

USA: 11% Yielding Value And Growth CEF

Feb. 20, 2022 9:15 AM ET | **Liberty All-Star Equity Fund (USA)** | ASG |
30 Comments | 29 Likes

Summary

- USA yields 10.93%, with a 13% 5-year dividend growth rate.
- It invests in both growth and value stocks.
- We compare USA to ASG, its sister fund, which yields 8.9%.
- Looking for more investing ideas like this one? Get them exclusively at Hidden Dividend Stocks Plus. [Learn More »](#)



Matteo Colombo/DigitalVision via Getty Images

Are you a value-oriented income investor or a growth-oriented income investor? Maybe you're a bit of both, like many income investors, looking for attractive income vehicles in a variety of styles. Some CEFs that we've covered in [our articles](#) can help you diversify your portfolio.

Liberty All-Star Equity Fund ([USA](#)) is a core equity fund which takes a multi-pronged approach to its investments, using 3 value portfolio managers and 2 growth managers with expertise in different slices of the market:

Fiduciary Management, Inc.
Seeks to invest in durable business franchises that are selling at low valuations and a significant discount to their intrinsic value.

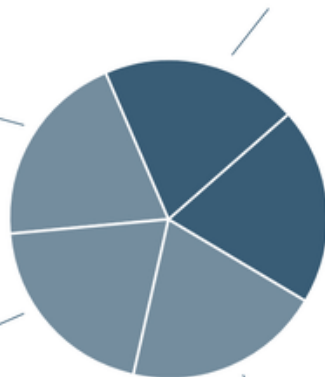
Sustainable Growth Advisers, LP
Seeks to invest in companies with predictable, sustainable earnings and cash flow growth over the long term.

Pzena Investment Management, LLC
Seeks to invest in companies with low price-to-normalized earnings ratios that have the ability to generate earnings recovery.

TCW Investment Management Company
Seeks to invest in companies that have superior sales growth, leading and/or rising market shares, and high and/or rising profit margins.

Aristotle Capital Management, LLC
Seeks to own high quality, attractively valued companies that possess catalysts for positive change.

■ Growth 40%
■ Value 60%

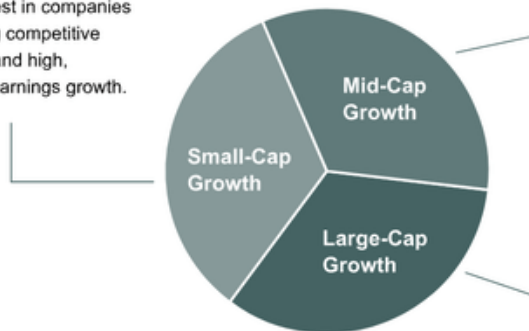


USA site

USA's sister fund, Liberty All-Star Growth Fund ([ASG](#)), which is also a closed-end fund, specializes in growth equities, utilizing 3 managers, each focusing on different market cap sizes:

Weatherbie Capital, LLC
Seeks to invest in companies with enduring competitive advantages and high, sustainable earnings growth.

Congress Asset Management Company, LLP
Seeks to invest in companies with improving fundamentals, emphasizing earnings growth consistency, free cash flow, and solid balance sheet metrics.



Sustainable Growth Advisers, LP
Seeks to invest in companies with predictable, sustainable earnings and cash flow growth over the long term.

ASG site

USA is much larger than ASG, with over 4X the amount of assets, at \$1.9B, vs. \$463M for ASG; and much higher daily volume of 1.36M, vs. 343K for ASG. USA also has 154 holdings, vs. 119 for ASG. Both funds were established in 1986

Fund Name	Ticker	Inception Date	Net Assets	Current Yield	DISTRIBUTION FREQUENCY	Gross Expenses as % of Assets	AVG. DAILY VOLUME	NUMBER OF HOLDINGS	Leverage	COVERED CALLS/ ASSETS
Liberty All-Star Equity Fund	USA	10/31/1986	\$1.9B	10.93%	Quarterly	0.93%	1.36M	154	0.00%	0.00%
Liberty All-Star Growth Fund	ASG	3/14/1986	\$463M	8.92%	Quarterly	1.12%	343K	119	0.62%	0.00%

Hidden Dividend Stocks Plus

Dividends:

Both funds pay quarterly distributions, and have attractive yields.

