

CEF Discounts Narrow Again in Q1 2025: CEF Advisors

The universe of closed-end funds (CEFs) saw discounts narrow in the first quarter of 2025, averaging -4.9% and yielding about 9%, said John Cole Scott, AICA Chairman and President of Closed-End Fund Advisors (CEF Advisors), during his firm's 53rd consecutive quarterly research call covering the CEF and business development company (BDC) universe.

Those results differ from [the previous quarter](#), which saw discounts for the average listed CEF closer to -6% and yielding about 9%. While those results may not differ dramatically, various fund types and asset classes within the CEF universe experienced market changes.

For instance, the best performing net asset values in Q1 2025 were world stock, which generated 7.71% returns, Scott said during CEF Advisors' Q1 2025 review and outlook call on April 24, 2025. Yet, the very same asset class also had the highest discounts at -10.1%.

Scott also noted that real assets, multisector bonds, and international bonds also had a positive quarter, as did municipal bond funds in terms of discounts. Speaking further of munis, he said 91% were negative on net asset value, while only 17% were negative on price total return. "That is a big fat indicator of discount narrowing," Scott emphasized.

[CEFDData.com](#) tracks \$958 billion in fund assets across 807 closed-ended management companies, which include traditional CEFs, BDCs, tender offer funds, and interval funds.

Asset Levels

Traditional listed closed-end funds ended the first quarter of 2025 with about \$478 billion in total gross assets across 451 funds with an average size of \$713 million. Those results include:

- Equity funds, with about \$151 billion across 166 funds.
- Taxable bond funds, coming in at \$84.8 billion across 124 funds.

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- Tax-free municipal bond funds, with about \$83.1 billion across 109 funds.
 - BDCs, with \$159 billion across 52 funds.

Nuveen and BlackRock once again led the pack in total gross assets, ending the quarter with \$53.7 billion (across 45 funds) and \$46.6 billion (across 49 funds), respectively.

Discounts

The average traditional CEF ended the quarter at about a -4.9% discount, compared to the 25-year average of -4.78%.

Digging deeper into the data, Scott found that:

- Equity CEFs ended the quarter at about a -6.2% discount, with 12.4% leverage.
 - » Master limited partnerships averaged -8.0%, widening slightly by -1.3%.
- Taxable bond CEFs ended Q1 2025 at about a -0.5% discount, with 25.1% leverage.
 - » Preferred averaged -3.4%, narrowing by 1.7%.
- Municipal bond funds ended Q1 at a -6.4% discount to NAV, narrowing by 2.6%.
- BDCs ended the quarter at a -5.5% discount to NAV, widening by -1.9%.

“We basically ended the quarter right in line, slightly wider than the average and median,” Scott said of Q1 discount

movements. Citing his firm’s 15 Major CEF Sectors Index, Scott added that, quarter to date, discounts were about 1.0% wider than the one year average.

BDCs

Listed and non-listed BDCs represent about 44% of the universe of funds tracked by [CEFDData.com](https://www.cefd.com). “BDCs are playing a growing role in income-focused portfolios,” Scott said.

BDCs in the first quarter of 2025 had roughly \$430.6 billion in gross assets across 156 funds, including:

- 52 listed BDCs with \$159 billion in gross assets.
- 104 non-listed (private) BDCs with about \$272 billion in gross assets.

Blackstone and Blue Owl continued to be the top BDC sponsors in terms of total assets under management, managing \$84.8 billion and \$56.1 billion, respectively. Ares trailed in third at \$40.4 billion. Goldman Sachs managed the most funds — six — in Q1, followed by Blue Owl and Golub Capital managing five each.

The average maturity of loans held by both listed and non-listed BDCs is about 3-4 years, Scott said, adding that most such funds hold first-lien loans. “There are over 100 companies on average in almost

every BDC, with usually over 200 loans,” Scott noted.

Initial public offers for BDCs continued to trickle out, with just one direct listed in 2025: MSC Income Fund, a debt-focused BDC with the NYSE ticker symbol [MSIF](#). The fund is externally managed by a wholly-owned subsidiary of Main Street Capital Corporation.

