



The Year In Review: John Cole Scott Looks At How His 2025 Predictions Worked Out

Friday, January 2, 2026



Chuck Jaffe, in this episode of The NAVigator podcast interviews John Cole Scott, President of CEF Advisors. John reviews the forecasts he made a year ago for 2025, grading his wins and losses on everything from inflation levels and Treasury yields to discount levels and the outcome in various sectors of the closed-end fund industry. Scott, the chairman of the Active Investment Company

Alliance, also reviews the five funds he identified as buys for 2025 and how they turned out.

The podcast can be found on AICA's website by clicking here: <https://aicalliance.org/alliance-content/pod-cast/>

Get the inside track on the one trillion dollar closed-end fund universe on January 14th at 2PM Eastern Time as CEF Advisors holds its quarterly closed-end fund, BDC, and interval fund market outlook. It's everything you want to know about discounts, yields, leverage, activism, pricing trends and more, earn 1.5 continuing education credits. Register at CEFDATA.com/quarterly.

CHUCK JAFFE: We're looking at 2025 now that it's in the rearview mirror with John Cole Scott, president of CEF Advisors, welcome to the first NAVigator of 2026. This is The NAVigator, where we talk about all-weather active investing and plotting a course to financial success with the help of closed-end funds. The NAVigator is brought to you by the Active Investment

Company Alliance, a unique industry organization representing all facets of the closed-end fund industry from users and investors to fund sponsors and creators. If you're looking for excellence beyond indexing, The NAVigator will point you in the right direction. Joining me again today, John Cole Scott, president of CEF Advisors, where they produce great data covering closed-end funds, business-development companies, interval funds, and as of recently, exchange-traded funds of all stripes too. You can dig into the firm and its data for yourself by going to CEFData.com. Beyond CEF Advisors, John is chairman of the Active Investment Company Alliance, which you can learn about at AICAlliance.org. John Cole Scott, Happy New Year, welcome back to The NAVigator.

JOHN COLE SCOTT: Happy New Year, Chuck.

CHUCK JAFFE: Last week we were looking at your forecast for 2026, this week it's a look-back at what happened in closed-end funds during 2025. And I will point out that while our audience is hearing this after the ball drops to open 2026, we're recording it in the afternoon on December 30th, less than one full session of trading for the year but it means that the numbers you give us here may be a hair off from the final 2025 numbers. But again, if folks want those exact final details, they can find them at CEFData.com. So let's start our look back with your look ahead from this time a year ago, because you made six preliminary look-ahead forecasts, how did they turn out?

JOHN COLE SCOTT: Yeah, so the easy one, I said no recession, and in that case clearly I was correct. Next I said that inflation would be sticky, and I was talking about low threes, and we looked at the data as of yesterday, and the best data we see is 2.7%, so in this case I was wrong, inflation was not as terrible as I expected. We do love our thinking about interest rates of closed-end funds, both because of the bonds and also the leverage they used, and we thought that the 10-year would have stayed stickier and higher than it did, we were calling for about a 5.25% to 5.5%, and right now it did hit that mid-year but it ended at 4.1%, and so we were surprised by lower rates at the end of the year than we were forecasting for our clients. The next, really about the growth about interval funds and their related structures, there's 120 interval funds we thought at \$120 billion, and there's actually 147 at \$146 billion, that sector grew even faster than our, we thought, aggressive forecast.

CHUCK JAFFE: Yeah, and although we have to therefore say <buzzer> you didn't get it right, you were probably closer than anybody else who was looking at it, because it was way beyond most people's expectations.

JOHN COLE SCOTT: It is, and the even less common tender-offer funds, we were calling for 130 at \$95 billion, and it was 145 at \$116 billion. Again, different guts, similar wrapper, and we were under-forecast as well. Now the last one we were the worst off, the non-listed or private BDC, we were close with the numbers, we thought it would go from 103 to 110, it went to 114, the difference was we were modeling \$280 billion and it went to \$350 billion, that sector was on fire this year.

