A Guide to Interval Funds

Providing Access to Institutional Investment Strategies for Individuals Seeking Broader Portfolio Diversification

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Overview

An interval fund is a professionally managed investment company that is registered with the SEC under the Investment Company Act of 1940 (the "1940 Act") and exhibits attractive features and benefits of both open-end mutual funds and closed-end funds. Interval funds seek to offer individual investors access to investments that have previously not been available due to prohibitively high investment minimums and long hold periods inherent with private investment structures. Interval funds accomplish this by offering investors ownership in a pool of diversified investments held by the fund, with a low investment minimum purchase and without the direct ownership of its underlying assets.

THE INTERVAL FUND ALLOWS BROAD ACCESS TO ALTERNATIVE ASSET CLASSES THAT MAY:

- Increase income
- Reduce portfolio volatility
- Lower correlation to the public markets

An interval fund is legally classified as a closed-end fund but it is unique in that it shares several key features with open-end mutual funds. Thus, interval funds are often referred to as a *hybrid* between closed-end and open-end mutual funds.

Interval funds seek to provide access to less liquid investments previously available only to high net worth and institutional investors. As a result, individual investors have the ability to gain **access to a wider-array of attractive alternatives** without giving up the benefits of performance transparency, daily pricing and regular liquidity.

LIKE A CLOSED-END FUND, INTERVAL FUNDS SEEK TO OFFER...

- **Greater Access to Less Liquid Investments**

  While open-end mutual funds are limited to a maximum allocation of 15% in illiquid investments, closed end funds and interval funds have no restriction on the amount of less liquid investments they can hold (subject to liquidity requirements in connection with fund's repurchase offer). This allows interval funds to purchase investments that are not publicly traded such as private equity, institutional real estate funds and other private investments typically available only to high net worth and institutional investors.

LIKE AN OPEN-END MUTUAL FUND, INTERVAL FUNDS SEEK TO OFFER...

- **Daily Pricing at Net Asset Value (NAV)**

  Interval funds are required to be priced at least weekly, but many are priced daily at NAV calculated at the close of the trading day. The NAV reflects the value of the fund's underlying investments and thus provides performance transparency on a daily basis. An interval fund's pricing at NAV contrasts with a closed-end fund in which often times, shares can trade at a discount or premium to actual NAV.

- **Continual Investor Access**

  Interval funds are not subject to restrictions on the number of shares the fund can issue so shares may be offered continuously. In addition, shares of interval funds are offered directly by the fund itself and not traded on an exchange much like other open-end mutual funds. This ability to offer shares continuously enhances fund flexibility and can provide new capital to take advantage of new investment opportunities as they become available.

- **Direct Redemptions**

  Investors in interval funds can sell some or all of their shares directly to the fund (subject to size of repurchase offer) at NAV per share during the repurchase offer periods. This is in contrast to traditional closed-end funds, which are traded in the secondary market in which sales transactions are executed at the market between investors and may occur at a discount or premium to the actual current NAV.

UNIQUE TO INTERVAL FUNDS

- **Periodic Redemption**
  Periodic redemptions are offered to shareholders in specific repurchase offer amounts at specified intervals (typically quarterly, semi-annually, or annually). It is this feature that gives interval funds their name, and their added benefit of liquidity.

All three types of funds have many of the same regulatory, operational and tax requirements. Similarities and differences between interval funds, open-end mutual funds, and closed end funds can be summarized as follows:

	Open-End Mutual Fund	Closed-End Fund	Interval Fund
Offering Period	Continuous	One-time (through IPO)	Continuous
Pricing Model	NAV	Market	NAV
Valuation Frequency	Daily	Intra-day	Daily
Maximum Illiquid Holdings	15%	No Limit	No Limit[1]
Liquidity Method	Daily Redemption	Exchange Traded	Repurchase at Stated Interval
Liquidity Pricing	NAV	Market	NAV
Liquidity Frequency	Daily	Daily	At Stated Interval
Tax Reporting	Form 1099	Form 1099	Form 1099

[1] Subject to maintaining liquid assets to cover repurchase offers.