USA's policy is to "pay distributions on its shares totaling approximately 10% of its net asset value per year, payable in four quarterly installments of 2.5% of the Fund's net asset value at the close of the New York Stock Exchange on the Friday prior to each quarterly declaration date. Sources of distributions to shareholders may include ordinary dividends, long-term capital gains and return of capital." (USA site)

ASG's distribution policy has the same structure, but is based upon 8% of its net asset value per year, payable in four quarterly installments of 2%.

At their closing 2/18/22 prices, USA yields 10.93%, and ASG yields 8.92%, based upon their most recent distributions. They should go ex-dividend next in April 2022. USA has a 13% 5-year dividend growth rate, while ASG's is much higher, at 25%:

Ticker	CLOSING PRICE 2/18/22	Forward Dividend Yield	MOST RECENT QUARTERLY DISTRIBUTION	NEXT EX-DIVIDEND DATE (APPROX.)	NEXT PAY DATE (APPROX.)	5-Year Dividend Avg. Growth Rate
USA	\$7.32	10.93%	\$0.20	4/22/22	6/7/22	13.11%
ASG	\$6.73	8.92%	\$0.15	4/22/22	6/7/22	25.01%

Hidden Dividend Stocks Plus

Since they're based upon a % of NAV, the quarterly payouts can vary a bit for both funds, as you'll see below.

Taxes:

USA's 2021 regular quarterly distributions ranged from \$.19 to \$.21, and were comprised of 68% long term capital gains, 12% Qualified and Non-Qualified Ordinary Dividends, and ~7% Return of Capital.

Record Date	Payment Date	Amount Per Share	Total Ordinary Dividends		Long-Term Capital Gains	Return of Capital
			Qualified	Non-Qualified		
Nov. 13, 2020*	Jan. 4, 2021	\$0.029651	12.48%	12.10%	68.03%	7.39%
Jan. 22, 2021	Mar. 8, 2021	\$0.19	12.48%	12.10%	68.03%	7.39%
Apr. 23, 2021	Jun. 7, 2021	\$0.20	12.48%	12.10%	68.03%	7.39%
Jul. 23, 2021	Sept. 7, 2021	\$0.21	12.48%	12.10%	68.03%	7.39%
Nov. 19, 2021**	Jan. 3, 2022	\$0.21	-	-	-	-

USA site

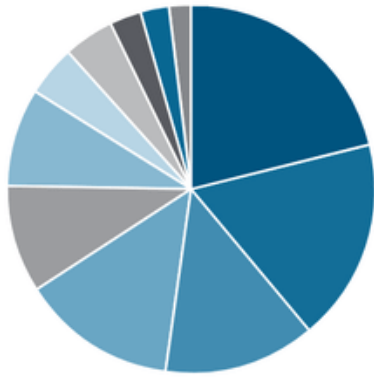
ASG's 2021 quarterly distributions ranged from \$.16 to \$.17, plus a \$.52 payout, and were comprised of 49% Non-Qualified Ordinary Dividends, 48% Long Term Capital Gains, and ~3% Qualified Dividends:

Record Date	Payment Date	Amount Per Share	Total Ordinary Dividends		Long-Term Capital Gains	Return of Capital
			Qualified	Non-Qualified		
Jan. 22, 2021	Mar. 8, 2021	\$0.16	2.73%	49.15%	48.12%	-
Apr. 23, 2021	Jun. 7, 2021	\$0.17	2.73%	49.15%	48.12%	-
Jul. 23, 2021	Sept. 7, 2021	\$0.17	2.73%	49.15%	48.12%	-
Nov. 19, 2021	Jan. 3, 2022	\$0.52	2.73%	49.15%	48.12%	-

ASG site

Holdings:

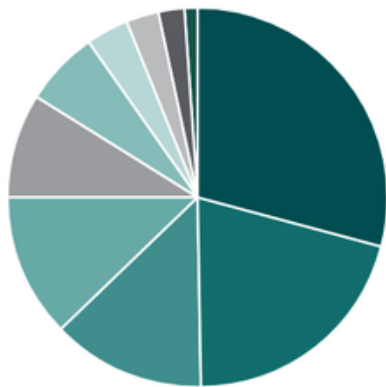
USA's top sector %s were relatively steady between 10/31/21 and 1/31/22, with Tech moving down slightly from 22.1% to 21.3%, Financials at 17.6%, Consumer Discretionary at 13.6%, and Healthcare dropping from 14.4% to 13.6%.



