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# Two Pre-IPO Fund Managers on Whether New Issues Can Meet the Hype

*"A Feature, Not a Bug": T. Rowe Price's Som Priestley and ABS's Laurence Russian on Pre-IPO Volatility, Companies Staying Private Longer, and What Happens if the Big AI IPOs Disappoint*



**Som Priestley**
Head of Global Investment Solutions, Americas
T. Rowe Price



**Laurence Russian**
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Today's NAVigator is our first-ever doubleheader. Recording on location at Schwab Impact in Boston, Chuck Jaffe interviewed two pre-IPO interval fund managers: Som Priestley, Head of Global Investment Solutions, Americas at T. Rowe Price, and Laurence Russian, Founding Partner and Portfolio Manager at ABS Global Investments. The two discuss how they value private shares that rarely mark to market, whether companies staying private longer leaves less for IPO investors, and what a disappointing Anthropic or OpenAI debut could mean for private markets. Russian's view: the growth that once came after an IPO "is now occurring in the last two years of being private."

## TOPICS DISCUSSED

- How T. Rowe Price limits the volatility of direct pre-IPO stakes by spreading TGPIX across buyouts, secondaries, infrastructure, real estate and private credit
- What advisors should check before picking a pre-IPO fund: access, portfolio risk, the manager's track record and how liquidity is managed, and why private markets shouldn't be "painted with a broad brush"
- Why Priestley calls the 5% quarterly repurchase cap "a feature, not a bug," and why a disappointing Anthropic or OpenAI IPO could still leave "a very valuable company"
- Why Russian expects Anthropic's IPO at the low end of the $1.5 trillion to $2 trillion range, and why the real volatility shows up only after the six-month lockup
- Why the value creation that used to come in a company's first two to three years as a public stock now comes in its last two years as a private one
- Why late-stage venture is "almost its own asset class," and why he says "buyer beware" about listed vehicles that trade at big premiums driven by FOMO

The discussion is educational in nature and intended to help investors and advisors better understand the tools, trade-offs, and data points involved in evaluating income-focused strategies.

**EXPLORE THE DATA REFERENCED IN THIS INTERVIEW:**

- Free CEF & BDC profile pages: cefdata.com
- 40+ CEF & BDC indexes: cefdata.com/index
- TGPIX fund page: troweprice.com
- IPOSX fund page: preipo.absinv.com

Powered by CEFData, offering transparent data on U.S. listed closed-end funds, BDCs, interval funds, and ETFs

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## THE CONVERSATION

**CHUCK JAFFE**

We're at Schwab Impact, the largest and longest-running annual gathering of independent registered investment advisors on earth, talking about pre-IPO investments and private markets with interval fund managers Som Priestley of T. Rowe Price and Laurence Russian of ABS Global Investments. This is a special edition of 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, an industry organization representing the entire closed-end fund business, from investors and users up to fund managers, sponsors, and creators. If you're looking for excellence beyond indexing, The Navigator will point you in the right direction. And this week, the direction is to Boston, because The Navigator went on the road with my show, MoneyLife with Chuck Jaffe, for the 36th annual Schwab Impact Conference, where roughly 6,000 people with ties to the registered investment advisor business gathered from October 27th through October 29th to cover seemingly every subject imaginable. One subject in particular that has captured the imagination of the investing public and attendees at Impact is private markets and pre-IPO investments. And for this on-location episode, we're doing something we've never done before, and bringing you two competing fund managers in one extended episode. First, we'll talk with Som Priestley, head of global investment solutions in the Americas for T. Rowe Price, co-manager of the T. Rowe Price Goldman Sachs Private Markets Fund. Then it's Laurence Russian, founding partner and portfolio manager at ABS Global Investments, where he runs the Pre-IPO and Growth Fund. Remember, you can learn more generally about interval funds, closed-end funds, and business

development companies at AICAlliance.org, the website for the Active Investment Company Alliance. Now it's time for the conversations from Schwab Impact.

Som Priestley is head of global investment solutions for the Americas at T. Rowe Price. He is co-portfolio manager for the T. Rowe Price Goldman Sachs Private Markets Fund, an interval fund which launched at the start of July, and it trades under the ticker symbol TGPIX. He's also portfolio manager of the T. Rowe Price Innovation Leaders ETF. You can learn more about him and the funds at TRowePrice.com. Som Priestley, thanks so much for joining me on The Navigator and MoneyLife at Schwab Impact.

**SOM PRIESTLEY**

Great to be here, Chuck.

