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They're Off! The 7-Fund Race That Started at AICA's Fall Roundtable

"Eventually Ugly Turns Around": John Cole Scott on Six Experts, Seven Funds and a 52-Week Race to Narrow Discounts



John Cole Scott
President
CEF Advisors

Chuck Jaffe, in this episode of The NAVigator podcast, interviewed John Cole Scott, President at CEF Advisors. Scott walks through the lightning round at AICA's Fall Roundtable in New York, where six experts each picked a fund to own for the next 12 months. The seven picks run from CLO and private-credit funds to venture capital, U.S. and global equity, a tech BDC and munis. Scott says every one of them is a bet on a discount narrowing. "This is basically a game," he says, and the results will be tracked over 52 weeks. He also explains why this tax-loss season could be busier than most, and how investors with only IRAs can still take advantage of it.

TOPICS DISCUSSED

- How the lightning round works: six experts, seven closed-end funds and BDCs, 52 weeks, with every pick measured against its major sector index
- Why Dan Silver picked Eagle Point Income (EIC) at about a 27% discount after a terrible year for CLOs, and why Jenaro Cardona-Fox likes FSSL, a third off NAV with a 15% yield, as a possible merger partner for FSCO
- Why Ryan Paylor picked Powerlaw (PWRL), Rob Shaker is betting on a bounce in Gabelli's GAB after a rights offering and tax-loss selling, and David Johnson chose Eaton Vance's ETG at about an 11% discount
- Why Scott broke his own rule with two very different picks: OTF at a 45% discount, where he thinks AI fears are overdone, and RFMZ, a muni fund with "discounts on discounts, leverage on leverage"
- Why all seven picks are bets on discounts narrowing, and how choosing funds for a public contest differs from picking for a client
- Why tax-loss season may be busier than usual: CEF Advisors' major index is down about 1% through Nov. 18 while NAVs are up about 6%. Scott also explains how IRA-only investors can still benefit

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: cefdata.com
- 40+ CEF & BDC indexes: cefdata.com/index
- EIC fund profile and data: cefdata.com/funds/eic
- FSSL fund profile and data: cefdata.com/funds/fssl
- PWRL fund profile and data: cefdata.com/funds/pwrl
- GAB fund profile and data: cefdata.com/funds/gab
- ETG fund profile and data: cefdata.com/funds/etg
- OTF fund profile and data: cefdata.com/funds/otf
- RFMZ fund profile and data: cefdata.com/funds/rfmz
- Listen to the full episode: AICAlliance.org

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THE CONVERSATION

CHUCK JAFFE

We're discussing the big takeaways and the ones that can make you the most money from the Active Investment Company Alliance's recent Fall Roundtable with John Cole Scott of CEF Advisors. This is 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, which is a unique industry organization in that it represents 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 points you in the right directions.

Last week, the Active Investment Company Alliance hosted its annual Fall Roundtable in New York City, and one of the highlights was a panel discussion, a lightning round, if you will, giving six experts the chance to make a pick for something they'd invest in for the next 12 months until the next Fall Roundtable. We're discussing those picks and more from the event with John Cole Scott. He's president of CEF Advisors and the chairman of the Active Investment Company Alliance. Learn about his firm and dig into its data at CEFData.com. Learn more about AICA, A-I-C-A, at AICAlliance.org. John Cole Scott, great to have you back on The NAVigator.

JOHN COLE SCOTT

Always good to be here, Chuck.

CHUCK JAFFE

The Fall Roundtable, really fun event. I'm glad I got to attend. The lightning round, certainly a highlight, or it will be a highlight because it's going to give your members and our listeners some ongoing coverage over the course of the year. But before we get there, was there a general takeaway you had? Because it's an interesting time for closed-end funds. You've got a market that has been struggling, but closed-end funds trading on sentiment, man, they've gotten pretty well hammered, which some people say, like, really well positioned for the end of the year.

JOHN COLE SCOTT

Yeah, so I think the conversations we had last week that I took away from was dividends have gone ex for the month. We'll be reinvesting extra dividends for clients week after next. Excited for that. We don't know when tax-loss widening will happen, but it's usually between now and year-end, and so we're looking for some opportunities to really be excited for this year, where it's been a tough year. There's been terrible headlines, but there's not been like an angry, angry market in our world. Discounts have been tough, and we're looking forward to '27 for what could be maybe the next leg of growth for different parts of the portfolios.

