

CEF Performance Stabilizes in Q2, Munis Rock the Boat

The universe of closed-end funds (CEFs) saw discounts and yield stay roughly in line with the previous quarter, averaging a -4.74% discount and a weighted yield of 8.8%, said John Cole Scott, AICA Chairman and President of Closed-End Fund Advisors (CEF Advisors), during his firm's 54th consecutive quarterly research call covering the CEF and business development company (BDC) universe.

That [compares](#) to the previous quarter's average discount of -4.9% and 9% average yield.

One potential outlier in Q2 2025 were municipal bond CEFs, which generated pervasive discounts. In fact, 96 municipal

bond CEFs generated a premium only 9% of the time, according to [CEFDData.com](#). The sector led the CEF universe in discounts during the quarter, far above the second and third-place sectors: debt BDCs (35 funds) and world stock CEFs (32 funds).

Scott also said correlation between net asset value and market price for traditional, listed CEFs shot up roughly 9% for various equity fund groupings during the quarter. That correlation, at over 90% in several cases, indicates that "people are thinking more about the sector or economic conditions [rather than] the closed-end fund structure" right now, Scott said during CEF Advisors' Q2 2025 review and outlook call on July 23, 2025.

[CEFDData.com](#) tracks \$1,015 billion in fund assets across 831 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 \$494.1 billion in total gross assets across 450 funds with an average size of \$745 million. Those results include:

- Equity funds, with roughly \$149.1 billion across 165 funds
- Taxable bond funds, coming in at \$87.7 billion across 125 funds

- Tax-free municipal bond funds, with about \$80.5 billion across 108 funds
- BDCs, with close to \$177 billion across 52 funds

Nuveen and BlackRock once again led the pack in total gross assets, ending the quarter with \$51.9 billion (across 45 funds) and \$45.4 billion (across 49 funds), respectively. BlackRock led the pack in the number of investment sectors (21) it operates in.

Discounts

The average traditional CEF ended the quarter at about a -4.74% discount, compared to the 25-year average of -4.76%. Digging deeper into the data, Scott found that:

- Equity CEFs ended the quarter at about a -5.6% discount, with 12.2% leverage.
 - » Master limited partnerships averaged -6.1%, narrowing by -1.9%.
- Taxable bond CEFs ended the quarter at about a -0.8% discount, with slightly higher leverage over Q1 2025 at 26.0%.
- Preferreds averaged -3.2%, narrowing by just 0.2%.
- Municipal bond funds ended Q2 at a -5.9% discount to NAV, narrowing by just 0.5%.
- Discounts for BDCs widened for a second consecutive quarter, ending Q2 2025 at a -8.9% discount to NAV, widening by an additional -1.3%.

“80% of the fund market in the closed-end fund universe were at discounts — 362 funds,” Scott said. Master limited partnership CEFs narrowed the most over the previous quarter while BDCs widened the most.

“BDCs, even though they’re good for rising rates ... they’re off about 12% discount-wise [even though] net asset values have been churning generally good results. But they’re still 9% wider than that February 19 [2020] discount peak in our universe of funds,” he added.

While BDC discounts are currently wider than their 25-year average (-4.92%), contemporary BDCs are generally managed much better in my opinion than those from 10-15 years ago and “should trade better in a similar market environment,” Scott noted.

BDCs

Listed and non-listed BDCs represent about 44% of the universe of funds tracked by [CEFDData.com](https://www.cefdata.com).

BDCs in the second quarter of 2025 had roughly \$469.8 billion in gross assets across 169 funds, including:

- 52 listed BDCs with \$176.8 billion in gross assets
- 117 non-listed (private) BDCs with about \$162.8 billion in net assets

Blackstone and Blue Owl continued to be the top BDC sponsors in terms of total assets under management, managing \$87.7 billion and \$69.6 billion, respectively. Ares trailed in third at \$42.6 billion. Goldman Sachs managed the most funds — seven — in Q2, up from six in the first quarter of the year. Blue Owl, Golub Capital, Morgan Stanley, and New Mountain Capital managed five each in Q2 2025.

Initial public offers for BDCs continued to trickle out, with just one direct listed in Q2 2025: Blue Owl Technology Finance Corp., a debt-focused BDC with the NYSE ticker symbol OTF. The 10-year average for BDC direct listings is nine per year, raising an average of \$6.7 billion per year.

Interval and Tender Offer Funds

Interval funds continued to grow their market presence in the second quarter, with most of the exposure in credit and real estate. There are now 132 non-listed interval funds with \$134 billion in total assets under management, according to [CEFDData.com](https://www.cefd.com).

Tender Offer Funds, a type of non-listed CEF, continued to grow as a sector, totaling 133 in number at the end of the quarter, with \$102 billion in managed assets. Combined, both structures have blossomed into a \$235 billion industry.

Yield and Distribution

The average listed CEF continued to generate a weighted yield of 8.8%, according to [CEFDData.com](https://www.cefd.com). Diving deeper into the numbers, Scott found that:

- Equity CEFs show an indicated 8.6% yield, with 12.2% leverage
- Taxable bond CEFs show an indicated 10.5% yield, with 26.0% leverage
- Municipal bond funds show an indicated 6.3% yield, with 33.3% leverage
- Debt BDCs show an indicated 10.8% yield, with 47.8% leverage

Speaking on the subject of distributions, Scott said they “were never perfect,” especially in the last few years as CEFs positioned themselves to defend against activism. BDCs have experienced this more recently. While the distribution growth rate for debt BDCs boasts a five-year average of 15%, it has fallen -13.4% in the last year alone, according to [CEFDData.com](https://www.cefd.com). “The yield has been very good, and yet there’s been some dividend cuts because rates have come down a little bit as interest rates have come down,” Scott said.

Activism

Activist investors continued to influence the CEF universe in the second 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.

In Q2 2025, 37 funds (8%) faced fresh Schedule 13D filings, slightly less than Q1’s 11%.

As of June 30, 2025, activists had \$4.5 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, Q2 2025 saw a total of roughly \$19.8 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, preferreds, and senior loans
- City of London: World stock and master limited partnerships

Take Action

Register to hear a [replay of CEF Advisors’ Q2 2025 review and outlook and download the slide presentation](#). CEF Advisors’ next quarterly call is scheduled to take place on October 22, 2025.

The next Active Investment Company Alliance [Fall Roundtable conference](#) will take place in New York City on November 19, 2025. [Explore videos and interviews from the 2024 event](#).

Explore [CEFs and how they work](#), get up to speed on [BDCs](#), 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

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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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