



XA's Perry Looks At The Boom In Non-Listed Funds

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Chuck Jaffe, in this episode of The NAVigator podcast interviewed Steven Perry, vice president at XA Investments. Read the Q&A below as Steven and Chuck discuss the surge in activity and



creation for non-listed closed-end funds, covering why money managers, including a number of prominent sponsors who have never been in the space before are turning to the products now, and how investors can use the new issues to access additional asset classes.

Steven Perry

The podcast can be found on AICA's website by clicking here: <https://aicalliance.org/alliance-content/pod-cast/>

The Active Investment Company Alliance's Roundtable Conference, now in its fifth year, addresses the latest trends, developments, and investment strategies from quality fund sponsors. It's Wednesday, November 15th in Manhattan, and it's a full day of informative panels, great speakers, valuable networking, and more. AICA is known for combining high-quality advisor-centric content which encourages meaningful discussions and interaction. This isn't a pay-to-speak dog and pony show, AICA invites the names members want to hear from and strives to facilitate and grow relationships for institutional investors, financial advisors, service providers, and fund sponsors within the industry. The event is approved for seven continuing education credits. Get more information at AICAlliance.org and save 30% on event roundtable registration costs with the code NAVIGATOR30.

CHUCK JAFFE: Steven Perry, vice president at XA Investments is here, and we're talking non-listed closed-end funds now on The NAVigator. Welcome to The NAVigator, where we talk about all-weather active investing and plotting a course to financial success with the help of closed-end funds. The NAVigator is brought to you by the Active Investment Company Alliance, a unique industry organization that represents all facets of the closed-end fund industry from users and investors to fund sponsors and creators. If you're looking for excellence beyond indexing, well, The NAVigator's going to point you in the right direction. And today it points us in the direction of Steven Perry, vice president at XA Investments, where he oversees product management, and you can learn more about the firm and those products that he oversees at XAInvestments.com. And to learn more about closed-end funds, interval funds, and business-development companies generally go to AICAlliance.org, the website for the Active Investment Company Alliance. Steven Perry, it's great to have you back on The NAVigator.

STEVEN PERRY: Great to be here, Chuck. Looking forward to it.

CHUCK JAFFE: One of the interesting trends that insiders like you see is that we've had a bunch of activity in non-listed funds. Now we're going to talk numbers, and the numbers are small in absolute terms like, "Hey, there's about a dozen new funds," which is tiny until you put it in the context of the closed-end fund space. But before we can jump in and talk about the new activity, let's talk about why. Help everybody understand, why are companies interested in issuing non-listed products? Why should investors be interested in buying a non-listed product? Because nobody wakes up in the morning, it's hard enough to get somebody waking up in the morning going, "Hey, I need a dozen, eggs, some milk, and I like that closed-end fund that I want to buy over there." Nobody adds the words non-listed to that, this is a product that has to be sold, so help us understand why this is happening and the benefits of non-listed.

STEVEN PERRY: Yeah, so I'll start, Chuck, from the asset manager's perspective. A non-listed closed-end fund allows the asset manager to raise semi-permanent capital, and what I mean by semi-permanent capital is capital that's not going to disappear like an open-end fund or a mutual fund overnight. Typically with the non-listed closed-end funds, which are interval and tender-offer funds, they're only quarterly redemptions, so there's quarterly periods where investors can get their money out. Now that may sound like an issue, but from the

asset manager's perspective, it allows them to run a pure strategy that is more illiquid than what you'll find in a typical mutual fund. And so it allows the asset manager or the portfolio manager flexibility to invest in potentially higher returning asset classes, more nuanced asset classes, helps them diversify a portfolio, and so asset managers are coming to this space liking that opportunity. Why would an investor like this opportunity? Well, it's going to give, sometimes, retail non-accredited mass affluent investors the opportunity to access asset classes that they may not otherwise have access to, like investments at institutions or pensions or endowment plans have access to, and so there's a little bit of give and take from the asset manager and the investor who is looking to get into some of these asset classes.

CHUCK JAFFE: In terms of new funds and new managers, talk about the activity there, and are they focused in on certain asset classes?

