

# Closed-End Fund Discounts Widen Again in Q3

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Discounts for closed-end funds (CEFs) widened again in the third quarter of 2025, ending a brief narrowing streak that began earlier this year, said John Cole Scott, AICA Chairman and President of CEF Advisors.

NAV outperformed price in Q3, with 94% of funds posting a positive NAV total return and 81% posting a positive market price total return, Scott noted on his firm's 55th consecutive quarterly research call covering the CEF and business development company (BDC) universe. Senior loan funds were the biggest outlier, generating a split between positive NAV (100%) and positive price (47%) — reflecting investor discontent with the structure, Scott said during CEF Advisors' Q3 2025 review and outlook webinar on October 22, 2025.

[CEFDData.com](https://www.cefdata.com) tracks \$1,052 billion in fund assets across 832 closed-ended

management companies, which include traditional CEFs, BDCs, tender offer funds, and interval funds.

## Asset Levels

Traditional listed closed-end funds ended the third quarter of 2025 with about \$494.4 billion in total gross assets across 439 funds with an average size of \$794 million — up from \$745 million in Q2. Broken down, those results include:

- Equity funds, with roughly \$149.1 billion across 163 funds
- Taxable bond funds, coming in at about \$88.9 billion across 126 funds
- Tax-free municipal bond funds, with about \$77.2 billion across 99 funds
- Listed BDCs, with just over \$176 billion across 51 funds

Nuveen and BlackRock once again led the pack in total gross assets, ending the quarter with \$51.4 billion (across 44 funds) and \$45.0 billion (across 49 funds), respectively. BlackRock led the pack in the number of investment sectors — 21 — it operates in.

Homing in on [hybrid / balanced CEFs](#), Scott said their average size grew to \$734 million in Q3 2025 compared to \$706 million in Q2 and \$662 million in Q1. He noted that these types of diversified funds have been “stepping up over time” relative to other CEF sectors and have been useful in helping his firm construct client portfolios.

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The average listed CEF had a gross non-leveraged expense ratio of 1.57%.

## Discounts

CEF discounts generally widened in the third quarter, with the average traditional CEF ending the quarter at about a -5.53% discount, compared to the 25-year average of -4.91% — and almost a point wider than the -4.74% average discount reported in the Q2 2025.

Summarizing the quarter's discount scenario, Scott said: "They're not frothy, they're not cheap, but there are pockets of froth and pockets of cheap."

Digging deeper into the data, Scott found that:

- Equity CEFs ended the quarter at about a -5.9% discount, with 12.1% leverage
  - » Master limited partnerships discounts widened slightly, averaging -6.4%.
- Taxable bond CEFs ended the quarter at a -2.4% discount, widening by -1.6%.
  - » Preferreds continued their narrowing streak, averaging -2.5% in Q3.
- Municipal bond fund discounts also narrowed further, ending the quarter at a -4.6% discount to NAV.
- Discounts for BDCs widened for a third consecutive quarter, ending Q3 2025 at a -13.9% discount to NAV, widening by an additional -5%.

Almost 20% of listed CEFs in the third quarter were at a premium, with 81 municipal bond CEFs generating a premium 17% of the time. "That's a better number than earlier this year," Scott said. Despite pricing challenges, there were "good stories" across sectors to tell in the discount and return data, with NAV performance also influencing trades, he added.

## BDCs

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

BDCs in the third quarter of 2025 had \$502.7 billion in gross assets across 166 funds, including:

- 51 listed BDCs with close to \$176.3 billion in gross assets
- 115 non-listed (private) BDCs with about \$177 billion in net assets

Blackstone and Blue Owl continued to be the top BDC sponsors in terms of total assets under management, managing \$90.4 billion and \$71.6 billion, respectively. Ares trailed in third at \$47.1 billion. Goldman Sachs managed the most funds, holding steady at seven in Q3. Apollo, Blue Owl, Golub Capital, Morgan Stanley, and New Mountain Capital managed five each in Q3 2025.

The average listed and non-listed BDC had a gross non-leveraged expense ratio of 2.29%.

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Initial public offers for BDCs continued to trickle out, with just one direct listed in the third quarter on August 7, 2025: C1 Fund, a global equity focused on early access to the leading private companies in digital assets with the NYSE ticker symbol [CFND](#).

Scott said that while basic dividends are down on a one-year basis for all BDCs (-11.3%), it's less than half for large-cap BDCs. "It's 50 basis points rate reduction and about a -5% dividend reduction on average, so very generally speaking, the bigger funds with more coverage have had less dividend pain," he noted.

## 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 142 non-listed interval funds (10 more than in Q2) with \$135 billion in total assets under management, according to [CEFDData.com](#).

Tender Offer Funds, a type of non-listed CEF, continued to grow as a sector, totaling 140 in number at the end of the quarter, with \$111 billion in managed assets. Combined, both structures have blossomed into a \$246 billion industry.

Scott speculated whether the interval fund industry will break last year's record of introducing 31 new funds in a single year.

So far this year, the industry has introduced 23.

## Yield and Distribution

The average listed CEF continued generated a weighted yield of 8.9%, according to [CEFDData.com](#). Diving deeper into the numbers, Scott found that:

- Equity CEFs show an indicated 8.1% yield, with 12.1% leverage
- Taxable bond CEFs show an indicated 10.9% yield, with 24.4% leverage
- Municipal bond funds show an indicated 6.1% yield, with 33.3% leverage
- Debt BDCs show an indicated 12.1% yield, with 47.6% leverage

Scott noted that four years ago debt BDCs were yielding 8.5%. With additional rate cuts likely, he speculated near- to mid-term yields will probably hold at between 9.5% and 11%.

## Activism

Activist investors continued to influence the CEF universe in the third quarter, but increasingly less so amid recent discount control efforts and high-stakes legal battles.

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 Q3 2025, 32 funds (7%) faced fresh Schedule 13D filings, slightly less than Q2’s 8% and Q1’s 11%.

As of September 30, 2025, activists had \$4.2 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, the third quarter saw a total of roughly \$21.25 billion in activist ownership.

## Take Action

Register to hear a [replay of CEF Advisors’ Q3 2025 review and outlook and download the slide presentation](#). CEF Advisors’ next quarterly call is scheduled to take place on January 14, 2026.

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

[CEF 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.

## 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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