



Interval Funds Market Update

MAY 2021

The Current Landscape

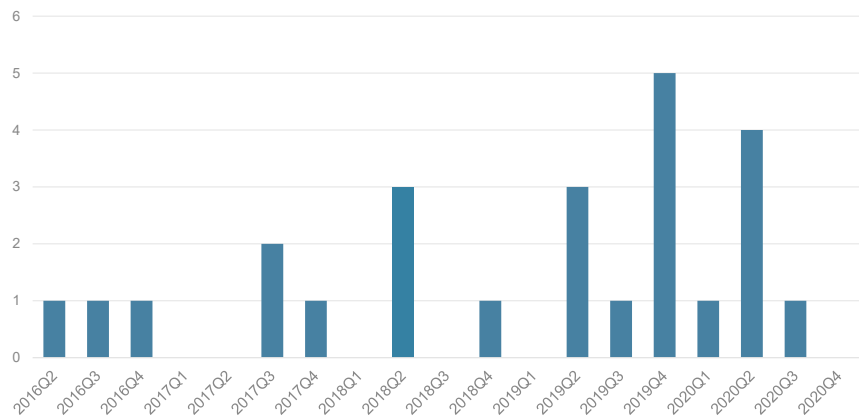
As of Q4 2020, there are 77 active interval funds.

- Throughout 2020, the interval funds market remained active with six new funds registered, 11 funds launched, and more than 75 active interval funds, all of which continue to focus primarily on generating income for investors and maintaining a specific level of liquid investments to meet repurchases.
- Since Q4 2016, the net assets of interval funds experienced double-digit year-over-year growth in each quarter through Q1 2020, reaching \$32.6 billion. Consistent with the broad sell-off in the markets due to the pandemic, the year-over-year growth rate declined to 7.3% in Q2 2020, from 16.1% in Q1 2020. We note that despite the decline, interval funds remained an attractive alternative investment vehicle as there were four new fund registrations in Q2 2020.
- Net assets have since rebounded from the low of \$31.6 billion observed in Q2 2020 to \$35.5 billion at the end of Q4 2020, which is above the pre-COVID-19 levels. The net assets at year-end represent an 11.8% growth in 2020 and a 12.6% increase since the lows in Q2 2020.
- Of the 11 new funds launched in 2020, six (~55%) were credit strategies, which continue to be the primary investment strategy for interval funds, and three (~27%) were real estate strategies.
- Given the liquidity provided to investors via periodic share repurchases, interval funds are generally required to compute NAV at least weekly, with daily NAV determination during the five business days preceding a share repurchase request deadline. Houlihan Lokey has experience valuing a broad range of complex investments across various industries and asset classes and was recognized as “Best Valuation Firm for Hard to Value Assets” in 2020. Our investment banking platform provides unique attributes and real-world market insights that inform our valuations. As a result, we can be a valuable partner to interval funds with hard-to-value illiquid assets.

Source: Interval Fund Tracker.

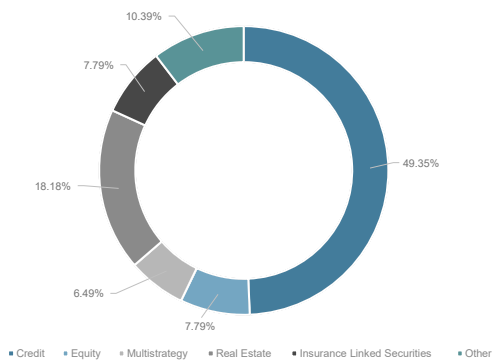
Registered Interval Funds

Number of Fund Registrations

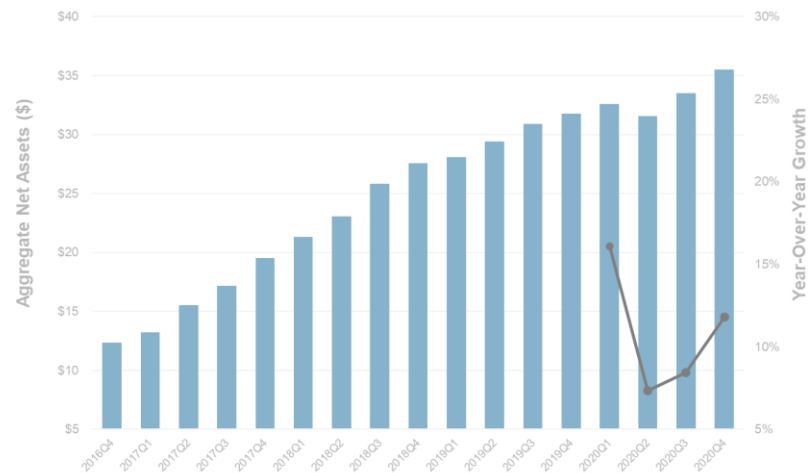


Registered Interval Funds (cont.)