CHUCK JAFFE: So again, we have to sound this one <buzzer>, but you were just a little conservative, I wouldn't call it way off wrong. There is the difference between a buzzer meaning, yeah, you didn't get it right, and then, "It's wrong, shockingly wrong." Let's move from the preliminary basic forecasts to the sectors and the funds and the economic outcomes you were looking for for the year.

JOHN COLE SCOTT: Yeah, so we called for a year where the average closed-end fund from our 15-sector index would beat the equal-weight S&P 500, we use that because very few closed-end funds have anything to do with the S&P 500. The average closed-end fund is looking to model the year out at 9.8% versus RSP or the equal-weight is looking to do 10.2%, so we were wrong, though again rounding wrong in my opinion.

CHUCK JAFFE: Yeah, rounding wrong, missed it by that much.

JOHN COLE SCOTT: We thought that fixed income would be a large contribution this year, and we were pretty much wrong except for the two sectors that buoyed that area, convertible bond funds are up around 16% total return this year, international bonds up 12.5%, both above the average closed-end fund on the bond side. We looked at discounts, and the average small premium 50 basis points for the sector index at the end of the year, and basically widened to 2.6% at the end of 2025, and so we did see that the discounts widened about 3%, which we'd say is correct. All right, and the January Effect, which happens pretty much every January, and we said it would be muted, and this is a little rough but we said muted is a less than historical average, average is 2.7%, we caught 2.5%, so we'll give that as a narrow win. However we think this is more important, we said outsized bumps in both munis and BDCs, which are very different investments. Munis did a 5%, BDCs did a 7% pop, we think that was

more than expected, but people that traded those got a lot of alpha after the year-end. The next one we said that the distributions would be stable for many factors, they were actually down 0.3%, I would define that as stable, but I'll let you be the judge here how well I called that.

CHUCK JAFFE: Oh, I'm willing to give you credit on this one.

JOHN COLE SCOTT: We also talked about activism, such a big focus for '24, and we said it would be curbed around but not as deep, so we thought that that would also be one of the reasons why it would keep the dividends stable, because boards weren't willing to do a lot of cuts, which could lead to discounts and give ammunition to these activist investors. And we also said that the leverage-adjusted NAV yield would go to 8.25% versus 8.5%, and we were wrong, it only slipped down to 8.4%, and so that was basically the mechanics of the returns required at each fund, the distribution policies set by the boards. I think that's lightly wrong in my opinion.

CHUCK JAFFE: We're just going to have to settle for <buzzer>.

JOHN COLE SCOTT: But then digging back into activism, like I said, it was much more featured proxy battles, more public campaigns in '24, broader targets across many sponsors, the tone was pretty much confrontational with high visibility but outcomes were still mixed, relatively few outright board takeovers and more incremental concessions to all shareholders. Versus '25, there were fewer headlines, proxy battles occurred but the actions did not produce many more concrete results, and so basically more negotiated settlements. There are some court rulings in progress, they'll probably determine hopefully in '26, setting the tone for next year, we think definitely more muted but around as we expected.

CHUCK JAFFE: So that one again falls into the win category.

JOHN COLE SCOTT: A big part of our practice for clients is tax-loss selling for taxable accounts when the bumps and ebbs and flows happen. We called for about three periods of time, and I'd say that is correct, we counted in April, July, and November, we were able to do tax-loss selling for almost every large account, and even some accounts I was doing lot-level trades this week to finalize and reduce their taxes as much as possible. So we were right, another year of at least three times to tax-loss trade for our clients. Now I want to dig into some of the sectors we said we thought would do well. Global equity, which we liked and then was a surprising over-win success this year, by our index there it's up about 47.5% year to date,

versus the average US closed-end fund is up 11.2%, and that was a clear win. And then even covered-call funds, which are supposed to be less volatile, slightly outperformed US funds, up 12% versus their 11%, we thought that was a very good way to show that our equity picks outperformed versus base case. Munis, I'm conflicted, about 6.7%, which is a good year if you're an income investor, but not a huge year, but basically yield was paid out to investors, however discounts narrowed 4.5% in '25 after narrowing 4.5% in '24, really showing they were so cheap 24 months ago, as we talked on the show, great way to invest, and I think a good success for outperforming based on what you expected from the guts.

