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Are Closed-End Discounts Putting Anthropic on Sale Pre-IPO?

“Is Enough Juice Worth the Squeeze?”: John Cole Scott Weighs DXYZ, BTX and ARK’s Venture Fund for Anthropic Exposure Before the IPO



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Chuck Jaffe, in this episode of The NAVigator podcast, interviewed John Cole Scott, President & Chief Investment Officer at [CEF Advisors](#). With Anthropic’s IPO approaching, Scott walks through CEF Advisors’ screen of nearly 300,000 fund holdings and compares the three biggest ways to own the AI company before it lists: the Destiny Tech100 (DXYZ), the BlackRock Technology and Private Equity Term Trust (BTX), and the ARK Venture Fund. He explains how inflows can water down exposure in interval funds and ETFs, why discounts and premiums matter for listed closed-end funds, and why direct ownership, a fixed capital base, and an existing discount led CEF Advisors to add to its BTX positions.

TOPICS DISCUSSED

- How CEF Advisors screened almost 300,000 positions across more than 800 funds for the 25 most likely near-term U.S. IPOs, finding about \$8 billion of exposure in 157 funds, and why Anthropic stood out
- The three funds with the biggest Anthropic stakes: DXYZ at a little over 14%, BTX at almost 9%, and the ARK Venture Fund at 4%
- Why inflows can water down IPO exposure in interval funds and ETFs, while a listed closed-end fund’s fixed capital base avoids that but brings discount and premium risk
- Indirect versus direct ownership: the small but material risk in DXYZ’s feeder-fund structure, its higher expense ratio, and its swing from a 200% premium to a 30% discount in one year
- What a 50% Anthropic IPO pop could mean at the NAV level (about 7% for DXYZ, 4% for BTX, 2% for ARK) and why a 1% position won’t move a portfolio
- Whether the funds will hold after lockups expire, from DXYZ’s track record with Instacart and SpaceX to BlackRock’s portfolio-construction approach, and why CEF Advisors added to its BTX positions

The discussion is educational in nature and intended to help investors and advisors better understand the tools, trade-offs, and data points involved in evaluating income-focused strategies.

EXPLORE THE DATA REFERENCED IN THIS INTERVIEW:

- Free CEF & BDC profile pages: cefddata.com
 - 40+ CEF & BDC indexes: cefddata.com/index
- Powered by CEFData, offering transparent data on U.S. listed closed-end funds, BDCs, interval funds, and ETFs

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THE CONVERSATION**CHUCK JAFFE**

Want to get in on a stock like Anthropic before it goes IPO? You can do it in closed-end funds, but is the cost worth it? John Cole Scott of CEF Advisors is here to discuss it now on The Navigator.

Welcome to The Navigator, which is all about all-weather active investing and plotting a course to financial success using closed-end funds. The Navigator is brought to you by the Active Investment Company Alliance, a unique industry organization representing the entire closed-end fund industry, from fund sponsors, creators, and managers down to users and investors. In the search for excellence beyond indexing, The Navigator is pointing you in the right directions. And today, we're looking into getting ahead of the market with closed-end funds that have shares, or that may have shares, or are buying shares on some of the market's hottest names and soon-to-be IPOs. We're having this discussion with John Cole Scott, president of CEF Advisors. And if you want to learn more about the firm or dig into its data on closed-end funds for yourself, go to CEFDData.com. But John's also just written a piece on this subject that you can find on LinkedIn or by simply following the link we've got to it in today's show notes. John is also chairman of the Active Investment Company Alliance, which you can learn about at AICAlliance.org. John Cole Scott, welcome back to The Navigator.

JOHN COLE SCOTT

Always enjoy being here, Chuck.

CHUCK JAFFE

John, everybody likes the idea of owning a piece of the next mega IPO, and while this is a story that plays out over and over again with every new big deal, the big deal right now is Anthropic, where it's

been suggested that the market valuation upon IPO could reach \$2 trillion, which is more than double what Anthropic was considered worth back in May when it did its last round of funding. There are some closed-end funds and interval funds with Anthropic exposure now. Is this a smart way to get the stock, or is this an expensive way to get the stock?

JOHN COLE SCOTT

Yeah. So first, before we got to that idea, we screened the holdings database to see if CEF Data covered almost 300,000 different positions, over 800 funds, and we're looking for the 25 most likely near-term U.S. IPOs, and we found about almost \$8 billion across those names. Almost 157 funds had exposure to these ideas, but when it came down to it, well, Databricks right now is looking interesting around a \$2 billion valuation. Anthropic has a lot more juice and retail interest, and so we felt with that IPO likely coming soon, it's in eight funds. We decided to look at it and talk about different access to it, different wrappers, and different risk versus opportunity in those funds because, in a way, while we all want potentially exposure to that IPO, we may forget what we're getting, when we get in, and the ways we can get out.

