Panelists discuss alternative fixed income opportunities during the 2021 AICA Interval Fund Boot Camp & Manager Spotlight.

Wednesday, March 31, 2021

Clayton Triick from Angel Oak Capital, Gary Henson from Tortoise/Ecofin, and Christian Aymond from from A3 Financial Investments were panelists at the AICA Interval Fund Boot Camp & Manager Spotlight held on March 31, 2021. The moderator of the panel was Benjamin McCulloch of XA Investments. Read the transcript from the discussion below to hear the insight from the panelists.

Benjamin McCulloch	Clayton Triick	Gary Henson	Christian Aymond

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[Interval Fund Boot Camp & Manager Spotlight - AICA (aicalliance.org)]

John Cole Scott: All right, if I could have the panelists for this session jump on. Our moderator's having a couple issues, we want to keep things rolling. So good, there's Clayton and Gary, and hopefully Christian will be aboard shortly. Oh, good. I'm going to turn off my camera, go for it.

Benjamin McCulloch: Yeah, hopefully I can still present. Gary, Clayton, thanks for joining.

Clayton Triick: Anytime.

Benjamin McCulloch: Just waiting on Christian, but before he gets on with us I'll give a quick background on this panel and our discussion, and then I'll introduce our panelists. We're going to be talking about alternative credit income in the context of interval funds and tender offer funds today. So initially the panelists we have with us, Gary Henson, Clayton Triick, and hopefully Christian Aymond can get on here with us shortly.

I'll introduce Gary very quickly. Gary's president of Tortoise/Ecofin. He's on the executive committee there and was formally the chief investment officer of Mariner Holdings and its affiliates, and also the CIO for a family office previously. He has more of 30 years of institutional management experience and serves on various boards in the asset management space.

And Clayton, along with Gary, being a chartered CFA, is senior portfolio manager at Angel Oak Capital. Clayton serves as the portfolio manager for various of Angel Oak's funds including the Ultra Short Income Fund, the Multi-Strategy Income Fund, the Strategic Credit Fund, and the Multi-Strategy Income UCITS Funds. Clayton focuses on non-agency and agency residential mortgage-backed securities markets, and on cross-asset fund allocation and interest rate risk management. Clayton was previously an investment committee member and portfolio manager at Yieldquest Advisors.

And our final panelist who will hopefully be joining us here shortly, Christian Aymond is a principal at A3 Financial Investments. He has over 30 years of sales and marketing experience in the securities industry. Prior to co-founding A3, he was a director at SBIM an alternative credit hedge fund. He also developed alternative strategy products in the 40 Act space and was the co-founder and principal of Absolute Investment Advisors. He's held various marketing and sales management positions, including at Putnam Investments and Federated Investors.

Very quickly, my background. I'm the general counsel and a managing director at XA Investments. I serve as primary legal counsel and provide product management including regulatory and leverage oversight. XA Investments manages the XAI Octagon Floating Rate and Alternative Income Term Trust along with our sub-adviser Octagon Credit Investors. We also provide consulting services to fund sponsors and asset management firms in the registered fund space. I was previously fund counsel at Faegre Drinker Biddle & Reath LLP. And prior to that was in-house counsel at First Trust Portfolios.

So very quickly, well not quickly I guess, Clayton and Gary, I'd like for both of you to just give us a brief description of your firms. I think we all know generally what your firms do, but maybe talk a little bit more about your firms in the context of interval funds and how you approach that space. I'll start with you, Clayton.

Clayton Triick: Thanks Ben, good to be here. Thanks for everyone taking the time at this great conference virtually. So like Ben mentioned, I'm a portfolio manager on the team. Angel Oak's been around for just over a decade, really was born out of the distressed markets of 2008. We specialize in structured credit markets. We're effectively bringing structured credit strategies, one, to the retail investor, which we really capitalized on in growing our public 40 Act funds. And then we've also really built out and are building out the new issue mortgage credit universe.

And so we're a pioneer in new issue non-agency residential mortgages. And so we manage about $20 billion in assets in private and public strategies. And recently in the last few years we launched an interval fund as we found a lot of opportunity really stuck out. Which we'll touch on during this panel of really why we launched an interval fund and why it makes sense to actually look at it today within today's structured credit bond market.

Benjamin McCulloch: Gary, why don't you give us a quick background on Tortoise/Ecofin, and then I'll catch Chris up very quickly after that.