INVESTOR PROFILE

- Generally, any type of individual investor can invest in interval funds and there are no limits on the number of investors or type of entity. The fund structure aims to give all investors access to institutional alternative investments. Interval funds typically have low minimum investments and do not require investors to meet certain standards that many private, institutional investments mandate.

Interval Funds at a Glance

WHAT ARE THE KEY FEATURES OF AN INTERVAL FUND?

Continuous: Offer shares to investors on a continuous basis.

Liquidity: Make repurchase offers at NAV at a specified interval determined by the Fund (generally quarterly).

Transparency: Daily NAV pricing after market close.

Accessibility: Open to all types of investors from individuals to institutions and retirement plan accounts. May have multiple share classes, but not all do.

Private Assets: Ability to invest freely in less liquid investments (up to 95%), such as private equity funds and other institutional investments, in an attempt to earn premium returns.

- Open-end mutual funds are limited to a maximum allocation of 15% in illiquid investments.*

Professionally Managed: Multiple investments pooled into one portfolio.

Governance: Managed by Board of Trustees, majority of which are independent.

Other '1940 Act Requirements: Interval Funds are registered as investment companies with the SEC which establishes a host of legal and procedural requirements.

- Leverage limited to 33 1/3 of gross asset value.

Abundance of Investment Strategies

Interval funds offer a wide array of alternative investment strategies including both private and public investments and often times, a strategic combination of both.

Alternative investments are often categorized as those investments that do not fit into the traditional asset class of stocks, bonds, or cash and are often sought for their potential to provide investors with higher yields and lower volatility and lower market correlation. Alternative asset classes include: credit, derivatives, insurance, managed futures, private equity, real estate, venture capital, and many others. Accordingly, these alternative asset classes are recognized for providing investors and asset managers diversification in their portfolios, potentially smoothing the effects of volatility from the broader public markets. Alternative asset classes are sometimes able to generate premium returns due to a concept called the "illiquidity premium".

THE ILLIQUIDITY PREMIUM

Interval funds are able to invest a substantial portion of their portfolios in less liquid and/or illiquid investments due to the "closed-end" characteristic of the fund structure. Because they do not have to focus on providing daily liquidity, interval fund managers can capitalize on investments with longer time horizons and a more dynamic allocation strategy giving them the ability to use their preferred, long-term strategies. Accordingly, fund managers can seek to take advantage of investing in less liquid assets to earn higher returns than those found in the public markets, often referred to as the "illiquidity premium". ***The illiquidity premium is the theory that investors require a higher rate of return for holding illiquid assets over liquid assets.***

In addition to potentially offering higher total returns, periodic redemptions may drive more sensible long-term investing behavior. Investors often react to market turmoil by liquidating positions at inopportune times. An interval fund investor who wants to redeem does so on the repurchase dates established in advance by the fund and in accordance with the amounts offered to be repurchased by the interval fund. As a result, interval fund investors could be more likely to weather the volatility of a tumultuous market and possibly attain a better result over the long-term. In the case of an open-end fund, heightened investor redemption demands during a time of price declines may require a fund manager to liquidate portfolio investments, which could further intensify the price declines of that fund even further and to the disadvantage of remaining shareholders. Further, Interval funds are priced at NAV and therefore, do not trade based on sentiment and capital flows, which in times of extreme market optimism or pessimism can result in excess premiums or discounts to actual underlying NAVs (as with closed-end funds) or swings in prices of publicly traded funds.

> "For long term investors able to forego some liquidity, a strategic allocation to alternatives assets could help to improve the overall risk-return profile of their portfolio."
>
> VINCENT JUVYNS
> Executive Director Global Market Strategy JP Morgan

There is no guarantee that any investment will achieve its objectives, generate positive returns, or avoid losses.

