Legendary Manager Wick On The Workings Of His Closed-End Fund

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Chuck Jaffe, in The NAVigator podcast interviewed Paul Wick, long-time manager of the Columbia Seligman Communications and Information Fund—one of the most successful sector funds in history. Read the Q & A below as Paul talks for the first time about managing a closed-end fund, Columbia Seligman Premium Technology Growth, and discusses the similarities and differences between the two, and whether he views the closed-end fund as a chance to get a bargain price on his flagship fund. One similarity between the funds: annualized average returns north of 15 percent since inception.

Paul Wick

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

CHUCK JAFFE: Legendary mutual fund manager Paul Wick is here today. Over the last 30 plus years, a $10,000 investment in the Columbia Seligman Communications and Information Fund would have grown to over $810,000. He also runs a closed-end fund, and we're going to talk about the similarities and differences between running those funds now on The NAVigator. 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 that represents 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's going to point you in the right direction. And today it is pointing us in the direction of Paul Wick. He is best known for his traditional mutual fund, but in 2009 Columbia Seligman Premium Technology Growth Fund, ticker symbol STK was created and it is mostly a clone of his traditional mutual fund. The fund since its inception in 2009 has averaged more than 15% annualized gains, which is the exact same level of returns that his traditional fund has delivered over the last 30 years. A valuation-sensitive investor, Paul was here early this week talking about his take on technology and where to go now. But he's back today talking about the closed-end fund side of things. Paul Wick, thanks so much for joining me on The NAVigator.

PAUL WICK: Thanks Chuck.

CHUCK JAFFE: I'm really excited to have you here because anybody who knows your record, well, they know that it is spectacular. But they mostly know it from the Columbia Seligman communications and Information Fund, which has been your primary vehicle for more than three decades. However, you are also the primary listed manager behind Columbia Seligman Premium Technology Growth Fund, that's a closed-end fund that trades under ticker symbol STK. And what I wanted to chat with you about in The NAVigator, is the similarities and differences not between the funds but between your job as a manager. Because throughout the closed-end fund industry there are times when somebody says, "Hey, you can buy a famous manager," in this case that's you Paul, and you can do it in a traditional mutual fund wrapper or you can do it in a closed-end fund wrapper. And the question becomes, how are the differences? So for you is there a difference, a benefit, an advantage to running money in different ways or under different wrappers? Or is it the exact same job for you?

PAUL WICK: Chuck, it's the exact same job, because the positions that we have in the Seligman Premium Technology Growth Fund are they exact same positions with the same weightings in the Communications and Information Fund. The only difference is in options overlay, every month the fund writes call options on the NASDAQ which create an income stream which we then pay out to the closed-end fund holders. It's a way for investors to participate in the technology and media sector and what we do there, while also getting a certain amount of dividend income and perhaps a slightly lower degree of volatility.

CHUCK JAFFE: The income side of things, that's not your focus. In other words, when you say it's the same, that means you've got somebody else on the team who is doing the income side and you leave that for them. Correct?

PAUL WICK: That's absolutely correct.

CHUCK JAFFE: Are there ever times when you as a manager think about a stock and say, "Well while I'll own in both, it would be better in one wrapper versus the other"?

PAUL WICK: No, but there are times periodically where we own a security, and perhaps that security has had a meaningful run up in value or perhaps there's a lot of volatility surrounding that particular company and its option prices, and we might end up writing covered call options in the Premium Technology Growth Fund since we're trying to create income for the shareholders of that fund. We don't do that frequently but we have done it pretty much every year I think at least once, or at least maybe once every two years we've done one or more option trades on individual names in the closed-end fund.

CHUCK JAFFE: The story has always been when you look at a manager like you running funds on both sides that, "Well, am I getting you at a discount?" And of course in closed-end funds that's what at times the folks are looking for, and right now if somebody's looking at STK, it's at a slight discount. Over the last couple of years it's actually traded mostly at a premium. That's not anything that affects you as the manager, but do you ever think of it as, hey wait, right now over here I'm selling at a discount. I'm available at a discount. Or you're paying up for me at any given time?

PAUL WICK: Chuck, I really don't. I'm not as focused on that simply because of the fact that the funds are different. If they were the exact same product in terms of the underlying investment, then I'd be laser focused on it. But the options overlay means that the two funds' performance will differ over time. So it's harder to say that always buying the closed-end fund at a discount to its net asset value will result in a superior performance to the Communications and Information Fund. It all depends. It depends on how the broad indices do. How the communications and information fund performs relative to those indices. And how volatile the indices are. So they really are apples and oranges to enough of a degree that one can't just look at that discount to NAV.

CHUCK JAFFE: And that to me is the important part of the answer. Because I think that normally people do say, "This is a clone, let's look at the discount." It's the, "Can I buy steak at full price or steak on sale?" Who's not going to take the sale? Well, in this case the answer is, they're not necessarily the same kind of meat, and that's what you have to be thinking about.

PAUL WICK: Exactly. It might be better, it might be worse.

CHUCK JAFFE: I have to ask, because of course you've been involved in these funds for so long, for those of us who are in the public we don't necessarily understand why a fund company comes to the decision that says, "Hey, I want an open-end fund and a closed-end fund that are effectively the exact same flavor." So what is the thinking behind having both channels?

PAUL WICK: I think it came down to a belief by our marketing department that, one, we had the capacity, and two, there was an appetite for a way to participate in the tech sector that might have a lower overall risk profile because of the dividend income element to the closed-end fund. I think really that's what it came down to.

CHUCK JAFFE: Paul, really interesting stuff. Thanks so much for joining me on The NAVigator to talk about it.

PAUL WICK: I enjoyed being on the show. Thank you, Chuck.

CHUCK JAFFE: The NAVigator is a joint production of the Active Investment Company Alliance and Money Life with Chuck Jaffe. I am Chuck Jaffe and you can check out my show on your favorite podcast app or at MoneyLifeShow.com. If you want to hear more from Paul Wick, go there and find our show from March the 1st when he was my guest. To learn more about closed-end funds, interval funds, and business-development companies go to AICAlliance.org, the website for the Active Investment Company Alliance. They're on Facebook and LinkedIn @AICAlliance. Thanks to Paul Wick, manager of the Columbia Seligman Premium Technology Growth Fund, ticker symbol STK, and the Columbia Seligman Communications and Information Fund. Learn more about the firm and the funds at ColumbiaThreadneedleUS.com. The NAVigator podcast is new every Friday, subscribe on your favorite podcast app and join us again next week to learn more about investing in closed-end funds. Until then, stay safe.

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