Panelists speak during AICA Summer Summit about diverse interval fund strategies.

Thursday, August 13, 2020

Jeremy Goff from Tortoise Advisors, Gregg Bell from A3 Financial, and Christian Munafo from Sharespost Investment Mangement were panelists at the AICA Summer Summit held on August 13. The moderator of the panel was James Thompson, of Northern Trust. Read the transcript from the discussion below to hear the insight from the panelists.


James Thompson


Jeremy Goff


Gregg Bell


Christian Munafo

We are appreciative to NorthernTrust for underwriting the video recording for this panel.

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James Thompson: Good afternoon everybody, my name is James Thompson, I'm a business development executive with Northern Trust. I'm super excited today to moderate our third panel, they've saved the best for last in terms of talking about alternative investing with interval funds. Really what we're going to get into here is not only the structure of the interval fund and how the different managers are able to access private investment classes, but additionally learn a little bit about some of these different ways through the funds themselves, and we can talk a little bit how investors are able to access them as well.

Joining me today, we've got Jeremy Goff, Managing director of Tortoise Advisors, Gregg Bell, who's the founder and portfolio manager of A3 Financial, and Christian Munafo who's the CIO of SharesPost Investment Management. Thank you all for joining me today, I look forward to a robust discussion. What I'd like to do first is just give each of the opportunity to really talk a little bit about your fund, uniqueness of the strategy, and anything else that you'd like for me to take away for those that are paying attention today. I'd like to start it off with you Gregg. A3 is a new firm, would love to understand the genesis of A3 Financial and what's unique about your investment strategy.

Gregg Bell: Sure, thank you, it's great to be here with you all. So A3, my partners and I, we've been immersed in the financial markets for decades now and we've built some very interesting and successful products for a variety of different firms. About two years ago, it became very clear to us that investors were struggling both on an institutional basis and on the retail level with the dilemma of where to find quality yield without undo risk. We find ourselves in this near zero rate environment and finding a solution to this yield problem was really the foundation of A3 Financial.

The global bond market, we're talking about $60 trillion of debt and 86% of that is yielding less than 2%. From an investors perspective that seeks income, that's a real dilemma. So what we did is we put together an interval fund, our fund AAACX, is the A3 alternative credit fund. It's a really unique income strategy that very few investors have exposure to today. It's one that has performed throughout this market. We are up currently 5.25 % year-to-date and 8.95% since our inception in October of 2019.

It really has been focused on alternative credit, and that's an alternative to treasuries, to corporates, to mortgages. The larger $16 trillion, $10 trillion, $9.5 trillion markets that dominate that bond percentage is really yielding below 2%. What we've found is looking at niche investments, those that are credit opportunities that are small in nature but are also accompanied by alternative drivers, those being typically things related to demographics, related to insurance, to taxation, can provide a real attractive risk/reward for investors. We've packaged this structure, this strategy, an interval fund. It can be found in a variety of hedge funds and PE type structures. But the interval fund was one that we felt was really an attractive mechanism for investors, both institution and retail, to gain exposure to something that has a low correlation to broader equity and bond markets and can provide a real quality income stream.

As an example, north of 90% of our portfolio today is triple A rated, and yet we still have the double-digit yield target. It's a way to gain exposure to asset classes such as reverse mortgages, credit blank notes, private credit, a variety of different structures and products that in many ways were not able to be accessible to investors, and certainly not with the transparency that you have with a daily NAV ticker listed product.

James Thompson: Excellent, thank you for sharing that Gregg. Christian, to you, can you talk to us a little bit about your interval fund and what's unique about your strategy?

Christian Munafo: Sure, happy to be here today, appreciate everyone dialing in for this. My name is Christion Munafo, I'm the chief investment office of SharesPost Investment Management, which is the advisor of the SharesPost 100 Fund. This is a democratization story of essentially trying to disrupt the way that investors of all types can access late-stage venture capital and growth-orientated assets,which is an asset class that has historically been reserved for institutional grade investors, pensions, endowments, single, multiple family offices, high net worth.

