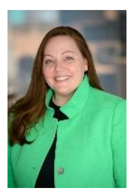
November 2023 Live Event-AICA Fall Roundtable Interval Fund Track Panel #5; “Explosive Growth in the Interval Fund Market”

Wednesday, November 15, 2023

Daniil Shapiro, Director with Cerulli’s Product Development, moderates the fifth panel of the AICA November 15th, 2023 live event; “Explosive Growth in the Interval Fund Market”. Read the transcript below to hear the discussion among Mr. Shapiro and panelists Chirag Goyanka, Head of Intermediaries & Product with Moonfare, Kim Flynn, Managing Director with XA Investments, Paul E. Dunn, Executive Vice-President with Bluerock Capital Markets, and Ellito J. Gluck, Partner with Willkie Farr & Gallagher LLP.


Daniil Shapiro


Chirag Goyanka


Kim Flynn


Paul E. Dunn


Elliot J. Gluck

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Daniil Shapiro: Good afternoon, everyone. Welcome back, we have an exciting after lunch panel for all of you. We have four tremendous panelists up here who are all going to introduce themselves in just one second. I’ll kick us off on introductions, my name is Daniil Shapiro, I’m a director with Cerulli Associates. At Cerulli Associates I specifically cover alternative investments, and the biggest story over the last few years have been advisor use of alternatives, the democratization of alternative investments. We’re shifting alternative investments from being only those that are accessed by institutional exposures to increasingly being used by large alternative investment managers going to financial advisors in order to raise capital. So those are the sort of things that I’m focused on at Cerulli.

We also have a project where AICA, as well as XA Investments are working on collecting interval fund, tender-offer fund assets and flows from interval fund, tender-offer fund sponsors in order to provide very timely data to the industry. If someone at your firm is not already submitting data to us, please reach out to me after. We are going to take all this data, provide it right back to the industry. With that, I'll pass it over to Chirag to introduce himself.

Chirag Goyanka: So we're the fun panel after lunch, right? Okay, good afternoon everybody, thank you for being here, I'm really excited to be on the panel. Chirag Goyanka, very I would say interesting history. So myself, started selling insurance policies door to door, moved into private banking, came with my firm here to start their asset management business in 2009.

Last 14 years have been at the intersection of raising money institutionally, private wealth, RIA, whatever definition you want to put around it. And during that process, whatever needed to be done to raise that money, whether launching 40 Act funds, SMEs. Have been around that space and have had a very unique perspective of it is to launch funds with the sales perspective in mind rather than the other way around. Obviously interval funds provides that unique balance between liquidity and high returns. I'm really excited, I'm going to learn a lot, I'm sure you guys as well, learning from the panel about the growth in interval funds and what's coming down the line.

Kim Flynn: Kimberly Flynn with XA Investments, work closely with John Cole Scott on his data business and also was one of the early sponsors of AICA, so I'm glad you're here and it's great to be with you. My firm is a consultant to asset managers looking to launch interval fund and tender-offer funds, and we also happen to have a listed closed-end fund. Gretchen Lam, our portfolio manager from Octagon was on the opening panel talking about credit.

Paul E. Dunn: Hi, I'm Paul Dunn, thank you for the invitation to join you all. I'm executive vice president at Bluerock based here in New York, although I live in Newport Beach. We look to find asymmetric returns in the private markets. We're looking to find vehicles for intermediaries that are well off the efficient frontier and give them the ability to really diversify their portfolio on what is now called the Yale Model, et cetera.

In the interval fund space we have two vehicles, last year we launched a senior secured note, CLO fund with White Star as a sub-advisor, a little over $100 million in that vehicle. Our flagship vehicle is a real estate equity fund that invests in the big institutional real estate pools, that fund's been around now for 11 years, has seven billion dollars in it. We work with just about every intermediary in the industry, so we have some experience there. We're pleased to report that over the last 10 years that fund has the highest Sharpe ratio of any fund in America, open-end, closed-end, ETF, et cetera. In fact, Baron's named our fund Investment Manager of the Year for 2023. So we've had some pretty good success with interval funds and we're in the process of launching a few more.

