

What US Households Consider When They Select Closed-End Funds

ICI conducts the Annual Mutual Fund Shareholder Tracking Survey each year to gather information on the demographic and financial characteristics of mutual fund–owning households in the United States. In the most recent survey that was conducted from May to June 2024,¹ ICI asked additional questions for households that held closed-end funds (CEFs).^{2, 3}

These questions were included to better understand why retail investors choose CEFs,⁴ and more specifically, how retail investors view discounts on listed CEFs given that the majority of them generally trade at a discount to net asset value (NAV).⁵ Commonly referred to as the “CEF puzzle,” the potential reasons for these discounts have been thoroughly explored in decades of academic literature.⁶ While there are many theories to explain CEF discount behavior, no one theory captures the complete puzzle. As such, the interpretation of CEF discounts remains open, which has put them at the center of the current policy debate around listed CEFs.

¹ See [Ownership of Mutual Funds and Shareholder Sentiment, 2024](#) and [Characteristics of Mutual Fund Investors, 2024](#) for two of ICI’s annual reports detailing results from the latest shareholder tracking survey.

² Data may encompass traditional CEFs as well as exchange-listed interval funds and business development companies (BDCs) because the question does not differentiate among the different types of CEFs that may be listed on an exchange.

³ Some of the data in this memo was previously published in the [ICI Comment Letter on the SEC Instituting Proceedings to Determine Rule Changes on Closed-End Funds](#), which was filed on October 31, 2024.

⁴ The survey also asked CEF-owning households how often they vote their CEF proxies. Among CEF-owning households, 24 percent always vote; 23 percent sometimes vote; 23 percent rarely vote; 15 percent never vote; 9 percent do not know; and 6 percent noted that their financial adviser votes on their behalf.

⁵ Because a listed CEF’s shares trade based on investor demand, the fund may trade at a price higher or lower than its NAV. A CEF trading at a share price higher than its NAV is said to be trading at a “premium” to the NAV, while a CEF trading at a share price lower than its NAV is said to be trading at a “discount.” For more information, see [The Closed-End Fund Market, 2023](#) and [Closed-End Fund Activism](#).

⁶ For more information, see: Cherkas, Martin. 2012. “Closed-End Funds: A Survey.” *Annual Review of Financial Economics*. 4: 431–445.

Characteristics of Households Owning CEFs

An estimated 3.6 million US households owned CEFs in 2024, with the average CEF-owning household holding three CEFs.⁷ CEF-owning households tended to include investors who owned a range of equity and fixed-income investments. More than nine in 10 households owning CEFs also owned mutual funds, and nearly six in 10 also owned ETFs.

Because households that owned CEFs often also owned individual stocks and mutual funds, the characteristics of each group were similar in many respects. For instance, households that owned CEFs (like households owning individual stocks and mutual funds) tended to have household incomes and financial assets above the national median and were more likely to own retirement accounts (Figure 1). Nonetheless, households that owned CEFs also exhibited certain differences from mutual fund–owning households. For example, 41 percent of CEF–owning households were retired from their lifetime occupations, compared with 34 percent of households owning mutual funds. Households owning CEFs also expressed more willingness to take financial risk—49 percent were willing to take above-average or substantial risk, compared with 32 percent of mutual fund–owning households.

⁷ Among CEF-owning households, 44 percent held just one CEF; 24 percent held two CEFs; 12 percent held three CEFs; 12 percent held between four and nine CEFs; and 8 percent held 10 or more CEFs.

FIGURE 1

Closed-End Fund Investors Had Above-Average Household Incomes and Financial Assets

2024

	All US households	Households owning closed-end funds	Households owning mutual funds	Households owning individual stocks
MEDIAN				
Age of household survey respondent	52	52	55	54
Household income ¹	\$80,000	\$110,000	\$115,000	\$125,000
Household financial assets ²	\$90,000	\$375,000	\$300,000	\$400,000
PERCENTAGE OF HOUSEHOLDS				
Household survey respondent				
Married or living with a partner	64	66	72	72
College or postgraduate degree	40	54	54	60
Employed (full- or part-time)	58	60	65	63
Retired from lifetime occupation	32	42	34	35
Household owns				
IRA(s)	44	71	68	72
DC retirement plan account(s)	59	78	82	78
Household's willingness to take financial risk				
Substantial risk for substantial gain	5	8	5	7
Above-average risk for above-average gain	19	41	27	33
Average risk for average gain	39	30	49	46
Below-average risk for below-average gain	11	11	11	9
Unwilling to take any risk	26	10	8	5

¹ Total reported is household income before taxes in 2023.

