

Closed-End Fund (CEF)

A US Closed-End Fund (“CEF”) is a type of management investment company registered under the Investment Company Act of 1940, as amended (“1940 Act” or “’40 Act”). A CEF is distinguished from an open-ended fund (commonly referred to as a mutual fund) in that:

- Its shares are issued through an initial public offering (“IPO” – i.e., not continuously offered) and are traded in the secondary market on a securities exchange.
- It does not provide a continuous redemption right.
- The share price typically fluctuates from the Fund's NAV.

CEFs have fewer restrictions than open-ended funds with respect to investing in illiquid securities and are frequently used to invest in markets where the securities tend to be less liquid.

Investor Profile

- Any investor can invest.
- There is no limit to the number of investors or type of entity.
- 401(k) and other retirement and employee benefit plans can invest.

Regulatory Reporting Requirements

- A Prospectus must be delivered to direct purchasers at the time of the IPO. Closed-ended funds are not required to file an SAI if all of the information is included in the prospectus.
- Secondary market purchasers will generally not receive a prospectus.
- The Statement of Additional Information (SAI) must be available upon request.
- Annual and Semi-Annual Reports must be provided to potential shareholders at or before the time of purchase and on an ongoing basis.
- CEFs are regulated under the 1940 Act, the 1933 Act (if sold publicly), and the Securities Exchange Act of 1934.
- Required SEC reporting:
 - Form N-2 - no annual updates required
 - Form N-CSR
 - Form N-Q
 - Proxy Voting Record (Form N-PX)
 - Tender Offer Statements.
- CEFs must meet stock exchange listing requirements and comply with applicable requirements of the Securities Exchange Act of 1934. **Note:** this may include holding annual shareholder meetings to elect directors which is an added expense

Distribution, Advertising, and Promotion

- May be broadly advertised and marketed to the general public.
- Advertising and marketing are subject to compliance with SEC and FINRA rules.

Fund Launch Timeline and Organiser Requirements

- Formation/registration of a closed-end fund is essentially the same as the process for launching an [Interval Fund](#).
- Because a CEF is offered through an IPO, there is an additional period prior to filing with the SEC in which terms of the offering are negotiated with members of the underwriting syndicate. This process generally takes an additional two to four months.

Fund Launch Timeline and Organisation Structure

- Same as an [Interval Fund](#).

Initial and Ongoing Costs

- Costs are generally considered high, relative to private funds and separate accounts. The costs may also be higher than an open-ended fund because there may be higher expenses related to the initial IPO and exchange listing requirements.

Fees and Fee Limitations

- Same as those of a [US Mutual Fund](#).

Taxation

- Same as a [US Mutual Fund](#) with regard to taxation as RIC.

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