Elliot J. Gluck: Good afternoon, Elliot Gluck, I'm a partner in the asset management department at Willkie Farr, and my practice focuses primarily on registered funds of all types, so mutual funds, ETFs, closed-end funds, including interval funds, tender-offer funds. Over the years I've certainly seen the growth of the interval fund market and interest in interval funds from both clients and prospective clients. And I think this dates back at least in my opinion, going back to the hedge fund advisor registration rule, when I think historically private fund managers were away from any regulation, and then they started to be regulated, and their strategies can fit nicely within a closed-end fund.

And so you didn't really see the explosion of interval funds from those managers at that time but over time I think people started to realize, hey, there's a universe of investors that I could attract, there's this pool of capital that I can get access to, I think we've started to see the growth and I think we'll continue to see it. Private fund advisors, they're highly regulated at this point relative to where they were which was totally unregulated, and so we started to see the growth just increase and the interest increase. Yeah, I think we'll see that continuing.

Daniil Shapiro: Elliot, thank you. With that I'd like to just turn to Kim for a very brief overview of the key market trends in the interval fund, tender-offer fund landscape, some amazing numbers there.

Kim Flynn: Sure. The interval and tender fund market now is up to about 196 funds. Surprisingly tender funds represent a majority of the funds in the marketplace, even though what you hear about typically are interval funds, often daily NAV interval funds, but there's been a lot of growth in the last 18 months in this space in terms of new entrants. Year to date there have been 19 new funds, mostly by new fund sponsors. There's also been additional growth, the top 30 firms, of which Bluerock is one of the market leaders, the top 30 funds are all north of a billion dollars.

So I think a lot of alternative asset managers who've been maybe observing this space are now seriously considering entering the marketplace. Another market leader, Cliffwater, which was a direct lending fund, I think it attracted a lot of attention also from institutional consultants, some of which like Aksia or Mercer, some of them play sub-advisor roles in the interval fund and tender offer fund market.

So growth is expected to continue at the same pace, a lot of the fund formation is still often in the credit space, which is the largest segment of the interval fund market. After credit funds we're talking about private credit, so there's a lot of different strategies there. Real estate I think is the second largest category. Growing trend is an increasing number of private equity, most of those are fund of funds, so fund of private funds. Also there's some white space in the marketplace, new asset classes are emerging, categories including infrastructure, there are now four infrastructure funds, we had a manager this morning talk to us from Brookfield. So these are some really interesting real asset products that are timely given the inflationary concerns.

We're excited to see the growth in the interval fund market, it's a fairly democratic, meaning even small fund sponsors, even if you're not PIMCO you can still raise capital. That compares or contrasts with the non-listed REIT and the non-listed BDC market, and if you follow that market you know that most of the capital is being raised by the top two or three firms. So you're seeing a lot, obviously the breadth of strategies, just given what is permitted to be put into an interval fund, I think allows for this. And so it's exciting time I think, for advisors who are using these products to help differentiate their practices.

Daniil Shapiro: Thank you, Kim. I want to pick up the baton right there and spend about 60 seconds just speaking to advisor use of alternative investments. Specifically at Cerulli Associates we do a tremendous amount of polling of financial advisors and unsurprisingly what you will learn is that advisor allocations to alternatives are exceptionally low and they have been at that very low level for a long period of time, so for the average advisor it's something like a low single-digit allocation, call it 6%.

But we're incredibly excited about this wave of semi-liquid product, whether it's interval funds, tender offer funds, NTRs, non-traded BDCs, and that's really because these are s structures, there's a wave of product that is a better fit for advisors than it was before. So 1099 tax reporting, you have greater income that advisors are very interested in generating, all this makes these structures just that much more attractive to financial advisors, and it's taking place a time that financial advisors need to better differentiate their own practices. Their clients are now wealthier, and they are very concerned about having their client go to the practice next door which is holding out a better product for them.

So that makes it really interesting to advisors to explore these types of exposures, and they're looking to increasingly adopt them into their practices. So currently low allocation but they are looking to grow it, and interval funds are that structure which sits between the mutual fund and a completely illiquid exposure. So just by virtue of being in that middle, advisors get that comfort with the structure being very, very close to the mutual funds they're already familiar with, and I think that comfort is able to bring them over to the next stage.