² Household financial assets include assets in employer-sponsored retirement plans but exclude the household's primary residence.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

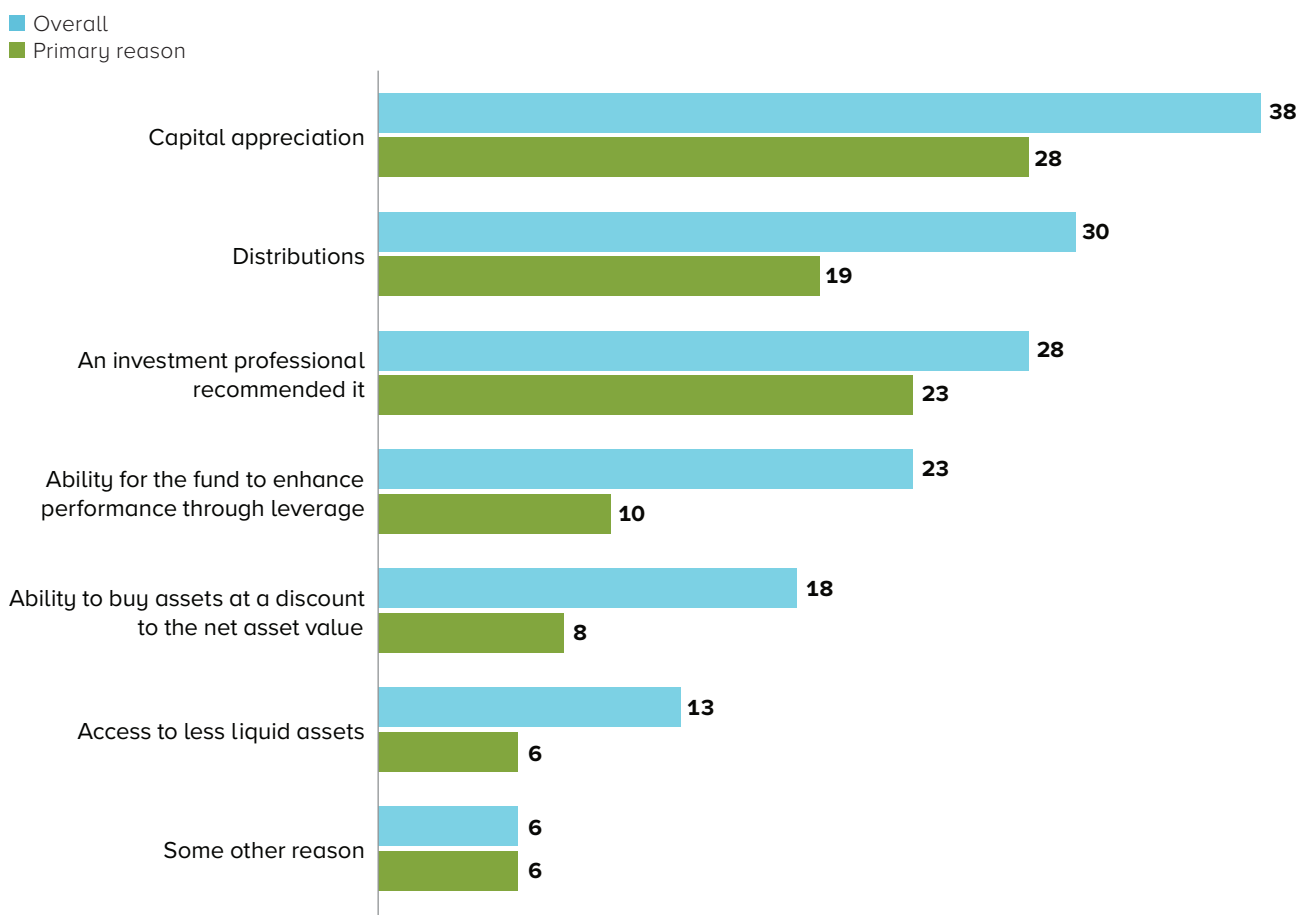
Why Do Households Invest in CEFs?

