Closed-End Funds Grow Larger, Cheaper in Q4 2025

Discounts for closed-end funds (CEFs) continued to widen in the fourth quarter, with the average traditional, listed CEF ending the quarter at about a -6.89% discount, said John Cole Scott, AICA Chairman and President of CEF Advisors, during CEF Advisors' Q4 2025 review and outlook webinar on January 14, 2026.

After widening almost 3% in 2025, CEF discounts will likely narrow -3% to -3.25%, he added. That would spell good news for credit-focused funds, which had a "tough" fourth quarter due to further discount widening and, in some cases, low-performing NAVs, Scott noted on his firm's 57th consecutive quarterly research call covering the CEF and business development company (BDC) universe.

CEF Advisors' proprietary CEFData platform tracks $1.12 trillion in fund assets across 837 closed-ended management companies, which include traditional CEFs, BDCs, tender offer funds, and interval funds.

Scott's discount prediction came during a new outlook segment of the webinar. During this "2026 base case forecast" segment he made a number of predictions, including that a future Fed chairman (after Jerome Powell) will likely make 1-2 rate cuts this year that could potentially increase CEFs' yield curve. If proven true, it will provide "a benign tailwind to our universe of funds on a NAV basis and probably on a discount-narrowing basis," Scott said.

CEF mergers were also a big story in 2025, with almost 40 of them. Heightened merger activity has contributed to larger funds, Scott said, noting that the average size of the traditional, listed CEF has grown to almost $750 million in net assets. Mergers generally create more liquidity and allow institutional investors to participate, Scott said. They also shrink the CEF universe. To that end there were some 10 "deaths," or CEF liquidations in 2025, he added.

Asset Levels

Traditional listed closed-end funds ended the fourth quarter of 2025 with about $496.5 billion in total gross assets across 433 funds with an average size of $839 million — up from $794 million in the third quarter, and $745 million in Q2. Broken down, Q4 results include:

- Equity funds, with roughly $150.4 billion across 161 funds.

- Taxable bond funds, coming in at about $89.9 billion across 124 funds.

- Tax-free municipal bond funds, with about $77.2 billion across 97 funds.

- Listed BDCs, with just over $179.0 billion across 51 funds.

Nuveen and BlackRock once again led the pack in total gross assets, ending the quarter with $53.7 billion (across 44 funds) and $44.5 billion (across 49 funds), respectively. BlackRock led the pack in the number of investment sectors — 21 — it operates in.

The average listed CEF had a gross non-leveraged expense ratio of 1.55%.

Discounts

The average traditional CEF ending the quarter at about a -6.89% discount, compared to the 25-year average of -4.89% — and more than a point wider than the -5.53% average discount reported in Q3 2025.

Digging deeper into the data, Scott found that:

- Equity CEFs ended the quarter at about a -6.6% discount, with 12.1% leverage.
  - » Master limited partnerships discounts widened slightly, averaging -6.6%.

- Taxable bond CEFs ended the quarter at a -5.0 discount, widening by almost three points compared to -2.4 the previous quarter.
  - » Preferreds' narrowing streak ended in dramatic fashion at -5.1%, compared to the sector's -2.5% average in Q3.

- Municipal bond fund discounts widened slightly, ending the quarter at a -5.0% discount to NAV.

- Discounts for BDCs widened for a fourth consecutive quarter, ending Q4 2025 at a

- -16.0% discount to NAV, widening by an additional -2.1%.

BDCs

Listed and non-listed BDCs represent about 44% of the universe of funds tracked by CEFData.com. Most listed and non-listed BDCs are first lien loan-focused.

BDCs in the fourth quarter of 2025 had $530.5 billion in gross assets across 165 funds, including:

- 51 listed BDCs with close to $179.0 billion in gross assets.

- 114 non-listed (private) BDCs with about $192.8 billion in net assets.

Blackstone and Blue Owl continued to be the top BDC sponsors in terms of total assets under management, managing $95.4 billion and $74.0 billion, respectively. Ares trailed in third at $53.3 billion. Goldman Sachs managed the most funds, six in Q4. Apollo, Blue Owl, Golub Capital, Morgan Stanley, and New Mountain Capital managed five each in Q4 2025.