Gary Henson: Yeah, happy to. Thanks Ben. So it's Gary Henson, I'm president of Tortoise/Ecofin. My role at the firm is generally new product development. Ecofin itself is a $1.8 billion asset manager focused on all things sustainable. Private and public credit, listed equity and listed debt. On the private credit side we launched three years ago an interval fund, ticker TSIFX, it's focused on directly originated tax-exempt debt. It's rather unique in the interval fund space and the interval fund wrapper fits it very well. That fund has been in existence now for three years. It had its three year anniversary last Friday, so I'm happy to be here at the conference and it's the first time I've put on a sportscoat in over a year.

Benjamin McCulloch: You're making us all look bad. So Chris, I gave a quick introduction of your background along with the other panelists. I just asked if we could hear a little bit about each of your firms and what you're doing in the context of interval funds and as far as asset management.

Christian Aymond: Sure, to give you a little background on A3 Financial, there's six founding partners and we together have 150 years combined investment experience. We all bring a unique skillset to the firm and many of us have actually built other asset management firms in the past. But really the whole idea behind A3 Financial Investments and that it was really born out of a problem that we felt investors are facing in today's marketplace, and that is where to find income in a near-zero interest rate environment. And many investors have a portion of the portfolio in fixed-income, but because rates are so low it's really not generating much income in the portfolio, and I find that most people are using it as a volatility dampener in a client's portfolio in case equities trade off.

But we launched our A3 Alternative Income Fund October 1st of 2019, so we're coming up on our 18th month track record there. And what we try to do is provide investors easy access as a way to get exposure to alternative credit. You can't get alternative credit in an ETF, you can't get it in an open-end mutual fund. Typically to be able to get it you'd have to go to an LP or some hedge fund type structure, and we're offering it in an interval fund which we're going to talk more about in today's presentation. But really what we focus on is unique credit that's often overlooked. And we can invest in alternative credits such as reverse mortgages, life settlements, royalty streams, CLOs, red cap, litigation financing, private debt, the list can go on. We don't invest in distressed assets but rather we invest in public and private debt that's backed by collateral providing quality income.

Benjamin McCulloch: Thanks Chris. So each of your firms has at least one interval fund in your product mix, along with other products. I thought it might be helpful for the audience if you

would tell us how you decided to launch an interval fund and the process that your firm took to get there. And then I'll follow that up, if you have any special considerations we need to think about future fund sponsors, or even investors and what they need to look at in interval funds. Clayton, you look like you're ready and I'll start with you.

Clayton Triick: Yeah, thanks Ben. So our interval fund strategy was really born out of managing some 40 Act funds within the structured credit space over the last 10 years. Our flagship mutual fund in the open-end space actually hits its 10-year anniversary this June. That strategy as a whole here at Angel Oak is approximately reaching about $10 billion in assets. While our team is managing that fund, we really saw significant opportunities in areas that were a little less liquid. As you all know, coming out of 2008 and Dodd–Frank, the liquidity in the bond market has become much more challenged, especially in areas like structured credit, due to the increased regulation for banks. Wall Street is not the same liquidity provider within interesting opportunities in structured credit. Most traditional fixed-income has moved into more ETFs in the investment grade and in core income space.

In our markets we've been able to manage a fund that has the right amount of liquidity for daily liquid funds in the Multi-Strategy Income Fund, but there are a lot of opportunities that we do allocate on the margin that we really think actually stick out for an investor and actually are really appropriate for an interval fund. So the combination of really extracting an illiquidity premium or a less liquid premium in opportunistic structured credit, but doing it still in bonds and in CUSIP. Not something like real estate that really needs to be in a actual private locked up vehicle, but something that has more like quarterly liquidity, we felt the interval fund structure really sticks out.

And so we think that's kind of the way of the future for opportunistic fixed-income, sits in between where ETFs and lower income strategies fit. On the other end you have private funds that are locked up. In the middle looking for opportunistic fixed-income in bond space we think fits incredibly well with the interval fund wrapper and allows that strategy to really stick out. Just from a comparison on yield, if you think about our lower duration high-income fund, it's a yield in the ones. Our flagship fund is a yield in the fours. Whereas our interval, which can now allocate a lot of assets to bonds that just have a little less liquidity, are yields in the 8-9% range. So it's a way to get very attractive income and take advantage of really just a modest illiquidity premium in the market without going in the real estate private fund side. And that's why we launched the fund a few years ago, and really think that's the way of the future for opportunistic structured credit.

