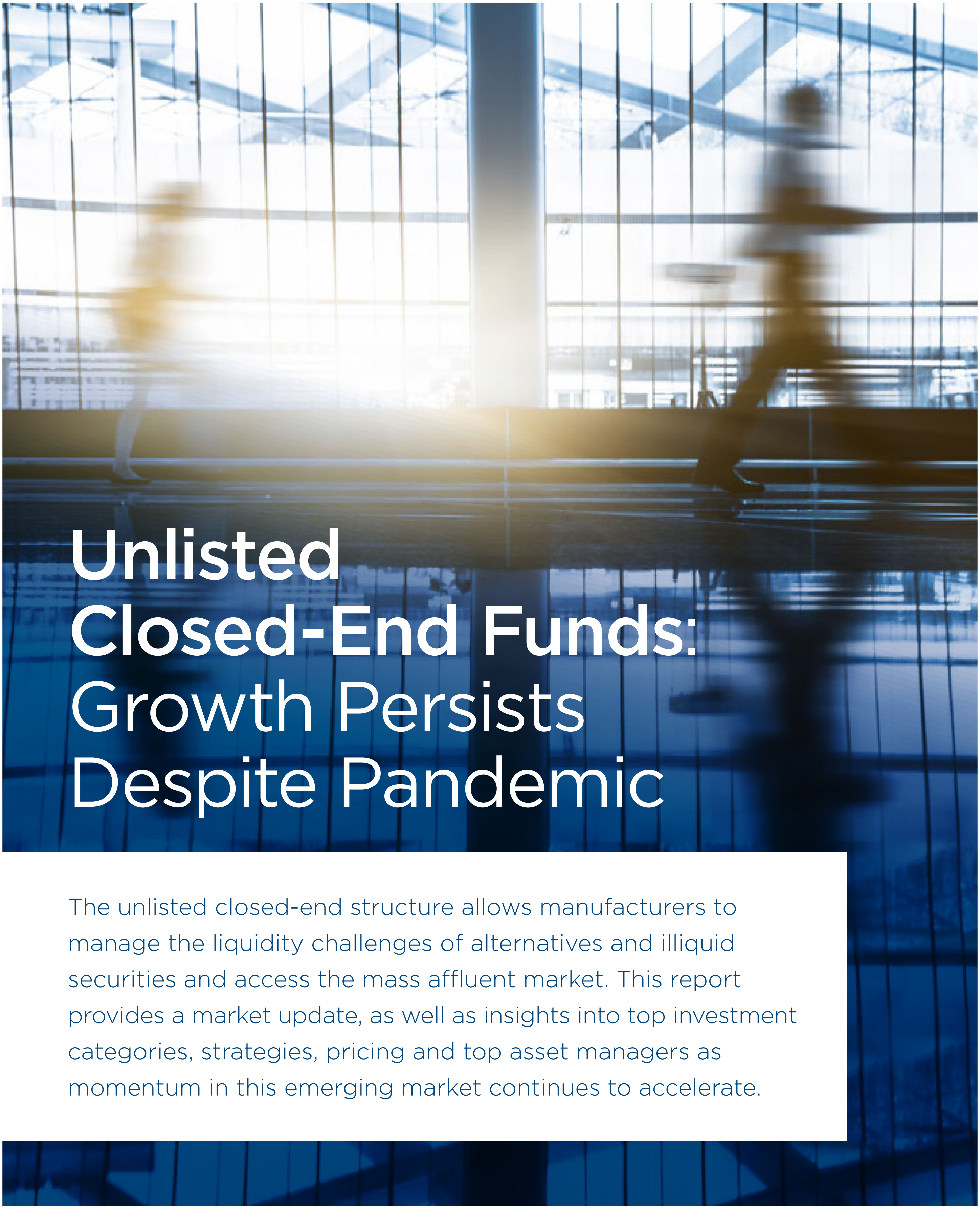
REPORT

Revised November 2021



Unlisted Closed-End Funds: Growth Persists Despite Pandemic

The unlisted closed-end structure allows manufacturers to manage the liquidity challenges of alternatives and illiquid securities and access the mass affluent market. This report provides a market update, as well as insights into top investment categories, strategies, pricing and top asset managers as momentum in this emerging market continues to accelerate.

Alternative strategies and asset classes have historically been exclusively available to institutions and high-net-worth (HNW) investors.

Since traditional mass affluent structures—open-end mutual funds and exchange-traded funds (ETFs)—have liquidity requirements, they are not ideal packages for alternatives and illiquid asset classes. However, the unlisted closed-end structure – primarily interval and tender-offer funds – allows manufacturers to manage the liquidity challenges of alternatives and illiquid securities and access the mass affluent market.

This report provides a market update as of the second quarter of 2021, as well as insights into top investment categories, strategies, pricing and top asset managers. In addition, the report includes a manager spotlight highlighting Variant Investments.

Key Findings

Key findings from this report include the following:

- Interval funds continue to be the preferred structure for unlisted closed-end funds. Their market share of fund assets has grown every year since 2014 and peaked at year-end 2020, with a market share of 54.8%.
- However, assets in tender-offer funds have grown faster during the first six months of 2021 (18.2% versus 10.4% for interval), which resulted in a modest market share gain. This is a near-term trend we will be following over the coming quarters.
- Strategies focused on accredited investors continue to account for the majority of unlisted CEF assets, with a market share of 66%. High minimums strategies (>$100K) account for an additional 19% of unlisted CEF assets.
- Credit strategies have accounted for 59%of product launches since year-end 2016.
- The unlisted CEF space is a nascent business; however, growth rates have been excellent in recent periods. The space has grown at an annual rate of 14.8% since year-end 2014. In addition, annual growth has been in double digits in each of the last four years. Assets have grown 14% during the first half of 2021, which puts the industry on pace to best its strongest growth year in 2019 when AUM rose by 22%.