**CHUCK JAFFE**

So there are some big names in the pre-IPO phase right now. Your interval fund has some exposure to them, but private shares don't mark to market regularly. The fund has quarterly liquidity. Just how volatile are those private shares? Because the talk around IPOs like Anthropic and OpenAI, and the swings and what they could be worth when they come out, has been wild.

**SOM PRIESTLEY**

Yeah, that's fair. The market's definitely starting to think about the pricing of these different investments, and that can create some volatility. I mean, within our portfolio, TGPIX, we try to manage that volatility a few different ways. So one is TGPIX is a diversified strategy. So there are direct investments, as you mentioned, to some of these late-stage names. We're very careful in the evaluation process. We consider, despite them being private markets, what is the current market environment? What financial information do we have on them, and then what transaction information can we use to properly evaluate them? But we also want to diversify our approach and have multiple strategies in the portfolio, such as buyout, secondary private equity, real assets, including infrastructure and real estate, private credit exposure as well. So we want to build a portfolio that has multiple levers to it and multiple ways to be successful. And there's tremendous upside for some of those direct names. But to your point, having too much individual-name direct exposure can also create a lot of volatility.

**CHUCK JAFFE**

Companies today stay private a lot longer than they used to. That could mean that more value is being created in private markets. But there are some observers who think it means that insiders keep the great growth for themselves, and the insiders who can get an allocation before they go public, and that they only go public when the public market is effectively the last place they can go to get money. Is that happening in some cases? Like, it's an interesting story. Is it real? And, oh, by the way, does it make IPOs less attractive?

**SOM PRIESTLEY**

Look, there's been a lot of money going into private markets, and I think that has benefited some of these companies to stay private for longer, and many of them have decided to do so. They don't want to go through the public market sort of quarterly reporting cycle, and staying private allows them to make certain investments and invest for growth in ways that they might feel they can't do publicly. So we do see companies staying private for longer, and some of that is by choice. I think access is always a feature of private markets. It's an important feature in terms of driving return, and so that's what we spend a lot of time on, too, at T. Rowe Price: building relationships with these firms, understanding them, and then finding opportunities to invest. So I don't know if I would say… you know, I think we had a lot of cash flow into private markets, which has allowed some of this behavior to extend, but some of this has always been a feature of private markets. And, you know, if it's done well, investors should get that sort of illiquidity and complexity premium over time that should lead to better returns for those that can get exposure.

**CHUCK JAFFE**

Investors clearly love the idea of getting a hot stock before it goes public. It's a big topic here at Schwab. You know, advisors are being asked by clients, "How can I get in on Anthropic or OpenAI, or how could I have gotten in on SpaceX," et cetera. How do you think investors and/or maybe their financial advisors, given where we are, should evaluate a fund on its access, its valuation process and liquidity, and manager expertise in deciding between the various options that are out there and looking at pre-IPO investments?

**SOM PRIESTLEY**

Yeah, I mean, well, that's a great question. I mean, this is a complicated, inefficient market, as we just discussed. There are access challenges, and as these strategies have come to market, there are a lot of nuances in their approaches that I don't think are always appreciated, and you touched on a few of them there. So, you know, starting at the top of your list in terms of the access, you can see the direct investments in our portfolio. So, as we're making those investments, you will see those names, and I think those will speak for themselves in some ways in terms of showing you that we at T. Rowe Price are able to gain access to many of those top names that individuals are trying to get exposure to. I would go beyond that, though, and look at the overall exposure in the portfolio. Right? Again, the risk management element of this is important as well. There are a lot of strategies that have very significant biases to a certain approach. Perhaps the liquidity is not as well managed, which I'll come back to in a moment. So I think understanding the portfolio, understanding the expectations around the return and the risk the same way we would with any sort of public market investment as well, is very important. They're not all built the same, and I do worry that, you know, private markets, especially in the wealth channel where it's perhaps newer, can be painted with a broad brush, and folks don't always kind of dig into the details. The manager selection, to your point, is important. What are the pedigrees of these firms in terms of their experience accessing these

markets, investing in them? What is their track record? We've been doing late-stage venture at T. Rowe for 20 years now.

You know, liquidity is the other key feature of the strategy, right? This is a long-term investment, but the interval structure does allow 5% of the NAV to be available for redemption on a quarterly basis. So to do that, we're, you know, we're investing a portion of the portfolio in typically floating-rate bonds, a little bit of cash, something liquid to provide that return of capital for those that need it. Now, I'd say this is not the ATM in your portfolio, right? Education matters here. Discipline matters here in terms of making the investment. Know what you're buying here, because the long-term value will be derived from the longer-term holding period. But it is something that we offer, and so if you are in a position where you need to access some capital, there is a buffer there.