CHUCK JAFFE: So that one is a mixed bag. I mean, honestly you could go this way, "Gee, I guess I was wrong", but I also wouldn't have faulted you if we had gone this way <ding>.

JOHN COLE SCOTT: Yeah, the closed-end fund wrapper gave us alpha, but it wasn't a home run versus some other funds in the sector. We then dig into the hybrid balanced category, it's one we've often liked, there's some interesting and unique funds there, but that basket was up 13.4%, which is about 4% over the average closed-end fund, and so glad we picked that as an overweight for our clients. Now converts, we already talked about them doing so well, we thought that they wouldn't do well this year, the only caveat, while they're up about 16%, their discounts widen 5%, that's how well they did, because the interest rate cycle and the tech outcome was different than we forecasted, so that was a wrong on our side. Now senior loans, I kind of wished we weren't so right here, the discounts widened 4% and total return they were flat on the year, we had called to be underweight them at the start of the year and that proved to be correct. And BDCs, I used the word "thoughtful", Chuck, and I know I use that word a fair amount because we invest thoughtfully not just sporadically, but the top third of BDCs were up 7.3% through the end of the year, the middle third were up five and mid change, and the bottom third off more than 20%, that is more than 10% between these thirds, and really reminds us why we dislike the passive indices and we suggest both actively selecting good funds at good prices and not being tethered to a 12-month window for any BDC.

CHUCK JAFFE: Last thing that we need to get to, you picked five funds for the year ahead, how'd they turn out?

JOHN COLE SCOTT: Yeah, so the equity fund we picked was EOD, and it did almost 30% total return this year versus index was around 23%, that is six and high change alpha, we consider

that a win. The taxable bond fund was a multi-sector fund, SABA, it actually was just above flat total return this year, about 7.5% wider than its peer group average, its discount actually widened 5.5% more than that average fund in its universe and so that proved to be a bad investment versus peers in 2025. The muni fund was NMCO, it did just under 5% total return for '25, the peer group was about 6%, and so it was a one and low change fall, which we count as a miss because that's a significant piece of a muni performance.

CHUCK JAFFE: Yeah, close but <buzzer> no cigar.

JOHN COLE SCOTT: We picked TBLD for that hybrid balanced sector that you know we love, it was up over 31% in '25, the peer group was under less than 13%, that is an 18% and change alpha. We were grateful to own that for clients last year, made tons of extra money in our opinion.

CHUCK JAFFE: Yeah, talking business, making money for your clients.

JOHN COLE SCOTT: The last one is the BDC, and I'll tell you every year I'm usually down to two, and I wish I could change last year's pick but we picked GSBD, down 8%, which is still closer to the middle third than the worst third, but the peer group average was off 3.7%, that's a 4.5% delta. They did do a large dividend cut in the first quarter, which other funds haven't done yet, and we think they were beat up more for that. We still like it but we did not pick the best BDC last year, but clearly not the worst. To finalize it, you put 'em as a portfolio, which they're not, but a five-sample portfolio, they average 11.6%, the index averaged 9.8%, their peer group averaged 9.2%, which means even though we didn't do perfect, we did do over 2% alpha versus the base case peer groups. We just liked the peer groups that we selected, and we think that's a great way to end the call.

CHUCK JAFFE: Yeah, because it allows us to stay that in spite of the fact that there were some buzzers in there, well, I know you would never say you're never wrong, but it's never wrong for us to talk closed-end funds with you, John. Great stuff as always, I look forward to chatting with you again as we move into 2026.

JOHN COLE SCOTT: Can't wait for it, Chuck.

CHUCK JAFFE: John Cole Scott is president of CEF Advisors and he's the chairman of the Active Investment Company Alliance, his firm is online and you can dig into their data at CEFData.com. To learn more about closed-end funds and business-development companies, go to AICAlliance.org, the website for the Active Investment Company Alliance. Up next, I'll

have some fun helping you set up a financial to-do list for 2026, and then Bob Doll was here with his 10 predictions for the financial world this year. This is better than those New Year's Eve parties once the ball drops, so stick around as we keep welcoming the new year next.

Recorded on December 30th, 2025

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