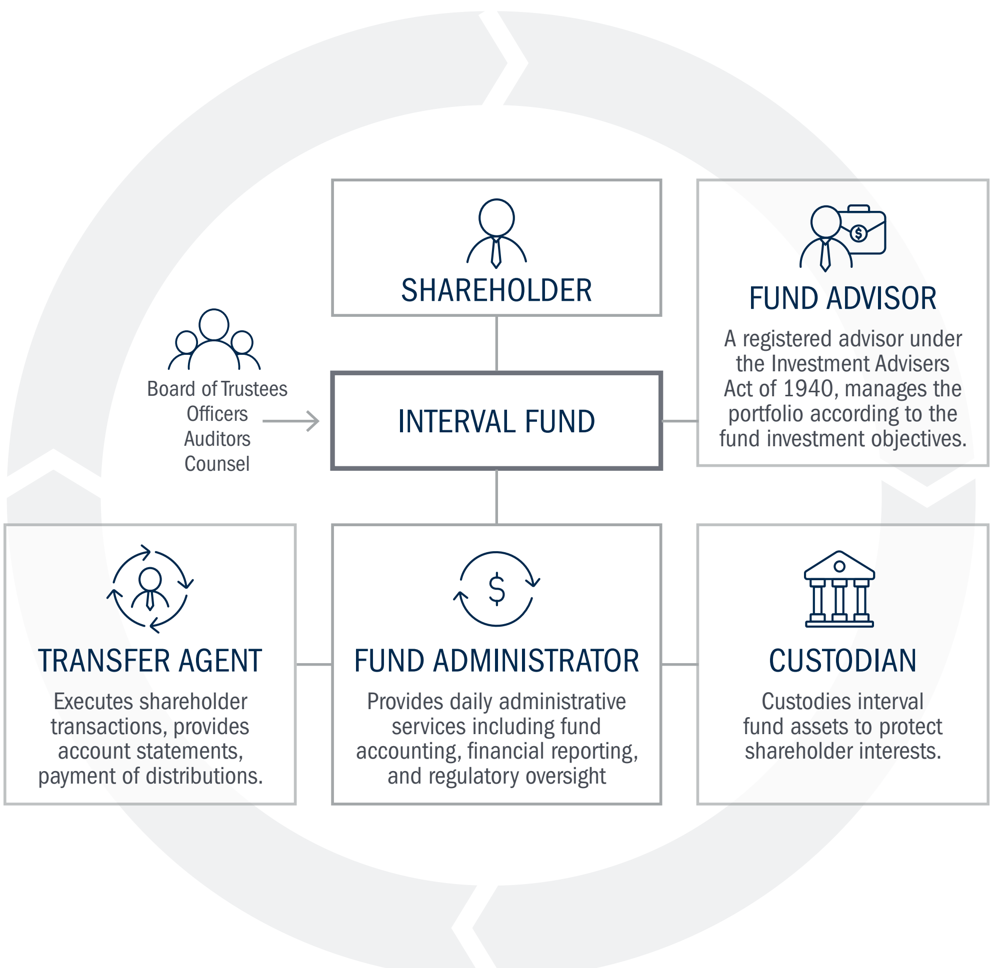
Structure and Governance

Interval funds are registered with the Securities and Exchange Commission and are subject to the requirements of the Investment Company Act of 1940. Interval funds are usually structured as Delaware Statutory Trusts and are governed by a declaration of trust and corporate bylaws. The funds are overseen by a board of trustees, a majority of which are “independent persons”. Further, the funds must engage an independent auditor and prepare annual audited financial statements and provide semi-annual and annual reports to its shareholders.

There are typically many parties associated with the administration, management and oversight of interval funds. First, interval funds must have an investment advisor that manages the fund’s portfolio according to the objectives contained in the fund prospectus and that is registered under the Investment Advisers Act of 1940. Interval funds may also engage sub-advisors, which are generally highly experienced with institutional backgrounds that aid and complement the advisor’s execution of the fund’s investment objectives.

