Read the transcript from the panel session discussion titled: "Access to Illiquid Investments & Managing an Interval or Tender Offer Fund Structure"

Wednesday, November 6, 2019

Zachary Forman, SVP, Head of Fund Relations at Griffin Capital, Christian Munafo, Chief Investment Officer of SharesPost, and Ryan Cummins, Portfolio Analyst at Wildermuth Advisory were panelists at the AICA Boot Camp and Round Table held on November 6th in New York City. The moderator of the panel was Vadim Avdeychik, Counsel at Paul Hastings. Read the transcript from the discussion below to hear the insight from the panelists.

Vadim Avdeychik

Zachary Forman

Christian Munafo

Ryan Cummins

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Zachary Forman: It's great to be here. Really appreciate John, and all of the efforts coordinated around education about closed-end funds and specifically interval funds. My name is Zach Forman, I run investor relations for all of our 40 Act products at Griffin Capital Securities. We're a 25 year old asset management firm based in Southern California. A couple notables about our firm, we've invested 70 million dollars in every product that we've put into the market. Collectively as a firm, we've got about 17.5 billion in total assets.Specifically on the 40 Act side, we have the Griffin Institution Access Real Estate Fund, which is a private-public kind of turnkey one-stop solution for real estate. As well as a credit strategy and partnership with our friends at Bain Capital in Boston. That is kind of a global, go anywhere, unconstrained alternative fixed-income strategy that can vest across the entire universe of high-yield bonds, bank loans, CLO debt and equity, middle market, senior secured, direct lending, all the way to the right side of the illiquid goalpost, which is special situations and NPLs. Again, really appreciate the opportunity to be here and just reflecting on this moment and taking back ten years ago. I've been in the business for 20 years, but specifically within the interval fund space for a decade. And I sat on my very first panel almost 10 years ago to the day, and there were four people in the room. One was me, one was the moderator, and the other two were fellow panelists. So it's really quite incredible to see so much time, and resources, and dedicated attention and energy to this space. It's growing as you've seen recently with some of the earlier stats and slides on the board up there, and I think the trend is only going to continue. We're in a world where democratization is becoming more and more prevalent. And what we love about our suite of products is really the word institutional access. And we can kind of come back to this later, but it means something to us. It's something that really is something we take seriously. And I think these products are really breaking down a lot of the historical barriers to asset managers that you had to be a pension fund, and endowment, or a sovereign entity to invest into. And you can do now, really for the first time, enter into these products from mutual fund type minimums; a thousand dollars and a qualified account, typically $2500 in a non-qualified account. And it's great to see the non-millionaire client finally have access to asset managers that historically have been inaccessible.

Christian Munafo: Great, that was really interesting. I'm Christian Munafo, I'm the chief investment officer of SharesPost. I'm actually three months in to the registered world. I come from the private equity world, so this is a learning experience to me to see how fast this market has grown. One of the things that interested me about the registered world is access to a different demographic of client. I come from the institutional market where we're pitching large pensions, endowments, uber high-net-worth individuals, multifamily offices. And there is a shift that's happening over the last several years in the private equity market, for managers that are looking to expand outside of that realm. And one of the things that attracted me to SharesPost, was the fact that we're trying to democratize access to a specific asset class that simply has only been reserved for the types of investors that I just talked about. So we'll talk more about what I focus on, and what we focus on I'm sure throughout this panel. But to give the quick overview, we focus on the late stage venture and growth equity segment of the private equity market system. We have about two hundred million dollars in assets under management. We started several years ago. We're just starting now to gain momentum. We do something which is called private equity secondaries, which some of you may or may not be familiar with. We're essentially trying to buy into capital stacks of very attractive, high-growth companies, at prices that are below their fair market value or intrinsic value. Managed by very strong operational teams, strong institutional investors on their boards. But we believe there's some dislocation. There's some reason that a seller is selling that we could take advantage of to get our clients an attractive entry point within an average two to four year time period of those assets getting liquid through either an M&A transaction, buy-out, or an IPO. So we're providing a unique access point to the retail market to access this asset class, which is highly differentiated and was very attractive to me. I'm still learning about the interval world. There's challenges, I'm sure many of you know that. I'm happy to share my initial thoughts on what those challenges are, but it is an interesting part of the market, and I'm happy to be here.