One key feature of CEFs is that they can be fully invested according to their strategies—since they do not need to meet daily redemptions and thus do not need to maintain cash reserves—and can therefore execute a long-term investment strategy throughout volatile market periods, particularly for yield-based strategies. Indeed, nearly nine out of 10 CEF-owning households consider them to be medium- or long-term investments,⁸ with capital appreciation and distributions being two leading reasons why households decide to invest in CEFs (Figure 2). Meanwhile, CEF investors have many reasons they consider important in making their final decision to invest in the fund (Figure 3).

FIGURE 2

Capital Appreciation and Distributions Are Leading Reasons Why Households Invest in CEFs

Percentage of CEF-owning households, 2024



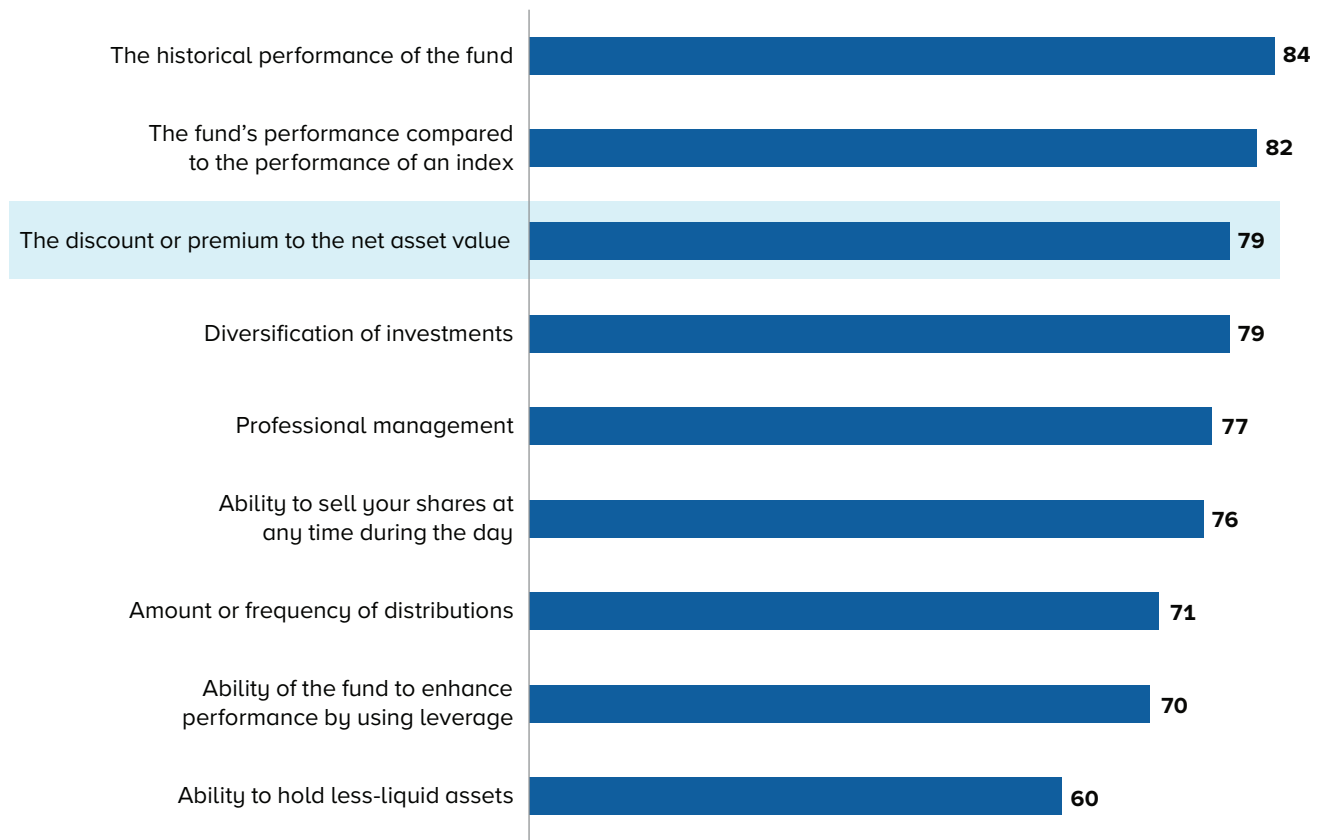
Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

⁸ Among CEF-owning households, 54 percent consider them to be a long-term investment; 34 percent a medium-term investment; and 12 percent a short-term investment.