CHUCK JAFFE

And it's not quite as simple as I own a closed-end fund. It has shares because it's private stakes. It's what are they valued at, et cetera, and then there's a market that doesn't really necessarily know just how much any closed end fund has of this, and is the stake big enough to have a real impact on the fund and all that other stuff, right?

JOHN COLE SCOTT

It is, and so when we looked at that with the biggest bites of it, and it came down to three funds, DXYZ, which is the largest allocation, BTX has a discount attached to it, a listed closed-end fund, but it actually holds Anthropic directly, unlike DXYZ. And then there's an interval fund, the ARK Venture Fund, that has the direct exposure, but a more complex wrapper that you have to consider if you're going to own it.

CHUCK JAFFE

And what's your conclusion on? Is there a best way or a better way to own this?

JOHN COLE SCOTT

So you've got to think about how long you want to own it and whether you want to deal with issues like so in an interval fund, if more capital is flowing in because most pretty much inflow capital daily if they want. So imagine it was \$100 million in interval fund, 10% exposure Anthropic is the base case, and they double their assets. You suddenly have 5% exposure as the next investor in that asset, and so you got to think about that. Which would also be if it were an ETF exposure, there is some with exposure. It's the same watering down of the impact because of that. The listed closed-end fund,

because of the fixed capital base, which is its large benefit, is a chance to not have water down effect, but you can't forget about discounts and premiums, which could impact, and so that's going to be impacting BTX and DXYZ. And then of course, if you're showing the biggest bang for the buck, then you may lean and avoid those other risks and just go, "I want the biggest pop upside possible for my NAV," and that's going to be you know the way you approach it. So we again we have our opinions, one we would hope for our clients right now, but we want to make sure the readers and listeners have a chance to digest and make their own decisions.

CHUCK JAFFE

The stakes that these funds can amass are they truly meaningful in terms of their exposure, and that yes, you're going to get exposure to Anthropic, but it's going to be enough to juice things because you could surround the next hot IPO with the last 10 IPO duds. It's not a good deal.

JOHN COLE SCOTT

It is. So the large exposure at DXYZ is a little over 14% based on their 630 net asset value, they only do a quarterly net asset value as a closed-end fund, kind of like a BDC. We don't have their most recent exposure data. You've got almost 9% in BTX, and you have 4% in the ARK interval fund, and so it those are, I would say, large allocations at a fund level. I mean that's a large allocation. We look at closed-end funds, but it's definitely not a pure play. So, that's the way I would think about it, and consider other aspects like the expense ratio of a fund, like for example DXYZ. It's a higher expense ratio, but trending lower. But because they have a big bucket of cash as the last report, it's actually a relatively high expense ratio, and but the good news is, if you were to buy that fund, get the IPO, and own it for less than two months, expense ratios not as much pain as if you decide to own it for five years and have that math coming off your friction. And so, I think that's an important piece: is that component. It's an indirect ownership of DXYZ, which doesn't feel totally scary, but it does mean there's information that we can't look at that would confirm that it's actually in the feeder fund and approved by Anthropic's board. And we heard some of those stories with the SpaceX IPO. You know, people thought they had it, didn't get it. And so the way I think about that risk, it's it's light and low, but if it's true, it's material and terrible, and so that's one reason why we like the idea of the direct ownership. If we were to lean BTX or the ARK interval fund.

CHUCK JAFFE

The Destiny Tech 100 DXYZ, that fund's got a new manager. Does new manager, especially if a fund can be subadvised or whatever else is going on, does new manager have more, less, or not much impact when it comes to the IPO plays or the pre-IPO plays that we're talking about here?

JOHN COLE SCOTT

First, I thought there was a new manager as well. We dug deeper into the filing, and it's actually the way they worded it was there's no material change to fees, services, or personnel, so it feels more

like an internal reorg and not like a transaction of like small manager sells the big complex or whatnot. But is a factor you must consider. Like you know, if you think about it, honestly, I don't know the manager of that fund very well. I did bump into a board member at a conference last week, but we've not chatted more than that quick conversation, versus if you think about, I mean, I don't know ARK well, but Cathie Wood has a reputation in the market for some leadership, and you'd think she'd want to do more and keep growing her influence. At the same time, I mean, BlackRock is not the largest asset manager in the world, but they are obviously very focused on their '40 Act practice, closed-end funds, and I'd happen to the manager. I've met him a few times for that fund, and that gives us the type of confidence we like in what we're going after.