Ryan Cummins: Hi everyone, thanks for your time and interest. I'm Ryan Cummins, I'm a portfolio analyst with Wildermuth Advisory, manager of the Wildermuth Endowment Fund. In broad strokes, what we do is we manage an interval fund in which we emulate the modern endowment model as developed by David Swenson, the CIO of Yale Endowment. So it's a multi asset class approach, we invest across public and private markets. Within private market, we invest in private equity, private debt, real assets as well as absolute return strategies. So it's really a total portfolio approach, which works well for us in the interval fund structure because we can manager our liquidity, be fully invested in that core strategy of multi-asset institutional investment style.

Vadim Avdeychik: Thanks. So on the prior panel, we talked about some of the challenges and some of the questions that the service providers are getting when managers are considering tender offer funds or interval funds. I would like to hear from you and your perspective, what was your thinking in terms of considering the different wrappers available to you? And what sort of led you down the path of launching the product that you did?

Zachary Forman: Sure, that's a great question. And I think there's actually two parts to that relative to the structure. So we have two continuously offered closed-end funds, aka interval funds. We were very structure agnostic when we built our first fund, which is our real estate fund. It's five years old, a little over four billion in total assets. And as we sifted through the data, and understood the message and the concept that we wanted to deliver to our investors, it wasn't a conversation of, "Hey, let's build an interval fund because this structure is garnering popularity in the marketplace." Instead it was, "Here's the research. This is what is going to deliver the best risk adjusted return. This is the correct mixture of private and public securities married together in a mixed asset portfolio." So with this in mind, what is the best box? What is the best chassis if you will, to place private and public real estate with a 70/30 weighting, private to public, into? Is it an open-end fund? Can't do it in an open-end fund because open-end funds, just to backtrack a couple panels for the education for the audience, open-end funds are limited to 15% of their asset base in private securities. So it kind of deleted that as an available option to us. It didn't make sense to do a Reg D product, because it limits the investible universe and the accreditation standards. And quickly came to the realization that an interval fund was the perfect wrapper to take this investment thesis and put it inside of. We love the fact that the manifestation around NAV and the visibility into NAV, coupled with the ease of use and the sense that these do trade through the NSCC as James from ALPS mentioned earlier. You can buy them through your typical clearing portals; Schwab, TDA, Fidelity. And from a redemption perspective, I think this kind of parlays into the second part of what you just asked me. The tender process at least for our fund, I don't want to speak for my counterparts up here, but our process for purposes of redemption is actually very automated. And we've very, very closely with all of our service providers, with Schwab, and TDA, and Fidelity, and I think we've really taken a collaborative approach to easing some of those pressure points. Both at the clearing firm level, as well as at the financial advisor level. And tried to fabricate a process that is more in line with how all of you do your business. And as early as last week, us and Schwab, we're collaborating basically a new approach to opening up further distribution channels which have previously been unavailable. And they were able to come to this comfortability based on looking at redemption processes in the past, and figuring out what worked and what didn't work. And I think it's imperative for all of you to identify an asset manager that not only has a great story from an investment product perspective, but also has the back office compliance and the back office support that's going to sit with the intermediaries and do it the right way. Because as any of our clearing firms will tell you, it's not easy to add one of these products to their platform. The compensation to the clearing firm entity is very similar to what they get on other ETFs and mutual funds, so unless an asset manager can put a bunch of AUM on their board, they're not super incentivized or motivated to add new tender products. They're just not. They're very tedious, and they're very laborsome and cumbersome in a lot of ways. So I think there's a lot of things, aside from the just the investment strategy, that you need to be mindful of as you sit down and underwrite the various options that are in the marketplace.

