A Close Look At The Evolving Interval Fund Space

By **Ken Burdon, Jonathan Gaines and Neesa Sood** (December 2, 2025)

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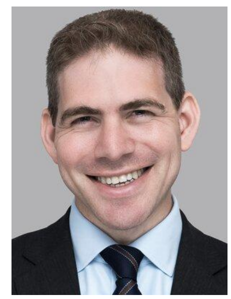

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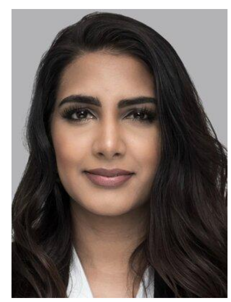

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Interval funds — closed-end registered investment companies that make periodic repurchase offers under Rule 23c-3 of the Investment Company Act — have existed for more than three decades, but only recently have they moved from the periphery of the asset management world to the center of the conversation about retail access to private markets. Following President Donald Trump's Aug. 7 executive order regarding the incorporation of alternative assets into 401(k) plans and target date strategies, they are now squarely within the broader conversation about 401(k) retirement plan diversification.

For much of their life, interval funds housed portfolios that sat just outside the daily liquidity universe. However, in recent years, sponsors have tapped the interval fund structure to accomplish significant innovations in product design.

Legal, operational and distribution developments have created the foundation for these innovations, allowing the interval fund structure to scale, reach a broader investor base, and provide access to a more expansive set of asset classes and strategies. As a result, retail investors now have access to strategies that were once limited to institutional investors, including direct lending, private equity secondaries and infrastructure, through a 1940 Act-registered vehicle with required periodic liquidity.

Taken together, these developments are evolving the market's conception of an interval fund from an Interval Fund 1.0 approach to an emerging Interval Fund 2.0 model. The result is a structure well-equipped to deliver institutional private market strategies to retail investors within a 1940 Act-registered wrapper that is required to provide periodic liquidity.

The Origin of the Interval Fund

Interval funds originated in 1993 when the U.S. Securities and Exchange Commission adopted Rule 23c-3 under the 1940 Act, permitting a closed-end fund to make prescheduled, board-approved repurchase offers for a stated percentage of its outstanding shares at net asset value.[1]

In adopting the rule, the SEC created a middle ground: a 1940 Act-registered closed-end fund with required periodic liquidity at net asset value, paired with appropriate board oversight and special compliance obligations, but without an open-end fund's obligation to redeem shares on demand.[2]

The SEC's policy goal was practical and narrow, as some strategies are appropriate in a registered fund for a retail investor base but cannot be reasonably managed against daily investor liquidity.

At a high level, Rule 23c-3 requires an interval fund to make periodic repurchase offers, typically on a quarterly basis, to provide investors an opportunity to sell back a portion of their shares at net asset value. To support these repurchases, the rule requires the fund to maintain enough assets that (1) can be sold or disposed of in the ordinary course of business, at approximately the price at which the fund has valued the investment; or (2) will mature in time to meet repurchase requests. The rule further mandates that the fund adopt written policies and procedures designed to keep the fund in compliance with these liquidity and repurchase obligations.

In practice, this means an interval fund's portfolio must be structured so that a portion can be converted to cash within the window between when investors are required to submit requests and when payments are made. This structure gives investors a reliable path to liquidity while allowing managers to pursue longer-term, less-liquid investments with a material portion of the portfolio.

For many years, uptake was modest. Sponsors experimented with the format, and platforms and advisers learned how to explain a fund that was neither a mutual fund, a listed closed-end fund nor a long lockup private fund. The potential was there, but the use case was narrow, and the operational and distributional infrastructure was incomplete.

Interval Fund 1.0: One Step Less Liquid

In the years during and after the global financial crisis of 2008, interval funds still occupied a narrow space. During this early 1.0 stage, sponsors designed portfolios that were one step less liquid than the typical open-end fund. High-yield corporate bonds, syndicated bank loans and municipal bonds were common holdings.