With that, I'd like to turn it over to Elliot to just walk us through maybe some of the key regulatory considerations for the firms that are looking to enter this interval fund, tender-offer fund landscape.

Elliot J. Gluck: Sure. So an interval fund, look, at the end of the day it's a 40 Act fund, it's highly regulated. I was just speaking with some of my co-panelists before the panel and a lot of times people hear about 40 Act and they say, "I don't want to get involved in that because there's too much regulation, too much to deal with." While I say there's certainly an element of truth to that, there's a lot of regulation, there have been so many that have done it and there's now sort of a path I think where people realized how to manage this in terms of the different requirements, that I think it's a lot more feasible and that's why I think you're seeing a lot more people going to it.

So without going chapter and verse on the 40 Act, for the 40 Act geeks I'm happy to have a conversation with you afterwards, but 40 Act funds are subject to a number of different requirements, including there's limits on leverage, there's corporate governance requirements. I think what you see a lot as presenting a lot of discussion is relating to affiliated transactions, so if you have other funds that you're managing alongside an interval fund with a similar strategy, a lot of times what you probably do is you co-invest across your funds. You can do that but it is subject to certain requirements. If you're negotiating those co-investments, you're probably going to need an exemptive order from the SEC, that's subject to certain conditions, and so a lot of regulation there on just 40 Act funds generally.

An interval fund though, just in terms of what it is, it is a closed-end fund, a registered closed-end fund, which means as a closed-end fund it's not subject to any limit on its illiquid investments, so you can have 100% illiquid investments. An interval fund though does have some liquidity requirements around the time that you're doing your periodic repurchase offers, and those repurchase offers, that's the liquidity that is offered, that's the partial liquidity. You have to do that on either a quarterly basis, semi-annual basis or annual basis. You have to commit to one of those choices, and that's hardwired into your fund as a fundamental policy.

So you can't change it, you pick it at the beginning, are you going to do quarterly, semi-annual or annual? And then at each one of those periods you have to repurchase back between five and 25% of your outstanding shares. And so the liquidity requirement applies during the period that you have the repurchase offer open, which is a period between 21 to 42 days, and then you price within 14 days of that and then pay within seven days after that. So that's the period of time that you need to have liquidity, but again you only need to commit to repurchase 5%, so it's not a high threshold in terms of your liquidity needs in terms of your portfolio. So that's an interval fund at a very basic level, and we'll talk maybe a little bit later about its close cousin, a tender-offer fund, which doesn't have all these requirements.

Daniil Shapiro: Yeah, so tender-offer fund is just the manager who's unwilling to commit to that liquidity requirement.

Elliot J. Gluck: Yeah, so a tender-offer fund, you'll commit, not commit but you'll advertise that you're going to do quarterly tender-offer, semi-annual, whatever you want to do, and it's not hardwired in. So by regulation you're not required to do it, so you can actually skip a tender offer if you don't have the liquidity in your portfolio. Commercially that may be something to think about, if you do skip one, but if you have a strategy that may not lend itself to having liquidity all the time, then maybe a tender-offer fund is for you.

There's also not a requirement to strike a net asset value for a tender-offer fund on a weekly basis, which there is that requirement for an interval fund. And so again, if you have certain assets that you hold that are harder to value, then a tender-offer fund may be your choice. So these are closely related, I know we're here to talk about interval funds mostly, interval funds do have the benefit of being more attractive to the distribution platforms just because of that guaranteed liquidity which you don't have in a tender-offer fund.

Daniil Shapiro: Paul, Kim, Chirag, anything missing there on the interval fund versus tender-offer fund versus regulatory discussion?

Paul E. Dunn: Yeah, I might mention the marketplace likes the interval fund because, number one, it's available to every investor, you don't necessarily have to be accredited, and number two, it is a 40 Act fund and they like the additional scrutiny and structure there. And then third, regarding the liquidity requirement, you are obliged and you better deliver a 5% distribution upon a repurchase request, but if you get an excess with that, you can in fact prorate. And in fact, in our case and just about everybody in the marketplace, especially during Covid, we all had to prorate the repurchase request from investors that exceeded whatever the threshold. Typically, almost across the board, Kim, it's 5%, right?