**CHUCK JAFFE**

Well, and you answered at least part of my next question before I could ask it, which is the benefits of doing this in an interval fund structure. You talked about some of them. How much does the interval structure give you a little more leeway in terms of the chances you're taking, or maybe the valuations and the marks you're making, et cetera? I mean, because there's limited liquidity, less liquidity, and investors are locked in. Does it change the way you would manage a closed-end fund or an interval fund on this, as opposed to the way somebody who's in anything that's open-ended might deal with it?

**SOM PRIESTLEY**

Yeah, it's a great question, too. So, you know, maybe I'll touch on a couple of other features of interval funds. So for those who are not as familiar, it's a registered product. It has a ticker, TGPIX for our strategy. It's a 1099 tax form. You don't need to be an accredited investor, and the minimum is $2,500. So the access and a lot of the frictions to accessing these investments are removed. To your point, that limited liquidity window does have advantages for us managing the portfolio, especially in strategies like these that tend to have longer-term holding periods for the underlying investments. Given that a portion of the portfolio is in a liquidity buffer, we really use that to serve that 5% cash flow, and we can allow the other investments to mature within the strategy to, you know, reach that sort of time-horizon alpha that we're hoping to see. So there are advantages from an investment management perspective as well. This illiquidity, or the 5% cap, is a feature, not a bug, in my mind. Right? Like, we want to protect all the investors in the strategy. We want to allow the investment strategies to behave as they should, and that takes some patience.

**CHUCK JAFFE**

So, we've talked about a couple of the names that are out there and some of the valuations and just how wild they are. You know, if we wind up seeing one of the next two giants, that being Anthropic or OpenAI, and they don't do what's expected. And I'll point out what is expected. You know, IPO does stand for "it's probably overpriced," and then we expect a pop on top of it, et cetera. But if they

come out, and one of them, whichever one comes out first, if it is wildly disappointing, and there is at least that potential, what does that do to private markets? What does that do to the IPO market? Maybe, what does that do to a fund like yours, where obviously you'd have to change some valuations?

**SOM PRIESTLEY**

Yeah, well, so obviously it would be, you know, a challenging, at least near-term, scenario if one of these companies significantly disappoints. There was some information on Anthropic recently…

**CHUCK JAFFE**

And let me interrupt for just a second, because I don't mean to normally do this, but we talk about disappoints. I mean, there have been discussions about, like, it could be worth $1.5 trillion to $2 trillion. If you can think $2 trillion, $1.5 trillion could be a disappointment, couldn't it?

**SOM PRIESTLEY**

Yeah, yeah. I mean, some of the expectations are very high, and so to your point, a significant disappointment might still be actually a very valuable company. So I think that's one thing. So if those numbers were to come out, I think, again, patience might be warranted. But yes, that would be sort of a disruption in the market, and we've already seen the market testing this AI thesis a little bit recently. I do think recently there's been some positive news around some of the information Anthropic, for example, has released. I believe they said almost 80% of their revenue has been from outside of their top five clients over the past year or so. So I think we are seeing some signs that, you know, these business models are maturing and perhaps becoming more and more ready for the public market.

But it could be a challenge. Again, I wouldn't want to paint private markets with a broad brush. So perhaps part of the private market story could get challenged, but having investments across infrastructure, which is not just AI, right? I think there are interesting things happening in reshoring, some of the less loved areas of infrastructure, too, right? Like renewables. Having exposure in private debt, right? Some of the older vintages certainly have some stressed credit, but some of the newer investments are pretty healthy looking right now. So I think having diversification in the portfolio will help. But yes, that'll be a sort of a challenging episode, of course, if one of the major marquee firms in AI has a massive disappointment.

**CHUCK JAFFE**

Som, really interesting stuff. I appreciate you taking the time out to join me and do The Navigator at Schwab Impact.

**SOM PRIESTLEY**

It was great to be here, Chuck.

**CHUCK JAFFE**

We're back with more of The Navigator at Schwab Impact. I'm joined now by Laurence Russian, founding partner and portfolio manager at ABS Global Investments, where he runs the Pre-IPO and Growth Fund. Its ticker symbol is IPOSX or IPOFX, depending on which share class you're looking at. It's an interval fund focused on late-stage, high-growth private companies and pre-IPO firms, and it's got about 80% of its portfolio in private investments. You can learn more at ABSInv.com. Laurence Russian, thanks so much for joining me.