For sponsors, the value proposition was straightforward. Moving liquidity to a quarterly calendar with board-approved caps gave sponsors the flexibility to hold higher-yielding, less-liquid positions while still providing investors with a predictable path to liquidity.

The balance was workable. Investors gained more income potential than mutual funds could typically provide, yet avoided the long lockups associated with private funds or the trading discounts of listed closed-end funds.

Although assets remained modest compared to today's scale, this first era demonstrated that the interval fund structure could operate successfully with semiliquid strategies. It established interval funds as a niche but credible category, and set the foundation for broader adoption once operational standards and distribution infrastructure matured later in the decade.

Scaling and Operational Maturity

Between 2016 and 2019, interval funds moved from a niche status to a growing and visible product category. Net assets rose from under $7.5 billion at year-end 2015 to about $27.5 billion by year-end 2018, with roughly 60 active funds by mid-2019.[3]

Notably, industry observers at the time pointed out that the SEC's new liquidity risk management rules for open-end funds adopted in 2016, which emphasized the challenges of daily redemptions for assets with longer settlement periods such as syndicated bank loans, could prompt sponsors to consider moving those portfolios from open-end mutual funds into closed-end structures better suited to periodic, rather than daily, investor liquidity such as interval funds.[4]

During this period, market participants began to standardize the day-to-day operational playbook for interval funds. The Investment Company Institute documented these approaches through an assessment of operational challenges and, later, a practice note describing common approaches to order processing, dealer and custodian coordination, and investor communications.[5] During this period, point-and-click availability for interval funds also developed, along with strategies for daily net asset values to support such an operational feature.

Strategy mix during these years reflected the wrapper's roots. Credit strategies remained the dominant focus, while some sponsors incorporated measured exposure to real estate and other less-liquid asset classes.[6] Interval fund portfolios were still built around asset classes that could readily support scheduled repurchases, but the experimentation during this period hinted at broader uses to come.

Taken together, a larger fund roster, clearer operating practices and a stable credit-anchored playbook created a workable framework. These elements set the stage for a subsequent shift to portfolios built around longer-dated private market assets.

The Interval Fund 2.0 Era

More recently, private equity sponsors began to use the interval fund wrapper at scale. Prominent sponsors launched products focused on direct lending, private equity secondaries, infrastructure and other private market strategies. Assets across interval funds soon reached $77 billion by year-end 2023, reflecting both new launches and inflows into existing interval funds.[7]

What has shifted during the Interval Fund 2.0 era is not only the number of interval funds, but also the character of the portfolios and the operational standards that accompany them.

This new generation of interval funds has moved into strategies with exit timelines measured in years rather than weeks. Direct loans to middle-market businesses typically carry maturities of five to seven years.

Liquidity for secondary investments in private equity funds depends on the realization schedules for underlying portfolio companies. Infrastructure strategies rely on operating cash flows, refinancings and asset sales.

For these 2.0 interval funds, periodic repurchases are not necessarily supported by an assumption that positions core to the fund's strategy can be sold in the market, but rather by forward planning, including cash-flow modeling, committed credit facilities and liquidity sleeves designed to match expected repurchase demand. Each of these elements is key to ensuring Rule 23c-3 compliance, which, for repurchase liquidity, requires both specific portfolio asset liquidity in connection with individual repurchase offers as described above, and an overall operational and compliance strategy to ensure that the interval fund can meet its ongoing periodic repurchase obligations over the long term.

Another key aspect for 2.0 interval funds is that daily net asset values are struck under the framework contained in Rule 2a-5 under the 1940 Act, which allows boards to delegate fair value determinations to a fund's investment adviser. Rule 2a-5 helps to make a daily valuation process for 2.0 interval funds workable, and independent pricing support, along with robust valuation procedures, has given investors and distributors confidence in the product.

In effect, the interval fund wrapper has transitioned from housing semiliquid income strategies to serving as a wrapper for private market exposures distributed through retail and advisory channels.

Further, as the Interval Fund 2.0 era has developed, partnerships between private equity sponsors and traditional asset managers have become a notable part of product design.