The average listed and non-listed BDC had a gross non-leveraged expense ratio of 2.49%.

Initial public offers for BDCs picked up in the fourth quarter, with two new direct listings: FS Specialty Lending Fund (FSSL), a taxable bond fund, in November; and Bluerock Private Real Estate Fund (BPRE), a specialty equity fund, in December.

During the outlook segment of the call, Scott said that while BDCs are still a good investment, he expects the sector's dividends will fall on average by -15% to -20% this year. "We hope we can navigate with our active nimbleness to hopefully a 5% to 10%," he added.

If discounts narrow in 2026 as Scott predicts, it could reverse the recent investor pullback in BDCs. "It's hard to grow dividends while discounts are still relatively wide," Scott said.

Interval and Tender Offer Funds

Interval funds continued to grow their market presence in the fourth quarter, with most of the exposure in credit and real estate. There are now 147 non-listed interval funds (five more than in Q3) with $153 billion in total assets under management.

Tender Offer Funds, a type of non-listed CEF, continued to grow as a sector, totaling 145 in number at the end of the quarter (likewise, five more than in Q3), with $120 billion in managed assets. Combined, both structures have blossomed into a $273 billion industry.

Scott said he expects the market for these offerings to continue growing because "people are choosing the benefit of less-liquid holdings with a less volatile wrapper … versus a listed fund."

Yield and Distribution

The average listed CEF generated a weighted yield of 9.3%, up from 8.9% in the third quarter, according to CEFData.com. Diving deeper into the numbers, Scott found:

- Equity CEFs show an indicated 8.6% yield, with 12.1% leverage.

- Taxable bond CEFs show an indicated 11.5% yield, with 24.4% leverage.

- Municipal bond funds show an indicated 6.2% yield, with 33.3% leverage

- Debt BDCs showed an indicated 12.2% yield, with 48.1% leverage.

In his third quarter review webinar in October, Scott noted that four years ago debt BDCs were yielding 8.5%. With additional rate cuts likely, he said, near- to mid-term yields would likely hold at between 9.5% and 11%. After the Fed's rate cut in December, so far, so good.

Activism

Activist investors continued to influence the CEF universe in the fourth quarter.

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 succeed 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 Q4 2025, 35 funds (up from 32 in Q3) — 8% of CEFs — faced Schedule 13D filings.

As of December 31, 2025, activists had $11.5 billion at work, led by firms such as Bulldog Investors, Saba Capital Management, Karpus Investment Management, and SIT Investment Associates. When accounting for their followers, the fourth quarter saw a total of roughly $21.4 billion in activist ownership.

Take Action

Register to hear a replay of CEF Advisors' Q4 2025 review and outlook and download the slide presentation. CEF Advisors' next quarterly call is scheduled to take place on January 14, 2026.

AICA's next BDC Earnings Pulse, a quarterly debrief with leading BDC analysts and institutional investors interpreting the latest results and the road ahead, is on March 11, 2026. Register today. Access an article (PDF) and video of the inaugural BDC Earnings Pulse that took place on December 10, 2025.

Explore videos and interviews from the 2025 AICA Fall Roundtable in New York City.

Explore CEFs and how they work, get up to speed on BDCs, and learn more about the increasing use of interval funds.

About Closed-End Fund Advisors

CEF Advisors is an SEC-registered investment advisor based in Richmond, Virginia, specializing in closed-end funds (CEFs), business development companies (BDCs), interval funds, and tender-offer funds. The firm manages customized SMA portfolios, produces proprietary research, and operates CEFData®, a comprehensive data platform covering listed and non-listed funds.

Founded in 1989 and expanded by George Cole Scott and his son John Cole Scott, the firm has been a pioneer in the closed-end fund space for more than 35 years. Today, CEF Advisors continues that legacy by providing investors, advisors, and institutions with research, education, and data-driven insights.

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.