STEVEN PERRY: Yeah, great question. So to give a little bit of a backdrop, as of September 30th, there were roughly 196 funds out in the marketplace. As you mentioned, that's a drop in the bucket compared to the number of ETFs or mutual funds out there, however it's been growing rapidly. Year over year, 160 funds, September 30th, 2022, 196 funds now. Year to date, 19 new closed-end funds, or non-listed funds have launched, and 12 of those were launched by first-time managers into the space. Along with that, the wire houses, and when I say the wire houses, I'm thinking four major wire houses, UBS, Morgan Stanley, Merrill Lynch, Wells Fargo, they have upped their platform and the number of those funds listed on them. There were 16 last year, there's 23 this year, so those asset managers are bringing these products to their investor base at an increasing rate as well.

CHUCK JAFFE: How do investors and advisors, anybody who's interested in closed-end funds, how do they not only keep pace with that development but also come up with an analysis? Because this is not something where you can go, "Oh, let's go look at Morningstar, what do they say?" Or "Let's go look at Refinitiv or Lipper," or whatever you want to call it, and what do they say? You're talking non-listed, you're also talking not necessarily a lot of knowledge to be able to say, "I want this one and not that one."

STEVEN PERRY: Absolutely, it's a little bit of a two-fold analysis that you have to go through. One, is that fund or is that manager available on the platform with which you invest through? If you have your money managed by a registered investment advisor, who do they clear through? And as an investor, you're probably not going to know that, but the fund has to be

available on that clearing platform. If you clear through Schwab, if you clear through Fidelity, if that's where your money's held, is that fund on the platform? You can oftentimes go to fund sponsor websites, you can go the trading platform that you use, it is a little opaque in terms of the broader market right now, but what we're seeing is the fund sponsors that have a lot of transparency, have a lot of information out there for investors, they're seeing a lot of success in the net flows. What's going on as well is depending on the valuation frequency of these funds, some do daily valuations, some do weekly, some do monthly, the subscription process or the investing process can be a little bit more challenging. If you do a daily NAV, typically you can trade in just like a mutual fund, you submit an electronic ticket, the fund picks it up, you get your shares. Now if the fund is doing weekly, monthly or quarterly valuations, you typically have to do a subscription document, so there is a little bit of a barrier to entry for investors that may not know the process, and registered investment advisors who may not want to ask an investor to sign on the dotted line. There are some nuances to entering the space.

CHUCK JAFFE: But we will point out, you dropped the word unaccredited, that you don't have to be an accredited investor to get in. So for anybody that's out there hearing about them, they might be thinking, "Oh, well, this is only for folks with lots of money." No, you don't have to be an accredited investor, you just have to know what's out there. So let's finish up by talking about what is out there. Here we are talking about the new funds, and you're talking about access to assets, particularly some asset classes that don't necessarily work well in listed funds, what are the trends there in terms of what the new funds are trending towards in what they're going to hold, what they're investing in?

STEVEN PERRY: Yeah, that's a fantastic question. So there's a couple things trending right now in this space, one, private credit and private credit secondaries. We've seen two very well-known asset managers come out with private credit secondary strategies, and that's a very nuanced strategy. They'll have low minimums, \$2,500 to invest, low minimums on a basis of institutions typically have million dollar minimums and things like that, but private credit is an asset class in the space that is seeing a ton of net flows. Over the last 12 months I think there were about eight billion in net flows to credit. Another strategy and asset class that we're seeing a lot of new funds develop in and a lot of flows go into is private equity and venture capital. Private equity and venture capital, you're typically talking strategies that

only high net worth individuals and institutions have access to, but we're seeing well-known players in the space bring these products to accredited and below accredited investors, and we're seeing a lot of net flows into it.

CHUCK JAFFE: Really interesting. Steve, great stuff, thanks so much for joining me on The NAVigator to talk about it.

STEVEN PERRY: Absolutely.

CHUCK JAFFE: The NAVigator is a joint production of the Active Investment Company Alliance and Money Life with Chuck Jaffe. And yeah, I am Chuck Jaffe, why don't you check my show on your favorite podcast app or by going to MoneyLifeShow.com? To learn more about interval funds, closed-end funds, and business-development companies go to AICAlliance.org, the website for the Active Investment Company Alliance. They're on Facebook and LinkedIn @AICAlliance. Thanks to my guest Steven Perry, vice president at XA Investments, where he oversees product management, learn more about the firm and the products that it produces at XAInvestments.com. The NAVigator podcast is new every Friday, make sure you don't miss an episode by subscribing or following along on your favorite podcast app. We'll be back next week, and until then, happy investing everybody.

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