UMB Fund Services partnered with FUSE Research Network to produce the following report. While UMB Fund Services believes this report to be accurate and comprehensive, the data presented, positions taken and forward-looking statements made herein are attributable to FUSE Research Network

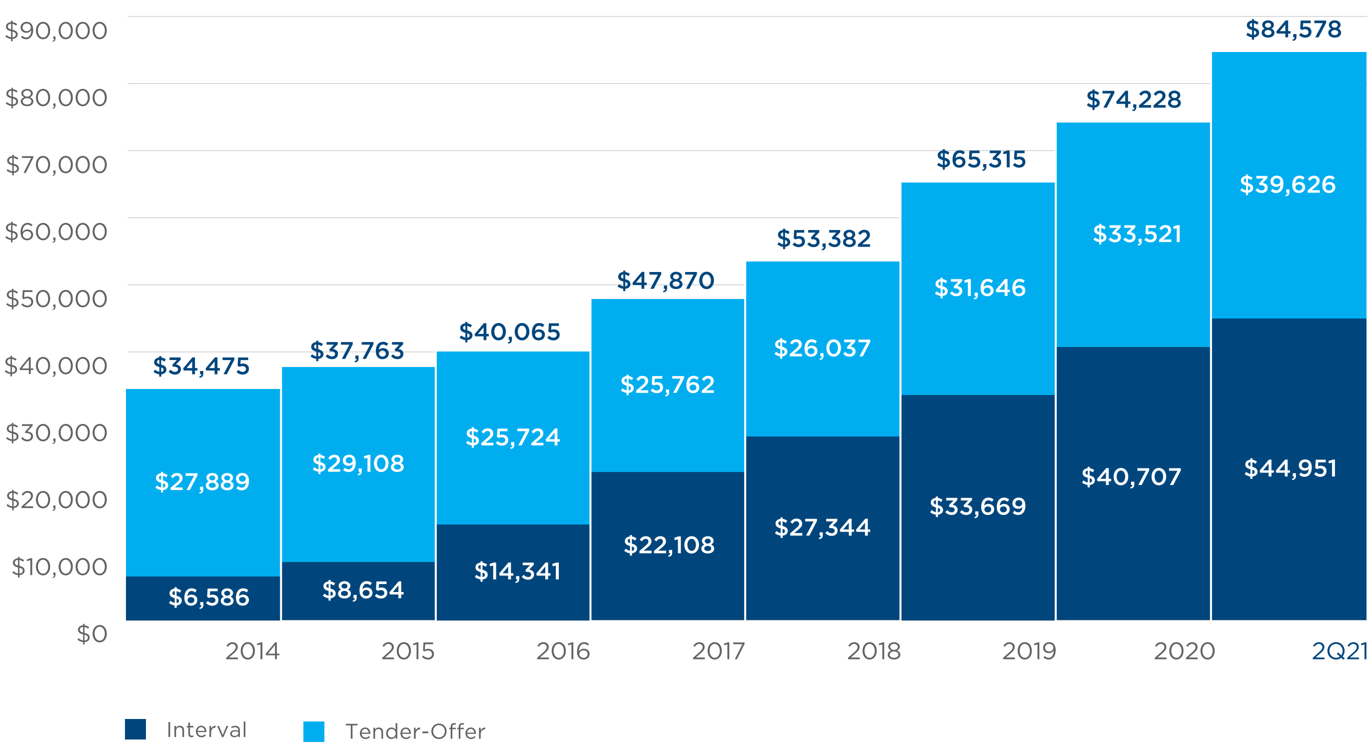
The universe covered in this report includes interval funds and tender-offer funds which are continuously offered registered closed-end funds that provide periodic liquidity to investors. They are primarily differentiated by the structure of repurchase offers. For example, repurchase of interval funds is conducted pursuant to Rule 23c-3 under the Investment Company Act of 1940, as amended (the 1940 Act) while repurchase of tender-offer funds is conducted pursuant to tender offers at the discretion of the fund's board pursuant to Rule 13e-4 under the Securities Exchange Act of 1934, as amended (the 1934 Act).

As of June 2021, there were 138 unlisted CEFs available for purchase by investors regardless of accreditation status, with total assets under management (AUM) reaching nearly $85 billion. Interval funds continue to grow faster than tender-offer funds from an asset growth perspective. In 2014, interval funds represented only 19% of the unlisted CEF marketplace. They now represent 53% of the space as of June 2021.[1] Over that same period, interval funds have grown at an annual rate of 34% as of June 2021 with $45.0 billion in assets compared to tender-offer funds which increased to $39.6 billion with a compound annual growth rate (CAGR) of 5.6%.

Total AUM Unlisted CEFs	$85B
Total Funds Unlisted CEFs	138
Interval Fund Annual Growth Rate	34%

As of June 2021

EXHIBIT 1: UNLISTED CEF ASSETS, 2014-2Q21 ($ MILLIONS)

