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ACCESSING PRIVATE MARKETS: DISTRIBUTION CONSIDERATIONS FOR ASSET MANAGERS

Distribution and marketing of interval funds, tender-offer funds, and business development companies have certain unique challenges. This article addresses how these products are distributed and what hurdles may need to be cleared in order to successfully access the retail market.

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While the asset management industry continues to adopt alternatives to the mutual fund wrapper, including identifying the most attractive strategies and structures for non-institutional investors, it must also overcome certain important hurdles in order to achieve successful adoption of these products: comprehensive distribution and simplified access. Traditional mutual fund distribution is well-established, simple to access, and understood in the industry. The fees are generally standardized and regulated and the average retail investor can readily access shares of mutual funds through various intermediaries, including retirement channels. While distribution of mutual fund alternatives is on the rise, these products remain less ubiquitous than mutual funds and exchange-traded funds ("ETFs"). As a result, various industry participants continue to implement and, in some cases, reinvent pipelines to ensure comprehensive distribution and simplified access to private market strategies.

As discussed in our article "*The Rise of Mutual Fund Alternatives: Collective Investment Trusts and Retail Separately Managed Accounts*,"[1] the asset management industry has been adopting alternatives to the mutual fund wrapper for quite some time. When it comes to accessing private markets, interval funds, tender-offer funds, and business development companies ("BDCs") have emerged as attractive access products for retail investors and asset managers alike. While we have seen a greater number of product launches utilizing the foregoing wrappers (e.g., interval fund), challenges associated with broad distribution for some of these products remain.

This article aims to provide an overview of distribution for interval funds, tender-offer funds, and BDCs. It explores similarities and differences for distributing these products, as compared to that of traditional mutual funds, what asset managers need to understand when preparing to distribute these products into different distribution channels, and what steps they should consider in order to successfully navigate distribution challenges related to the same.

INTERVAL FUNDS AND TENDER-OFFER FUNDS

Interval funds and tender-offer funds are two types of continuously offered unlisted closed-end funds. One the one hand, interval funds operate under Rule 23c-3 of the Investment Company Act, which requires such funds to adopt a fundamental policy to conduct periodic repurchases of its shares. On the other hand, repurchases

[1] Vadim Avdeychik and Emily Picard, *The Rise of Mutual Fund Alternatives: Collective Investment Trusts and Retail Separately Managed Funds*, The Review of Securities & Commodities Regulation, Vol. 56 No. 14.

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