Christian Munafo: Yeah. I mean, for us it started with, "What is our objective?" And our objective was to be able to offer to the retail market, access again to this asset class in a way that would be, we believe, well received. Part of it was also to go after not just accredited, but also unaccredited investors, and we didn't want to have to layer in that performance fee. We also wanted to have the flexibility, even though we don't advocate our investors to trade this type of a security, given what I just explained what we do. This is not the type of security to trade in and out of, particular during down markets. Which is challenging to manage as retail clients can be very reactive to topical level movements in the market. But this was a type of product, had the structure redemption features that we thought would be attractive, to give our clients the ability to redeem in the event that they needed to for whatever reason.

But again, this was compared to the tender offers. I know these other guys, the private equity market guys I know who have gone down that path. There's folks who have pursued the BDC structures. I think everyone, there's no right or wrong solution. You have to really figure out what is the objectives you're trying to accomplish, and figure out what is the right structure for that strategy you're looking to implement. I know compliance questions were raised before, it's a very important part of the business. This is not an inexpensive business to manage, these are real hurdles. The valuation process is a very real process that needs to be managed, but I think with scale these could all be managed. So that's all I have to say on that.

Ryan Cummins: Yeah, I'll echo a lot of that. For us it was a pretty obvious decision. It does predate me, but I understand it to be obvious. Because what we're doing really lends itself to the interval fund structure. Again we're investing across private illiquid assets, as well as public markets as well. So that public piece of the portfolio allows us to manage our asset and liability mismatch, and make sure that we're not ending up in a liquidity squeeze. And in terms of our objective and what we're trying to achieve, it made sense because we're trying to take a strategy that's historically really only been accessible to institutions and ultra high-net-worth investors, and bringing that in a format that allows average retail clients at small clips. That aren't qualified purchases, are not accredited to buy this fund in a format that they're used to seeing in terms of having a prospectus and seeing a daily NAV, and not having to deal with subscription documents. So it allowed us to take this approach and really kind of open it up to the masses.

Vadim Avdeychik: Thank for that. What I think we're hearing throughout the two panels is that we want to take an institutional product and offer it to retail investors. We think that there's an opportunity there for retail investors to get a return that they're just unaccustomed to and that they can't get in an ETF or your regular mutual fund wrapper. The one question that comes to mind is if you are taking that something that's appropriate for an institution, that has a longer horizon, that has a more rigorous process in terms of, "Okay, the investment is down. We can wait. We know what we got into." How do you handle that on the retail side? And what type of challenges, maybe advantages as well, do you come across as you put something that's geared toward an institutional investor in the retail wrapper?

Zachary Forman: Yeah, it's a great question. And I think it kind of comes back to the previous panel, and it starts with education. I cringe when I hear the word liquid alternative, because anyone that tells you that these are liquid alternative products, you should punch them in the face. They're not. They're not daily liquid, and sometimes they're not fully quarterly liquid. And that should be a point sufficiently clear as we get through the remainder of the day today. So as we chat with our sales team and we consult with our constituency, which is our financial advisor base and their clients, we make it very crystal clear that these products are built for long-term growth and income. They're not the first lever that you pull on in a liquidity crisis. They should go into a portfolio as more of an illiquid investment solution. Repeat the second part of that question, if you would?

Vadim Avdeychik: In terms of having an institutional product in the retail wrapper, what type of outreach are you doing, whether it's with advisors or others to make sure that they understand that this is a product that's supposed to? How it operates?

Zachary Forman: Thank you. So look, I think what we're really kind of talking about here is the notion of an illiquidity premium. And if we're going to walk into your office and suggest that you consider putting money into one of our interval funds, the question that you should ask us back is, "What am I getting paid for?" What is that illiquidity premium? It should be something, because otherwise you should just go buy the fully daily liquid counterpart. So the idea of an illiquidity premium should be present when you sacrifice something that you can only get out of every day, for something that you can only get out of every quarter. So that message to us is very, very important. Again, an interval fund is not just a private only solution. We pair private securities with public securities, and take the idea of this liquidity very seriously. We've got credit facilities in place. The 40 Act allows interval fund managers to lever up to 33.3% percent of their total asset base. There are times to take risk, there are times to not take risks, it's something that we think about every day. But I think kind of a net basis, it's marrying illiquid and liquid securities together to drive a strong risk-adjusted return. That is the art to this, not necessarily the science. Everyone thinks about risk differently. Everyone takes different accelerated approaches in the market at different times. And it's important to understand a manager, and make sure that they don't style drift. The prospectuses for these products are written very open-ended, and if a manager's going to come out and say that they're going to do XY and Z, it's your obligation and your responsibility to hold them accountable. And that's also something we take very seriously.