CHUCK JAFFE

You know, John, I know we always talk closed-end funds, but I also know that at [CEFData.com](https://www.cefdata.com), you've expanded a lot of what you're doing to include a lot of ETFs. I don't have to go with closed-end funds or interval funds to get exposure to IPOs and specifically to Anthropic. There are some ETFs, at least from the things I've read, that have exposure to Anthropic, aren't there? And then, assuming that I'm right in that, that there are some, how do you compare those to what you're seeing in the closed-end fund space,

JOHN COLE SCOTT

yeah. So the the way we think of it, and it really comes down a couple of moving parts. And one reason why I do enjoy this work because it's not plain vanilla or easy. You've got to think about the when and how the fund itself marked its net asset value with the holding it has. So was it May, or did they already mark it towards where they see it going based on their their board's work? There is an ETF, the Tema ETF. I don't know it personally, but has like a mid-teens, according to data I collected in the exposure. More like DXYZ has that same issue. So DXYZ actually was raising a ton of stock when they were at a premium. They actually been between. 200 premium and a 30 discount in the last year alone. So, don't know the future. That's a six plus standard deviation of discounts, and most of your listeners don't know what that means when I say it. But super uncommon. Didn't know is plausible without the financial crisis and that level of volatility. And so, I'd say the watering down is a real impact. The actual pop possible from the mark that they're using as you got into the fund, either at the ETF wrapper and exposed to NAV, or again through the interval. Like if Cathie Wood's ARK doubles their assets in October before the IPO, it will be lower than 4% You know, if for some reason people redeem 10% of the assets, which I doubt it would be over 4% Those are the moving parts of the inflow-outflow mechanism of these structures, and that is really probably one reason why I like the more stable discount range on the lower end of it for the BlackRock fund. It's got other factors in the fact that we feel they're more experience with the management there watching these pre-investments become public, and then decide how to hold them, if to hold them, how long to hold them.

CHUCK JAFFE

You've also got a situation where we are talking about IPO allocations and pre-IPO shares, which, depending on how the funds are structured and what they're doing, they may not have an allocation. They may have kind of a hope and a promise of an allocation in a closed-end fund. If it's trading at a discount and that discount narrows because somebody's going, oh, you know, they're talking about how they've got this promise and they don't get their allocation. I would imagine they're going to be punished hard. But is that what you historically have seen, like with SpaceX or any of these other big IPOs that were drawing folks in, did we see funds that were punished if they didn't deliver on their pre-IPO promise?

JOHN COLE SCOTT

You probably saw some news stories of people thought that the SpaceX IPO and had a paperwork issue and got zero, and it was not great for the brand and the revenue of their next effort, and so that's where I'd say it's super unlikely. But I'll say my clients are older, retired. We do some BTX our portfolios, but not because Anthropic was coming. We like what we saw, and it fits some pieces as we consider the equity bucket of our client portfolios, and that really goes back to where I really like the direct exposure, and it leans us heavily at our firm to the BTX answer because of the fact it's direct exposure, the fact that it can't be watered down, the fact that you're already trading at a discount, and that it's an almost 9% based on they've already, but they've already popped their net asset value like it was a little bit lower mid year because they're showing where they believe it's marked, and this is my opinion based on the move. I can't guarantee it. I was not in that boardroom, and that's the stuff that we find important. So, it doesn't mean you would have a problem with the DXYZ. Is it a risk over 10% Probably not. But in the world of outcomes I've seen in 26 years, and my father in his 50, sometimes you get insanely surprised by things you thought you knew were true, and then you have to update your dictionary.

CHUCK JAFFE

Well, John, one thing I know is that you do not look at funds even for exercises like this without figuring out which one you like the best and which one might go. Now you've mentioned that you've got some clients with BTX, so I have a suspicion of which way you might be leaning. But since we've talked about three funds, how do you size them up in terms of which one you're most likely to own, and maybe which one, if you had somebody saying, "I really want to play this IPO, would it be a different fund?"