I come from the institutional world, so I've been managing private equity funds through private GP/LP fund structures for over 15 years, having raised and deployed over a billion globally. I joined SharesPost last year, which has an interval fund that was launched about seven years ago, so they were pretty early on in finding this fund structure as an innovative and disruptive way to democratize access. What was interesting to me was that most of the access that has been made available historically has just not been able to touch the Main Street investor, which the SharesPost 100 Fund solves for.

We have a market where over 50% of the public companies have essentially gone away over the last 10-15 years, while the number of private companies continues to soar. The private market has attracted six trillion over the last decade, of which over a trillion has gone into the venture market. There's a ton of growth that's happening before these companies become made available to the average retail investor through the public markets. A lot of these companies, in fact the majority of them, get acquired before they ever become public. And so what this Fund does is it provides access to investors to get exposure to these very high profile, next generation technology oriented companies, covering anything from a SpaceX, to education technology, business continuity, cloud infrastructure, and digital health. So very growth-oriented sectors, and you can imagine these are areas have fared well as tech has fared well through this pandemic. These are very strong sectors of the economy.

And so that's the strategy, to get access to these companies before they get acquired, before they go public, and before a lot of the growth has been sucked out of them. There's another important dynamic where over the last 20 years the average venture backed company went from being able to IPO in four years back in 1999, to taking 13 plus years as of last year. The evolution of the life cycle of these companies along the way allows them to become much larger businesses by the time they do go public.

But along that way there's a lot of friction created in the ownership of theses companies and in the ownership of the funds that invest in these companies, and so our fund tries to essentially take advantage of dislocations and that friction to buy into these assets when there are sellers who either have a desire or perhaps need to sell for distressed purposes, which we are obviously a lot of right now. Other sellers may simply have invested many years ago and are looking to crystalize returns and redeploy that capital elsewhere. It's a very large market, growing market. And similar to what Gregg said, there's a lot of advantages to investing through these interval funds, and I'm sure we'll get to some of those as we progress through this panel.

James Thompson: Thank you for teeing that up a little bit, because it's certainly very exciting to see how interval funds are able to access these asset classes for all investors not just for credited investors, so we definitely look forward to talking about that. Jeremy, welcome and good afternoon, please talk to us about your interval fund strategies at Tortoise please.

Jeremy Goff: Absolutely, great to be here. Can you guys here me okay, loud and clear there? Great. It's actually very similar to the last two stories you heard. At Tortoise I'm the chief development officer there and really the genesis of how we ended up with the interval fund is we were looking to diversify the business and take advantage of the impact DSG sustainability movement that was going on in the market, and we did that starting in 2016. Part of it, was really looking at some markets that had been affected by the global financial crisis and the tightening of bank standards, and some dislocation in those markets.

A couple of those that we found were really, the big ones that we focus on are primarily education, so charters are obviously a big part of that, specialty schools for children on the spectrum and things of that nature, and private schools focused on more challenged demographics. We focus on health care. I would say a lot of what we do in health care is around the independent assisted living and memory care area, no nursing homes to speak of. Really around project finance, which is waste-to-value, waste-to-energy sort of projects. So we combine those into one strategy that we call social infrastructure, and we started that strategy with private funds for qualified purchasers just given the liquid nature of what they were.

In given that, I really felt like the income stream that was kicking off the assets was really suitable for folks that were not within the qualified purchase limit but really anyone to a certain degree. The illiquidity premium that was associated with the assets made itself a good candidate for an interval fund type structure. I think that obviously there's always a price to that liquidity when it comes to the assets, but that's kind of where we started about two years ago. It was about March of 2018 when we launched the interval fund TSIFX, and ultimately it's been a good vehicle for those assets and I think investors have been happy with the performance.

It allowed us to prove out, hopefully you guys would agree and I think we'll touch on this later, but the last six months has kind of proven out the benefits have having an interval fund with regard to investor's safety, and also the ability to prove out correlation benefits of the assets within that fund. We've been happy with it, I think we probably experienced the same challenges everybody else does within the interval fund because it's not a perfect science. I don't know that there's one out there and the 40 Act is never the easiest thing to navigate, but it's been a good one for us.

James Thompson: Excellent, thank you for that. Following up to your strategy there, I understand that it's taxed advantaged. Can you talk to me about how you guys are able to implement that and the benefit that it provides to investors?

