

# An Introduction to Interval Funds

## What Is an Interval Fund?

An interval fund is a pooled investment vehicle that offers investors periodic liquidity at an interval disclosed in its prospectus—monthly, quarterly, semiannually or annually. While interval funds are eligible to own a wide range of investments, their structure makes them particularly well-suited for strategies containing alternative income-generating assets like private credit or syndicated loans, which generally have offered higher yields to investors relative to traditional securities in exchange for reduced liquidity.

### Key features of interval funds include:

- **A broad range of investments.** Because they do not need to provide daily liquidity to investors, interval fund managers have greater flexibility to own less-liquid assets—including private securities—that may offer attractive current income and the potential for compelling risk-adjusted returns and serve as a diversifying complement to traditional asset class exposures.
- **Easy access.** Interval funds are offered continuously, like open-end mutual funds, and are generally available to a broad audience with no requirements that investors be accredited or qualified.
- **Transparency.** Registered under the Investment Company Act of 1940, interval funds are subject to the same reporting and disclosure requirements as other '40-Act investment products like traditional closed-end funds and open-end mutual funds. Net asset value (NAV) is calculated daily, and purchases and redemptions are executed at NAV.

## How Do Interval Funds Compare to Open-End Mutual Funds?

Interval funds also have similarities with open-end mutual funds, including shares offered for sale continuously at NAV. There are significant differences between the vehicles, however:

- Most prominently, interval funds, unlike open-end mutual funds, do not provide shareholders with daily liquidity, instead providing liquidity only periodically as set forth in their prospectuses. Unconstrained by the need for daily liquidity, interval funds can invest in less-liquid assets that may offer attractive current income and the potential for compelling risk-adjusted returns and potentially serve as a complement to traditional asset class exposures.
- While open-end mutual funds can hold no more than 15% of their portfolio in illiquid assets, interval funds face no such limitation.

## How Do Interval Funds Compare to Traditional Closed-End Funds?

Although they are classified as closed-end funds by the '40 Act, interval funds differ from other closed-end funds in a number of important ways:

- Traditional closed-end funds are issued through an initial public offering and then trade in the secondary market at prices that may be above or below the NAV of their holdings. Interval funds are offered continuously and do not trade on a secondary market; investors can sell a portion of their shares back to the fund at NAV during liquidity windows.
- An interval fund must offer to repurchase 5–25% of common shares outstanding during the liquidity periods. Should investor repurchase requests exceed the amount established by the fund, shares will be repurchased on a pro-rata basis.

## Why Consider an Interval Fund?

The illiquidity of an investment can represent both a risk and an opportunity. Less-liquid assets and investment vehicles historically have offered incremental returns to compensate investors for reduced access to their capital. Long-term investors who do not require instant access to their principal may be well-positioned to capture this illiquidity premium through an interval fund. Keep in mind that:

- While interval funds offer liquidity at specified periods, they are not as liquid as open-end mutual funds or traditional closed-end funds.
- Investors should consider how the addition of an interval fund may impact the liquidity profile of their overall portfolio. Those with sufficient liquidity in other investment holdings may feel more comfortable allocating assets to an interval fund than those with limited liquidity across their portfolio.

## What Are the Potential Benefits of Investing in Interval Funds?

- Access to illiquid assets and asset classes
- Low minimum investments (compared to private hedge funds)
- NOT restricted to accredited or qualified investors
- Simplified tax reporting: 1099 Reporting (No K-1s)
- Transparency of a regulated offering (unlike private hedge funds)
- Purchases and redemptions are at NAV (no discounts/premiums like closed-end funds)
- Ongoing subscriptions (unlike narrow raise windows for private or closed-end funds)

## Interval Fund Comparison

	Interval Fund	Private LP Fund	Closed-End Fund	Open-End Fund
Access to private investments	✓	✓	✓	Up to 15%
Direct offering of shares at NAV	✓	Interests offered during subscription period	IPO, then traded on an exchange	✓
Ability to continually offer shares	✓	No	No	✓
Direct redemption	✓ At specific intervals	Generally No: redeemed pursuant to Fund's waterfall structure	Shares are sold in the secondary market	✓
Redemption at NAV	✓	Generally No: redeemed pursuant to Fund's waterfall structure	No: shares sold at market price	✓

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Before you invest in an interval fund, you should be aware of the various risks. Please see the offering document for a complete discussion of the risks. All investments involve the risk of loss of principal.

**Investors should consider investment objectives, risks, charges and expenses carefully before investing. The prospectus and summary prospectus contain this and other information about the Funds and may be obtained by visiting our website at [www.feim.com](http://www.feim.com) or calling us at 800.334.2143. Please read our prospectus carefully before investing. Investments are not FDIC insured or bank guaranteed, and may lose value.**

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