Information Technology	21.3%
Financials	17.6%
Consumer Discretionary	13.6%
Health Care	13.6%
Industrials	9.2%
Communication Services	8.7%
Materials	4.4%
Energy	4.4%
Consumer Staples	3.0%
Real Estate	2.5%
Utilities	1.7%

USA site

ASG's heavier Tech weighting dropped from 31.2% to 29.2%; Healthcare dropped from 21.3% to 20.7%; Consumer Discretionary dropped from 13% to 12.4%; and Industrials rising from 12.4% to 12.9%:



Information Technology	29.2%
Health Care	20.7%
Industrials	12.9%
Consumer Discretionary	12.4%
Financials	8.8%
Communication Services	6.3%
Real Estate	3.7%
Materials	2.9%
Consumer Staples	2.1%
Energy	1.0%

ASG site

USA's top 10 holdings, (as of 1/31/22), include large cap, well-known names, and make up ~19% of its portfolio, with slightly higher weightings in Visa (NYSE:[V](#)), and UnitedHealth (NYSE:[UNH](#)), and Sony (NYSE:[SONY](#)) now part of its top 10.

Rank	Name	
1	Alphabet, Inc.	2.9%
2	Amazon.com, Inc.	2.2%
3	Meta Platforms, Inc.	2.1%
4	UnitedHealth Group, Inc.	2.0%
5	Visa, Inc.	1.9%
6	Microsoft Corp.	1.9%
7	Adobe, Inc.	1.8%
8	PayPal Holdings, Inc.	1.6%
9	Sony Group Corp.	1.5%
10	salesforce.com, Inc.	1.4%

USA site

In ASG's top 10 holdings, its former #1 holding, Paylocity (NASDAQ:[PCTY](#)), dropped off the list, as did Natera (NASDAQ:[NTRA](#)) and Progyny (NASDAQ:[PGNY](#)), with Hamilton Lane (NASDAQ:[HLNE](#)) and Ball (NYSE:[BLL](#)) now part of the top group.

Rank	Name	
1	SPS Commerce, Inc.	2.3%
2	Amazon.com, Inc.	2.1%
3	Visa, Inc.	2.1%
4	Casella Waste Systems, Inc.	1.8%
5	UnitedHealth Group, Inc.	1.8%
6	FirstService Corp.	1.8%
7	Microsoft Corp.	1.8%
8	SiteOne Landscape Supply, Inc.	1.7%
9	Ball Corp.	1.6%
10	Hamilton Lane, Inc.	1.5%

ASG site

Pricing:

At its 2/18/22 \$7.32 closing price, USA was 0.68% below its 2/17/22 NAV/Share of \$7.37, cheaper than its average 3.92% premium to NAV, but not as deep a discount as its 3- and 5-year discounts.

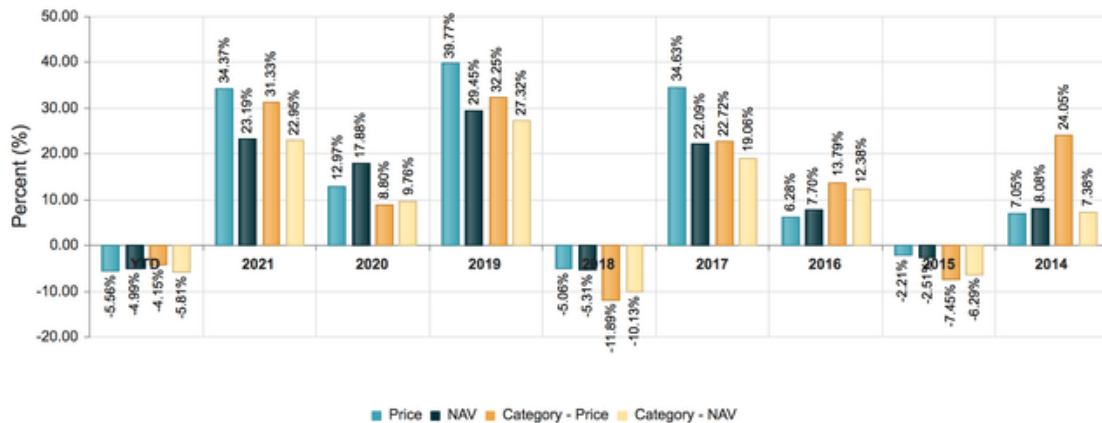
ASG has a -1.90% discount to its 2/17/21 NAV/Share of \$6.86, which is cheaper than its 1-, 3- and 5-year premiums.