Jeremy Goff: Yeah, absolutely. So really the nature of the assets that we invest in, whether it's charter schools or affordable senior living and some of the finance projects, just really under the IRS code qualify for tax exemption under the IRS. And so as long as we have more than 50% of the portfolio in those assets then the pass-through exists for our investors. Generally speaking, we're able to keep our income about 80-90% federally tax exempt for investors. And then in specific states, we try load up on California for those folks, if you have a state where we have a project and you receive those benefits, then you can also qualify for the state tax exemption in some cases.

James Thompson: Excellent, thank you for that. I'm going to open up the panel, and Christian, I'm going to start off with you here. We'd love to hear you talk about the advantages to investors participating in the interval fund versus the traditional private equity fund structure.

Christian Munafo: Sure, yeah. For our strategy it's very easy because unless you're qualified and accredited, you can't access this asset class. So that's a built-in significant advantage. We offer this fund to both accredited and non-accredited investors which is very unique, so you can access this strategy in these underlying portfolio companies with as little as a $2,500 commitment which opens the universe quite significantly to people that can touch this product.

The administration of accessing these products is also significantly more seamless than private equity fund type structures. There's no subscription documents, it's very easy. We have a tickers for different share classes as well, such as PRIVX. You can use established platforms like Fidelity, Schwab, T. Rowe Pershing to purchase shares in the fund. A lot of our RIAs and advisors who use it for their clients with no additional paperwork required, so when they make allocations across their models, it's very easy and seamless to use. From a tax standpoint, also there's no K1's. As someone who's been in private equity for a long time, my accountants get very wealthy on the fees I pay to have them do my taxes every year. And so it's just easy from a tax reporting standpoint, 1099.

The quarterly liquidity is a very interesting feature for investors, although I'm very transparent as I'm sure Gregg and Jeremy are as well, that we don't encourage people to allocate capital to these types of funds with the intent to use it as a way to get-in and get-out. For the underlying assets that we invest into, we typically have a view that any underlying company into needs two to four years to harvest, and during that harvest period we expect there to be value appreciation as you might expect. And so investors that try to come-in and come-outto time the market in any asset class quite frankly, tend not to do very well. The same would apply here. All that would do is create additional strain on the portfolio manager. And so we like having the liquidity feature and think it's a very good feature for clients, but we want to make sure they understand this is a longer-term strategy.

Lastly, I would just say that the ability to invest essentially anytime, not having certain windows within a month or a quarter or within the investment life of a private fund, the flexibility to come in any day is also a very nice feature. I probably left a few benefits out but I'm sure the other guys can fill in. But for us, those are some of the key benefits.

James Thompson: Excellent, thank you for that. Jeremy, I'd like to hear your thought too about the advantages to investors participating in this structure

Jeremy Goff: Yeah, absolutely. I think just getting access to something that-- I think for non-accredited and qualified purchasers, there's just really no other way to truly get access to an alternative asset class like what we're talking about without the interval fund structure. I think there's a lot of things out there that claim to be liquid alternatives and whatever, but you're truly not getting that liquidity premium out of them like you are here.

In a traditional private equity fund you can't trim your position and balance your book. Whereas an interval fund, the whole purpose of that liquidity component or redemption function is to trim your book and balance your book but stay in there for the long term. I think the point that was being made earlier is that for us when we're looking at an investor, it's a partnership still whether or not it's called a limited partnership. And I think it's an interview process for us as well as them. Meaning that if you're plan is not to stay in there long-term, then we're probably not right for you. On the other hand, if it is, and you stay in, you will benefit quite a bit from the assets that are in the fund. I think that's a good thing and I do think that ultimately in crisis type situations, people tend to overthink liquidity and feel like they need more than they probably do, and so we try to be very transparent about what's going on in the fund and what we can do for them.

We run a number of private funds with the same assets within them. I would say the great thing about the interval fund is in some cases I think that even on the institutional, and family office, and the ENF crowd, that the ability to not have to manage to a term, especially with debt securities, is great because in a private fund you end up with this adverse selection toward the end of the fund. Whether you like it or not, the weaker performers are left in there. In the interval fund you don't have to worry about that extension, and as the fund grows it tends to minimize the impact of those securities. That's a couple different reasons why I think we like it, and investors like it too.