CHUCK JAFFE

But it's a particularly interesting time to have experts going, yeah, let me try to pick something that's going to do well for the next 12 months, and that's exactly what you put. You brought in an interesting panel. Tell us about who you had, why you had them, what assignment you gave them, and what we learned.

JOHN COLE SCOTT

Yeah, basically to get people excited for some ideas and some accountability and a little fun, because this is not investment advice, Chuck, as you probably can tell. This is basically a game, and we're seeing who gets the best fortunes in 52 weeks or so. And we brought on the people that were in the last panel, panel seven, and had a few other audience members to make it more beefy. We added some regular attendees of the conference. Got my partner Dan Silver to actually start things off, looking at EIC, which he really just picked because CLOs have been terrible. The discount was angry, around 27% at the time he made the call. Three-year NAV performance is actually positive, unlike most of its peers. He just felt eventually ugly turns around, and he thought this could do well next year.

The next one was one of our hedge fund clients at CEFData, Jenaro Cardona-Fox. He picked FSSL, which is a third off of net asset value, a 15 yield. He focused on 95% secured credit, and he thinks that there's a good chance it merges with its lighter-discount cousin FSCO, in his opinion.

The third was kind of interesting. Ryan Paylor at Herzfeld Advisors focused on Powerlaw, PWRL, part of our new up-and-coming private equity group of closed-end funds, probably known to our audience. And he just felt like the VC fund that pays distribution is going to narrow its discount faster and do better for shareholders, give it better outcomes than the other funds in that space.

Rob Shaker, everyone knows him for Discount Carnage. He decided to go through some punishing from a rights offering and then also tax-loss selling to a U.S. equity fund. Kind of a boring one, but those can be fun too, Chuck. GAB, the Gabelli fund, and he really thinks that discount can bounce in the next year or so.

We then had one of our other attendees, David Johnson, focus on Eaton Vance's ETG at about an 11 discount. It had recently raised the distribution rate up to only 8.4%, so nothing too crazy, and has a really strong NAV performance versus the other peers of the fund.

Now, we're benchmarking everything to the major sector index, and my picks to balance it out was a BDC, not new to the audience, OTF. I think fears are overdone on AI. The 45 discount is exciting, and it actually increased NAV during earnings season for 3Q26, which we liked. And then to steer the ship the other direction, a very complicated muni bond fund, RFMZ. It is a great muni play where discounts on discounts, leverage on leverage, and you're going to hope that munis recover. And by the way, OTF and RFMZ act very, very different.

CHUCK JAFFE

It did give you an extra chance, but you are the home team here, so a little home-field advantage. Really interesting range of picks. Ryan Paylor, who we just had on The NAVigator, talking about Powerlaw, which we had Mike Dinsdale from Powerlaw on The NAVigator as well. It kind of shows the diversity of closed-end funds. I'm curious, because if you said, "Oh, I'm going to have everybody make their best pick for a calendar year," you could make a pretty interesting unit investment trust out of that, so…

JOHN COLE SCOTT

Maybe next year.

CHUCK JAFFE

Yes. But the question would be: Do you have an expectation for how these expert picks will do on the whole? Because again, this was not trying to put together a portfolio. It was not like you come up with one piece, I'll come up with the next. It was not even what's your favorite fund that you would

want right now. It was, let's talk about something that for the next 12 months you think's going hell-bent for leather, right?

JOHN COLE SCOTT

It is, and honestly, rather good diversification, unexpectedly, from the attendees, which I really appreciate, because I'm the only one that knew all the funds coming up on stage when we started it. And really, I think all of these funds exhibit discount-narrowing theses. So now the answer is where do the NAVs go, and whether we have a market of fear or greed, which kind of drives NAVs and a little bit of discounts too.

CHUCK JAFFE

Famously, when I was business editor at The Morning Call in Allentown, Pennsylvania, we ran a stock-picking competition, and the reason I say famously is it was the last time that Merrill Lynch ever allowed any of its advisors to participate in a stock-picking competition, because the big-name broker in town just kind of blew it, just could not play the game.