The WVB All Markets Fund, a collaboration among The Vanguard Group Inc., Wellington Management and Blackstone Inc., illustrates this model.[8] The WVB All Markets Fund allocates to underlying Blackstone funds for exposure to private market investments and to underlying Vanguard funds for more-liquid public markets exposures, while Wellington provides public equities expertise and asset allocation along with adviser relationships that strengthen distribution.

A similar approach appears in the Capital Group and KKR collaboration on two interval funds launched on April 29, which combines a large private markets platform with a long-standing retail distribution network.[9]

In these arrangements, private equity firms contribute deal flow, while traditional asset managers provide the registered fund infrastructure and platform access. The result is an interval fund that merges specialized private markets investment expertise with broad retail access through established distribution channels.

Conclusion

Interval funds have grown from a niche structure used primarily for liquid credit strategies into a format that now supports meaningful exposure to private markets.

The 1.0 generation of interval funds demonstrated that investors could access less-liquid assets within a predictable, prescheduled investor liquidity framework. The 2.0 generation of interval funds has expanded that model by introducing portfolios built around direct lending, private equity secondaries and infrastructure, while also being backed by participation from large private equity and private credit sponsors.

As sponsors and asset managers deepen partnerships, and as intermediaries refine the operational systems that support distribution, interval funds appear increasingly positioned to provide retail investors with measured access to private markets.

Further, Trump's August executive order directs regulators to examine how alternative assets can be incorporated into 401(k) plans and target-date strategies.[10] This directive makes interval funds, with their enviable investor liquidity profile relative to other types of products providing access to private markets, a likely option to be utilized by plan sponsors in their target date strategies.

Interval funds' required periodic liquidity and established governance structure make them a critical option for bridging private market exposure into defined contribution plans, although broad adoption of interval funds as a key option in structures designed to provide such plans with exposure to private markets will depend on further and continuing regulatory guidance and market acceptance.

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[1] 1940 Act Rel. No. 19399 (May 14, 1993).

[2] 17 C.F.R. § 270.23c-3.

[3] Interval Funds: On the Rise Again, Houlihan Lokey, Inc. (2019), https://cdn.hl.com/pdf/2019/interval-funds-on-the-rise-summer-2019.pdf.

[4] Kristen Haunss, New SEC Rules May Force Mutual Fund Managers to Justify Loan Investments, Reuters (Dec. 14, 2016, 2:41 PM), https://www.reuters.com/article/legal/new-sec-rules-may-force-mutual-fund-managers-to-justify-loan-investments-idUSL1N1E91P6/.

[5] Interval Funds: Operational Challenges and the Industry's Way Forward, Investment Company Institute (June 2019), https://www.ici.org/pubfile_pdf/19_ppr_interval_funds.pdf; Consider This: Interval Fund Operational Practices, Investment Company Institute (Sept. 2020), https://www.ici.org/system/files/attachments/20_ppr_interval_funds.pdf.

[6] Interval Funds: Asset Management's Well-Kept Secret, KPMG (2018), https://kpmg.com/us/en/home/insights/2018/10/interval-funds-asset-management-well-kept-secret.html.

[7] Investment Company Institute, The Closed-End Fund Market, 2023, ICI Research Perspective, May 2024, https://www.ici.org/system/files/2024-05/per30-05.pdf.

[8] WVB All Markets Fund, Registration Statement (Form N-2) (October 2, 2025), https://www.sec.gov/Archives/edgar/data/2065909/000139834425018791/fp0095617-1_n2a.htm.

[9] Press Release, Cap. Client Grp., Inc., Capital Group and KKR Launch Their First Two Public-Private Investment Solutions and Announce Plans to Expand Their Exclusive Strategic Partnership (Apr. 29, 2025), https://www.capitalgroup.com/about-us/news-room/capital-group-kkr-launch-public-private-solutions.html.

[10] Exec. Order No. 14330, 90 Fed. Reg. 38921 (Aug. 7, 2025).