**LAURENCE RUSSIAN**

Thanks for having me here.

**CHUCK JAFFE**

You have pre-IPO exposure to Anthropic, so I want to start there, because obviously the bigger side of any pre-IPO story is that those shares don't mark to market all the time. Your fund has quarterly liquidity, so I assume you're watching the shares daily, even if you only have to mark them to market once every quarter. But just how volatile are private shares? Because the talk around IPOs like Anthropic and what it will be worth post-IPO has been pretty wild.

**LAURENCE RUSSIAN**

Yeah, I think the expectation for the IPO has really been in that sort of $1.5 trillion to $2 trillion range for the last three to four months. My expectation would be that it comes on the lower end of that range next month, because Dario has always underpriced his rounds, and he wants to leave room for some upside for the most recent buyer. But in terms of marking it in an interval fund portfolio, we really rely on the last round which was executed. We look at secondary marks in the secondary marketplace of sizable transactions, as well as any significant events, like once they actually come out with an official range for the IPO.

**CHUCK JAFFE**

So obviously, in any private shares, they stay kind of steady until they don't.

**LAURENCE RUSSIAN**

Correct.

**CHUCK JAFFE**

But does that increase the potential for volatile action? I mean, even at 1.5 to 2, that's a, you know, 33% difference to the upside or 25% difference on the down, whatever.

**LAURENCE RUSSIAN**

Yeah, in the private markets, you really have step functions, usually upward. They can be downward as well, depending on the asset, but it's more of a... as you said, it's not a day-to-day mark. It's more of a next round, next significant event. I think where you actually see the volatility is post-IPO, because for most IPOs the shares are restricted for six months, and that's where I think you see the volatility, once they're traded in the public markets.

**CHUCK JAFFE**

Let's talk just a little bit about that, because it's the Pre-IPO and Growth Fund, and one of the things with any company that is buying new, or even when we're just looking at, like, you know, an IPO index like IPOX Schuster or what have you, is how long an IPO stays an IPO. What are the ways that you look at it? Like, does the growth kind of cover you, that it can be an IPO for a lot longer?

**LAURENCE RUSSIAN**

Yeah, it's a great question. There are a lot of products that tend to hold the shares for the long term in the public markets if they still see significant upside. As I said, for most IPOs there's going to be a six-month restricted period on the stock before it gets delivered. We typically give ourselves six months after that period to sell in the public market and then recycle that capital into the next great idea, private idea. So we kind of view this as, once it's really been in the market for six months, you or your advisor or your client can purchase it themselves. You don't need to pay us active management fees to hold that for you.

**CHUCK JAFFE**

Companies are staying private longer than they used to, and that may mean that more value is being created in private markets. But there are some observers who think it means that insiders want to keep that great growth mostly to themselves, and they get their allocation in private shares, and that they're only going public once it's kind of like, that's your where-can-I-get-money of last resort. Is that sentiment real? And does it make IPOs less attractive? Like, the longer they're staying private, does there come a point where what would have been a great IPO is kind of a meh IPO?

**LAURENCE RUSSIAN**

That is actually a very fair comment. I wouldn't frame it quite as negatively or as adversarial as that, but I would say yes. The thesis of our product, IPOSX, is that the value creation that used to occur in public markets in their first two to three years of being public is now occurring in the last two years of being private, because these companies are staying private longer. They're having explosive growth. They're taking share from public market incumbents, and what we're trying to do is isolate that return, very high returns in the two to three years prior to IPO. The IPOs themselves, for the most part, will probably go well. They're great companies. They're still growing, but a disproportionate amount of value is occurring in those last few years on the private side.

**CHUCK JAFFE**

> Investors love the idea of getting in on a hot stock before it goes public. It's a big topic here at Schwab. Advisors are being asked by clients; they want to get in on this next SpaceX or Anthropic or OpenAI. How do you think investors and their financial advisors should evaluate a fund like yours, where it's difficult to necessarily have a benchmark or an expectation the way they would if they're looking at a large-cap growth fund, something along those lines? But also, they've got to worry about that valuation mark-to-market thing, and they've got to worry about liquidity and all that other sort of stuff. So how does somebody size up what they're getting beyond its names and hot stocks?