Vadim Avdeychik: Take pride in drafting them that way.

Christian Munafo: Yeah. I would just add, I think you said it, it's education was the key answer to the question. It's transparency and education. We do the very best to be transparent with our clients upfront and throughout the process, so they know what they're getting themselves into. On a regular basis we try to get in front of our clients, either in person or through webinars, to make sure that we're constantly informing them and educating them about what's happening in the market, what's happening in the portfolio. Where are we concerned? Where do we see risks? Where do we see opportunities? What we think they should be excited about. What are we concerned about?

So I think education and transparency and having that consistent connectivity is ultimately the key to establishing trust in your clients. And whether you're managing a public fund, a private fund, or an interval fund, it really doesn't matter. It all starts with trust. Your clients need to trust you. They need to trust that you're not going to stray. They need to trust that you have an investment strategy that can generate that risk adjusted premium that you are seeking. And they have to trust that you're going to be able to make the right decision during turbulent market conditions. And if you can't generate that trust, you're not going to grow a business. And so it's quite simple.

Ryan Cummins: Yeah. I'm going to be on the redundant side of this chain here. I think education and transparency, a hundred percent. We're forthright with the way we're operate, the features of our funds. I think one of the challenges is really when investors hear a five percent per quarter tender, they immediately think, "Oh, I can only get five percent of my money back per quarter." That's really not the case. It's five percent of the fund's NAV. And so an investor can come and say, "I want all of my money back on that quarterly basis." And as long as the fund's NAV isn't coming down by five percent or more, which we have discretion to go over that five percent, then that investor's going to get all of their money back. We've been at this for close to five years now, and there's never been a time where we've not given somebody a hundred percent of their money back when they asked for it. And that's just part of managing this strategy, and knowing what the duration of your investor capital is, and being able to execute on a strategy that matches that duration with the structure. Sorry what was the other part of the question?

Vadim Avdeychik: I think you touched on it. What we are hearing from the panelists here is that education and we're hosting webinars, doing reach-outs to the community. Is there one or two things that you would like to see the advisor community do better in terms of communicating to their clients what the product is? Because the manager can only do so much, right? Is there one or two things that you could add to that?

Christian Munafo: Again, I think it starts with the investment management team to make sure that we're providing the advisors with the necessary tools, they need to provide that layer of comfort to the clients. We can't be out there all the time, we have to build these portfolios and do what everyone hired us to do. But it starts with us, and then I think we need to work closely with our advisors to come up with the right tactical plan on transferring that information to the client. So we have different portals that we have set up for our advisors, with information that we're constantly updating, that they provide to the clients to allow for that connectivity, for that information transparency. And we rely upon that with the advisors. But it really, I think starts with the investment manager to make that information available. And obviously to do our job. They can't do their job if we're not doing our job correctly, which is constructing attractive portfolios and not straying from the mandate. So I think it starts with the manager.

Zachary Forman: I would add to that. I would just say, a lot of advisors, particular advisors that have been in the business for a long time, who maybe didn't have a great experience with an interval fund. I mean, at the end of the day, these products, it's just a box. And you can put a lot of different things inside of that box. From the most illiquid of illiquid securities, all the way to publicly traded equities. I would just ask that as you hear these ideas, come at them with an open mind because they're all so different. Many of them are just polar opposites of each other. And again, identify with a manager that has the mindset and the realization that liquidity's not optional. You have to have liquidity in these portfolios, or the SEC comes knocking. And it's not a good knock. It's like, "Hey, we're here to help. Get ready." So I would just say be open-minded. There's some really, really incredible asset managers that sit inside of these products that are becoming available to you and your clients for the first time, and I think that's a really good thing. The feedback we've received from a lot of our clientele is, "Thank you. You guys have really opened up doors that were never open to us before." And pay attention, these products change. We file quarterly NQs. That NQ gives you a full dashboard of exactly what we own and invest into, and more importantly what it looks like in relationship to the previous quarter if you pull the previous quarter's filing. So there is a tremendous amount of manifestation around what we actually do. And again, I think it's one of the benefits, detriments, or curses depending on your perspective of the 40 Act, as it gives you such incredibly transparency into what we're doing on your client's behalf.