James Thompson: Agreed, thanks for that. Gregg, same question to you.

Gregg Bell: I think that there are several operational advantages that interval funds have for investors. The ability to buy-in at NAV on any particular day without having to worry to about a premium or discount at a particular point in time, certainly I view that as an advantage.

When you look at times of crisis as the other panelists mentioned, I think there's certain structures and certain strategies that stand out. Certainly when you're talking about exposure to credit markets, alternative credit markets, many other vehicles, whether it's an LP structure, or BDCs, REITs, you saw in many cases a level of risk that may not have been fully understood by the investors that were participating in it, and the effects of leverage and liquidity at certain points in time. And so I think that the ability to have the structure is not just a protection for investors, but also a benefit to asset managers because they are not worried or constrained in the same way with having to meet capital calls or redemptions at inopportune times.

It provides for a longer-term perspective and investment strategy, which is ideal for credit markets that typically even though we manage a very short duration portfolio. It's not day-by-day, which is I think the way that the market these days has come to expect liquidity, and it could also be to the detriment of investors. From that perspective we also manage no leverage, so there is the ability to have leverage within a variety of interval funds, we choose not to use it. Leverage was magic in REITs that we saw, a 3% mortgage that turned into a double-digit yielding type of investment. We try to focus on the coupon driven return by investing in the higher coupon or higher yielding investments from the onset, and that provides more stability in the cashflow and can be a real benefit for investors.

James Thompson: Thank you for that. Each of you, you touched upon just a little bit in your answers and I appreciate it, but I'd like to elaborate a little bit more and pick your brains in terms of the advantages to managing a fund like this as this is the Active Investment Company Alliance. So Christian, I'll start with you on that. Talk to me a little bit about the benefits to managing an interval fund versus traditional private equity, venture capital and the like?

Christian Munafo: The ability to bring in capital everyday is nice. Not having to worry about a defined capital-raising period, which is the world that I come from. It sounds like Jeremy, some of your funds still operate under that type of structure where you have 12-18 months, whatever it is to raise your money, and then until the 70% threshold or so is hit, you're confined from being able to bring in additional capital. There's always ways to do it through co-invest funds, things like that, but the ability to be constantly in touch with the market, constantly trying to bring on more accounts, constantly trying to grow your AUM to execute your strategy is a very nice advantage to have.

It doesn't come without challenges, there are challenges to managing these types of funds. But I think the ability to raise AUM constantly is a very nice advantage and it is semi-permanent capital at the least. I think Jeremy was also referring to this. The way that the private fund world typically works for those less familiar, you typically have a defined fund life, and depending on the asset class, let's just say on average that fund life may be 10 years.Some companies may not have been liquidated at that 10-year mark. Some of the reasons may be because they're not very good and should just go away. In some situations, in our business some of these companies just take a long time to evolve and to scale. And sometimes they pivot on their strategies, they figure out a better mousetrap along the way. And so these funds, as they exceed their natural life, there are extension periods that can be memorialised. But it starts to create more pressure on the manager of that fund to try to increasingly find ways to liquidate those assets.

The advantage of these interval fund structures is it's fairly open. We have the ability without that pressure to try to optimize the ultimate terminal outcomes for each of these investments, and also while continuing to invest along the way. Investors are going to get constant access to a portfolio that continues to build. Those are some of the advantages, James, I would cite that we enjoy managing the interval fund structure.

James Thompson: Excellent. Thank you, I appreciate that. Jeremy, same to you. Curious to hear your benefits managing the interval fund structure versus the more traditional one.

Jeremy Goff: A lot of it's the same as what Christian just said. Some of the other I would mention is-- and Gregg you might be feeling this too, I think early on as opposed to a completely open-end mutual fund, it forces you to get really close to your clients and your investors because you really want to manage those inflows with investments, and I think you ought to be in close contact with folks that are putting money in and I'm not saying gate inflows but you really want to manage it. Because the early days of an interval fund, although it's a hugely beneficial structure, can be a little rocky if you're not really managing flows. It forced us to really be close to the advisors and investors that we had on that fund. That's kind of a soft benefit but I think you build long-term partnerships and it plays out pretty well for a strategy.