OTHER IMPORTANT SERVICE PROVIDERS INCLUDE THE FOLLOWING:

- An administrator that oversees accounting and administration of the fund (e.g., accounting, records, NAV calculation, and financial statement preparation)
- A transfer agent responsible for recording ownership of fund shares, processing dividends, and providing required shareholder and tax statements
- An authorized custodian (typically a bank) under section 17 of the 1940 Act, that custodies fund assets
- External legal counsel

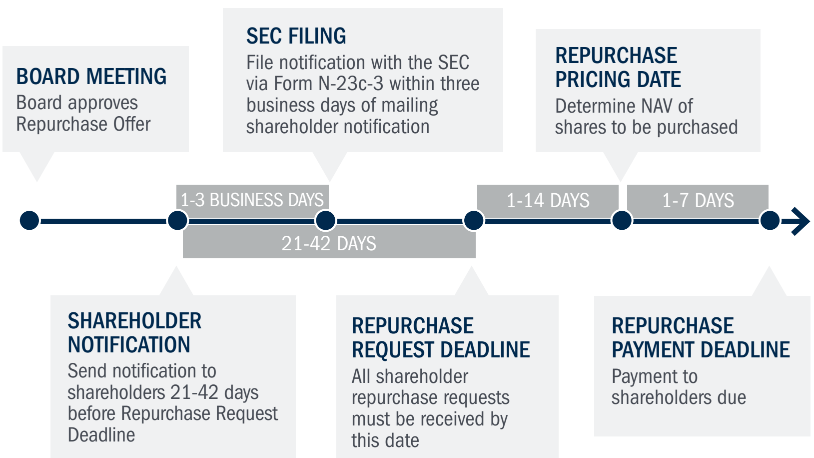


Liquidity and Direct Repurchase Policies

One of the unique characteristics of interval funds is the way they offer their investors liquidity. An interval fund must periodically offer to repurchase its shares from shareholders, typically quarterly (but can also take place monthly, semi-annually or annually). Interval funds are required to offer to repurchase at least 5% and no more than 25% of shares outstanding at the daily net asset value, at the specified interval. Shareholders are not required to accept these offers and may continue to own their shares of the fund.

Interval funds have between 21 and 42 days to notify shareholders of the repurchase offer and generally issue this notice 30 days prior to the repurchase request deadline.

REPURCHASE OFFER TIMELINE



TAX REPORTING

Interval fund's earnings are reported to investors using an IRS Form 1099. These make it easy for investors to report their earnings on their individual taxes. In addition, interval funds can also be a tax efficient way of investing as they can distribute a mix of investment income and return of capital. Return of capital can reduce the tax liability of the investors because it is not deemed ordinary income. Shareholders do not pay taxes on any return of capital portion initially; however, they will pay the capital gain tax upon the eventual sale of the investment due to the reduction in cost basis, likely at a lower rate than ordinary income tax rates.

FEES AND EXPENSES

Like all open-end and closed-end funds, interval funds charge fees and expenses. These fees vary between funds and share class. The most common fees interval funds charge are management fees, shareholder servicing fees, administrative expenses, and front-end sales load depending on the share class. Additionally, certain funds have elected to adopt an expense limitation agreement to cap the total annual expenses incurred by the fund.

MAINTAINING LIQUIDITY

Interval funds, even those that invest primarily in less liquid assets, must maintain enough liquid assets to meet 100% of the repurchase offer amount. Fund managers utilize a number of strategies to meet liquidity for redemptions such as investments into daily liquid securities, borrowing from credit facilities and cash on hand.

INTERVAL FUNDS BALANCE LIQUIDITY AND MARKET VOLATILITY CONCERNS

Interval funds with their quarterly liquidity feature, may help reduce emotional investing behaviors by limiting the ability of investors to engage in panic selling. This may also provide fund managers the opportunity to execute strategies better suited to longer holding periods in the search of higher risk-adjusted returns.