Interval and Tender Offer Funds

Interval funds continue to grow in popularity, with most of the exposure in credit and real estate. There are now 122 non-listed interval funds with \$121 billion in total assets under management, according to [CEFData.com](#).

Tender Offer Funds, a type of non-listed CEF, continued to grow as a sector, totaling 129 in number at the end of the quarter, with \$95 billion in managed assets.

Yield and Distribution

The average listed CEF generated a weighted yield of 8.8%, according to [CEFData.com](#). Diving deeper into the numbers, Scott found that:

- Equity CEFs show an indicated 8.9% yield, with 12.4% leverage.

- Taxable bond CEFs show an indicated 10.6% yield, with 25.1% leverage.
- Municipal bond funds show an indicated 6% yield, with 31.7% leverage.
- Debt BDCs show an indicated 10.8% yield, with 51.3% leverage.

Roughly 85% of CEFs pay regular, reoccurring, monthly, or quarterly distributions, Scott noted during the presentation. “Demand at the market-price level ... is often driven by the distributions received by shareholders, as well as ... the excitement or fear or greed around the net asset value and the sector that it is covering,” he said.

Scott instructed listeners that CEFs’ use of leverage is relatively common and usually employed to enhance returns. “It’s not a guarantee, but it usually increases both income and NAV performance,” he said.

Activism

Activism remained a big focus of the CEF universe in the first quarter of 2025.

Activist investors are typically hedge funds or institutional investors that buy large stakes in CEFs and try to influence how they are run. Sometimes they are successful in narrowing discounts, but they can also “kill” funds, too — either by changing the fund’s fundamental structure from close-ended

to open-ended, or liquidating it through cash disbursements to shareholders.

As of March 31, 2025, activists had \$6.0 billion at work, led by firms such as Bulldog Investors, Saba Capital Management, Karpus Investment Management, SIT Investment Associates, and City of London. When accounting for their followers, Q1 saw a total of roughly \$20.4 billion in activist ownership.

The biggest sector preferences for the top five activists were:

- Bulldog: BDCs
- Saba: U.S. stock and hybrid funds
- Karpus: Muni bonds and covered call funds
- SIT: REITs and senior loans
- City of London: World stock and master limited partnerships.

Take Action

Register to [hear a replay of CEF Advisors' Q1 2025 review and outlook and download the slide presentation](#). CEF Advisors' next quarterly call is scheduled to take place in July 2025.

The first-ever AICA BDC Forum is scheduled for Wednesday, June 11, 2025, in New York City. Learn more about the event and [register today](#).

The next Active Investment Company Alliance Fall Roundtable conference will take place in New York City on November 13, 2025. Explore [videos and interviews from the 2024 event](#).

Explore [CEFs and how they work](#) and learn more about the increasing use of [interval funds](#).

About CEF Advisors

Closed-End Fund Advisors is a SEC registered, fee-based registered investment advisory firm founded in 1989 with headquarters in Richmond, VA. If you're looking for specialists in closed-end funds, look no further than CEF Advisors. For over 35 years, we've lived at the crossroads of CEF investing, research, and advocacy. We're dedicated to making investment decisions based on the freshest, most accurate information, hand-compiled by our data team. Whether you're looking for a fee-based registered investment advisor, searching for CEFs, BDCs, and interval funds or seeking detailed information to make your own data-driven investment decisions, trust CEF Advisors to deliver outstanding results. Visit CEFAdvisors.com to learn more.

About AICA

The Active Investment Company Alliance is a trade association founded in 2019

committed to educating and engaging investment professionals and investors about closed-ended management companies: listed and non-listed closed-end funds, business development companies, interval funds, and tender offer funds. As the industry's balanced spokesperson, we advocate for our member firms' funds, institutional investors, and seek to educate investors, and the advisors that serve them, about fund structures and specific strategies. Our primary methods of advocacy are through our weekly NAVigator podcasts hosted by Chuck Jaffe, video interviews with Jane King, articles, and events we conduct throughout the year.

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