Kim Flynn: That's right. You do have the ability to go up to 7% if you chose to do so, a few funds have provided that additional liquidity. I think there is some negativity associated with proration, but in some ways it is meant to protect shareholders in the fund. And we think that I think Bluerock and others are selling the fund appropriately when they're talking about this being a medium to long-term investment, calling out the fact that there are these liquidity constraints.

Paul E. Dunn: In fact, we use the phrase limited liquidity to have that conversations with advisors in a very candid fashion. The last thing you want to do is have an advisor get all excited about the track record, et cetera, and then find out the next quarter they had a death of one of their clients, they're trying to get everything out and they can't, that's the worst possible. So if you educate in front, and that's the biggest challenge we have in our industry, is that many advisors don't know what exactly an interval fund is and where the traps are, so we've got to work hard on that frontend of the exercise.

Daniil Shapiro: Chirag, I'll turn it over to you.

Chirag Goyanka: What's the valuation policy difference between the two, for tender-offer [inaudible]?

Elliot J. Gluck: So both tender-offer funds, 40 Act tender-offer funds and interval funds are subject to Rule 2a-5 and Rule [inaudible], so you have to price securities that have a readily available market value, that's priced at market value, anything that doesn't meet that criteria is fair value. Their valued the same exact way, the difference is the frequency with which you have to strike your NAV. And so for an interval fund you have to do it at least weekly, and then you have to do it within the five days of the repurchase offer pricing date and on the repurchase offer pricing date. There are days where you'll have to do it daily, and then you have to do it at least weekly.

Tender-offer fund doesn't have those requirements, and so if you have harder to value assets or there's a lot of work to value your portfolio, you can do that on a less frequent basis. And that's what you typically see, you'll see it being done monthly. Obviously you'll have to do it when you're doing a tender offer because you've got to price the tender offer. You'll also have to do it on a daily basis for either fund if you're offering shares on a daily basis, which is what a lot of interval funds do. Tender-offer funds may do that as well, but not necessarily.

Chirag Goyanka: I think just one observation, historically you've seen private credit strategies go on the interval fund side, private equity-esque kind of strategies go on the tender-offer fund side, and it's very logical why. But you are seeing some creeping nowadays where without taking names, at least I remember one private equity strategy which has come in a daily NAV structure, and my guess the reason is because they want to be on the [inaudible] platforms so that the buying and selling of the fund is through the regular channel rather than the AI and the sub-docks and all that stuff. Something as an industry I think we should watch out for, but yeah, I'll leave it out there.

Daniil Shapiro: Chirag, question for you. What do fund sponsors need to know when they're launching products? What do you wish firms knew?

Chirag Goyanka: It's a favorite subject. I end up talking to about three GPs every week, so let me tell you where I'm currently because that would put things in perspective. I'm currently heading intermediary solutions business at Moonfare. Moonfare is very similar to KSI Capital, so hence I talk to multiple GPs every week and I tell them the basic, the why, who, how, and the last part is what. Why do you want to launch a registered fund? Is it a FOMO issue because somebody next door is doing it and that's why you want to do it? Or does your strategy lend to that? You need to do it for the right reasons, don't just do it for the sake of it.

We have seen enough of these funds, both on the traditional liquid side and even on the interval fund side, where they have launched it because whatever it was, some pet project of somebody and they were not able to raise money and then they have converted it back to a private fund. You can do it but it's painful, it's costly, so better make sure what you're trying to do and why you're trying to do it.

The who is also critical in terms of who your target audience is, what channels you're trying to sell into. You will launch an interval fund and you don't have anybody selling into that, like you just focus on the institutional side, how is it going to raise money? That question as well. And how, and I think that's Kim's and my favorite subject, seed capital. A lot of people again want to launch strategies but the advisor channel might not know your brand name. So if you launch something, even though the institutional world knows you and you think, oh, of course, everybody knows me, but no, nobody knows you. So you have to be very careful in terms of the seed capital you have in there because any advisor you go to, generally or gatekeeper, is going to ask you, "Do you have $50-100 million idling in the strategy, whether from the GP commitment or an anchor investor?" There are various ways to skin that cat, how are you doing that?