**LAURENCE RUSSIAN**

> Well, I think if you understand… again, I would argue that late-stage growth, late-stage venture, is now almost its own asset class. It's completely different from traditional venture, and it's not quite public equities, although the companies we're investing in look and feel more like public companies, meaning that the teams you hire to evaluate these names need some kind of public market lens, because they're likely going to be public, and they will be evaluated as such in sort of that one- to two-year period. There are a lot of different ways to try to access the Anthropics and the SpaceXs of the world. I think what we do is a combination of the large names that people know about, but also the names that are up-and-comers, that I hope you do know about and talk about a year from now, so that we can get in at really compelling valuations.
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> In terms of accessing the asset class itself, there are a lot of different ways to do it. You can go into a closed-end drawdown, you know, fund. Those are typically 10-year products. They're complicated, you know, with sub docs, and usually require QPs. On the other side of the spectrum, you can go with closed-end listed stocks, which I'm sure you've heard about, that hold the underlying assets. I would say buyer beware with those vehicles. I won't name which ones they are, but they often trade at enormous premiums, and they trade a lot more on FOMO, or fear and greed, than they do the underlying value of the assets. So an interval fund provides you the opportunity to buy in at net asset value, to take a three-year, five-year approach, compound your money, and if you need some liquidity along the way, there's 5% offered every quarter.

**CHUCK JAFFE**

> Well, I love it when a guest answers my next question before I've asked it, because I was going to ask you about the benefits of being in an interval fund with this kind of asset. So instead, I'm going to use my last bit of remaining time and my last question to go back to something you said, which was you talked about how late-stage venture versus classic venture are now two sort of separate or distinct asset classes or asset types. Explain that. What is that difference, and why does somebody want both, or what is the difference that they get if they're having one, the other, or both?

LAURENCE RUSSIAN

> Absolutely. When people refer to classic, you know, venture capital, they typically refer to early-stage investing. That is a concept, a serial entrepreneur with a new idea. You're coming in. You're investing in a number of different businesses, of which you hope a handful will survive. Seven out of 10 are likely going to go bust or maybe be sold for kind of scrap pricing, but you're really betting on a power law of hitting the right companies and looking for a 10, 20, 30x. On late-stage venture or pre-IPO investing, these companies have already made it through the funnel. They've had multiple rounds of financing. They've been scrutinized by multiple firms. They are now clear leaders in their space, like an Anthropic, like a Databricks. And at this point, it's evaluating these companies in terms of sustainable growth, what you have to pay for that growth relative to public and private comps, and the path to liquidity. So again, the analysis and the returns are far more akin to public market growth investing than they are to traditional venture.

CHUCK JAFFE

> Laurence, really interesting, great stuff. I appreciate you taking time out at Schwab Impact to join us here on The Navigator and MoneyLife.

LAURENCE RUSSIAN

> All right, thank you for the time, Chuck.

The Navigator is a joint production of the Active Investment Company Alliance and MoneyLife with Chuck Jaffe, and I'm Chuck Jaffe. And if you want to hear the other 20-plus interviews I did with experts at Schwab Impact, please go find the shows airing from October 28th through November 3rd by searching for MoneyLife with Chuck Jaffe on your favorite podcast app. To learn more about interval funds, closed-end funds, and business development companies, go to AICAlliance.org. That's the website for the Active Investment Company Alliance. Thanks to my guests: Som Priestley, head of global investment solutions in the Americas for T. Rowe Price, co-manager of the T. Rowe Price Goldman Sachs Private Markets Fund. That's ticker symbol TGPIX. There's more information on the fund and the firm at TRowePrice.com. Laurence Russian is founding partner and portfolio manager at ABS Global Investments, where he runs the Pre-IPO and Growth Fund, ticker symbols IPOSX and IPOFX. Learn more about the firm and its funds at ABSInv.com. The Navigator Podcast has something new for you every Friday. Thanks for joining us on the road at Schwab Impact, but make plans to join us again next week, when we'll have more on the closed-end fund world to talk about. Until then, happy investing, everybody.

Som Priestley is head of Global Investment Solutions, Americas at T. Rowe Price and co-manager of the T. Rowe Price Goldman Sachs Private Markets Fund (TGPIX). Learn more at TRowePrice.com. Laurence Russian is founding partner and portfolio manager at ABS Global Investments, where he runs the Pre-IPO and Growth Fund (IPOSX, IPOFX). Learn more at ABSInv.com. Visit AICAlliance.org for more on BDCs, closed-end funds, and interval funds.

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