JOHN COLE SCOTT

Yeah, so I'll cover it two ways. If you just want with least capital at risk the most likely outcome, then your answer is DXYZ. It's currently trading below net asset value, and they should have the exposure, or they will have a lot of issues. If you worry about discount volatility, then you really should probably go into that ETF, which I just found the ticker symbol and I lost it on LAZR, but I don't know it very well at all. I just researched it for this episode, or the interval fund. But the interval fund has a much smaller allocation, so is enough juice worth the squeeze of not getting your money back

sooner? And those are things we really care about. Or the pop, I mean. So based on what we think could happen, 50% pops are reasonable for tech stocks in the IPO market. Though an educated guess, with like many things in this market, DXYZ would pop seven and change, BTX four and change, ARK two, and so that's why we'd suggest if you're going to try to play this, research the fund like the other positions, like the structure, interview like research the manager, but you're going to have to put a bigger allocation for this to to give you a little alpha over other investments in your portfolio. This can't be a 1% position. Probably has to be. I have trouble going over over six for my clients, so six would be my number because that's how I invest. But people could go higher if it made sense for their style and how they choose to own funds.

CHUCK JAFFE

And obviously, the other thing in all this is you get the IPO. You're hoping that you're going to get an IPO pop, and then there's the obvious question of whether the fund is going to hang on to the shares after the IPO, if there's the pop, and then there's the question of whether you, the investor, are going to hang on to the fund. So, one, do you think that the funds are going to stick with this, or they just playing the pop game? And two, in any of the recommendations you're making here, is it short run play the game, or is it long run because it's not just about the pop?

JOHN COLE SCOTT

So going back to the three closed-end structures, which is our primary focus at AICA as well as CEF Advisors, lockups can apply to their holdings, no matter who they are. DXYZ has said publicly that they don't exit immediately in other instances of the scenario, like they held Instacart for years after the IPO and then sold it slowly, and they still own SpaceX, \$170 million, on their June 30th holdings update, which means they did not sell it right after. ARK has said they intend to own SpaceX through the listing into the public markets with Circle, another investment. They trimmed it for concentration after a large run, but all with their lockups in mind. BTX, when we first did these notes, had no comments. But I have friends there; they reached out to me, and they basically they said that they manage a range of products that combine both public and private exposure. Remember, it's a little bit over public and BTX than private, but 30 privates pretty heavy historically. Once a private company becomes public, a decision to continue to own the holding or exit is based on the evaluation on many things, including but not limited to, the issuer, the market dynamics, and overall portfolio construction. So imagine if it pops huge, and then their overweight for that sector is triple their base case. I'm just making these numbers up, then they're going to be pushing down more because a extra money and maybe they want to balance out the NAV in more than one industry, which is usually what a '40 Act sponsor does because it reduces idiosyncratic risk. So that's how we feel those managers will handle it. But again, we'll see what they say publicly once this happens and how true their history matches their future.

CHUCK JAFFE

And John, do you want in on Anthropic?

JOHN COLE SCOTT

So we have increased our exposure at our family as well as some of our clients in BTX after this research. This is research that didn't exist this week earlier, but because we already owned it, and it's more of deciding. Let's say it's a 3% position. We might take it to four or five. Again, the major factor governs CEF Advisors is our clients are not going back to work as their goal. We love the tailwinds of discounts, tailwinds of NAV performance. This is definitely a very interesting, unique, extra NAV tailwind based on history and probability, and that's the way we approach it. But I'll say, if you're a 25 year old and you have a long life ahead of you. You could play this very differently than I would for our clients at CEF Advisors.

CHUCK JAFFE

John, great stuff. Always great to chat with you. We'll do this again soon. Thanks for joining me on The Navigator.

JOHN COLE SCOTT

Always a pleasure to be here.

The Navigator is a joint production of the Active Investment Company Alliance and Moneylife with Chuck Jaffe. And yeah, I'm Chuck Jaffe. You can learn more about me and my show at MoneyLifeShow.com. You can just search for my show wherever you find your favorite podcasts. Now, if you want to search for more information on your favorite closed-end funds or maybe the ones that are going to become your next favorites, go to AICAlliance.org. That's the website for the Active Investment Company Alliance. Thanks to my guest, John Cole Scott. He's president of CEF Advisors and the chairman of the Active Investment Company Alliance, you can learn about his firm and dig into its research and data for yourself at CEFData.com. The Navigator podcast is available every Friday. Be sure you don't miss any of our episodes by following or subscribing on your favorite podcast app. We'll be back next week with more closed-end fun. Until then, happy investing, everybody.

John Cole Scott is president of CEF Advisors and chairman of the Active Investment Company Alliance. His firm is online at CEFData.com. For more of the data discussed today, follow John and AICA on LinkedIn, or visit AICAlliance.org for more on BDCs, closed-end funds, and interval funds.

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