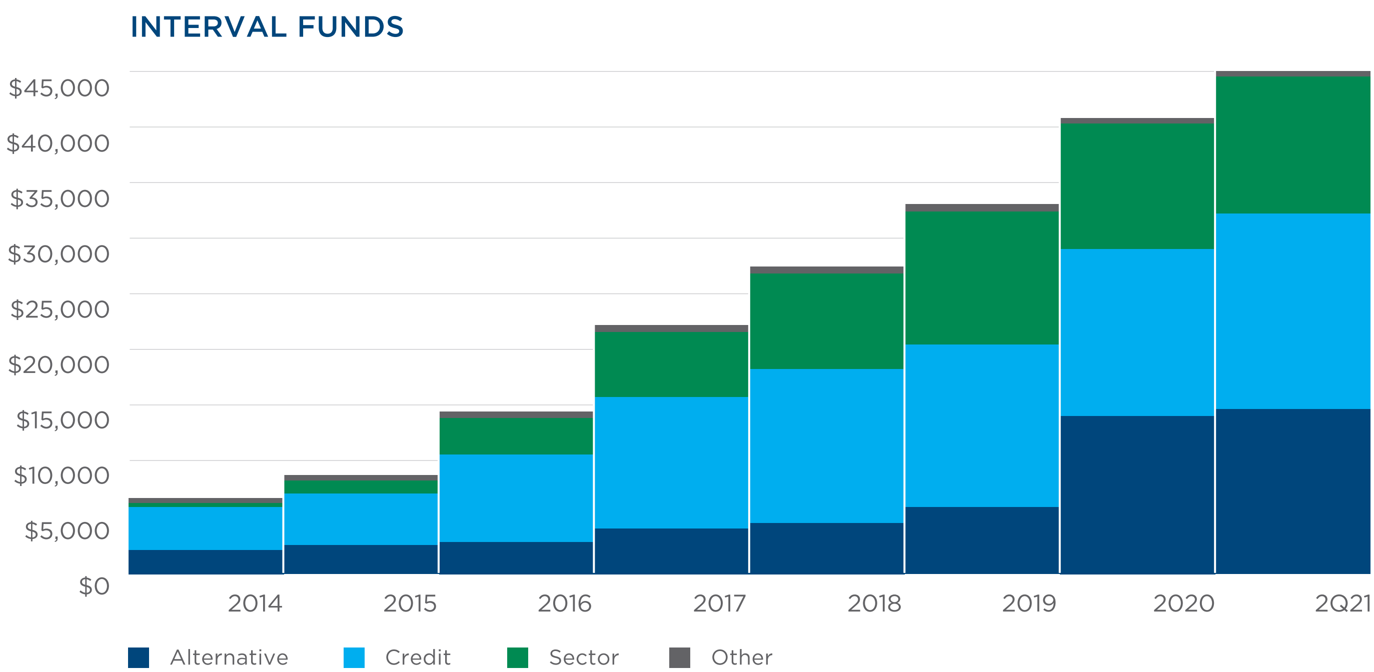


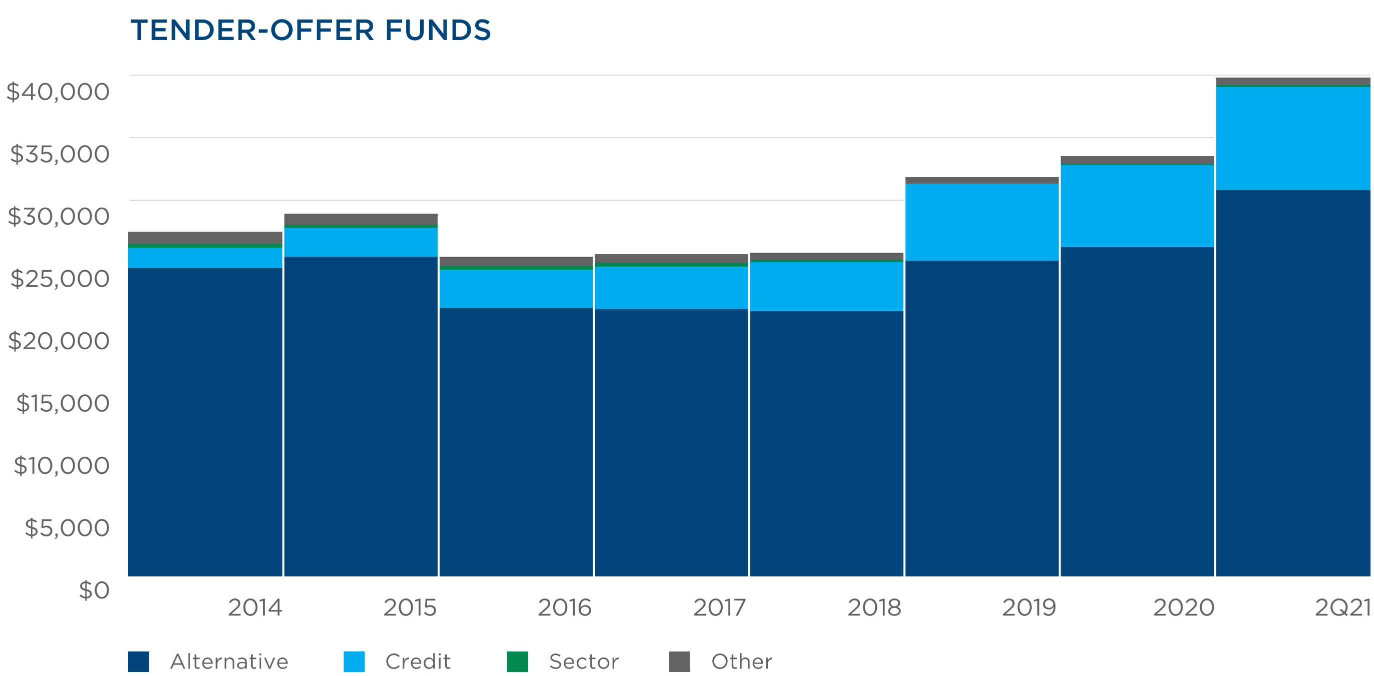
Source: FUSE Research Network, October 2021

1 It is difficult to ascertain precise asset numbers due to different reporting periods and variability in buy-back and repurchase periods. Even determining the number of active funds is challenging, given that many remain in registration, are master/feeder structures or have never grown beyond their seed capital.

Assets in alternative unlisted CEFs total $45.4 billion, which accounts for 53.8% of the industry AUM. The tender-offer structure comprises nearly two-thirds of alternative CEF AUM ($30.6 billion versus $14.8 billion for interval funds). However, growth has been more pronounced with the interval fund structure, particularly in 2020 when assets grew by more than $8.0 billion. Conversely, interval funds are the preferred structure for credit strategies, accounting for nearly 70% of AUM. Since year-end 2016, interval structure credit strategies have more than doubled in AUM, increasing from $7.9 billion to $17.6 billion as of June 2021, representing a CAGR of 19.6%.

EXHIBIT 2: UNLISTED CEF ASSETS BY ASSET CLASS, 2014-2Q21 ($ MILLIONS)