Potential Benefits of Investing in an Interval Fund

Interval funds seek to offer a range of potential benefits thanks to the flexibility they provide managers in alternative asset selection and strategic execution, including, but not limited to, the following:

- ☑ **Access** to investments previously reserved for large institutions, private equity funds, pensions and endowments due to the high investment minimums, longer hold periods, and strict investor qualifications. The interval fund structure provides individual investors access to this asset class, but without these restrictions.
- ☑ **Diversification** by utilizing alternative investments strategies that an investor could not otherwise access in the public market. This makes interval funds an attractive option to investors seeking to diversify their portfolios.
- ☑ **Higher income** potential with underlying assets such as credit and real estate, interval funds have the ability to produce attractive income returns above traditional fixed income traded securities.
- ☑ **Low minimum** investment amounts as compared to private investment program counterparts.
- ☑ **Lower correlation** to the broader markets with a higher proportion of private underlying investments that can act differently across multiple market scenarios as compared to traded securities.
- ☑ **Multiple Share Classes** providing investors with flexibility to meet their investment goals and offers the fund flexibility to raise additional capital. The different share classes have different fees and minimum investments to cater to each type of investor.

What to Consider When Investing in an Interval Fund

An interval fund is just a wrapper. There are many different interval funds to choose from and each fund will have different investment objectives and underlying securities. Accordingly, investors should research to ensure they pick the best fund to meet their individual investment goals and objectives. Some key considerations include:

- **Investment Strategy:** review the investment approach, unique access to private (illiquid) investments, the underlying strategy fit with the structure, and the quality of the investments.
- **Strength of the Adviser:** review the advisers strengths, weaknesses, reputation, and assets under management.
- **Internal Investment Management vs. Sub-Advisor Approach:** sub-advisors may provide additional expertise for researching investments or managing portions of a fund's assets in an attempt to maximize risk-adjusted returns.
- **Performance Track Record:** there is significant variation in performance across individual interval funds. Important metrics include: income, risk-adjusted performance, volatility, correlation, and drawdown.
- **Liquidity:** review allocation to underlying private and public investments and the fund's historical ability to meet repurchase offer requirements.
- **The Allocation to Liquid Investments:** interval funds' primary benefit compared to open end mutual funds is the ability to invest much of its capital in institutional illiquid investments in order to reduce volatility and enhance returns. Too large of an allocation to daily liquid investments could limit optimizations of these benefits.

Summary

Interval funds are increasingly critical hybrid funds, balancing market desires for higher income, lower drawdowns, and lower volatility and correlation to the broader markets while still providing periodic liquidity. They provide investors access to a wide array of alternative investments that were once reserved for institutions and high net worth investors, but with lower minimum investment requirements and pricing transparency at NAV. These alternative investments can further aid in diversifying individual portfolios with the potential for higher yields compared to traditional fixed income securities, lower volatility and correlation to the broader markets, all while potentially enhancing overall long-term investment goals.

Risk Disclosures

Not FDIC Insured | No Bank Guarantee | May Lose Value

Investing in closed-end interval funds involves risks, including the risk that you may receive little or no return on your investment or that you may lose part or all of your investment. Limited liquidity is provided to shareholders only through the funds periodic redemption offers. There is no guarantee that shareholders will be able to sell all of the shares they desire in a periodic repurchase offer. Interval fund distributions are not guaranteed and may be comprised, in part, of a return of capital.

Investors should carefully consider the investment objectives, risks, charges and expenses of an interval fund. This and other important information about the fund is contained in a prospectus, which can be obtained by contacting your financial advisor. A prospectus should be read carefully before investing.

THIS IS NEITHER AN OFFER TO SELL NOR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES. AN OFFERING IS MADE ONLY BY A PROSPECTUS. THIS LITERATURE MUST BE READ IN CONJUNCTION WITH A PROSPECTUS IN ORDER TO UNDERSTAND FULLY ALL OF THE IMPLICATIONS AND RISKS OF SECURITIES TO WHICH IT RELATES. A COPY OF A PROSPECTUS MUST BE MADE AVAILABLE TO YOU IN CONNECTION WITH AN OFFERING.

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DEFINITIONS:

Closed-End Fund: a publicly traded investment company that raises a fixed amount of capital through an initial public offering. The fund is then structured, listed and traded like a stock on a stock exchange. **Interval Fund:** a fund that combines the features of open-ended and closed-ended structures, making the fund open for sale or redemption during predetermined intervals. **Open-End Fund:** a mutual fund that does not have a restriction on the amount of shares the fund will issue and will continue to issue shares with demand. Open-end funds also buy back shares when investors wish to sell.

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