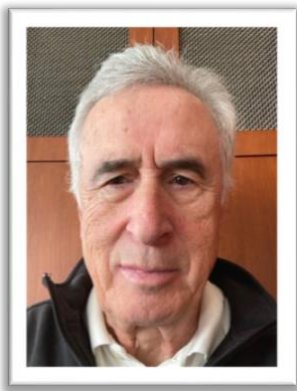




David Tepper On How Economic Woes Could Create A Closed-End Meltdown

Friday, November 21, 2025



Chuck Jaffe, in this episode of The NAVigator podcast, recorded at the Active Investment Company Alliance Fall Round Table in New York City on Wednesday, Nov. 19th, interviewed David Tepper of Tepper Capital Management. David talks about the state of the closed-end fund business, ranging from the classic funds he has held for many years, to his concerns about the boom in private credit, the potential for trouble if the economy turns, and what he might be looking to invest in if the market turns away from the large-cap tech companies that have

been leading the way for the market.

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

CHUCK JAFFE: Welcome to The NAVigator at the Active Investment Company Alliance Fall Round Table. The Fall Round Table held in New York City at The View on The Battery on Wednesday, November the 19th brought together a wide range of folks in the closed-end fund space, we're happy to have with us now, David Tepper. David Tepper was last on The NAVigator in September of 2023, and I will point out that he is the rare guest where I don't get to give you a website to say, "Here's David Tepper's website, you can check him out." You cannot do that, but he is easily found online because he is a long-time investor in closed-end funds who's been very successful at it. I'm very pleased to say, David Tepper, it's great to see you, thanks for taking the time.

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DAVID TEPPER: Chuck, my pleasure. Thanks for the invitation.

CHUCK JAFFE: So I want to go back, because I doubt you remember the specifics of our conversation at the beginning of 2023, but at the time you looked at four of the oldest closed-end funds, they were Adams Diversified Equity, Central Securities, General American Investors, and Tri-Continental. They are four closed-end funds that at the time you had owned for decades, they were trading at attractive discounts, and which you said, you know, "Look, if you're looking for closed-end funds that have delivered and are going to continue to deliver, these are four that are going to work." We've seen a lot of changes in the fund industry, in the closed-end fund space, but is the tried and true, the go find the old ones, the ones that have been there for a while and if you find 'em on sale enough, buy them, is that still the basic recipe here?

DAVID TEPPER: Well, yes, I think so, particularly if people are interested in those particular funds, in capital appreciation, long-term growth of capital, they're not necessarily high-yielders offering a lot of current income, but since we last spoke they've all done well. General American Investors is up over 20% this year, will be making a large capital gain distribution before the end of the year. Central Securities has a very interesting holding, there's a private insurance company that they invested in 25-30 years ago, I think even longer, and the dividend that they're receiving from that company is far greater than what the value of money that they invested way back when. I think that particular asset, which comprises 25% of the assets of Central Securities, is on their books at a value that's well under what the shares could be worth if that company ever became public.

CHUCK JAFFE: The industry has seen a lot of growth and changes, and there's more coming. We're going to see probably some more specialized funds, we've seen a lot of things into private credit and private equity and some other things along those lines. How much of those attract you? Because as you said, you've been doing these for a long time, these are the classics, how much does the new stuff attract you?

DAVID TEPPER: Well, again, as Howard Marks, the famous investor said, "There are no bad investments, only bad prices that you might pay for them." At this point, private credit is, I don't know if you'd say under a cloud, but people worry legitimately about what would happen if we had a severe recession and you saw a lot of defaults in the credit space, so I'm

not necessarily in a hurry to buy them, but again, at the right price and under the right circumstances, they could present a tremendous opportunity.

CHUCK JAFFE: That cloud for private credit and private equity, everybody talks about it, but at the same time there was a lot of talk about what was going to happen in high yield and other areas of the bond market when we saw rates increase, and we never saw a significant increase in default rates as the rate cycle changed. Now we're in a rate cutting cycle, do you think there's something structurally that's kept us away from the defaults? Or do you think, no, you sort of said it's a legitimate worry, but is it truly a legitimate worry, like we'd see a significant number of defaults?

DAVID TEPPER: Well, it would all depend on what happens with the economy, if and when we have a recession. You are correct, rates are high, if it looks like things are heading south, the Fed could cut rates, that would give a lot of these borrowers more breathing room, it would lower the cost for closed-end funds that use leverage. So that's the one positive thing that could prevent a real meltdown, but I was in the business in the early 1990s when Drexel Burnham, which was the leading player in the high-yield space, went under, and it rippled across all of the closed-end bond funds. The problem is, when bad credit defaults, it's unsaleable, and if a fund manager needs to raise cash to meet redemptions or for liquidity, if they can't sell the bad stuff, they wind up selling the good credits, and so that puts pressure on prices across the board. I'm not predicting this is going to happen, but in this business you never know, anything can happen and sometimes does.