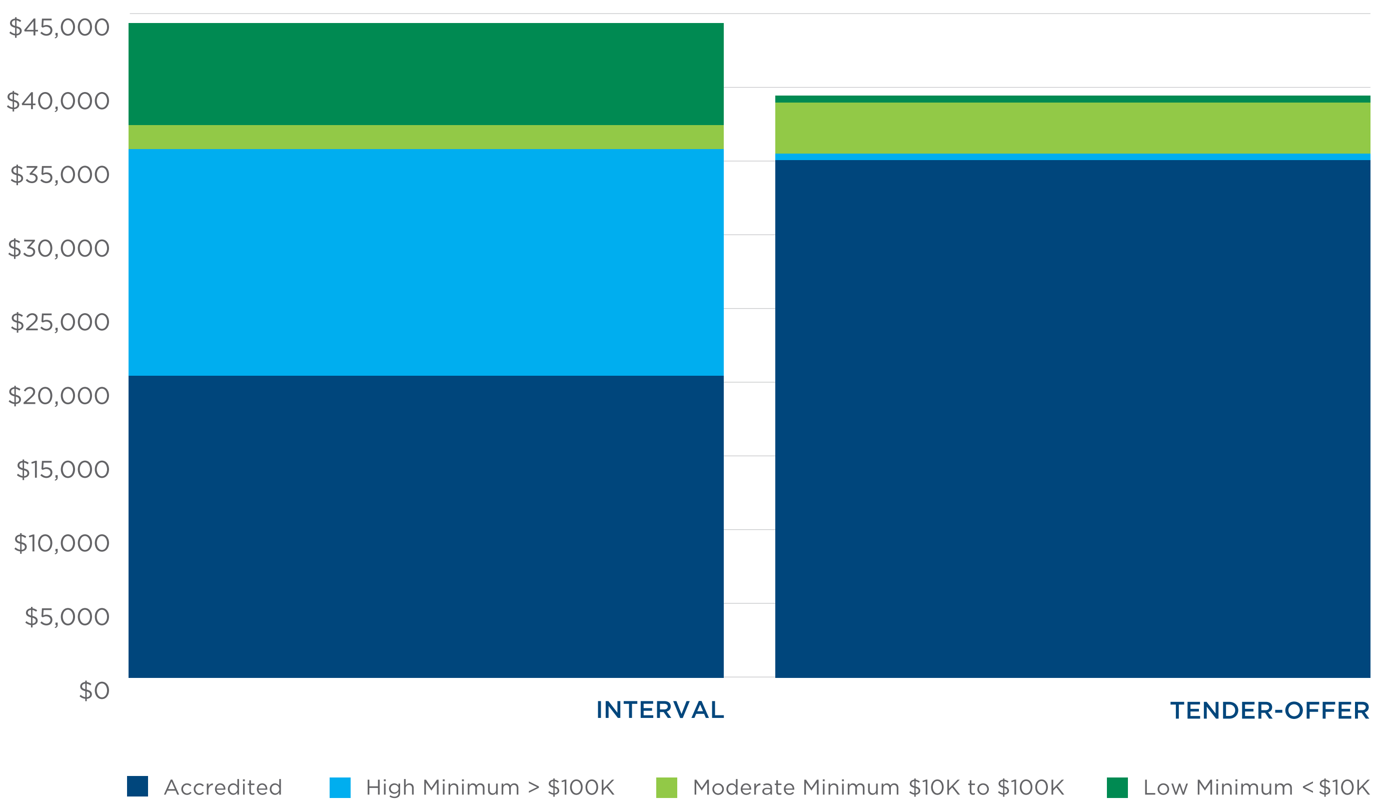
Source: FUSE Research Network, October 2021

INVESTOR PROFILE

One of the key benefits to unlisted closed end funds is that they provide previously hard-to-access investment strategies to the retail investor marketplace. The appeal of these vehicles is they provide a means for investors to participate in sophisticated, high-yielding and alternative investment strategies without the hurdles typically associated with private placement funds, such as K-1s, even more diminished liquidity and investor accreditation requirements. Yet, to date, the majority of asset growth continues to be in funds that have an accredited investor requirement.

More than 66% of unlisted CEF assets reside in strategies that require investor accreditation. The number is even higher for tender-offer products at nearly 89%. Low minimum strategies account for approximately 9% of unlisted CEF AUM.

EXHIBIT 3: BREAKDOWN OF AUM BY INVESTOR TYPE ($ MILLIONS)



Source: FUSE Research Network, October 2021

Many managers choose to have an accredited investor requirement since unlisted CEFs cannot charge performance fees unless the strategy is restricted to accredited investors. It is a simple rationale for asset managers—a sophisticated strategy that may provide access to low liquidity and private markets must be priced at a premium. In the eyes of these asset managers, it is difficult to obtain proper pricing without a performance fee.

While the majority of assets have investor accreditation requirements, the account minimums for these strategies are much more reasonable than typical institutional minimums. More than 52% of assets reside in products with $50,000 minimums or less. High, but not prohibitive. Strategies with $50,000 minimum or less are more popular in the tender-offer structure, accounting for 59% of total AUM versus 46% for interval funds. Low minimum strategies have experienced solid growth since 2014, advancing from $3.1 billion to $7.3 billion as of the second quarter of 2021.

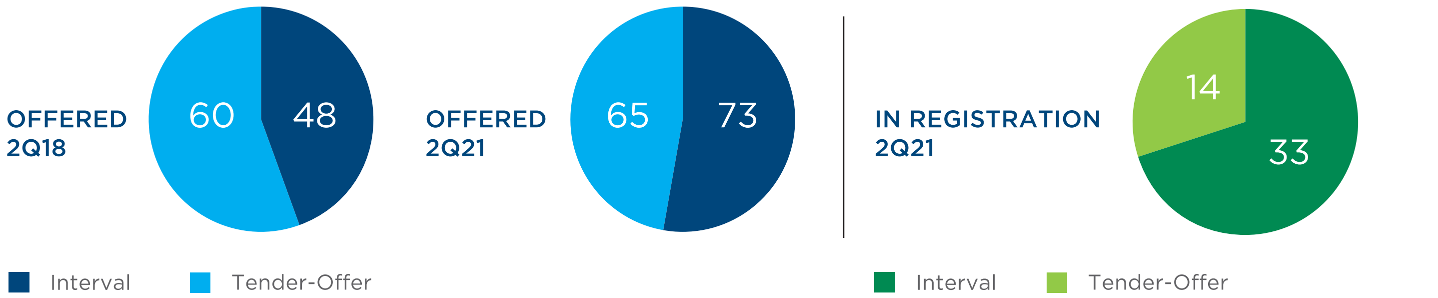
One of the largest obstacles to distributing these funds successfully is providing adequate training and education to advisors. The audiences of unlisted CEFs vary from accredited to retail investors so suitability and risk tolerances play important roles in the sale of these types of investments.

Market Overview

STRUCTURE AND STRATEGIES

A growing number of firms are choosing to enter the unlisted CEF space, reflected in the volume of new product development. During the last three years, the number of new products has increased by 28%, escalating from 108 products to 138. Product development focus has centered on interval products, which have advanced by 52%, expanding from 48 funds to 73. Tender-offer funds have increased by 8% over the same period, rising from 60 funds to 65.