And then accordingly you need to have, I think at the end of the day the most critical thing is what's your edge? If you can't articulate that in the advisor market, people don't know you there, you're a brand new entrant. If you can't articulate that, your sales force can't do that, then you have a really uphill battle. So you put all those three, four questions on the drawing board, answer them, you might be six, nine months delayed but that's fine. You don't want to launch something and then turn back.

And something which we can do later as well, is probably you can launch it in a private fund format first with the view of converting into an interval fund. To me I personally like that approach for a lot of GPs out there because they have never done a registered fund, and what Elliot was saying before, it's not impossible of course, everybody does it. But for people, especially on the private market side who have never done this before, it might be a good way to bridge the gap between just running an LP strategy where they can pull everything and they're not answerable to anybody, to go all the way to a registered fund where the fund has to be diversified day one and various other things.

Daniil Shapiro: Chirag, thank you. Kim?

Kim Flynn: I'm just going to add most firms that call us, they say they want to launch an interval fund but they really don't know what that means, so we actually a few years ago started doing a frontend feasibility study. Some clients want a viability study to test if their strategy's actually going to be competitive, and that's really valuable because a lot of firms. If you're the head of product development or business development, you've got a lot of people internally that you have to answer to.

You're not looking for opinions, you're looking for evidence, so having support and evidence to provide. Because there are now many funds that have done it but it is also helpful to share success stories, share ways, there is more than just having a parent that provides seed, there's a lot of different ways to get there. And so I think it can take upwards of six months on the frontend just to have that internal dialog and internal education. These structures are complicated and so it's a process even before you start a specific product build.

Paul E. Dunn: I was in Toronto Monday and Tuesday, we just launched a feeder fund into our interval fund up in Canada and I was surprised to hear the same echo, and that market is very different. The six banks dominate 80-90% of the investment market up there with advisors across the entire spectrum from retail all the way up to institutional. And I was meeting with a number of the senior executives and they were saying the same thing we're hearing here in the United States, which is there is so much product coming into the marketplace that it's a wave that's just too big for them to handle.

And so one of your dilemmas is how do I get visibility? If you're PIMCO or Fidelity, et cetera, you're going to get entre, but if you're not one of those entities like we were at Bluerock several years ago, it's quite a challenge. One of the ways to deal with that is to get a constituency, and in the case of Clearwater, which is the biggest, they had consulting services and they brought a lot of their clients in before they launched their fund.

In our case, we brought a bunch of our current clients in six months before we launched and we said, "Do we want a fixed distribution?" "Do we want a variable distribution?" "Do we want a 1099 or a K-1?" Everybody answered that question consistently, et cetera, but we raised all those questions. And we did two things in that context, one is we made changes to the structure and number two is we built a constituency, so when it was time to launch we had people who knew the product, et cetera.

The other dilemma that is again many advisors don't know what an interval fund is and they're reluctant to take the time to find out, and that educational process is separate and distinct from everything else you're doing.

Daniil Shapiro: Paul, I have a follow-on question for you, but then I'll open this one up to all the analysts. Maybe tell us about some of the changes that you would like to see in the industry that really open it up to greater flows.

Paul E. Dunn: Since I'm in the middle of it, number one, Schwab is very difficult to deal with. How many of you work for Schwab? For Schwab or with Schwab? Okay, okay. Schwab is very difficult to deal with, as a custodian they want commitments from advisors for $50 million before they'll even take a look at your fund, their operational side struggles with it. Kim and I, we talked a little bit about this earlier today.

So that's the first thing, the second thing is that we've repeatedly applied to the SEC to allow a death put, I think we probably all know that. But in our case even if you have an estate that's trying to liquidate, it has to go into proration if you're during that prorational period where you're getting excess returns. And frankly that's just not fair, but the SEC has pushed back every time we've approached it and we're now decided as an industry that we're going to try to get that changed. Not a major issue but boy, it frustrates the dickens out of advisors when they've got that circumstance.

Daniil Shapiro: Chirag, do you want to go next?