Then ultimately I think the ability to, as Christian mentioned, maybe they're not problem assets but the ability to lengthen the tenor of an investment without someone feeling like it's automatically bad just because you did that. At the end of the day, with some of the assets that we're investing in you're still clipping a very healthy coupon even if it goes on for 10 years. At the end of the day, I'm okay with having that in the portfolio and I think most investors are, but ultimately a lot of times you're forced into a term with some of those private equity type funds. Those are some of the items I would say.

James Thompson: Great. Gregg, anything to add to this?

Gregg Bell: I would certainly echo what Jeremy and Christian have already mentioned. In addition to that, my background was more on the hedge fund/LP side. In that structure it was very much a month-to-month or quarter-to-quarter type of framework, certainly on the valuation side. I think the interval fund being a daily NAV product provides a lot greater granularity and familiarity with the assets on a very regular basis, on a daily basis. That I think has a lot of benefits where you can see less volatility in some regards to what I've experienced in the LP structure where it's really unknown until that quarter cut off date, the true performance of the portfolio or that month-end date where you have everything re-struck and investor letter. So the feedback loop simply due to the daily NAV to investors, I believe is a comfort and an advantage.

James Thompson: Thanks for sharing that. Gregg, I'll follow that up with you and then we'll go to the rest of the panel. One of the important characteristics of an interval fund is that liquidity sleeve that allows investors to potentially redeem if they deem necessary, although we don't encourage that as often. I would love to understand your thoughts on that liquidity profile and how you view it.

Gregg Bell: The interval fund of course is a structure as quarterly redemptive tender offers from 5-25% of the portfolio. I think that provides a means to reposition if necessary. But from a strategy perspective certainly within the credit product market which we focus on, the income stream that the portfolio is generating to support that double-digit target quarterly dividend, it is spinning and providing cashflow to meet any redemptions. And so we try to manage the cash portfolio by staying heavily invested but also having that cashflow and the forward guidance in terms of the redemptive process of the interval fund so that we know how to best manage our capital and aren't caught off-guard by short-term decisions to meet one investor's needs which can be at their detriment to others.

So there's a component of that, but also as the interval fund, it's a powerful mechanism for a combination of private investments and public investments which can have a different liquidity profile themselves. We have a sizable portion in markets that we would believe we can regularly liquidate the assets within a 24-hour period. So in the event that there is the need on a short-term basis, we have that ability. Many other managers have looked at lines of credit and other mechanisms that have that cash available to meet the redemptive offers if there is any issues with the portfolio itself. But it's a combination of looking at the liquidity dynamics of and the duration of the underlying portfolio and having that be complimentary to the investment product itself. That's why I think it's a win-win for both investors and managers.

James Thompson: Jeremy, same question to you regarding liquidity profile.

Jeremy Goff: We do a mix of different things. Like I said earlier, we want investors to be clear that this is a long-term investment and that we aren't going to allow someone else's exit to harm somebody else's long-term view on the investment. I think ultimately we try to maintain a relatively conservative liquidity profile while maximizing what we think we can do with the liquid portion of the portfolio. Because the liquid portion of our portfolio is exactly what it is, it is a illiquid. It is marked daily, but I would say a bid-ask spread on those assets, you could drive a semi-truck probably through that.

I think at the end of the day we use a combination of a line of credit, we use VRDN's as a capital preservation tool to manage the liquid portion of that portfolio, and then forecasting roll-outs of the portfolio. So ultimately that allows us to keep one quarter roll forward on the liquidity sleeve between that 5 and 25% depending on what we think we're going to need. Obviously, as you sort of experienced those redemption periods and windows and as long as you're staying in contact with folks, it's not a perfect science. But you can get pretty close to figuring out what you're going to need for that quarter and try to trim and tailor that liquidity sleeve to maximize the overall return, because there is a cost to keeping that there.

James Thompson: Christian, anything to add here?

