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Like Closed-End Muni Funds? Early January Could Be a Great Time for Buying.

Constant readers might have discerned certain peculiar predilections in this space, among them an unusual fondness for an odd corner of the investment world: closed-end funds.

They are treated with varying degrees of disdain or a simple lack of interest among most investors, who tend to be drawn to more conventional pooled investments, such as mutual funds or their trendier offspring, exchange-traded funds. The wallflower status of closed-ends results in their chronic mispricing, which sets them apart from other, usually efficiently priced, instruments.

Richard Thaler, who won the Nobel Prize in economics for his study of behavioral economics, has observed that individual investors' irrationality results in closed-end funds selling at discounts or premiums to their underlying net asset values. Depressed attitudes result in wide discounts as individual investors—who hold the lion's share of the asset class—dump them.

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Barron's

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