Chirag Goyanka: I think we, and obviously there are agencies who are working on that [inaudible], at least the one which I know are, we need to get alts in 401(k)s, obviously I want my 401(k) to be able to access alts like I'm sure everybody else as well. I think the bigger concerns there is liquidity and daily NAV. I think it can be one solution, amongst many others is if it's part of a multi-asset package like a [inaudible] or something like that, that can work.

It will get there, and I think all the GPs out there, one of the reasons why you need to have a registered fund offering is 15 years from now bulk of the fundraising is going to be on the DC side. You're not going to be able to get a seat at the DC table if you don't have a registered fund.

Paul E. Dunn: I don't mean to dominate, but we're in the final stages of what I hope, I won't overstate it, will be the use of our interval fund inside variable annuities. We have a major insurance company, we have a term sheet for our structure to solve that, obviously there's daily liquidity challenges that we think we've got something that we can legitimately present to the regulators in the context of it all. The 401(k) market, we'd love to be able to do something there. Our thought is that if we can demonstrate this in the variable annuity space then we can extrapolate it over, if that in fact occurs it'll be groundbreaking but it'll also bring extraordinary amount of very sticky money, and that's what's exciting to us.

Daniil Shapiro: Elliot, I know there has been conversation about including alternative investments in 401(k) plans, you generally have this wave of more retail investors using alternatives. Anything on the regulatory front for us to look out for?

Elliot J. Gluck: Yeah, I think we're still not there yet, as you just heard. I think that the SEC has talked for a long time about the democratization of alternatives and bringing it to the retail investors, at the same time though they continue to play hurdles on that. So here we're talking about interval funds that could be offered to true retail investors, meaning no AI status, no requirement, but that's not true of every type of interval fund and tender-offer fund.

In fact, the SEC has this unwritten position, informal position, that if you're going to get your exposures by investing in other funds, so you invest more than 15% of your assets in private equity funds or hedge funds as a way to get your exposure, you need to limit your investors to accredited investors. It doesn't really make a lot of sense, because if you can invest directly in these companies, why can't you invest indirectly in these companies? Obviously there could be double layering of fees there but that's all disclosed and there's double layering of fees in mutual funds, which is disclosed. I'd like to see the SEC move on that, I'd like to see them streamline some of these hurdles around affiliated transactions.

I remember years ago I was talking to somebody that had entered the registered fund space, and it was their first registered fund, they had managed private funds and there were loans that they negotiated on behalf of all their private funds. And we said, "Well, if you're going to bring the registered fund into the mix, if you want to give them a piece of it, you can't negotiate it without an exemptive order." And they said, "What are you talking about?" We said, "Because that's the SEC position, it's a joint transaction, and the fear is that you're going to negotiate for the benefit of your private funds to the detriment of your registered funds and it's going to be disadvantageous."

And they said, "Obviously we're going to negotiate for the benefit of all our clients," and we said, "Look, you could either not negotiate it or you keep the registered fund out without an exemptive order." And they said, "So basically the SECs saying that your registered fund is going to lose out on the best investment opportunities?" And I think that happens too often, so I'd like to see some change there and some modernization of these old requirements that have been put in place since 1940.

Daniil Shapiro: Elliot, thank you so much. I think we're all looking for some regulatory clarity here. So final question for the panel, 2024 almost upon us, any out-of-consensus forecasts about what we're going to see next year? Kim, how about you lead this one?

Kim Flynn: I think the interval fund market is still fairly nascent, and I don't know that there's a consensus view yet. I think everybody expects it to continue to grow, mostly appetite from asset managers. We'd love to see more investor driven, but investors aren't really asking for alternatives, this is really being led by financial advisors. And so I think in 2024, our forecast shows that we're going to see 18% compounded annual growth over the next several years in interval funds, tender funds are going to grow closer to 11% compounded annual growth rate. So you're talking about probably at the end of 2024, 225 to 250 funds.