Christian Munafo: Sure. I think it was well addressed by the other panelists. We don't have a portfolio that throws off normal income, so at any given time, we have companies that are getting acquired or they go public and so we'll use part of that capital to re-invest into new ideas. We'll also use part of that capital combined with daily inflows to put a reserve in place in advance of upcoming redemption periods. We have not yet gone down the path of a credit facility, we will at some point so we can put more of our clients capital to work to generate yield. Particularly if the terms of the facility are attractive, as we've heard earlier. I think Gregg mentioned it, the rates are incredibly attractive this day in age, and the more that our fund has matured over the last six, seven years, we think the better positioned it will be to get better terms.

I would also just say that the gates that are set by these redemptions, so for instance our fund has a 5% quarterly redemption limit, that limit was quite beneficial to the investors. I think that this is something that Jeremy may have been referring to earlier, in some situations it's nice to protect your clients from themselves. When events like COVID hit the market and things completely just go sideways with massive increases in volatility, there's just a visceral reaction unfortunately by many investors to just press the sell button. I think in many situations you look months, quarters, years later, a lot of those investors may regret that. They may have had good reason for doing it and it may be defensible, but from a portfolio construction standpoint, from an investment standpoint those tend to be the best times to be actually investing into strategies like these that can actually take advantage of, what are often very irrational market dislocations.

I'm sure we'll touch on that and some of what we're seeing in this COVID environment, but I think that while it's great to have that redemption, and while it's also something that we have to manage as PM's, it also helps protect the clients in some situations from themselves, by them just not entirely being able to get out of a position.

James Thompson: Thank you for sharing that, and I agree. I do have a question here that I'm going to let the person know who submitted it, I'm going to be addressing those at the end of the session here. Those of you also that have questions, please submit them via the chat so we can address those at the end. But I'd like to follow up to what you were just talking about, Christian, regarding the COVID-19 issue, and then follow up with the three of you about ultimately, how did that affect your term? Talk about some of the challenges as well as maybe some of the opportunities that it presented.

Christian Munafo: I'm happy to kick it off. Yeah, so look, some of us has been through multiple cycles before. Not to draw a parallel with the GFC, because this is certainly different, but there are similar traits and characteristics when you see massive volatility swings. It's times like this that you say, "On one hand, these are the opportunities I live for as an investor to wake up in the morning, and on the other hand this is what prevents me sleeping at night, with regards to what I already own and invested into." And so there's a lot of portfolio review to figure out, okay, let's look at our 50 plus positions, which ones of these do we think are vulnerable? Let's contact the other investors in these companies, the companies themselves to try to identify what they think the strategy is going to be here.

In some situations, they're running around like their heads were chopped off, so it's hard to get a hold of some of these people until things settle down a little bit. Let's look at the portfolio, let's figure out where we may have some issues. Let's make sure that if there are additional capital needs, we're going to be able to know about them and take advantage of them. And conversely, what are the companies we have and the verticals we have that we think are actually well-positioned to potentially thrive in an environment like this? And let's proactively try to see if we can take advantage of what we started to see, which was a massive inflow of opportunities.

We can look very smart buying a dollar for fifty cents in markets like this when things just massively oversell. And so we were aggressive at trying to buy high conviction ideas, so companies we already own, doubling down. Companies that we historically have been tracking but we couldn't get there on price. Guess what, price went in our favor so we were able to get into them. From the valuation standpoint it was challenging, because the companies that we manage, these aren't companies that report everyday. My private equity fund colleagues, which is the market as you know I came from, had the luxury of not having to mark their books everyday, they mark them every quarter. And so a lot of that noise that happens inside of a quarter, a lot of those funds are insulated from, we're not.

We have to go above and beyond to try and triangulate what we're seeing going on in real time data, in both dynamic and static data to make applications to the portfolio that we manage. So it was quite a time. We're very fortunate that technology, which is what we invest in, has done extremely well. We have not been immune, so we had some companies in certain verticals that were less favorable. But overall, the technology verticals that we have exposure to have done very well. Not to conflate the loss of life and all of this craziness with investment returns, but it's kind of why we're here, we've been able to take advantage of some of these trends.

But I think the easiest way to say it is try not to throw good money after bad, try to identify your vulnerabilities, and cash management. And so we've been very active. I think my only regret is that we didn't have more money to invest, which is often the case in these cycles. Trying to convince your clients why this is the exact time they should be doubling down are not the easiest conversations to have even with historical data to show them, but some did make good calls.

