially because closed-end funds pay such high yields. What do you think? Average, maybe like--

JOHN COLE SCOTT: Ten percent.

ROB SHAKER: Okay, 10%. Now obviously my accounts, we'd like to have 3-4% turnover per year in the accounts, so I can't tell you exactly what the yields are going to be, but let's say they're yielding 10%, that means 10% is getting reported to the IRS, you can't do anything about that, that's 10%, so the only gains, no matter how active you are, the only gains you're possibly putting on the hook for your client is anything above 10%. So as a starting point,

that's pretty good, right? Years that it goes down, you don't have to report, you do your tax-loss selling, you're not going to have any gains to report. So it's only above 10, and if you think about it, above 10 but you do a good job of tax-loss selling and keeping the gains up there, you're probably not going to have to report anything, even with a 15-20% year. My clients basically for the first 23 and 24, we were able to have, with tax-loss carry-forward, no reportable gains, even though we're that active. When you go 20-20-20, you start getting to the point where, okay, maybe you're going to have to have some gains, and by the way, we're half taxable, half non-taxable, about. But that concept, just to know that there's so much yield in closed-end funds that's getting reported, that I don't think even in a taxable account, that you really have to be too worried about doing some nice active, taking your 3% in that example, especially if you have other things that are running long longer term, you're going to be able to effectively tax-loss that way I would think.

MARK MILNER: Yeah, maybe I'll just hit up real quick. We offer both standard versions and tax-advantaged versions of our strategies, so that dictates the underlying security selection and how we think about the distribution characterization. That being said, regardless of which version of the strategy you're in, I think there's one thing that I try to avoid, and that's the funds that distribute short-term capital gains, especially the ones that recharacterize or announce it in the subsequent calendar year for the previous tax year. I think that's just poor management from the portfolio manager, from the fund themselves, which I think just reflects poorly just in general on the fund, so try to avoid that. And then to Rob's point, and John on the 10% distribution, for us if you're getting 10% distribution, and Rob's a total return guy, 12% total return, you can do the math on what percentage that is. For us, as an income-focused strategy, typically in a calendar year we're looking at north of 85% of total return from the distribution, and that's on the low side. I mean, realistically it should be 90+%.

JOHN COLE SCOTT: I would say we're roughly half tax-qualified, half taxable accounts, we handle that as part of our onboarding process, we actually put our clients marginal tax rates in CEF Data for their portfolio so we can look at their current estimated tax friction. We find it's very inaccurate for anyone holding year to year to year, but it's rather active on a 35-40 basket of closed-end funds. Again, we generally will buy for closed-end funds, 2-4.5% per exposure, it allows us to, if we're early or surprised, we can always add a little bit more and

not be an outsized allocation for us, and so I'd say it's very client specific. Some of our clients will tell us they are so tax-driven, they care more about not paying taxes than their total return after fees, which I would argue is not the brightest thing to do, but when they hire us it's a reasonable approach, we're able to put it in our software and handle that for them. And so I'd say we generally can keep our short-term capital gains down for those clients to 3-4% of the distributions available, and then there's years, like we took a large five-year gain on PDX in January on that pop, and we spent much of this year for clients who've had over five years, of neutralizing that long-term capital gains. We have another position that's up about 100% in the last year or so, and for some clients we're hoping it stays that high until January, and for some we've already taken that gain because we've worked that out for them. We're a very customized approach, differently than I would say Parametric and Shaker in their approach, much more unified, a lot more nuance in what we do at CEF Advisors.

DAN SILVER: Okay. Well, with that, I think that concludes our panel, so I would like to thank the panelists.

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