Current assets right now in the interval fund market, interval and tender together is about $122 billion in net assets, and so that's expected to grow quite rapidly. Mostly because of the maturation of funds, and so the seasoning of funds that were launched in '19 and '20, there was a lot of funds formed in the last three years. Interval funds, particularly credit funds don't necessarily need to wait for a three-year, five-year track record to develop because they're offering attractive current yields that are higher than more traditional fixed-income investments. But if you're selling a private equity or venture capital strategy, most financial advisors want to give that product a little bit of time. And so there are some really interesting total return oriented strategies that will be hitting these milestones in 2024, and that will really lead to additional adoption and capital raising.

Daniil Shapiro: Terrific. Thank you, Kim. Elliot, Paul?

Elliot J. Gluck: Sure. I guess just to be quick, I think going forward I think that there's just a lot less opportunities than there were historically in public securities relative to private securities. And so I think that if you're going into a mutual fund or an ETF, they can only generally speaking, invest in public securities that are liquid. And so the best opportunities in a lot of instances are in private securities, and so the only way to get them is through one of these products if you're a retail investor, so I think we'll see continued growth.

Paul E. Dunn: I saw a statistic, and I don't know the year but not too long ago there were 9,000 traded securities, publicly traded securities, there's now 3,000. Advisors are struggling with that as an issue. Two weeks ago Thursday, I was in [inaudible], met with an advisor who announced that they were 35% invested for their clients in alts, this a $3.5 billion advisor.

But there are still lots of advisors that are struggling to understand that, and the educational work that has to be done is in firms like Case and iCapital and others that are in this space are working hard to build more vehicles for advisors. That's where the industry's going. And the other thing I'd say is that if you're contemplated a me too product, you'd better have some extraordinary ability for distribution, because if there's something else in the marketplace that's already there with a track record, you've got a real uphill push to execute.

Daniil Shapiro: Thank you, Paul.

Chirag Goyanka: I think we will see new entrants into the business, aka insurance companies who'll roll up their assets into an interval fund or something and get into that line of things. It's a full circle, right? They keep on doing that. Similarly I think you'll see a lot of private asset offerings, like so where an advisor doesn't need to worry about what's in private credit or private equity or so on and so forth, it'll have a single wrapper around it. I think we will see way more offerings than what's required, and way more asset sways than what I think everybody thinks here on the panel.

Daniil Shapiro: That's a very optimistic outlook, I like it. Any questions for the panel here? Going once, going twice. Yep? Please.

Audience Question: I'm kind of curious, what are your thoughts on [inaudible]?

Kim Flynn: Ben's my colleague. I did just cover that.

Audience Question: [inaudible] the compounded annual growth rate?

Kim Flynn: I did. I did, did I not?

Daniil Shapiro: Okay, there was one more.

Kim Flynn: I think we had a real question up front.

Daniil Shapiro: There was one more question.

Audience Question: I was taking a nap.

Audience Question: For an interval fund, do tender offers have to be at the value of the 5% discount?

Elliot J. Gluck: So for an interval fund it's at net asset value.

Audience Question: That's a legal requirement?

Elliot J. Gluck: Right, that's the legal requirement. That's covered by Rule 23c-3 which covers interval funds. A tender-offer fund conducts tender offers the way any other fund, even your listed closed-end funds conduct tender offers, and so technically that doesn't need to be at net asset value, but I think commercially speaking, if that's the liquidity you're offering and it's not at net asset value it kind of makes no sense why anybody would participate. When the listed funds do it, they may do it at a discount to net asset value, but that is a higher price than you can get on the market, so that's why it makes sense. But for an unlisted tender-offer fund, practically speaking you're going to be doing it at net asset value.

Kim Flynn: There are secondary market liquidity providers like Lotus and others that provide liquidity in the secondary, and they're not setting the discount but they're pairing up buyers and sellers. And so this has been more of an issue for the non-listed REIT space, I would say in the last 12 months, people looking for liquidity with the BREIT fund being in proration. So there are liquidity markets that will develop, that you are seeing things done at discounts. But I would say that the interval fund and the tender-offer fund, they've been healthy in terms of not having excess demand for liquidity, and so the interval funds I think have been able to navigate without funds being in sustained proration. Wouldn't you agree?

Paul E. Dunn: Yeah, you're absolutely right. Interesting comment that I don't know the answer to.

Daniil Shapiro: Thank you so much for the panelist's time. Really appreciate all your comments here, thank you.

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