James Thompson: Jeremy, same question to you.

Jeremy Goff: I wanted to go back, if you don't mind James, just one second to what we were talking a minute ago on the redemption process. I think folks would be interested to hear on the call that although some of compete in different arenas, I think that everybody's in the business of trying to figure out the right mousetrap for the interval fund. And by that I mean, that although there is no magic in figuring out redemptions and liquidity, I do think that we all talk to the extent that we can perfect the vehicle within the regulatory framework of a 40 Act, I think it benefits everybody. I think we're all in that business, so I just wanted to throw that out there.

With regard to your question around COVID, for us, one, it was a proving ground like I mentioned earlier. We started this strategy because I really felt like through economic cycles that what the sectors we are investing in were going to be relatively resilient from an impact perspective and a correlations perspective, and that did prove to be true. Ultimately, we experienced less than a third of the volatility that the rest of the muni market saw, which is kind of a proxy for what we look at in some cases. But I think that we saw a lot of opportunities similar to Christian.

Unfortunately flows were great right before and then they just trickled to a stop there for a second. You have all these great opportunities to go out there and uncover, and unfortunately I wish we'd had more money to do that. I think we found some great opportunities, but those have since gone away to an extent. I think we saw the strategy was proved out, investors were happy with the volatility, and I think they were happy that there wasn't daily redemptions frankly. If you look at some of the mutual funds out there that were forced to sell into the market, it was a bad day and I don't know if they'll ever recover all that. At the end of the day, I think there was a lot of great opportunities. I think it proved out the structure, the strategies. I honestly feel, to Christian's point, aside from all the terrible things that have happened to communities, I think that it was relatively good to see some of this proven out in the financial markets.

James Thompson: Gregg, we'd love to hear your thoughts as well.

Gregg Bell: The volatility, I think is something that in many cases creates a lot of opportunity. I certainly am excited today about the opportunities that currently exist and continues to present itself as we get through this economic crisis. From a credit perspective, Jeremy would echo this, there's a longer timeline in many cases from an event through to a resolution. Whether it is a downgrade or a bankruptcy proceeding of a foreclosure, forbearance, recovery, it's quite a long cycle and that creates opportunities throughout the cycle, not just at the first occurrence of an event.

In many ways, I think the credit markets, what we saw in March was more a liquidity event in recognition of a change in potential outlook. But the plumbing of credit markets really is cashflow, and so when you have disruptions of cashflow on a consumer basis, if that's a job loss, or from a corporation, a change in revenues, that can take time to ultimately flow through to investors. What we've seen through our portfolio, carefully researching the investments that we believe have greater upside than downside, there continues to be great opportunities because of many of the stimulus programs and the delay of that cashflow process.

As stimulus checks run out, as companies find that they need to reassess their business models, there's just a tremendous amount of opportunity and we've really been looking and focusing on those particular sectors that we believe we have really high conviction of future cashflow. And focusing on the things that within the structure products base that we love to see, collateral forms, credit enhancements, guarantees, insurance. These types of protective characteristics really provide a downside protection, a probability weighted downside protection that can be really attractive for investors. So I'm really excited about where we are today, because from an investor standpoint there's still great opportunity and we were able to pass that initial volatility without finding the real disruption. So I think there's more good things to come for this sector and opportunities to be found.

James Thompson: Yeah, absolutely. I'd like to follow that up with you Gregg, and then give everybody else the opportunity to talk about the types of investments you have been attracted to your funds so far and where can they access them. And then we can dive into a little Q&A afterwards.

Gregg Bell: We're an income fund, so I think the investors that are really focused are those that have maybe flipped from the total return mind perspective of the what Bill Gross coined that is the low inflation, the low return profile from an income perspective. To now saying, "Wow that income can really be a real value added in today's environment." So from that perspective, it's retirement accounts, 401(k)s, high net worth individuals as well. It's those that are looking for an income stream as well as potential for capital appreciation.

From that perspective the interval fund is just a great vehicle for being able to allocate through RIAs and being able to really manage portfolios of many, many clients efficiently without the lengthy subscription process and accreditations that are required for gaining exposure to these types of strategies through hedge funds. So it's a mix, but it's very accessible.