Ticker	CLOSING PRICE 2/18/22	2/17/22 NAV/ Share	Price Premium/ NAV	1-YEAR AVG. PREMIUM / NAV	3-YEAR AVG. PREMIUM/ NAV	5-YEAR AVG. DISCOUNT/ NAV	INCEPTION NAV
USA	\$7.32	\$7.37	-0.68%	3.92%	-1.97%	-4.77%	\$9.98
ASG	\$6.73	\$6.86	-1.90%	4.62%	2.09%	0.41%	\$9.35

Hidden Dividend Stocks Plus

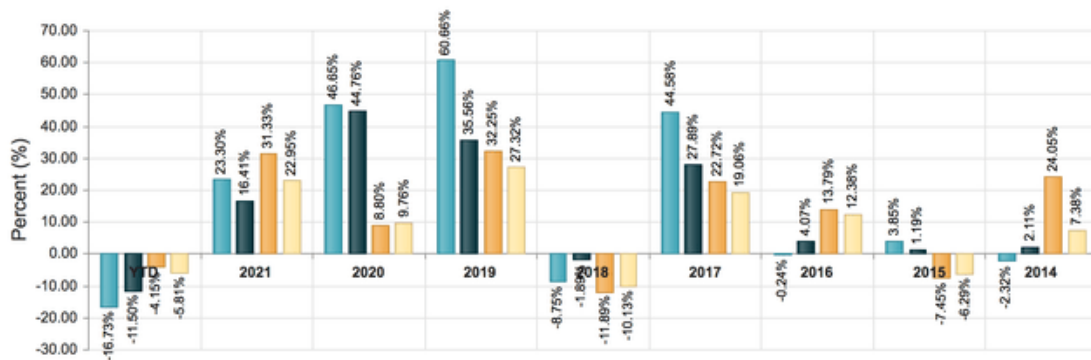
Performance:

USA mostly outperformed the Morningstar US CEF US Equity category on a Price and NAV basis in 2019-2021, but has also gone south in 2022, as it did in 2018.



CEF Connect

ASG outperformed the category in 2019-2020, but lagged in 2021, and has also had a negative performance so far in 2022, getting dragged down with the Tech sector.



CEF Connect

Indeed, USA's -12% price performance so far in 2022 is very close to the broad Tech sector's -11.43% decline. ASG has had an even larger decline, of over 24% in 2022:

Ticker	Performance (Month)	Performance (Quarter)	Performance (Year)	Performance (YTD)
USA	-9.01%	-15.96%	-1.21%	-12.05%
ASG	-11.90%	-27.40%	-23.46%	-24.33%
XLK	-3.46%	-8.55%	13.19%	-11.43%
SPY	-3.25%	-6.64%	12.06%	-7.98%

Hidden Dividend Stocks Plus

Looking at the Tech sector's doubling after the 2020 COVID Crash suggests that a pullback was probably due:

Technology Select Sector SPDR® ETF Price



YCharts

Parting Thoughts:

With rates due to rise, investors have fled the Tech sector due a lower Net Present Value of future earnings in growth stocks, which directly affects ASG more than USA, since it's a more growth-oriented growth fund than USA.

However, both are taking it on the chin in this environment, and it'll probably take a while for them to reverse course. We'll get the 1st Fed rate hike in March, and hopefully there may be some further insights into how many hikes we can expect in 2022, but it'll probably be a "testing the waters" rate hike program. It'll be interesting to see how much USA's managers switch to value stocks during this new era.

All tables furnished by Hidden Dividend Stocks Plus, unless otherwise noted.

Our Marketplace service, [Hidden Dividend Stocks Plus](#), focuses on diverse, undercovered, undervalued income vehicles, and special high yield situations.

There's currently a 20% discount, and a 2-Week Free Trial on offer.

We publish exclusive articles each week with investing ideas for the HDS+ site that you won't see anywhere else.

We offer a range of income vehicles, many of which are selling below their buyout and redemption values. Find out how our portfolio is beating the market in 2022.

This article was written by

Author of [Hidden Dividend Stocks Plus](#)
Target 5-10% yields backed by solid earnings for better portfolio income.

Robert Hauver, MBA, was VP of Finance for an industry-leading corp

[Show More](#)

Follow  

Disclosure: I/we have a beneficial long position in the shares of ASG, USA either through stock ownership, options, or other derivatives. I wrote this article myself, and it expresses my own opinions. I am not receiving compensation for it (other than from Seeking Alpha). I have no business relationship with any company whose stock is mentioned in this article.

Additional disclosure: Disclaimer: This article was written for informational purposes only, and is not intended as personal investment advice. Please practice due diligence before investing in any investment vehicle mentioned in this article.

29 Likes

30 Comments

Comments (30)