Interval Funds in Registration: Percent of Funds by Strategy

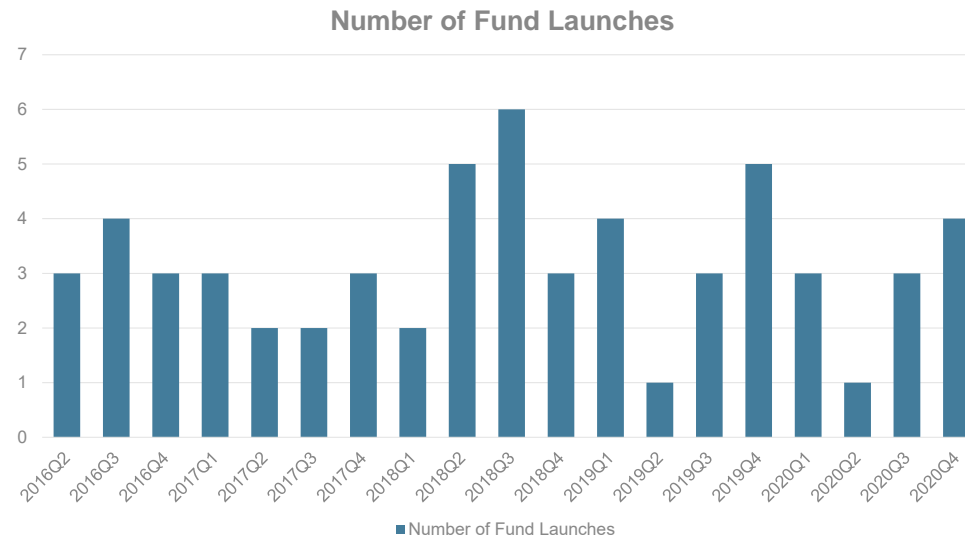


Interval Fund Net Asset Growth

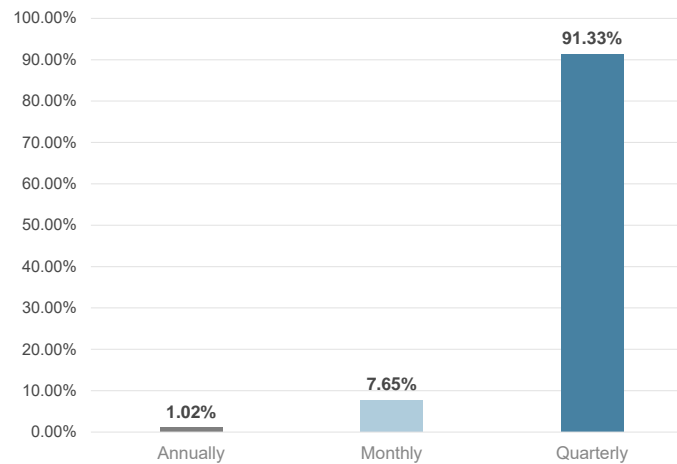


Source: Interval Fund Tracker.
 Note: The "Other" category includes a variety of strategies such as late-stage startup companies, Bitcoin features, institutional infrastructure, agriculture and timber, and public real estate securities.