Benjamin McCulloch: Thank you, Clayton. Gary, what was the process at Tortoise/Ecofin when you were looking at interval funds? Obviously we all know the Tortoise funds on the listed fund side, but the interval fund is sort of a marked diversion from traditionally what your firm has done.

Gary Henson: Yeah, it certainly is. And by the way, can you hear me okay? One of the gentlemen in the chatroom indicated that they're having difficulty hearing us. You can hear me okay?

Benjamin McCulloch: Yeah, crystal clear.

Gary Henson: Good, okay. Basically we were marketing an LP structure where we were directly originating tax-exempt paper with short duration and high yield in the RA channel. The RAs, I think as many well know, want to be able to go vertical in their book. If they're going to do due diligence on someone, they want to be able to have that particular strategy available to the mass affluent, the accredit investor, and the qualified purchaser. So we were pushed by them, we're now on our third capital raise on the LP side, we were pushed by the RAs to build something for them that would be able to again go vertical in their book. So the idea was the hybrid interval fund where we would not have true or total illiquidity but partial illiquidity, and thus be able to be placed in some of their models and to be again marketed more throughout the firm.

Benjamin McCulloch: Thanks Gary. Yeah, that's helpful. Chris, I'll ask you the same question. And I've got a follow-up for each of you but maybe want to hear some of the thought process behind your firm's push into interval funds.

Christian Aymond: Sure, thanks Ben. When we were looking to launch the A3 Alternative Income Fund we looked at a lot of different structures. We looked at a BDC structure, we looked at a hedge fund structure, but both those structures were cumbersome and have drawbacks that precluded advisors from using them. The open-end mutual fund structure would have been great, but you're limited to what percentage of the portfolio you can have in illiquid securities. Then we came upon the interval structure. It was the perfect structure because it looks, smells, breathes, and tastes like an open-end fund in that our fund is continuously offered, it offers full transparency, it has daily pricing, it trades on a ticker symbol, it's got 1099 tax reporting, there's no accreditation, no sub docs, it's easily networked. And the only difference is that it offers limited quarterly liquidity. Currently we're offering 15% liquidity per quarter, and I should point out that it doesn't mean that clients can only get 15% of their investment out per quarter, but rather it offers 15% of the assets of the fund available per quarter. Whereas most interval funds are somewhere between 5 and 25%. So we thought that it was just closer to what advisors are used to using but that it allows you to access more strategies that may have some illiquidity to them.

Benjamin McCulloch: So one of the questions we have from the audience, and I think this relates to exactly where we're at, is when you're looking at nichey or we'll say true alternative credit asset classes, which ones do you think are ideal for interval funds? And I'll include when we say interval funds, tender offer funds as well, which are from the lawyer's perspective for any lawyers out there, they know that tender offer funds are similar structure. They both are along with interval funds and registered closed-end funds, they just offer their liquidity or redemptions typically on a different basis, maybe more of an ad hoc basis subject to the fund's board decision. So with that said, how do you guys approach asset classes? And as you're looking at interval funds and maybe future funds for your firms, what are some of the asset classes that you circle and you look at and say, you know, these are ideal for this fund structure, they work well with it, and we think that this is the best structure for these classes. Gary, I'll let you start there then we'll kind of work our way through with Clayton and Chris.

Gary Henson: I think for us we looked at the landscape of all the interval funds that were out there. You go from reinsurance to real estate to private credit, and you go from various degrees of liquidity. For us it was important to be able to have enough liquidity to meet the quarterly redemptions that Chris just referred to, while simultaneously give the advisor the illiquidity premium that they needed or want, and we tried to balance those two things. So in our portfolio we have an illiquid sleeve and we have a very liquid sleeve. So as long as we could get a portfolio profile that looks similar to that, that's the asset class that we felt was optimal for the interval fund structure.

Secondarily, with all of our sales people, we beat in their head that this is a strategic allocation not a tactical allocation. In my view, if you're going to own Versus or Griffin which does real estate, or you're owning Stoneridge, you need to own that for a long period of time because you're making a long-term bet that that strategic allocation is good for your overall portfolio from a correlation diversification benefit, a return stream benefit, etcetera. So I would argue that if you own Griffin, you need to think about that. Or Versus, you need to think about that as you're an apartment complex owner or you're a Class A office owner. And a Class A office owner can't flip it just because the economics have changed from a macro environment standpoint. So we try and talk to all of our clients in that manner, that it's a strategic allocation. And then we go try and build the optimal portfolio around what that strategic allocation looks like.