EXHIBIT 4: UNIQUE CEF OFFERINGS AND NUMBER IN REGISTRATION



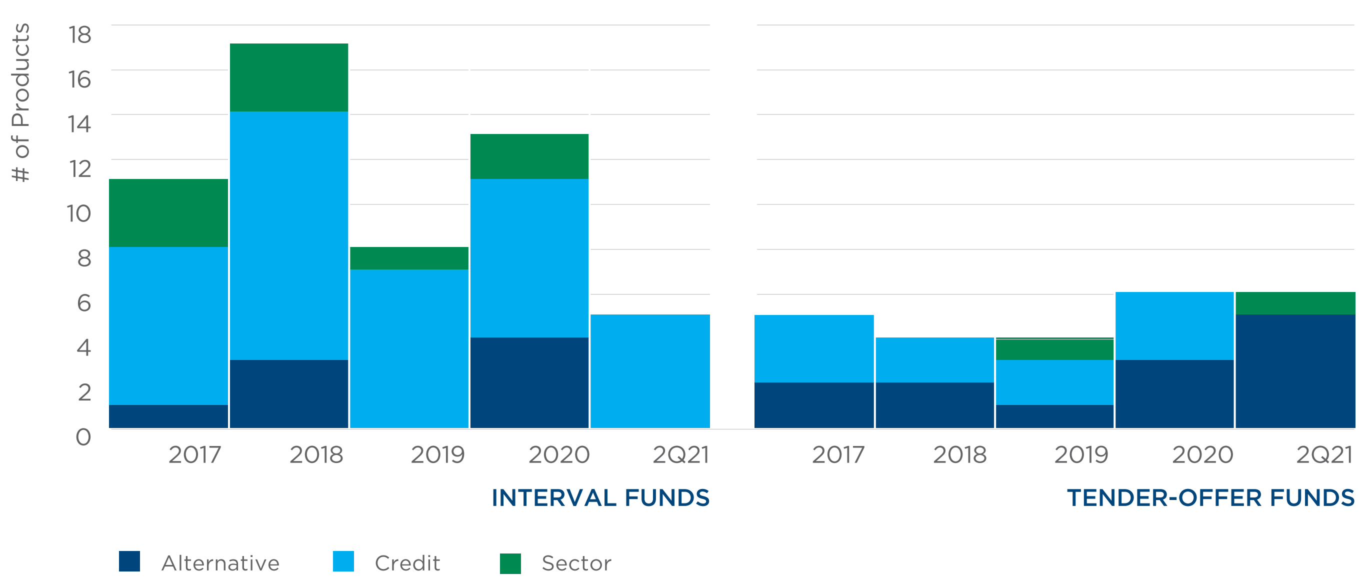
Source: FUSE Research Network, October 2021

This continued interested in interval funds and tender-offer funds is showing no signs of slowing. Thirty-three interval funds, nearly half the volume of live products, and 14 tender-offer strategies are in registration with the SEC.

The main growth driver of new strategies over the past five years comes from credit and alternative strategies. The two categories account for 86% of unlisted CEFs new products. We did observe some product development structural trends:

- The interval structure is the preferred package for credit strategies. Among the 47 credit strategies launches since year-end 2016, 37 have been interval products (79%)
- Conversely, 21 alternative strategies have launched over the same period, and 62% are tender-offer funds

EXHIBIT 5: NUMBER OF UNLISTED CEF PRODUCTS BY ASSET CLASS, 2017-2Q21



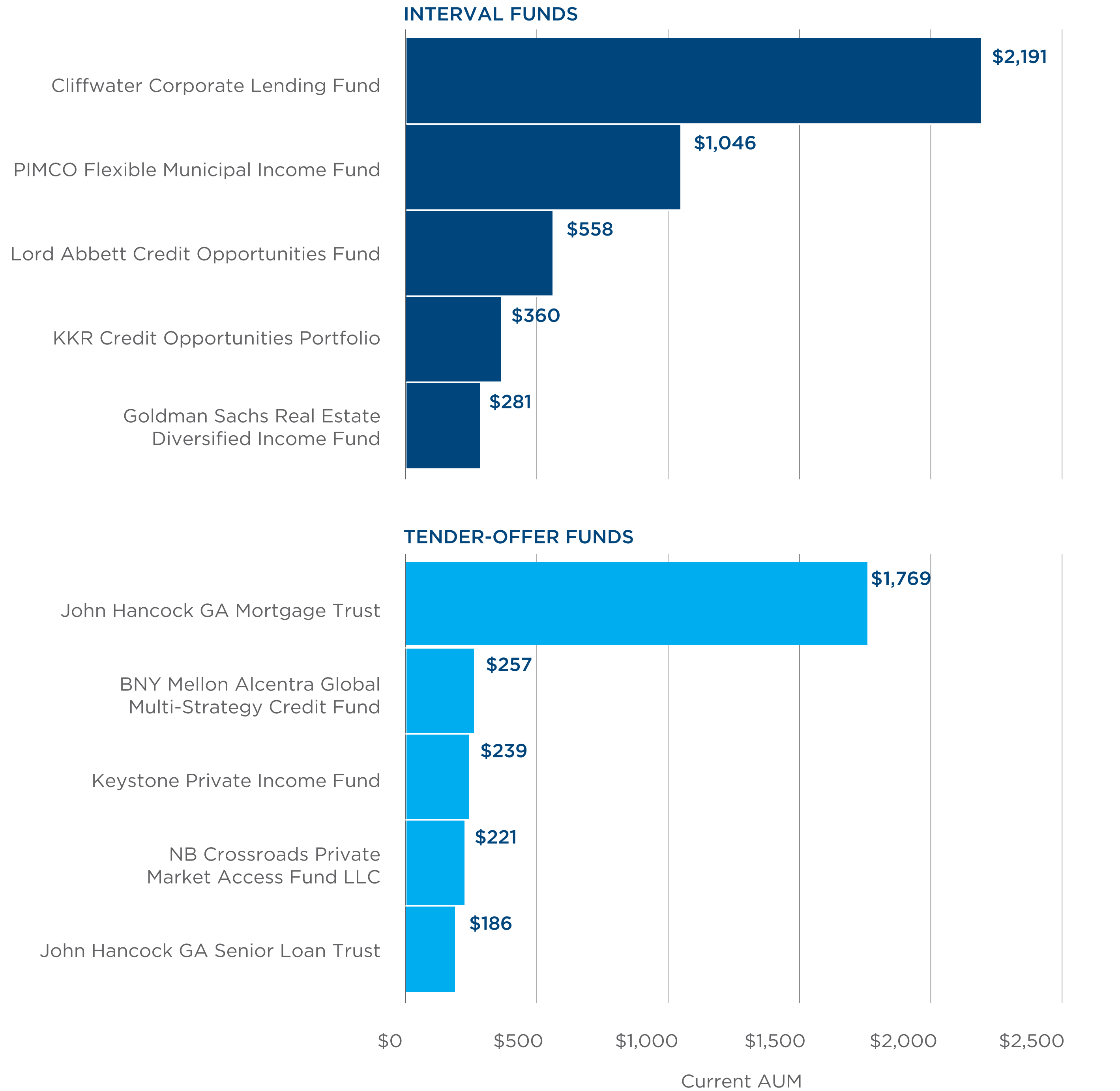
Source: FUSE Research Network, October 2021

There have been multiple successful product launches since year-end 2018.