Ryan Cummins: I should just add that I wouldn't suggest that investors take the view that, "Hey, you're always going to get your money back because it's a five percent thing." I think that education is important and advisors should inform their clients and be aware that that's not always going to be the case. The last panel touched on a situation where a fund of fund went into proration and people weren't getting all of their capital back, that's just something to be aware of, that that can happen. We think that in a down turn, there's other places that people would go for liquidity first, more directional, beta driven strategies and that that'll be a source for liquidity. But we wouldn't suggest that people consider us to be as liquid, and we should be thought of as a longer term investment.

Having said that, sometimes liquidity is not as it seems. I remember back in December 2015, Third Avenue Management's mutual fund, everyone assumes they're invested and has daily liquidity, "I can get my money back today if I want it." When liquidity sucks out of the market, high-yield can get very illiquid, so they ended up suspending redemptions there in a mutual fund product. ETFs can also suspend redemptions. So as part of that education component, I think that clients should just be educated about the underlying pool of assets, and what that means for liquidity at the end of the day regardless of the structure.

Vadim Avdeychik: Thanks for that. And I'd like to come back to your point earlier about NQs. There's a reason why a manager chooses to go 40 Act registered space, because for better or worse, the clients are requesting for that type of look through and that regulatory overlay because that makes them comfortable. So I think there are drawbacks that come with that, but there's also sunshine that shines a light on what's happening with the manager, and the manager has to make disclosures. And that should be used to the advantage of the client that's investing in it. And that information is out there. Now maybe we can tell John, and maybe there's a way to provide that data better to the investors and to the advisor community, but I think there's definitely initiative with the modernization at the SEC happening for reporting that's even making that even easier for investors to understand and get that information into their hands. One of the things that we talked about is how far the interval fund wrapper has come in the last 10 years. I guess one thing to think about, how do we go to that next level of this wrapper? We talked about on the first panel, the second panel today, with the new fee structure for the listed closed-end fund product, and we've seen a good amount of IPOs this year in that wrapper. Is that hindering interval fund managers? Are interval fund managers finding their own space alongside of a listed product? We've seen managers out there that have both an interval fund and a listed product, and we've seen them launch both in the same year. Just wanted to get your thoughts, how do we go forward with this product and what are you seeing in the market space?

Zachary Forman: You want to start this time?

Ryan Cummins: Sure, thanks. No for us, the interval fund structure is what works for our strategy. We don't think that we could do it in a more liquid product, in a mutual fund like product. I think it would be irresponsible. I think we would have mismatch between our investment strategy and the liquidity that we're communicating to clients, so it just wouldn't work. For us, it's the interval fund strategy.

Christian Munafo: Yeah, I would say for us we're still in the early days. We have a two hundred million dollar fund that we're now in scale mode. I think we're going to launch other products. The product will include private funds as well. So it starts with the strategy, and then it starts with who's your dressable mark in figuring out what the right mechanism is to get exposure to that demographic. We're at the point now where we can start thinking, to be honest with you, heavily about the listing of our products. It's something we have thought about, but not at great lengths. So I'd be disingenuous if I said I knew a lot about that right now.