Benjamin McCulloch: Thanks Gary. Chris, do you have anything to add to that from your perspective?

Christian Aymond: I'd say the classes that fit within an interval fund structure are those that don't provide daily liquidity. Some asset classes have maybe weekly liquidity. Sometimes it might take 24 hours to liquidate something. Some of them such as what Gary mentioned in the building space and real estate, it's a little bit harder to have liquidity there, but it really lends itself to alternatives. And what I think matters most in the interval structure is, and why we selected it, is ease and use of access. Your clients can access asset classes that have only been available in limited partnerships or hedge fund type structures. And with regards to asset classes, you're providing an asset class to clients and investors that they haven't had access to. And they trade on the ticker, they have daily pricing, and you can allocate them across your client base in their networked accounts. So it's just kind of making it easier for the advisor.

Benjamin McCulloch: Clayton, I'll ask you the same question. But Gary and Chris both kind of allude to I think an important point, right? Typically most interval funds or tender offer funds offer a quarterly liquidity for investors. Is your fund quarterly as well? And did you guys consider any other type of liquidity timing? Did you look at possibly going semi-annual or annual with your liquidity?

Clayton Triick: Thanks Ben. I would actually really echo what both Gary and Chris were mentioning as far as what is attractive in the interval fund structure for us. Our fund offers daily subscriptions and then quarterly redemptions. This matches up incredibly well with the type of opportunities we were mentioning, especially in opportunistic fixed-income. Kind of on your question Ben, relating to what asset classes specifically, I think you can give a good example of

type of assets that fit well in this structure versus one that still needs to be in the hedge fund side. You're looking at newly originated pools of auto loan ABS or consumer loan ABS. Those are really attractive in today's market. Pre-Financial Crisis or even five years ago, the technology really wasn't there to really monitor these types of portfolios and expect to have secondary liquidity. You would have really had to do this in a two and 20 private hedge fund before the Financial Crisis. Today the liquidity for these pools are much more attractive, they've become much more standardized. Not something that we would be comfortable owning significantly in a daily liquid fund, but something that you know you can get a bid in a week or two weeks, kind of like Chris was saying, weekly liquidity in these types of assets. This is something that's really attractive.

And finally, I think 2020 is a great example of how liquidity can really disappear on you very quickly. March of 2020, don't expect that to happen any time soon again. But an interval fund structure really protects shareholders from other shareholders. And so if you can have investors stay the course when bid-ask spreads are the widest, where they're really getting paid to own that risk. Not even to necessarily have to buy assets at that point, but just not sell assets. That really allows shareholders to protect them from other shareholders in the same fund. The interval fund structure works incredibly well for these kind of new areas of ABS, below investment grade CLOs. If you think of an asset class that would still fit in a hedge fund structure, you're thinking about risk retention, pieces of CLOs or ABS or RMBS, where that needs to be in a five-year vehicle. But areas that were in hedge funds that are just really less liquid bonds, those areas are incredibly attractive and can offer double digit type yields in today's environment.

Benjamin McCulloch: That's a fair point, very good. And maybe just a quick follow-up for you as far as your management. When a lot of ETFs and mutual funds were forced sellers last year around this time, how did your fund operate on the interval fund side as far as were you opportunistic, were you able to take advantage of some of those market dislocations?

Clayton Triick: The excellent point about having the interval fund side is you can really just not sell. You can just retain assets that have the widest bid-ask spreads, you can make rotations. But just by staying the course, it's very attractive. And given the daily inflows you can have into the fund, when there is a selloff, effectively an investor can come, a new shareholder can come into the fund and effectively buy that entire portfolio at a very opportunistic price and allocate to all those assets immediately. That's what's so powerful even in the interval fund structure as opposed to some hedge funds where they need to wait for the next time to be added to the portfolio or added to the fund. In the interval side, they can buy that entire portfolio at that attractive price, at the same time being protected from other shareholder risk by other investors not selling at the wrong time.

Benjamin McCulloch: Chris or Gary, do you have anything to add to that?

