

## Interval funds: 10 success stories from 2023

XA Investments partner Kim Flynn (pictured) looks back at some of the most successful interval and tender offer funds of 2023.

BY KIM FLYNN



One of 2023's defining trends within wealth management has been the increased prevalence and popularity of private asset funds.

In particular, there has been increased interest -- from asset managers and investors -- in interval and tender offer funds, which offer access to private assets, often for lower minimums and in perpetuity, while allowing for some element of liquidity.

At the end of September, there were 196 interval and tender offer funds with a combined \$122bn in assets. This compares to 160 such funds a year ago, an increase of 23%, while their AUM is up by 28%.

But not all these funds have enjoyed the same level of success this year. For example, it has been an outstanding year for private credit and private equity funds

but not so much for real estate offerings, which suffered poor performance and net outflows.

As a consultant to asset managers looking to launch these funds, XA spends a lot of time studying the market and has identified 10 funds that we deem to be 2023 success stories. In selecting and ranking these funds our research team considered both qualitative and quantitative factors including the following: inception dates, AUM, net flows, proration trends and performance.

There are 125 unique interval and tender offer fund sponsors of which 34 firms have two or more funds. Three quarters of the total interval and tender offer fund market's net assets reside in the 30 largest funds, including funds managed by market leaders like Cliffwater, Partners Group, Alkeon Capital Management and Bluerock. Our 2023 success stories feature a variety of different fund sponsors, from well-known mutual fund managers to alternative boutiques.

## XAI's success stories of 2023

Rank	Fund	Asset Class	Suitability Restrictions	Ticker	Inception Date	Current Net Assets, \$mm (as of) <sup>1</sup>	Beginning of Year Net Assets, \$mm (as of) <sup>2</sup>	Change in Net Assets, \$mm (as of)	Change in Net Assets (%)	NAV Frequency
1	Hamilton Lane Private Assets Fund	Private Equity	Qualified Clients	XHLDX	1/4/2021	1,204 (10/2)	502 (12/31)	701	140%	Monthly
2	AMG Pantheon Fund, LLC	Private Equity	Accredited	-	10/27/2015	2,470 (9/30)	1,369 (12/31)	1,101	80%	Monthly
3	Cliffwater Enhanced Lending Fund	Credit	Accredited	CELFX	7/1/2021	2,300 (10/31)	1,174 (12/31)	1,126	96%	Daily
4	StepStone Private Markets	Specialty / Other	Accredited	XPMIX	10/1/2020	1,600 (10/31)	904 (12/31)	696	77%	Daily
5	Pomona Investment Fund	Private Equity	Accredited	-	5/7/2015	1,200 (7/3)	831 (12/31)	369	44%	Quarterly
6	Lord Abbett Credit Opportunities Fund	Credit	None	LARAX	2/15/2019	1,480 (10/31)	1,171 (12/31)	309	26%	Daily
7	Bow River Capital Evergreen Fund	Private Equity	Accredited	BREXV	1/1/2021	428 (10/31)	299 (12/31)	129	43%	Weekly
8	Carlyle Tactical Private Credit Fund	Credit	None	TAKIX	6/4/2018	2,171 (9/30)	1,409 (12/31)	762	54%	Daily
9	Variant Alternative Income Fund	Specialty / Other	Accredited	NICHX	10/2/2017	2,975 (10/31)	2,388 (12/31)	587	25%	Daily
10	Versus Capital Real Assets Fund	Real Estate	None	VCRRX	9/18/2017	3,073 (10/31)	2,918 (12/31)	155	5%	Daily

Sources: Fund websites and fact sheets; SEC filings.

Note: The above table represents a summary of fund features and size. XA Investments' methodology for selecting and ranking the above list of funds considered factors such as: seed capital, seed capital as a proportion of net assets, net flows, proration and shares tendered as a percentage of net assets, and performance.

## Private equity

The Hamilton Lane Private Assets fund tops our list for AUM, despite the fact that it may only be sold to qualified clients (due to the fund charging net profit-based performance fees). With strong asset growth in 2023, this tender offer fund defies the trend of daily net asset value (NAV) interval funds leading the way in terms of net flows.

Exhibiting an innovative streak, Hamilton Lane announced in October 2022 plans to launch digitally native share classes via the blockchain, representing a first for the marketplace. Although the fund ultimately withdrew this application in October 2023. Hamilton Lane has been a strategic investor in both the CAIS and iCapital platforms, which cater to RIAs that are interested in alternative investments.

The AMG Pantheon fund is a private equity focused tender offer fund that experienced tremendous asset growth in 2023, with demand from family offices, RIAs and Morgan Stanley. Investor demand for access to private equity also drove uptake of other private equity focused funds including Voya's Pomona Investment fund and the Bow River Capital Evergreen fund.

On the back of strong performance, the AMG Pantheon fund was able to take advantage of its more than seven-year track record. The fund was added to the Morgan Stanley platform in Q1 and that helped drive momentum for capital raising. It is worth mentioning Bow River's innovative structure creatively matches its private equity focused strategy; the fund features a weekly NAV and semi-annual interval fund repurchase periods plus two additional quarterly tenders to provide liquidity.

## Private credit

Leading the way in terms of net flows in 2023 was the private credit interval fund category. The Cliffwater Enhanced Lending fund follows in the footsteps of big brother and market leader Cliffwater Corporate Lending fund. The newer fund has gained assets quickly, thanks in part to its full management fee waiver. Two other successful private credit funds, the Lord Abbett Credit Opportunities fund and the Carlyle Tactical Private Credit fund, represent flagship credit strategies showcasing the best of what each firm has to offer. Both funds have the flexibility to move

between different credit opportunities. The Carlyle fund has a multi-manager approach and benefits from the Carlyle stable of investment talent. With its powerhouse distribution team, the Lord Abbett Credit Opportunities fund has sold well in multiple channels and is available on both the UBS and Merrill Lynch platforms.

## Specialty

StepStone Private Markets is the first in the series of three interval or tender offer funds that the firm has launched since October 2020. The StepStone Private Markets fund offers a broad-based private markets solution that spans private equity, private debt and real assets. The firm made news in July this year when the fund switched to daily NAV, allowing investors to invest on a daily basis via electronic ticketing. The fund no longer requires subscription documents.

While Variant may not yet be a household name, this Portland, Oregon-based firm has a singular focus that has driven its success with the Variant Alternative Income fund. Variant's unique strategy with a variety of niche income-producing investments stands out from the pack of corporate credit interval funds. If we had published a 2022 success stories list (we did not), Variant would have topped the list then as well. The firm continues to focus on cultivating relationships with its RIA audience and has a refreshing approach to managing investor expectations regarding appropriate investment horizons and liquidity management.

Finally, the Versus Capital Real Assets fund rounds out our list of 2023 success stories as a standout in the Real Estate / Real Asset category. The fund had the strongest net flows of any funds in its peer group and has benefited from a first-mover advantage having launched with a differentiated real assets strategy in September 2017. Versus takes a multi-manager approach and makes diverse investments across a variety of real assets including infrastructure, timberland, and farmland. With steady Fed rate increases, the fund's investment strategy has resonated with investors concerned about inflation in 2022 and 2023.

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*focused on registered closed-end funds, among other things. The firm produces a quarterly report on that market, which can be found at [www.xainvestments.com](http://www.xainvestments.com).*