Zachary Forman: I would just add a couple things. It's a hundred percent certain that the registration for these types of securities is on the uptick. So what I would say to that end is not all of them are going to work. And if you were to have asked us five years ago knowing what we know now, if we would have launched an interval fund, we probably would have said "No" quite frankly. They're unbelievably expensive. The infrastructure that you need to properly support one of these funds is amazing. It's very, very robust. And not to understate the importance of having a good statutory distributor. I mean, ALPS has been an incredible partner to us. They've been thought leaders in the space. We've had a tremendously good experience working with them. And again, the funny thing to me is that none of these products, kind of this new vintage of interval fund product, has really been tested yet. And the reality is, it's not if, it's when. There is going to be a place in time where the gates go up and five percent becomes fully subscribed and we go into proration. We've been in a prolonged bull market run and trees have seemingly grown to the sky. And whether it's this year, or next year, or the year after, eventually things are going to stop, and things are going to move the other direction. And the question that if I'm you, that I'm asking us is, "How are we prepared for that?" Are we thinking ahead? Are we planning for that day? how much liquidity is baked into these portfolios to sustain a one, two, three year period of downturn? And how those asset managers are equipped to hold up their standard to the 40 Act? To make sure that the regulators don't come knocking? And to make sure that the investors have a good experience as those gates do go up? I think it's again back full circle to education.

Vadim Avdeychik: Yeah, that's a good transition to what I've been thinking about. If the interval fund, tender off fund wrapper is a wrapper that needs to be out there for retail investors. It can live alongside a mutual fund. It can live alongside an ETF. Is it at its full potential currently? Or are there certain things that the regulators can do to make this wrapper able to survive the next downturn? We get the education part. But is there certain things that can ease the burden on you as the manager to manage this wrapper through the downturn, so it can survive and it can actually show to the clients, "Look how we did during the downturn"? Which will come inevitably.

Christian Munafo: Let me just comment, because you're asking again a manager question. I mean, let me talk about the world I come from, the private equity world. It's no surprise to people familiar with the private equity world, that the best performing vintage products are in years where there's market headwinds. If we're going into that Q1, Q4, 2020, 2021, I don't really care. Our job is to educate our clients that when we're dealing with turbulent market conditions, this creates more attractive buying opportunities, whether you're buying real estate, whether you're buying private equity assets, whether you're buying infrastructure. It's our job to educate our clients that this is not the time to take your foot of the pedal. This is the time for us to be very patient and prudent about what we're buying. We're going to buy assets at very attractive prices, so long as you trust that we're going to do the proper diligence. And we'll get to your question that you asked earlier, sir. But this gets again back to trust. Do you trust your investment advisor, that they have the right investment process in place to buy correctly the strategy that you've committed your capital to? And so I think that's my response to that. The manager needs to convince the clients that this is the time. Now by the way, the manager may not believe this is the time, right? And they may believe it's the time to actually pull the trigger on liquidating some of the assets to the extent they can, and then perhaps buy them back at better prices down the road. But it all gets back to manager connectivity with the clients and the advisors, to educate them about the market condition they're heading into and how they should respond.

Ryan Cummins: Yeah, I don't know that there's things that we look for regulators to do to make things easier, but the last panel did touch on distribution challenges. And I think to the extent that it's easier to get out of that alternative, and more kind of mainstream within the distributors and the wire houses. That would definitely be able to get more eyes on the strategy. I think just bring it to the forward more.

Vadim Avdeychik: Zach, do you want to add anything?

Zachary Forman: Yeah. To the point on regulators, I say this with all due respect. A lot of times things get fixed after they've been broken. So you look at some of the things in the past; XYZ, I'm going to keep this very open-ended by design. But the regulators seem to kind of step in and try and improve once there's been something that has gone sideways. So I think time will tell. Time will tell that there's been discussions around potentially limiting the amount of illiquid securities that can go into these things. I think again, it's a balancing act. There's a right number and a wrong number, and a lot of it just depends on where we're at in the market and what securities that you're actually investing into. But again, I think time will tell. And as we come through a cycle, good managers will hang in there and fight their way through it. And to the gentleman to my left's point, there is a time to hunker down and just ride things out. And if you look at private real estate and public real estate by way of example, from 2008 to 2009 was two totally different tales of returns. Public markets in 2008 were down 30+ percent. 2009, the publicly traded market came roaring back to the tune of 28%. So had you just hung in there, and I think the structure makes you do that to a certain degree. Maybe not all of your assets, but some of them are going to be locked up for a period of time. You actually had a pretty darn good positive experience. So not to throw the baby out with the bathwater, so to speak, but these products are built for a specific reason and to do a specific thing in a portfolio. And again, not all of them are created equal, and risks vary widely between the investment types that are in the market today.