- Three strategies with $1 billion or more in AUM
- Eight strategies with $250 million or more in AUM
- Twenty-six strategies with $50 million or more in AUM

Cliffwater, John Hancock and PIMCO launched the three strategies, which raised $1 billion plus in AUM. The Cliffwater Corporate Lending currently boasts $2.2 billion in AUM, the John Hancock GA Mortgage Trust has $1.8 billion, and the PIMCO Flexible Municipal Income has just over $1B.

EXHIBIT 6: TOP PRODUCT DEVELOPMENT FUNDS BY AUM ($ MILLIONS) LAUNCHES 2019-2H21



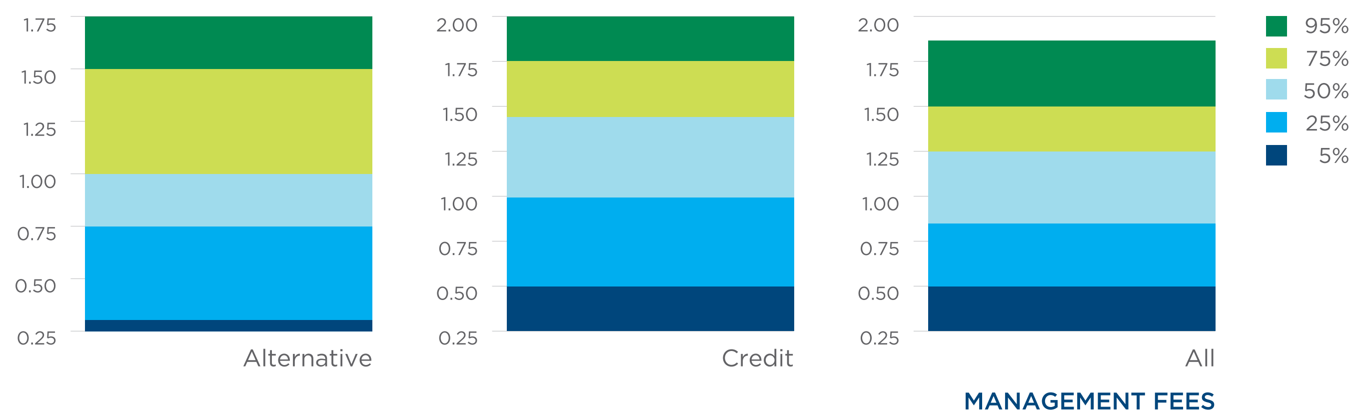
Source: FUSE Research Network, October 2021

PRICING

Many asset managers believe unlisted CEFs will be more resistant to fee compression seen in the broader industry. The structural advantages of unlisted CEFs—primarily limited investor liquidity—enable asset managers to develop sophisticated strategies that are not suited for traditional mutual funds or ETFs. Many of these strategies come at a price premium, with performance fees being the primary differentiator.

The median management fee for unlisted CEFs is 125 basis points. Credit strategies are more expensive with a median management fee of 144 basis points versus 100 for alternative mandates. The management fees for unlisted CEF credit strategies are significantly higher than a traditional fixed-income mutual fund (47 basis points). However, many of the unlisted CEF products access areas such as private credit, which is unavailable in a traditional '40 Act strategy and comes at a cost.

EXHIBIT 7: MANAGEMENT FEES BROAD OBJECTIVE



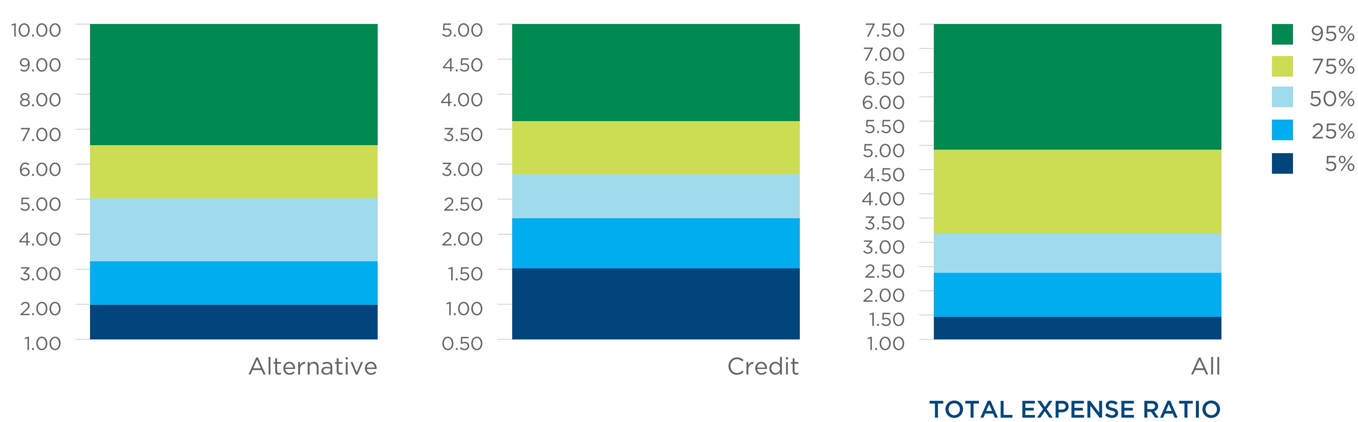
Source: FUSE Research Network, October 2021

When evaluating total expense ratios (TER), the differences are even more apparent. As we previously mentioned, 66% of assets reside in accredited products. Many of these unlisted CEFs have performance fees. The median TER is 321 basis points, while funds in the 75th percentile charge 495 basis points. The median fee level is more than three times higher than the average active mutual fund (84 basis points).

Other TER stats about unlisted CEFs:

- Alternative unlisted CEFs
  - 25th percentile TER – 326 basis points
  - 50th percentile TER – 505 basis points
  - 75th percentile TER – 660 basis points
- Credit unlisted CEFs
  - 25th percentile TER – 225 basis points
  - 50th percentile TER – 287 basis points
  - 75th percentile TER – 363 basis points

EXHIBIT 8: TOTAL EXPENSE RATIO BY BROAD OBJECTIVE



Source: FUSE Research Network, October 2021

Top Funds and Firms

CURRENT TRENDS

A large percentage of the unlisted CEF market is controlled by a small number of actual strategies; in line with other emerging investment markets. The top 10 funds account for 55% of AUM, while the top five comprise 40%. Since our last report in October 2020, the top 10 has trended down slightly while the top five funds have accumulated additional market share. The CAGR for the top 10 products since year-end 2016 is 24.9%, which is well ahead of the industry growth rate of 17.7%. Of more note, the CAGR of products outside the top 10 is -13.6%, which indicates the dominance of the top 10 products over the last four plus years. Meanwhile, four of the top five funds have grown at an annual rate of more than 30%. ACAP Strategy Fund, managed by SilverBay Capital Management, has produced growth at an annual rate of 60% from year-end 2017, and currently accounts for 14.8% of the industry AUM ($12.5 billion).