We are a young fund, so we're still gaining access on some of the platforms. Currently we're on Pershing, TD Ameritrade, SEI, and several other small ones. Working our ways through Fidelity and Schwab to the extent that any clients utilise those two services. you can reach out to us directly and we can work with you to make an investment that works.

James Thompson: Thank you for that. Christian, same question for you.

Christian Munafo: Yeah, I don't have a whole lot to add. I think we're really excited about the transparency that the market is giving back to us, and the advisors, and the RIA's about the demand for alternative products. A lot of the groups we're talking to are increasingly looking to expand their allocations to alternative investment asset classes. Our strategy, clearly given what we do, has a home for that. Some groups even think of us as an allocation to a small cap growth strategy. When people hear the word venture, they have a visceral reaction to often envision two guys in a garage trying to create a semi-conductor chip. They're not entirely wrong by that, butwe're not investing into that.

The majority of the companies that we buy into are generating hundreds of millions, if not billions in revenue, they're very real businesses. And so within the construction of an individual client's portfolio, we're increasingly seeing that there's room for groups that are looking for access to this asset class. We've been around for six, seven years, so we do have access to most of the platforms. Ones that Gregg mentioned, as well as I said earlier, Fidelity, Schwab, TD, Pershing, we're on a lot of the large RIA platforms. And if groups have any issues they can obviously contact us directly, we'd be happy to help them.

James Thompson: Jeremy, anything to add to that?

Jeremy Goff: Not a ton, I think it was well covered. I would say that given as we talked about earlier, I think highly taxed sensitive investors love what we're doing just because of that tax exempt. I think we've shown that even the taxable side of the income component is attractive, so we've seen some insurance companies and things like that come in. The one thing I would say is the RIA community, at least some of the folks I've talked to have embraced this structure. I think if you're an advisor out there and you're interested in getting into something within an interval fund, I would say there's some advisors out there who understand the structure better than I do and they've been using it for a long time. I would say use your community to talk to those people because some of them use it very effectively.

James Thompson: Thank you for that. That actually segues very well to a question that populated during the session, and that's the structure sounds great but are financial advisors convinced? Christian, I'll start with you on that.

Christian Munafo: There's always convincing to be done, so our job isn't easy everyday. But yeah, I think we've had a lot of buy-in. I think for us the challenge has not been around the structure as much as it's been, where do I put this inside of my client's construction? I think the interval fund structure has been widely adopted over the last several years. I was talking during this pandemic to groups that manage very large multi-billion dollar funds that are thinking about just completely trying to transition into interval funds due to a number of reasons that we talked about today. So I think we spend less time convincing financial advisors to understand and adopt the interval structure. It gets more into the nuances of the investment strategy and where this would fit with inside of their underlying portfolios. That's been our experience.

James Thompson: Jeremy, I'd love to hear your thoughts as well.

Jeremy Goff: I think Christian nailed that one on the head. It's a wrapper, right? At the end of the day it's a wrapper. You need to look at the underlying assets. It was developed for a reason because it's the most efficient way to put certain individuals into illiquid investments and to provide certain levels of liquidity. You need to understand what you're investing in on the underlying, and at the end of the day if you understand that the interval fund will make sense. That's how I view it, but I think Christian nailed it.

James Thompson: Thank you for that. Gregg anything you'd like to add?

Gregg Bell: I think the only to add is that there's traction in this space. You're seeing large investment managers, Goldman Sachs, KKR, a number of managers that really have focused on PE or hedge fund structures finding this attractive. It's one of these rising tide, floats all boats type of stories where you're looking to see more and more of these strategies coming to market. More education, more familiarity, and ease of use will increase over time I believe.

James Thompson: Great, thank you. Well that kind of does it here for our scheduled time to discuss. I'll leave it open to any Q&A if anybody has anything they'd like to submit via the chat. Give it a couple moments here and see if any populate. I want to say thank you very much, gentlemen. I really appreciate your time and diving really deep into not only the structure but how you guys are managing your funds. It's a pretty exciting time in my opinion for the interval fund structure and the space itself, so here's to hopefully tremendous growth moving forward to all of you.

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