So I want to ask an important question. Next week, you and I will be talking about discount shopping in closed-end funds in honor of Black Friday, but you are always looking at funds. Do you pick a fund that you're looking at in a public forum like the one you had, and say, "I'm picking for the rules of the game," and does that mean you pick a fund there differently than if you had your next client in your office going, "John, give me a good idea"?

JOHN COLE SCOTT

So I did choose to break my rule and give two very different balanced funds, because that's part of the way you build a portfolio, Chuck, is you don't know which way the cats will bounce. But yeah, usually when we pick these theses, we try to make them very pure in the reason we're doing them. You know, whenever we give journalists notes for stories, it can often be over a week till it goes to publishing, sometimes a month for magazines, and you want things to age well.

So yes, I do say it's different when you do it with a client, because you're customizing. Here, we're trying to bring out different pieces of the closed-end fund universe that have attractive pricing, and that the people on stage thought, not knowing next year's results, we think maybe the discount will do more of the math than whichever way the NAVs go, because no one can tell today whether global stocks, munis, CLOs, or BDCs or other are going to do better in the next anything. So…

CHUCK JAFFE

It would have been really interesting to go beyond this, because having spent the day at the event, I would have loved to have had, like, "Hey, thanks for coming. And by the way, your assignment today would be you give us a pick." Like, I would have loved to have measured the six people on the stage against everybody else in the room going, "I got a pick for you."

JOHN COLE SCOTT

Well, there's good news, Chuck. You don't know this, but the survey has the ability to add your own ticker for the event, so any registered attendees or people that go to LinkedIn for AICA can comment there, and we'll kind of organize that and maybe report it some way, with maybe a scatter chart or something at the end. So yes, this can be more engaging. All registered attendees, fill that survey, and if you want to get involved, go to AICA's LinkedIn page, where you can see the full update on this with more granularity too.

CHUCK JAFFE

Yeah, and because again, AICA represents a pretty wide swath of folks in the closed-end fund space, there could be a lot of different takes. As we come out of the Fall Roundtable and we're getting into tax-loss selling season, I would imagine this is going to be a really active season. Like, just the way the market set up this year, I've got to imagine that this is going to be a particularly busy season, which might surprise some people, given that the market, until at least recently, has generally been up. But am I wrong about that? Does it somehow feel like this year's going to be a busier tax-loss harvesting season than most?

JOHN COLE SCOTT

I think so, and one of the driving reasons is we've just kind of had lots of things going down in different parts. Our major index is basically off about a percent this year through the 18th of November, a couple days before this airs, but the NAVs are up about six. And generally, when things are down and yields have been high, it creates more opportunity for that tax-loss swapping. I mean, there's some people that have made some money this year in different places, and they're going to be looking to actually sell lots.

But also, just to add this: If you have an IRA, you can still benefit from tax-loss selling by picking things that are going down too much, even if you don't get the benefit of the trade if you actually owned it. And so I always try to tell people you can tax-loss trade benefit even if you only have IRAs and closed-end funds, which is kind of maybe a PSA for the world.

CHUCK JAFFE

Widening discounts, they're not something you want to see if you own the fund, but they're definitely something you want to see when you buy. So if you've got stuff and you're going to reposition it, there's a lot of stuff that's on pretty big sales, and you could make a pretty compelling case that at some point the market will wake up and narrow those discounts, even if the market itself is not performing quite as well as it has been.

JOHN COLE SCOTT

> Yeah, and we're reinvesting for clients, and those that don't take all their cash flow, in the next week or so, as I said earlier in the call. And honestly, this is a wonderful time to be adding to portfolios if you plan to never sell the structural corpus, which is very normal for a closed-end fund-based income portfolio for retired investors.

CHUCK JAFFE

> Well, we're going to find out a lot more about what you're buying next week when we get to Black Friday and the annual John Cole Scott Goes Discount Shopping episode of The NAVigator. John, I'm looking forward to that. Thank you for the time today.

JOHN COLE SCOTT

> Always a pleasure.

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Click the link below to go to the home page of Active Investment Company Alliance to learn more: https://AICalliance.org/

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