EXHIBIT 9: TOP 20 LARGEST FUNDS BY AUM ($ MILLIONS)

FUND	FIRM	CATEGORY	TYPE	INVESTOR TYPE	INCEPTION DATE	2Q21	CAGR YE 2017 - 2Q21
ACAP Strategic Fund	SilverBay Capital Management	Equity Long/Short	Interval	Accredited	3/1/10	**$ 12,482**	60.0%
Partners Group Private Equity Fund (Master Fund), LLC	Partners Group	Private Equity	Tender	Accredited	12/31/16	**$ 8,890**	38.9%
Ironwood Institutional Multi-Strategy Fund LLC	Ironwood Capital	Multialternative	Tender	Accredited	1/1/11	**$ 5,129**	30.4%
Griffin Institutional Access Real Estate Fund	Griffin Capital	Real Estate	Interval	Low Minimum	6/30/14	**$ 4,004**	21.8%
Advantage Advisers Xanthus Fund LLC	Oppenheimer & Co	Equity Long/Short	Tender	Accredited	1/1/99	**$ 3,745**	30.9%
SkyBridge Multi Adviser Hedge Fund Portfolios LLC	SkyBridge Capital	Multialternative	Tender	Moderate Minimum	8/16/02	**$ 2,673**	- 14.9%
Bluerock Total Income (plus) Real Estate Fund	Bluerock Fund Advisor	Real Estate	Interval	Low Minimum	10/22/12	**$ 2,622**	37.3%
Versus Capital Multi-Manager Real Estate Income Fund LLC	Versus Capital	Real Estate	Interval	High Minimum	1/29/18	**$ 2,600**	7.8%
Stone Ridge Alternative Lending Risk Premium Fund	Stone Ridge Asset Management	Marketplace Loans	Interval	Accredited	5/23/16	**$ 2,360**	- 5.7%
PIMCO Flexible Credit Income Fund	PIMCO	Multisector Credit	Interval	High Minimum	2/23/17	**$ 2,217**	81.0%
Cliffwater Corporate Lending Fund	Cliffwater LLC	Loan/Structured Credit	Interval	High Minimum	3/6/19	**$ 2,191**	n/a
SEI Structured Credit Fund LP	SEI	Loan/Structured Credit	Tender	Accredited	8/1/07	**$ 2,053**	68.4%
Versus Capital Real Assets Fund LLC	Versus Capital	Diversified Real Assets	Interval	Accredited	9/8/17	**$ 2,010**	43.7%
Stone Ridge Reinsurance Risk Premium Interval Fund	Stone Ridge Asset Management	ILS/Catastrophe Bonds	Interval	Accredited	12/9/13	**$ 1,967**	- 26.5%
AIP Alternative Lending Fund A	Morgan Stanley	Marketplace Loans	Tender	Accredited	10/1/18	**$ 1,884**	n/a
John Hancock GA Mortgage Trust	John Hancock Investments	Commercial Mortgage Loans	Tender	Accredited	1/14/19	**$ 1,769**	n/a
CION Ares Diversified Credit Fund	Ares Management	Opportunistic Credit	Interval	Low Minimum	1/26/17	**$ 1,375**	177.6%
CPG Carlyle Commitments Fund, LLC	Central Park Advisers	Private Equity	Tender	Accredited	6/1/13	**$ 1,092**	1.3%
AB Multi-Manager Alternative Fund	AllianceBernstein	Multialternative	Tender	Accredited	10/1/12	**$ 1,057**	- 2.5%
PIMCO Flexible Municipal Income Fund	PIMCO	Municipal	Interval	High Minimum	3/15/19	**$ 1,046**	n/a
TOP 10						**$46,722**	**24.9%**
OTHER						**$ 37,855**	**- 13.6%**
GRAND TOTAL						**$ 84,578**	**17.7%**

Source: SEC Filings, FUSE Research Analysis

Other worthy notes about the top 10 unlisted CEFs include the following:

- Six of the top 10 are structured as an interval fund
- Five of the top 10 products require investors be accredited, which is down from six at the time of the last report publication
- The most recent product launch of the top 10 unlisted CEFs was in 2018 (Versus Capital Multi-Manager Real Estate Income Fund)

At the firm level, SilverBay Capital Management has claimed the top spot in unlisted CEFs AUM ($12.5 billion). Partners Group and Ironwood Capital are the only two other firms with total AUM exceeding $5 billion. Both firms have a single tender-offer fund with exceptional growth over the last 4+ years.

Notable facts regarding the top 10 asset managers:

- The three largest firms account for 31% of the industry market share, and each has only a single unlisted CEF
- Eight of the top 10 firms have grown faster than the industry since year-end 2017
- Two firms have witness decreased AUM: Stone Ridge Asset Management, the previous leader, and SkyBridge Capital have sustained negative CAGRs of 21.8% and 14.7%, respectively
- The average AUM per product for the top 10 firms is $3.3 billion in AUM versus an average AUM of $264 million per product for all other firms

EXHIBIT 10: TOP 10 LARGEST FIRMS BY AUM ($ MILLIONS)

	TOTAL			INTERVAL		TENDER-OFFER	
FIRM	2Q21	MARKET SHARE	CAGR YE 2017 - 2Q21	2Q21	# OF FUNDS	2Q21	# OF FUNDS
SilverBay Capital Management	**$12,482**	14.8%	60.0%	$12,482	1		
Partners Group	**$ 8,890**	10.5%	38.5%			$ 8,890	1
Ironwood Capital	**$ 5,129**	6.1%	30.4%			$ 5,129	1
Versus Capital	**$ 4,609**	5.4%	18.3%	$ 4,609	2		
Griffin Capital	**$ 4,526**	5.4%	24.3%	$ 4,526	2		
Stone Ridge Asset Management	**$ 4,328**	5.1%	- 21.8%	$ 4,328	3		
Oppenheimer & Co	**$ 3,745**	4.4%	30.9%			$ 3,745	1
PIMCO	**$ 3,263**	3.9%	102.2%	$ 3,263	2		
SkyBridge Capital	**$ 2,743**	3.2%	- 14.7%			$ 2,743	2
Bluerock Fund Advisor	**$ 2,622**	3.1%	37.3%	$ 2,622	1		
TOP 10	**$52,337**		**17.7%**	**$31,830**	**11**	**$20,507**	**5**
OTHER	**$32,241**		**17.7%**	**$ 13,121**	**64**	**$ 19,120**	**58**
GRAND TOTAL	**$84,578**		**17.7%**	**$44,951**	**75**	**$39,626**	**63**