CHUCK JAFFE: One of the things that we haven't seen a lot of, of late, is a lot of shareholder activism. You quoted Howard Marks talking about how anything can be a good investment if you're getting it at the right price, and everybody loves a good discount, but discounts at this point, they'll widen out, but they don't seem to stay wide for long. To be a good closed-end fund investor now, do you have to be more nimble? Do you have to take advantage of suddenly the market changes and, whatever, you have a temporary disruption more than you did in the past?

DAVID TEPPER: Yes, I think so. I think there's more institutional-type money in the closed-end fund space, you do have to be more nimble. I mean, if you are really driven by discounts, and I'm not saying that's the best way, some people are, I'm not saying that's the only way to invest in closed-end funds, but it would appear that discounts are narrower than they have

been. Another reason the discounts are narrow is that some of the activists have put pressure on various closed-end fund or closed-end fund families to address these big discounts, and they've enacted policies paying out more higher distributions that inherently have in fact narrowed the discounts. Funds have merged, some funds have liquidated, Pioneer Group had five or six closed-end funds that they liquidated them all earlier this year, they've taken money out of the pool so to speak, so there's at least as much money chasing fewer funds, and that's another factor that has narrowed the discounts.

CHUCK JAFFE: Fewer funds on the one hand, there's a lot of talk about what could be next and how the closed-end fund business is expanding. I am curious, as we did for a time see the Grayscale Bitcoin Trust be a closed-end fund, et cetera, but now Bitcoin and crypto funds have moved away from the closed-end fund structure, I am curious, are there assets you would never want to see in a closed-end fund? And are there assets you wish, like are you waiting for somebody to give you the AI closed-end fund or something along those lines?

DAVID TEPPER: Well, you've mentioned a couple areas that I'm not inclined to invest in, for better or worse, lately it's been worse. Crypto, that type of stuff, I've steered clear of, again, I've been wrong to do so, and I personally don't have a big tilt towards technology. There are one or two AI funds that do have a tilt towards investing in AI, again, that's not an area that I'm naturally inclined to pursue.

CHUCK JAFFE: So what would be the area that you would be inclined to pursue, that you're hoping somebody opens a closed-end fund?

DAVID TEPPER: Geez, nothing comes to mind at this point in time.

CHUCK JAFFE: Let's talk generally about where you feel this market is, because we've got a market that is at record highs, it looks like it's going to complete its third consecutive double-gain year, yet there's a lot of pressure, people going, "Okay, well, it can't go on forever," et cetera. Are you worried that the next step is going to be a small step down, we need to take a pause? Or the next one's going to be, here's the recession we've all been waiting for?

DAVID TEPPER: Well, one has to be careful and look behind the headlines. Yes, the Standard & Poor's has had great returns, but again, those returns have been driven by a very less, maybe 10 or 20 of the 500 stocks in the S&P. If you compare how the S&P has done on an equal-weighted basis, where every stock is weighted in the same, there's an ETF symbol RSP that represents the S&P 500 equally weighted, you'll see the difference in return versus the

S&P 500 ETF SPY, last time I looked, it was 750-800 basis points lagging the cap-weighted S&P. So in fact, we could see a period where the smaller stocks outperform while the big-capped nifty or the Magnificent Seven, so to speak, lag. And another area of the market that has lagged badly over the last several years is small cap, I think over the last 10 years, again ballpark numbers, the S&P has returned in the mid-teens annualized over the last 10 years, whereas the S&P 600 or the Russell 2000 Small Cap has an annualized return of less than 10%. So not all stocks are undervalued or overvalued, and going back to the Dot.com bubble that burst around 2000, in the subsequent years small cap stocks did very well, utility stocks did well, REITs did very well, while the big cap, the Oracles and the Ciscos and the Intels, the Microsofts, some of those stocks were down well over 50%. As the saying goes, it's a market of stocks, not a stock market.

CHUCK JAFFE: Well, thank you so much for taking the time to talk with us about it. David Tepper, great to have you join me here.

DAVID TEPPER: Thank you, Chuck. Always a pleasure.

CHUCK JAFFE: The NAVigator is a joint production of the Active Investment Company Alliance and Money Life with Chuck Jaffe. Yep, I'm Chuck Jaffe, you can learn all about my hour-long weekday show at MoneyLifeShow.com or you can find it on your favorite podcast app. Meanwhile, if you're looking to learn more about closed-end funds, if you want to be at an event like the Active Investment Company Alliance Fall Round Table, go to AICAlliance.org, it's the website for the Active Investment Company Alliance. Thanks to my guest David Tepper from Tepper Capital Management. Again, normally we give a website, not today, but you can find him online if you want to. You can find us here each and every week, whether we're in New York or at an AICA event or any place else, but if you don't want to miss it, go find us on your favorite podcast app and subscribe. We'll be back next week with some holiday themed closed-end fund fun, until then, happy investing, everybody.

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