Vadim Avdeychik: Thanks. We just have a couple of minutes left, and I do want to leave time for questions. So I think this is a good time to open up for questions.

Audience: Zach, you mentioned the illiquidity. What is the illiquidity premium? And what should it be?

Zachary Forman: That's a great question. I'll throw a couple things out there. What is the draw down look like of an interval fund compared to its fully liquid counterpart? Is it less? If it's less, then I would argue that's an illiquidity premium that you capturing by missing much of the downside risk that you would find in a fully liquid vehicle. Is your risk adjusted return better? And there's tons of research out there that supports the statement that by adding private securities into a portfolio, you reduce correlation, you reduce volatility, and you add the opportunity to actually increase your return profile. So what is the total return look like in relationship to other things? But to me it's really about managing volatility and managing drawdowns. If publicly traded REITs sell off a 180 basis points like they did yesterday, and our fund is down 10 or 20 basis points, to me that's something I can meaningfully look at and wrap my arms around. And show clients and say, "Look, this is why this security sits in our portfolio. It's because of days like yesterday." To me, those are things that are the most important.

Audience: You don't want to put a number on it?

Zachary Forman: It varies so broadly across asset types. I mean, our Sharpe right now is running at about three. You look at RMC or IOIR, or some of the other publicly...

Audience: You adjust that for certain characteristics, obviously?

Zachary Forman: True. Absolutely true. But again, it's hard to put a specific number on it, because are we talking credit? Are we talking real estate? Are we talking private equity? There's lots of different variables to that question.

Christian Munafo: Yeah. I mean, private equity has historically outperformed the traditional markets by four to five percent. So that's a guideline. The reason why you're allocating to a private asset class is because there is a premium. As Zach said, it depends on what underlying asset class you're into. We have guidelines depending on what sub asset class is you're talking about, but it varies.

Ryan Cummins: Yeah, four to five percent. There's some liquidity premium in there that's underwriting things with a higher discount rate because you know that there's less liquidity there. But I think some of the excess returns to private equity are also due to the fact that companies are just staying private longer. They're not having to go public. And so within private markets you have a higher concentration of early stage, high-growth companies. The public markets are now older, more mature, less growth there. But then there's also the opportunity for management teams of private companies to take a long-term point of view. Think about long-term growth and manage the company without having to worry about shareholder reactions to daily share price volatility. So I think there's some executional advantages there as well.

Vadim Avdeychik: Any other questions?

Audience: I was asking about the evaluations. Who's checking out who are the [inaudible] when you're buying?

Christian Munafo: Do we have a minute for that? Or would you like to do it? Yeah, it's a great question. It's a common question, everyone's reading the same headlines. So again, it starts with process. So the first thing is, the price is almost irrelevant, whether it's a discount or a premium. What is the quality of the asset you're buying? And ultimately, what is the cashflow stream you expect this asset to generate at a certain point in time? That's where it starts. If you can justify paying a premium for that asset at that time, you pay it if you know what you're doing. Often we can take advantage of asymmetrical information to take advantage of that and buy these assets at discounts. But it all starts with the process. What are you buying? What is the addressable market? They're playing in with the management team's experience. Have they done this before? What's the cap table look like? What are the securities you're buying? Is it a stable investor base that has the capital to withstand a downturn? Is it a highly capital intensive business like WeWork, which we gladly did not touch? So you have to be very careful. Although we're in their space, so thank you. But you have to be very careful, and people are going to make mistakes. No matter how much diligence you perform, you're always going to miss things. But ultimately you need to believe in the quality of the process that the manager is executing on your behalf, whether it's real estate or late stage growth companies.

Vadim Avdeychik: All right, I think that covers us. Thanks all.

Recorded on November 6, 2019

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