Source: FUSE Research Network, October 2021

Manager Spotlight: Variant Investments

BUSINESS STRATEGY

Variant was formed in 2017 by three Directors of Research from CTC | myCFO, a firm which pioneered investing in alternatives on behalf of its ultra-high net worth client base. Variant, an innovator in alternative income investing, is led by an investment team with decades of experience investing in market niches. They offer disciplined access to a portfolio of unconventional income-generating assets including specialty finance, royalties and litigation finance.

INVESTMENT STRATEGIES

Variant has one unlisted CEF (interval structure) available and one in registration:

	VARIANT ALTERNATIVE INCOME FUND	VARIANT IMPACT FUND
Mandate	The fund offers investors efficient access to a diversified portfolio of unconventional income-generating assets. The Fund invests in niche market opportunities with strong cash flow characteristics and low correlations to public equity and bond markets. The Fund's primary objective is to provide a high level of current income. Capital appreciation will be considered a secondary objective.	The fund seeks to provide a high level of current income. Capital appreciation is considered a secondary objective. The Fund will also seek to generate positive social and environmental impact by targeting investment opportunities that are both aligned with the United Nations Sustainable Development Goals and consistent with the Fund's impact investing framework.
Inception	October 2017	TBD
AUM as of 9/30/2021*	$1,173 million	N/A
Management Fee	95 bps	125 bps
Expense Ratio	185 bps	175 bps

** Variant Investments website*

MANAGEMENT TEAM

The firm's three founders—Bob Elsasser, Curt Fintel, and J.B. Hayes—shared more than ten years together at CTC | myCFO. Prior to joining CTC, Elsasser worked at the Federal Reserve Bank of New York.

TARGET MARKET AND DISTRIBUTION AND MARKETING EFFORT

- Primary distribution focus is on the institutional market including the RIA universe, consultants, family offices and private banks
- Distribution efforts are led in-house with one-on-one contact with prospect and clients as well as guest speaking roles, conferences and virtual events from the portfolio managers

Outlook

The future of the unlisted CEF space continues to be bright with strong asset growth expected. Since year-end 2014, unlisted CEFs have grown at a 14.8% annual rate. Over the last four years, annual growth has been in the double-digits, including 22% for 2019. Growth has been healthy during the first half of 2021: AUM has grown from $74.2 billion to $84.6 billion, representing a 13.9% increase. In comparison, active ETFs and mutual funds grew at a 10% rate during the first half of 2021.

The asset management industry continues to navigate significant headwinds; however, it appears the industry has weathered the bulk of the challenges. Net flows into active mutual funds (excluding fund-of-funds) and ETFs totaled $223 billion YTD through June 2021 and $303 billion during the last 12 months. Active and passive mutual funds and ETFs produced more than $1 trillion in net inflows over the last 12 months. Net new money is shifting back into long-term products.

The unlisted CEF space is a nascent business. Assets sit at a modest $85 billion; however, interest has driven product development and solid asset growth. Nearly 80 products have been launched during the last four plus years and another 47 sit in registration. The structure allows asset managers to package complex strategies and access low liquidity asset classes, which cannot be handled by traditional packages.

Growth will require a committed service and support effort. These products need advocacy to increase adoption by distributors, financial advisors and RIAs. Many of the firms in the unlisted CEF space bring massive sales and marketing resources, including names like AllianceBernstein, BlackRock, Invesco, John Hancock, Morgan Stanley, Oppenheimer, PIMCO and more. However, it is not a prerequisite to be a retail sales juggernaut to have success in the space. The firms with the largest unlisted CEF asset base are SilverBay Capital Management, Partners Group and Ironwood Capital. They are respected specialists in the alternative, private credit and private equity space with products that resonate and generate significant asset growth. Success will be driven by a compelling mandate with a sustained, focused sales and marketing effort.

Methodology

- Underlying asset data and general vehicle attributes (e.g., strategy type, inception date, minimum investment, etc.) are collected by FUSE from audited annual report filings as well as unaudited semi-annual reports and quarterly schedule of portfolio holdings (Forms N-CSR/NCSRS/N-Q). FUSE searched through all of the N-2 filings over the past five years in the SEC's Edgar database to identify funds for this paper. In addition, tender-offer filings were searched for the past 12 months to identify tender-offer funds that were launched more than four years ago.
- Term trust funds, non-traded REITs and BDCs are excluded from this analysis.
- Assets presented are net assets (i.e., do not reflect total Managed Assets for leveraged products).
- The periodic display of assets presented reflects a combination of assets under management (AUM) for the exact period where available as well as a proxy representing the closest historical period available (no more than one quarter ago). For example, if a fund has a fiscal year end in October, the October 2018 actual net assets would be used for the displayed aggregation of "2018 AUM".

UMB FUND SERVICES

UMB Fund Services is a leader in unlisted closed-end fund servicing, offering a unique servicing technology and a start-up platform both designed specifically for unlisted CEFs. UMB Fund Services offers a broad array of services for mutual funds and alternative investments, including turnkey solutions, to help our clients not only bring new products to market, but also to position themselves for future growth. Key services include fund accounting and administration, investor accounting and reporting, tax preparation, transfer agency, distribution*, custody** and cash management.** At UMB, we excel at adapting in an ever-changing market environment. This agility positions our operation to meet client needs now and in the future. For more information, visit UMBFS.com.

FUSE RESEARCH NETWORK (FUSE)

FUSE was launched in 2008 with the view that research and consulting support for asset managers has failed to evolve with the changing needs of the client. The future competitive environment will demand that clients make important business decisions within shorter and shorter timeframes.

In order to support clients in this setting, FUSE provides a dynamic research platform that covers our clients' current and future decision areas (strategic and tactical). Our goal is to become an invaluable business partner through the delivery of highly informed and forward-looking recommendations that are among the critical inputs our clients need to optimize results.

* *Service provided by UMB Distribution Services, LLC*
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