

# Interval Fund (INF)

A US Interval Fund (“INF”) is a type of closed-end fund that periodically offers to buy back a portion of its shares from the shareholders. INFs differ from traditional closed-ended funds in that their shares do not trade on the secondary market, but are subject to periodic (e.g., monthly, quarterly or annually) repurchase offers by the INF at a price based on the Fund’s net asset value (“NAV”) at a specified date. In addition, INFs are permitted to offer their shares continuously at a price based on the Fund’s NAV.

- Shares may be purchased at NAV (net of sales charges).
- Shareholder withdrawal from an INF is affected through periodic tender offers for the funds’ shares which are affected at NAV.
- INFs do not provide daily liquidity. Rather, tender offers by INFs are governed by Rule 23c-3 under the Investment Company Act of 1940.
- Must charge the same level of fees to all investors in a fund.
- Does not offer multiple classes of shares.

## Investor Profile

- Any investor can invest.
- No limit to the number of investors or type of entity.
- 401(k) and other retirement and employee benefit plans can invest.

## Regulatory Reporting Requirements

- A Prospectus (or Summary Prospectus) must be delivered before or at time of sale. Statement of Additional Information (SAI) must be delivered upon request. Shareholder reports must be provided after investment on an on-going basis.
- Regulated under the Investment Company Act of 1940, the Securities Act of 1933 (“1933 Act”) and the Securities Exchange Act of 1934.
- Required SEC reporting includes:
  - Form N-2
  - Form N-CSR
  - Form N-Q
  - Proxy Voting Record (Form N-PX)
  - Tender Offer Statements.

## Distribution, Advertising and Promotion

- Advertising and marketing are subject to compliance with SEC and FINRA rules.

## Fund Launch Timeline and Organiser Requirements

- Launch typically takes at least three (3) months for new registrant.
- The organiser must convene a meeting of the board, draft and review all relevant disclosure documents and contracts, draft and file the organisational documents with the state, file form N-8A (notice of registration) and Form N-2 (registration statements) with the SEC, file the State Blue Sky, receive comments from the SEC on form N-2 about 45 days after filing, seed the fund, and then commence offering after the SEC grants effectiveness.

## Fund Operational Organisation Structure

An INF is generally organised as a Delaware statutory trust or a Massachusetts business trust.

- **Governance** – Managed by a Board of Trustees; majority must be independent of the adviser.
- **Investment Adviser** – Must be registered under the Investment Advisers Act of 1940. All material amendments to advisory contracts must be approved by fund shareholders (i.e., fee increases).
- **Distributor Underwriter** – Must be registered with the SEC under the Securities Exchange Act of 1934 and with FINRA.
- **Administrator** – A third-party administrator generally oversees administration of the fund (that is, accounting, NAV calculation and financial statement preparation).
- **Transfer Agent** – The fund employs a registered transfer agent (TA), who is responsible for recording ownership of fund shares, processing dividends, sending shareholder and tax statements.
- **Custodian** – The 1940 Act closely regulates funds' arrangements for custody of their assets, generally requiring funds to maintain their assets in the custody of a bank.
- **Independent Accounting Firm** – Funds must engage an independent auditor and prepare annual audited financial statements.

## Initial and Ongoing Costs

- Costs are generally considered high, relative to private funds and separate accounts.

## Fees and Fee Limitations

- The 1940 Act and the Advisers Act generally states that the fund's investment adviser be compensated by receipt of a percentage of net assets at a fixed rate.
- All investors in the fund generally bear their proportionate share of the advisory fee at the same rate, although breakpoints may be used to give larger investors lower fees.

## Taxation

- Same as [US Mutual Fund](#) with regard to taxation as RIC.
- May also elect to be taxed as partnership, provided that the fund can avoid PTP treatment by not registering under the 1933 Act, and either (i) capping the number of investors at 100, or (ii) assuring that the fund has no "substantial equivalent of a public market," which generally means that tender offers are limited.

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