FIGURE 3

CEF Investors Consider Many Reasons Important When Making Their Investing Decisions

Percentage of CEF-owning households selecting “very important” or “somewhat important,” 2024



Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

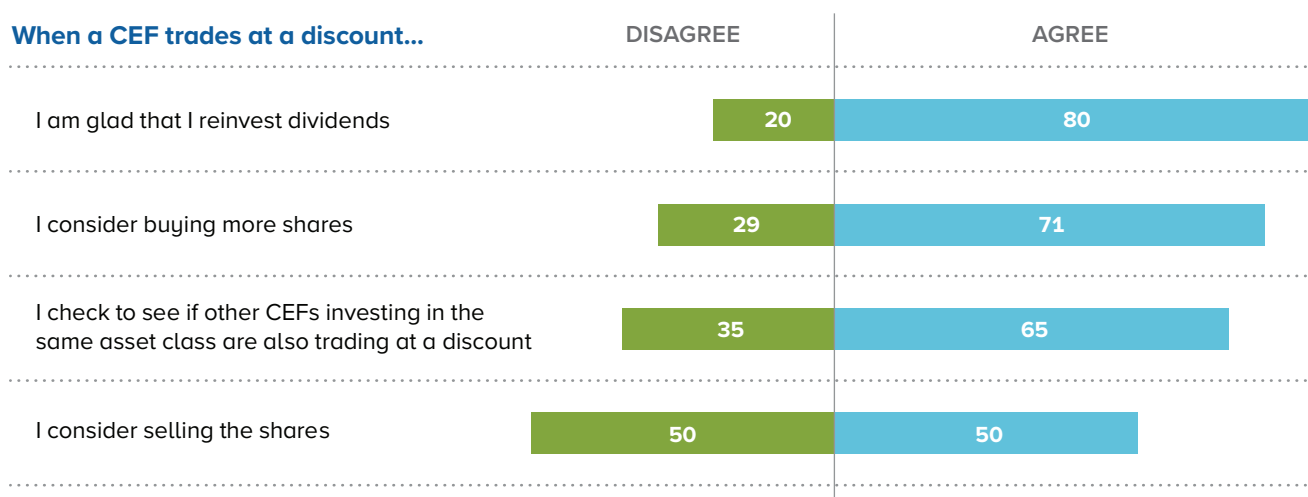
CEF-Owning Household Views on Discounts

Before purchasing their most recent CEF, nearly eight in 10 investors said that the fund’s discount or premium to NAV was important to their final decision (Figure 3). In many cases, the discount represents a buying opportunity as investors can acquire listed CEF shares or reinvest dividends at a discount to NAV. This, in turn, boosts their dividend yield and allows for a potential enhanced total return. Indeed, eight out of 10 CEF-owning households are glad they reinvest dividends when a CEF they own is trading at a discount, and seven out of 10 households consider buying more shares (Figure 4). Additionally, two in three CEF-owning households check whether their funds are trading at a discount at least quarterly.⁹

FIGURE 4

CEF-Owning Households Are Glad They Reinvest Dividends When Their CEFs Are Trading at Discounts

Percentage of CEF-owning households agreeing or disagreeing with each statement, 2024



Note: The figure plots in the “agree” column the percentage of households who “strongly agreed” or “somewhat agreed” with the statement, and plots the percentage of households who “somewhat disagreed” or “strongly disagreed” in the “disagree” column.

Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

⁹ Among CEF-owning households, 8 percent checked whether their funds were trading at a discount daily; 11 percent weekly; 28 percent monthly; 20 percent quarterly; 19 percent annually; and 14 percent said their financial adviser monitors the discount for them.



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