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# AICA Panelists: Client Education Key to Interval Fund Future

Interval funds have helped "democratize" retail access to alternative investments, but their status as the new kid on the block finds their structure in a state of flux, requiring advisors to prioritize client education, a panel of interval fund experts said at the Active Investment Company Alliance's (AICA) 2024 Fall Roundtable in New York City on November 13, 2024.

Interval funds are a type of SEC-registered, closed-end fund that expand investor access to illiquid investment strategies through low investment minimums, frequent valuations, and 1099 tax forms. They have become the breakaway star of the alts universe due to their ability to diversify portfolios and solve some of the structural and regulatory limitations associated with private funds while offering the potential to generate higher total returns.

There are currently more than 115 active interval funds, with more than 50 in registration. Most are focused on credit.

## Delivering Efficiency

Cory Johnson, Co-founder and CEO of Pender Capital, a leading alternative investment manager founded in 2015 that specializes in U.S.-based real estate credit opportunities, said interval funds have helped make life easier for his independent advisory firm clients.

Pender transformed its legacy Reg D offering into an interval fund — the Pender Real Estate Credit Fund (PNDRX and PNDIX) — to provide its RIA clients with a "more operationally efficient" product, Johnson said. The fund's structure and lack of subadvisors makes it easy to deliver "bunt singles around the bases" and avoid lots of ups and downs, he added.

And with low investment minimums, interval funds let RIAs expand their research to a much broader client base, adding value to necessary due diligence processes, Johnson said.

Aaron Rosen, Chief Investment Officer and Portfolio Manager for AOG Institutional

Fund, a closed-end interval fund that invests across all alternative investment sectors and arenas, said he likes the interval fund structure because it makes it easier for retail investors to access opportunities once available only to large institutions.

His firm's fund, AOGFX, aims to do that by incorporating a combination of co-investments with other managers, direct opportunities, and high-end institutional investments with multimillion-dollar commitments.

## Client Education is Key

Educating the public about interval funds' risk profile and how they work is key to their future, panelists said. That includes understanding each product's strategy and stated purpose, Pender's Cory Johnson said. With real estate having recently "gone through the wringer," it's important to be mindful of the market segments a fund focuses on, he added.

And as interval funds evolve and grow larger in size, it's a good idea to look at how fund managers are allocating their capital, AOG's Aaron Rosen said. "Does it match up with the way they were [allocating capital] before — does the return stream of that align — or are they slowly becoming some [kind of] generic exposure?"

On the sponsor side, Rosen highlighted the importance of active fund management to anticipate or react to changes in the market.

Visit AICA's website to view the 2024 Fall Roundtable agenda, interviews, and panel videos.

## Resources

Learn more about:

- Cory Johnson and Pender Real Estate Credit Fund
- Aaron Rosen and AOG Institutional Fund