Launched Interval Funds



Frequency of Repurchases



Interval Fund Fee Structure

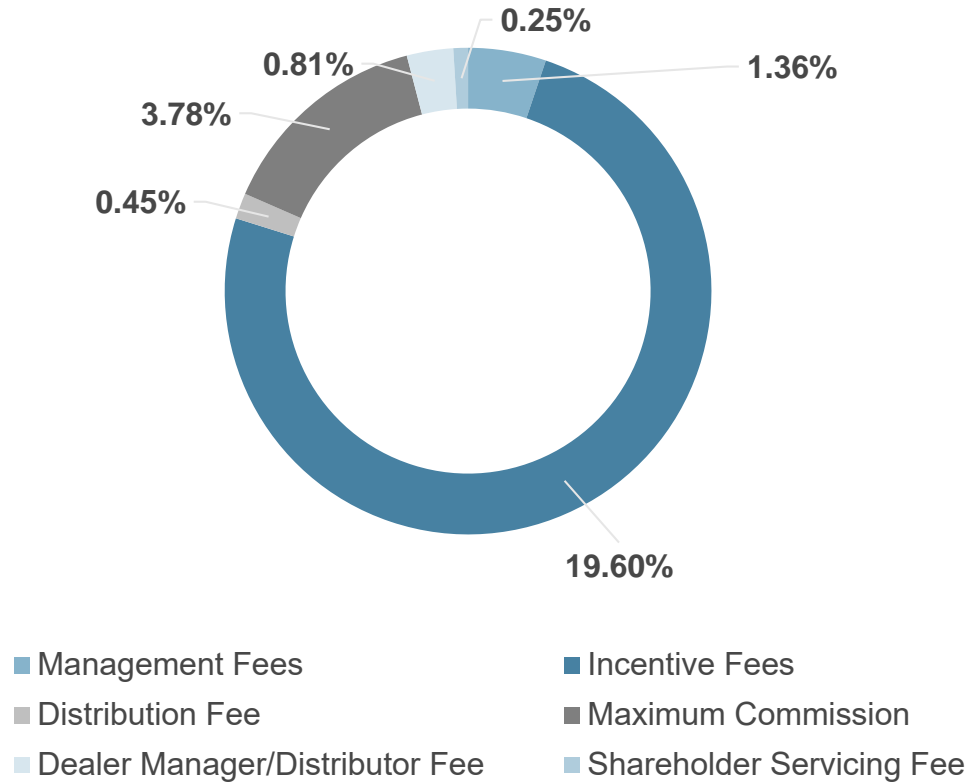
Fee	Low	Mean	Median	High
Management Fees	0.05%	1.36%	1.50%	2.00%
Incentive Fees ⁽¹⁾	15.00%	19.60%	20.00%	20.00%
Distribution Fees	0.05%	0.45%	0.25%	1.00%
Maximum Commission	1.00%	3.78%	3.50%	5.75%
Shareholder Servicing Fees	0.05%	0.25%	0.25%	1.00%
Dealer Manager Fees	0.00%	0.81%	0.75%	3.00%

Source: Interval Fund Tracker.

(1) Based on the total observed interval funds that indicate a majority does not incorporate an incentive fee.

Interval Fund Fee Structure (cont.)

Average Fee Breakdown⁽¹⁾



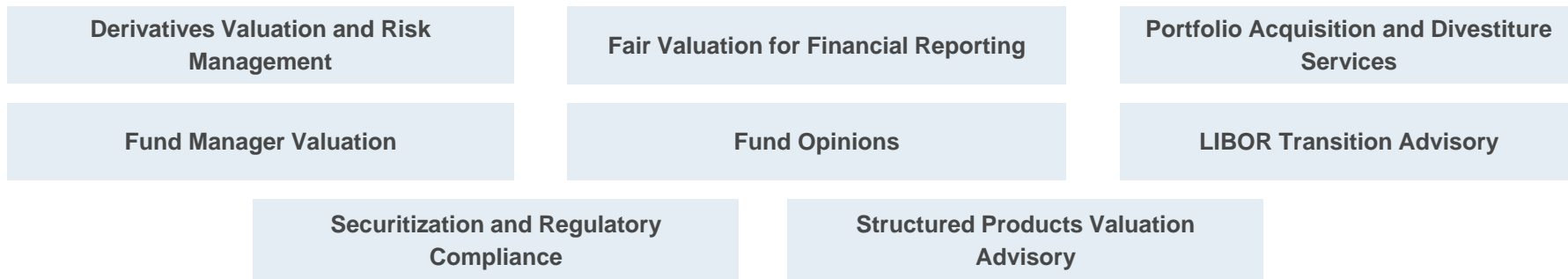
Source: Interval Fund Tracker.

(1) Based on the total observed interval funds that, on average, have a total fee of 5.68%.

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Houlihan Lokey's Portfolio Valuation and Fund Advisory Services practice is a leading advisor to many of the world's largest asset managers who rely on our (i) strong reputation with regulators, auditors, and investors; (ii) private company, structured product, and derivative valuation experience; and (iii) independent voice. We value illiquid assets on behalf of hundreds of hedge funds, private equity firms, financial institutions, corporations, and investors. We rapidly mobilize the right team for the job, drawing on our expertise in a wide variety of asset classes and industries, along with our real-world transaction experience and market knowledge, from our dedicated global Financial and Valuation Advisory business.

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