Christian Aymond: I would say that Clayton, you hit the nail on the head. That's exactly some of the great advantages of an interval fund. Take for example our fund, March of last year, Ben as you were talking about everything selling off, we were actually up 1% in the month of March last year. So by owning alternatives, the advantages of this structure, it can help your client's

return over time. Because as we all know, investors make usually the wrong investment decisions at the wrong time.

Gary Henson: Yeah, the only thing I would add Ben is that forced selling is the bane of existence of open-end mutual funds, and we did not have to have forced selling in March of 2020. Now we had markdowns because we're matrix priced, and that matrix pricing caused a markdown, but nowhere near our competitors. And those marks didn't have to be forced upon us, they didn't have to be realized. So those marks all came back and then we were able to have a positive return from there. So I was pleased with the structure of the interval fund and the way that it worked. The negative is, like I said earlier, some folks that don't think strategically tend to look at it tactically, and then that's caused some of the interval funds in the marketplace to be gated. And I think that's created a little bit of a taint on the interval fund space together.

Benjamin McCulloch: Yeah, I would agree with that. I think from my perspective, a few years ago when a fund was gated it was seen as a major concern. I think the investing community has become a bit more savvy to the structure over the past few years, in recognizing that you're right Gary, it's a strategic investment. So understanding that the structure, and redemption, timing, and frequency, it's paramount to making the investment decision.

Gary Henson: Well Ben, I really like what Clayton said. You protect shareholders from other shareholders. And if you really believe that the assets are good, and you really believe that you have the right covenants in the loans or the right asset class, or whatever it may be, time is on your side to be able to recover from that rather than to be a forced seller into the marketplace.

Benjamin McCulloch: Right. Right. So I'm going to look to a couple of the questions we've had come in. One of them is directed to you Clayton, but Gary and Chris, I'd like to see if you have thoughts as well. In terms of generating alpha, how do you compare your fund offering versus other structures formats? I think probably we could touch on a general mutual fund and then maybe the LPs, but just kind of curious how you'd compare it.

Clayton Triick: Sure. So there's a broad swath of other structured credit funds. What really makes Angel Oak stick out is we have senior portfolio managers and partners across each asset class. So we incorporate higher corporate credit, CLOs, non-agency CMBS, which obviously is very interesting right now with everything that's going on in the office and hotel space. Non-agency mortgages in the public and private face, and asset backed securities, so we really cover all areas of U.S. credit. We use a dynamic model as far as allocating each of these. Like you asked Ben in the last question, were we looking to be opportunistic in March of last year, and absolutely that was a great opportunity to make modest rotations. And the interval fund structure is really attractive because our job is to try to predict the future, which is impossible to do.

But if you can predict shareholder flows like we can do in the interval fund by not selling, that takes a huge variable and an ability to give a lot of confidence to our team to make that rotation and buy an asset that we know is cheap today. We don't necessarily know when that bid-ask spread is going to tighten and when spreads are going to tighten, but we know it gives us confidence to step in and buy those assets. So March of last year, what really stuck out initially was areas of high-yield corporate credit, that was the first area to get hit. Not too surprising

because ETFs are a big portion of the corporate bond market. But then there was follow-through in areas of structured credit that still was attractive in April and May of last year after the initial snapback of corporate credit. So allowing us to really step into corporates early and then follow through with below investment grade and down the capital structure, RMBS really stuck out in the second half of the year.

Benjamin McCulloch: Chris, maybe a question for you as well as far as how you compare generating alpha in the interval fund versus the same process you would so in a mutual or in a limited partnership structure.

Christian Aymond: Yeah, the advantage is that in the niche alternative credit that we really try to focus in, it's not usually utilized by some of the larger players out there. Just because you take for example the reverse mortgage market, it's only about $54 billion in size. That is like an ant on an elephants back at PIMCO, it's just not going to move the needle that much. We can play in that based on our size, and at the same time you can't access reverse mortgages necessarily in an ETF or an open-end mutual fund. They do provide liquidity but it's not necessarily daily liquidity.

And how we took advantage of it was when Covid hit last year, nobody really knew what this was going to impact, and how it was going to impact the markets, and how long it was going into last. There was a lot of uncertainty in the market. So we kind of rejiggered our portfolio and we overweighted in reverse mortgages. It's not necessarily going to be that way going forward, it just happened to be a good investment at the time. And reverse mortgages have a very attractive income, they have an implied AAA rating, they're guaranteed by the full faith and credit of the U.S. government, that being Ginnie Mae. So we decided to get very defensive and take advantage of that.

