What is an Interval Fund?

Interval funds are investment vehicles that provide individual investors with access to strategies that are typically limited to institutions such as hedge funds or pension plans. These strategies may allocate to asset classes that are less liquid than those typically found in mutual funds but may offer the potential to generate higher long-term returns.

- Because of the less liquid nature of their investments, interval funds are not required to provide investors with daily liquidity, rather, they will offer to repurchase a certain percentage of outstanding shares at set periods, or "intervals," throughout the calendar year (often quarterly).
- The periodic repurchase schedule of an interval fund allows the investment manager to take a longer-term view with respect to allocating shareholder capital.

HOW DO INTERVAL FUNDS COMPARE TO MUTUAL FUNDS?

Both mutual funds and interval funds are pooled investment vehicles that allow individual investors to access a diversified portfolio of securities, and both are registered under the Investment Company Act of 1940.

Like open-end mutual funds, interval funds are typically priced daily at net asset value (NAV). Shares of both types of funds are continuously offered, meaning investors may purchase shares any day the market is open. There are, however, some important differences to note:

- Open-end mutual funds provide daily liquidity, allowing investors to redeem any day and receive the closing NAV price.
- Interval funds, in contrast, offer limited liquidity. On a periodic basis, typically quarterly, interval funds offer to repurchase a limited number of outstanding shares, as set forth in the fund's prospectus.
- Per SEC regulations, repurchase offers must be made for at least 5% of the interval fund's common shares outstanding. If requests for repurchases exceed 5%, shares may be redeemed on a pro rata basis.

	Open End Mutual Fund	Interval Fund
Registration	SEC Registered; Subject to 1940 Act requirements	SEC Registered; Subject to 1940 Act requirements
Available for Purchase	Daily, at closing NAV	Daily, at closing NAV
Redemption Liquidity	Daily, at closing NAV	Typically monthly or quarterly, for a minimum of 5% of shares outstanding
Investment Types	Predominantly liquid investments	Often include less liquid investments

WHAT ARE THE POTENTIAL BENEFITS TO INVESTORS OF THE INTERVAL FUND STRUCTURE?

Given the periodic repurchase schedule of an interval fund, as opposed to the daily liquidity of an open-end mutual fund, portfolio managers can take a longer-term investment view. This allows the manager to take advantage of investment opportunities in less liquid, potentially higher-return asset classes that may not be suitable for an open-end mutual fund offering daily liquidity. For example, opportunities may arise in smaller issues of high yield bonds, bank loans, private debt, structured products, and real estate.

Such securities typically offer investors a "liquidity premium" i.e. additional compensation to account for the fact that they cannot easily be converted into cash at fair market value and therefore may require a longer-term holding period.

WHAT ARE THE RISKS?

Given the reduced liquidity of interval funds as compared to mutual funds, investors should consider their liquidity needs and investment horizons before investing. In fact, it may be prudent to consider an allocation to an interval fund an illiquid investment for the following reasons:

- Although interval funds make periodic offers to repurchase a portion of outstanding shares, there is no guarantee that investors will be able to redeem the quantity of shares that they desire.
- Liquidity risk may be greater in interval funds that invest in securities of companies with smaller market capitalizations, lower credit ratings, and/or derivatives.

An investment in an interval fund is not suitable for investors who require certainty regarding access to their entire investment in the short term. Before investing in an interval fund, investors should understand the unique risks associated with the investment vehicle and carefully read all of the fund's available information, including its prospectus and most recent shareholder report. Investors should consult with their financial advisors about the suitability of an interval fund, and whether it may be appropriate in their portfolios.

HOW DO INTERVAL FUNDS COMPARE TO TYPICAL CLOSED-END FUNDS?

Interval funds are classified as closed-end funds, but differ in several ways from exchange-listed closed-end funds:

- Traditional closed-end funds are typically issued through a one-time initial public offering and trade on an exchange, while interval funds are continuously offered and are not listed on an exchange.
- Listed closed-end funds may trade at a premium or discount to their NAV, while interval funds are priced at the fund's daily NAV.
- Shares of listed closed-end funds are continually traded throughout the day, whereas shares of an interval fund may only be redeemed periodically (e.g. quarterly) according to the fund's repurchase schedule.

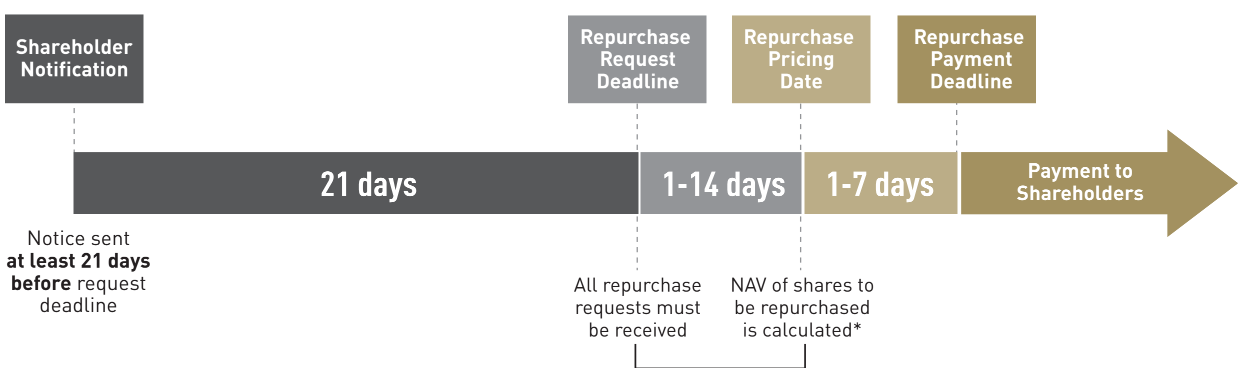
HOW DO INVESTORS REDEEM SHARES OF AN INTERVAL FUND?

- An interval fund is required to repurchase at least 5% of its shares on a periodic basis.
- In order to redeem shares, shareholders submit repurchase requests in advance of the "repurchase date."
- The fund will mail a repurchase notice to shareholders that outlines the details of the repurchase process, including the date by which requests must be made, and the actual repurchase date.
- If repurchase requests exceed 5% of the fund's outstanding shares, the fund may redeem shares on a pro rata basis.

WHAT IS THE TIMING OF A REPURCHASE OFFER?

An interval fund's repurchase offer deadline can be no less than 21 days from the date that the fund sends the repurchase notice to its shareholders. Shareholders are permitted to withdraw or modify their repurchase request up until, but not after, the repurchase request deadline. Interval funds must file a copy of the notice with the SEC within three days after sending it to shareholders. ■

CHART 1: SAMPLE REPURCHASE OFFER TIMELINE



* The calculation of NAV for shares to be repurchased will generally be **the same date as the Repurchase Request Deadline**, but may be up to 14 days following.

Source: Lord Abbett.

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IMPORTANT INFORMATION

Past performance is no guarantee of future results.

Note About Risk: All investments involve some degree of risk including the loss of principal. Past performance is no guarantee of future results.

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