

The background of the top half of the page is a blurred image of a computer keyboard, with the keys appearing as a series of parallel lines receding into the distance. The lighting is dim, creating a professional and tech-oriented atmosphere.

INTERVAL FUNDS: WHAT'S IN A NAME?

Investment products can be the hinge between your money and your life goals. And because everyone's money, goals, and life are different, there have been a variety of innovative financial investment products created that seek to meet investors' goals.

The names for these products are often descriptive. For instance, mutual funds are so named because many investors mutually pool their money together. Exchange traded funds describe funds that trade on exchanges like a stock, as opposed to mutual funds that price once a day. Hedge funds were originally developed by institutional investors to offset risk in other parts of their portfolio – like “hedging a bet”.

And interval funds? The salient characteristic is that they allow for redemptions at intervals, usually every 3, 6, or 12 months. What problem does that help solve for investors?

Matching the Strategy to the Structure

One of the challenges in financial planning in recent years has been creating portfolios that maintain the desired diversification and risk profile while still targeting return and income goals.

An asset class that may help to address these concerns is illiquid alternative investments. This asset class generally has a lower correlation to exchange traded assets and can provide portfolio diversification. Some illiquid alternative assets have an illiquidity premium which may offer the potential for enhanced yield.

With these types of assets, the manager typically intends to hold them in the strategy over the long term. An open-end mutual fund or ETF structure that has daily repurchase requirements might result in the manager having to sell positions to meet liquidity needs, instead of being able to hold the investment over the entire period that might be needed to realize the investment.

The limited liquidity requirement of the interval fund structure can be an effective compromise between the needs of the manager to execute the longer-term strategy and the liquidity needs of an investor.

An interval fund also can hold different types of assets, allowing the manager the flexibility to efficiently alter the asset allocation in response to market conditions.

What Else Do Interval Funds Offer?

Besides the ability to invest in strategies that may help meet portfolio goals, there are several other features.

- Investment minimums can be relatively low compared to other private investments, generally starting at \$2,500 in non-qualified accounts
- Continuously or periodically offered
- Interval funds are repurchased at NAV
- Tax reporting on distributions is simpler and done by Form 1099
- Regulated by the Investment Company Act of 1940

Because interval funds offer only limited liquidity, investors must be mindful that their investment dollars will not be available to them in the way an exchange-traded investment may be since they are not traded in a secondary market. There are also certain other risks investors should be aware of.

Visit cioninvestments.com for more information.

Interval funds will have corresponding risks specific to the strategy employed and the underlying fund assets they invest in. Each fund will also have specific capital and market risk as they can be affected by economic downturns, interest rate changes, credit quality, and other factors that can reduce their value and performance.

They can also have higher fees than traditional mutual funds, which can erode their returns and reduce the net asset value (NAV) of the fund and the amount of money available for repurchase. Therefore, interval funds are best suited for investors who have a long-term time horizon, a high-risk tolerance, and a diversified portfolio. These risks are outlined in the prospectus for each fund, which should be read carefully.

Wrapping it Up

Interval funds can provide a way to broaden the types of assets held in existing investment portfolios, while still offering some access to investor funds. By limiting liquidity, they can employ longer-term strategies that have the potential to provide diversification and enhanced yield.

The information contained within is for educational and information purposes ONLY. It is not intended nor should be considered an invitation, inducement to buy or sell any security or a solicitation to buy or sell any security. The information is not designed to be taken as advice or a recommendation for any specific investment product, strategy, plan feature or other purpose in any jurisdiction, nor is it a commitment from us or any of our subsidiaries to participate in any of the transactions mentioned herein. This is also not intended to be a forecast of future events nor is this a guarantee of any future result. Both past performance and yields are not reliable indicators of current and future results. Information contained herein was obtained from third party sources we believe to be reliable; however this is not to be construed as a guarantee to their accuracy or completeness. Observations and views contained in this report may change at any time without notice and with no obligation to update.

All investments carry a certain degree of risk, including possible loss of principal and there is no assurance that an investment will provide positive performance over any period of time. There are specific risks associated with investing in various types of financial assets and in different countries. The information contained within should not be a person's sole basis for making an investment decision. One should consult a financial professional before making any investment decision. Investors should ensure that they obtain all available relevant information before making any investment. Financial professionals should consider the suitability of the manager, strategy and program for their clients on an initial and ongoing basis.

CION Securities, LLC, Member FINRA/SIPC.