Closed-end funds often provide double-barreled action, with the underlying assets in the portfolio moving and the market price also changing relative to net asset value. Here are the three main components of the universe (equities in black, taxable fixed income in green, and municipals in orange) as tracked by the total returns on the **First Trust closed-end indexes**, each normalized to 100 at the March 2009 bottom. The taxable bond closed-end funds have outpaced the equity ones since the low and significantly since the turn of the year. The munis keep chugging along, and have provided an outstanding return. Now, though, should the market for risk turn, both barrels could be aiming at you, especially if those chasing yield start to flee price declines. (Chart: Bloomberg terminal.)

**funds of funds and sociology**

*AllAboutAlpha.com* does its usual bang-up job of summarizing an academic paper of interest, this time one by Edward Smith on “the birth and recent travails of the fund of funds industry through a *sociological* filter.” For those who just thought funds of funds were mostly around to layer fees on fees, the piece points out that by distancing investors from individual strategies, the funds of funds have allowed oddball approaches to be used for some slice...
of the total portfolio. In an investment culture dominated by sameness, that can often be a good thing, but why does it take a buffer to make it happen? Do we need a see-no-evil lack of transparency to be able to stomach the things we ought to be exploring on our own? The effects of the ascendancy and decline of the fund of funds business are interesting and important, but I’m stuck on why investors, especially fiduciaries involved with large pools of money, make different decisions about the composition of investments that they approve depending on the advisory structure that they have adopted. How do we judge the proper compensation for that service, and determine under which circumstances the obfuscation is used in a beneficial or detrimental way?

**before the score**

I ran into an old link that had been saved for seven years for no apparent reason. It was a short interview with John Paulson by [Hedgefundnews.com](http://www.hedgefundnews.com), from July 2003, that detailed his approach to risk arbitrage. He’s since become famous and a bit rich. I guess the moral of the story is that you shouldn’t be so tied down to what you are doing that you don’t see opportunity staring you in the face.

**dispatches**

Writing for *The Deal*, Yvette Kantrow provides a tidy look at the financial news hypercycle in “Dispatches from the twittersphere.” (If seven paragraphs are too much for you, the three-bullet “executive summary” at the top is even tidier.) The focus is on media journalists and their voracious appetite these days for financial news, but many observers are also “players,” so the phenomenon is not just about media but about the changing roles and many hats of investment professionals (including folks like me). Trying to dip into the flow without getting sucked into the vortex of spin is increasingly difficult for investors. There are a variety of ways to adjust your process to deal with this brave new world, but the first step is to not read too many dispatches on the popular topics. Your advantage will likely be finding those rare bits of important news that aren’t over-analyzed by the masses. With sites hunting for clicks with the attention-grabbing stories, it’s time to look for the online equivalent of page 35.

**ironic usage here**

“I hate quotations. Tell me what you know.” — Ralph Waldo Emerson.