And the nice thing is that they don't respond to interest rates. So with interest rates going up and a lot of the interest rate volatility we've seen recently, that doesn't have any impact for example on necessarily reverse mortgages. They respond and beat to a different drum, yet investors can't get that unless they're utilizing an LP or hedge fund structure, which again we've talked about isn't as user friendly as an interval fund structure. So that's really how we've been able to take advantage of it and generate alpha in the portfolio.

Benjamin McCulloch: Let's talk about some of those asset classes. One of the questions from the audience is whether you value the assets or the illiquid assets daily. I think we all remember the liquid alts in mutual funds, they had obviously daily NAVs that they were striking. Are your funds a daily NAV fund? And if so, without getting into the arcane of your valuation policies and procedures, how do you strike that NAV on some of those assets that are a little tougher to have a daily value at?

Christian Aymond: Are you guiding that towards me?

Benjamin McCulloch: Sure, Chris. Yes.

Christian Aymond: Okay, I'll start out. Yeah, we use an outside pricing service. So we get prices from the outside pricing service, we use Bloomberg for example on reverse mortgages. We get the pricing service and if we think that the price is out of line, what we'll do is we'll see if there's any market quotes or any trades that day that can help validate that price. And if we need to, we can submit a challenge with regards to the price. But we also look at some of the other prices services, that being market or Reuters. But pretty much now it's Bloomberg is our main pricing service. So it's not us pricing the securities in the portfolio, we're looking at what takes place every day. In our privates we're looking at are people paying on a regular basis? Have there been any changes to those? And if not, we continue to hold the price where it is. It's really not that difficult to price based on the type of securities that we own in our portfolio.

Benjamin McCulloch: Yeah. Gary, do you have any thoughts on that, or maybe anything different that you guys do at Tortoise/Ecofin?

Gary Henson: Well, we're a little different than I think the portfolios that are run by Clayton and Chris, in that we directly originated very illiquid loans. You could drive a truck through the bid offer. So what we do is we take the loan and put a CUSIP on it, and change it into a bond to improve its liquidity, but you could still drive a truck through the bid offer. And you asked a question about how do you look at alpha? I think in more liquid interval funds you can do an attribution analysis that compares it to mutual funds, that compares it to other ETFs to some degree. There's some basis for that attribution analysis.

For the less liquid ones, the way we look at it is we look at it relative to an LP structure. And in our view if our LP is yielding 8% tax-exempt, you should have a directional yield of about 6% tax-exempt in the interval fund because of the liquidity sleeve you have to run to meet the quarterly redemptions. The issue then becomes as you deal with the pricing services, and we use Refinitiv, we don't use Bloomberg but we've looked at Bloomberg. For us it's very much matrix priced. So as the market ebbs and flows, you will have matrix pricing issues, unless you have a credit event which is very idiosyncratic. And if there's a credit event you have to report that to the pricing agency and explain that, and the pricing agency will come back to you with a mark.

Benjamin McCulloch: Thanks Gary, that's helpful. Well, I'm going to move on to another question that we all wanted to discuss, is the use of leverage. Leverage has traditionally been used in listed closed-end funds, it's permitted in interval funds but I'm just curious as to how each of you approach leverage use in your own funds on the interval fund side, and whether you do. Clayton, why don't you handle that one to start, and we'll hear from Gary and Chris second.

Clayton Triick: Sure. So as many of you all probably know, the interval fund structure can utilize leverage to a modest extent. Our fund so far over the three years since its launch has not utilized leverage. The advantages we actually think make a lot of sense more so utilizing what we call have structural leverage, investing in assets down the capital structure that you extract the illiquidity premium from, and that makes sense in the interval structure. This way we're getting higher return streams. We're getting more high beta to what the market's doing. But you're not at the whims of Wall Street pulling repo on you at the wrong time. So you're effectively locking in that leverage into the security as opposed to doing it through borrowing from the Street.

So our fund's return stream has been fully unlevered if you will, and we think that makes currently the most sense. As we think if you look back to March of last year, so many funds including public REITs really got their leverage pulled on them at the wrong time from Wall Street, and we don't want this fund to be at the whims of the Street. Same thing from the perspective of protecting shareholders from other shareholders, we don't want to be at the whims of the Street pulling repo on you at the wrong time. So it's an unlevered fund.

Benjamin McCulloch: Gotcha. Chris, how about you guys?

Christian Aymond: Yeah, the A3 Alternative Income Fund does not currently utilize any leverage in the fund. I mean, leverage can magnify returns in either direction. We'd rather not risk leverage in our portfolio, so we think we can achieve attractive returns without leverage, and that's one of the I think advantages that you get with the type of assets that we're buying. There's really no need for it in our opinion.

Gary Henson: The only thing that I would add, and I am firmly in agreement with Clayton and Chris, that we don't need to have leverage. But now that we've hit our three-year anniversary and our NAV has been so stable, we're considering it. I don't know whether we will use it or not, but if we do it'll be modest leverage at most. But I think that if you can prove out your investment thesis and that you truly do have some level of idiosyncratic risk, a modest amount of leverage is probably feasible within the interval fund structure simply because the wrapper is so attractive to the asset manager from a stability standpoint.

Benjamin McCulloch: Right. And it sort of harkens back to the idea that it's not a true listed closed-end fund, there's always the possibility for redemptions while they can be gated. So leverage, there's an interplay there that it can get tricky over time if, like you said Gary, if it's not a modest amount of leverage. I agree with that.

All right, we have an audience question, I think it's interesting. And this question, just about every time I've joined an interval fund panel or seen one, this question tends to come up. So for any panel member, are any of your funds available on the wire house platforms? And if so, were there any minimum requirements in term of AUM or track record? I have some thoughts on this but I'd like to hear from each of you three as well. Chris, why don't you give us a few thoughts there.

Christian Aymond: Sure. Our fund, we're a newer fund family and our fund is on a variety of different platforms such as Pershing, and TD, and SCI. Because we're newer, we're not quite on Fidelity or Schwab. You need to have a much larger asset base to be on Fidelity and Schwab, and it's a little trickier to get on those two platforms. But I would anticipate on there before too long. We've had lots of discussion, we have a lot of advisors that have indicated interest to their reps at each of those custodians to tell them they want to put some assets with us. Just waiting for that to happen.

Benjamin McCulloch: Yeah, and I would echo for you investors out there, if you're clearing through Fidelity or Schwab and you want to buy one of these funds, from the sponsors perspective it's really helpful for you to call your desk at Fidelity or Schwab and tell them that

you want this fund. So that seems to be the challenge for a lot of sponsors, is getting on those two bigger platforms. And really, they need to see that internal demand before they're ever going to hear from us sponsors. I don't know, Gary, if you have a different perspective on that. And Clayton, you may as well because I think Tortoise/Ecofin and Angel Oak, maybe they have a little more pull with some of those larger platforms.

Gary Henson: Ben, the question from the audience though was about wires, was that correct? Or was it also about-- ?

Benjamin McCulloch: Yeah.

Gary Henson: Okay.

Benjamin McCulloch: Wires, but we can talk about some of the larger clearing platforms too. Because I think some of the struggles are the same.

Gary Henson: Yeah, I just wanted to make sure. So we're on all the super markets. We're on Fidelity and Schwab and all that, and we've only marketed in the RIA channel for a reason. And that reason was simply cause the custodial gate was much easier to get on than on the wires. We are in talks with some of the wires, but as you know that's much more challenging to get on those platforms. And so you either have to have a differentiated business model, you have to give up more economics, or you'd have to have a lot of pull with the wires. And to date we haven't been able to achieve that. I don't know whether that will open up. The argument has been something to do with the trading on NSCC, that I don't really fully understand, I'm already over my skis. But I've always felt like that was kind of a rationale for just giving us a Heisman rather than allowing us to have a really reasonable conversation about getting on a UBS or a Morgan Stanley.

John Cole Scott: All right guys, this is a great, great panel, we're just over the 41 minute mark. I want to thank each of you for adding a lot of value. I'll say AICA will continue to try to help with the wire house and other platform issues, but keep doing good work and doing good jobs. It makes our job easier. I'm going to go and take this out of presentation and give people a chance to network, change tables, and maybe get a coffee or bathroom break.

Benjamin McCulloch: Great, thanks everybody. Appreciate it. Thank you for your time.

Clayton Triick: Thanks guys.

Christian Aymond: Thank you.

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