Industry Track Panel #7: Institutional Investors Outlook on CEFs

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MODERATOR:
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SPEAKERS:
Mark Milner, Senior Investment Strategist - Parametric
Ryan Paylor, Portfolio Manager - Thomas J. Herzfeld Advisors
John Cole Scott, President - CEF Advisors

KEN BURDON: All right, welcome, everybody, to Panel #7. Panel #7 is an institutional investor outlook on closed-end funds. My name's Ken Burdon, I'm a partner at Simpson Thacher in the registered funds practice, and the first partner in the new Boston office of Simpson Thacher if you're ever up in Boston. We have a great panel here today to talk about the institutional outlook on closed-end funds, and so I will go ahead and let everybody introduce themselves and their shop, starting with Ryan.

RYAN PAYLOR: Sure, Ryan Paylor, portfolio manager at Thomas J. Herzfeld Advisors. Thomas J. Herzfeld Advisors is a 40-year-old registered investment advisor focusing solely on the closed-end fund space. We invest up and down the cap structure of closed-end funds, BDCs, interval funds and the like. Typical strategies for us, we have a private credit fund that's investment grade rated that

does direct lending for 1940 Act companies, the rest of our assets are mostly in SMA strategies focused on specific areas of the closed-end funds themselves, whether it's fixed income, a preferred strategy, municipal, more broadly special situations or balanced, and then lastly we do manage the Herzfeld Caribbean Basin Fund, a closed-end fund traded on the NASDAQ under the ticker CUBA. My responsibility as a portfolio manager is I'm a manager across all the assets in the firm. It's our 40th year this year so it's been around for a long time, so I'm pretty proud to be part of the company.

MARK MILNER: Nice. Mark Milner, I'm a senior investment strategist with Parametric. For those of you who don't know Parametric, we are a part of Morgan Stanley. If you do know Parametric, you probably know us from our direct indexing business where we're at least a leader or amongst the leaders in direct indexing. On the closed-end fund side, we run a suite of SMAs, these are broadly diversified, used across wealth management clients. Parametric's been doing this since 2007, we have about $1.3 billion in closed-end fund assets, and almost exclusively closed-end funds. I caveat that with we have added some BDC exposure recently, and we'll occasionally dip into ETFs if needed, but basically it's income, income, income for us.

JOHN COLE SCOTT: Hello, John Cole Scott, CEF Advisors and CEF Data, we're in our 35th year as a firm, been working about 24 years on the back of my father's 50-year career in closed-end funds. At our core we're a highly customized separate accounts for income-focused investors, that both applies to qualified accounts and the very tax thoughtful individual accounts or trust accounts. We launched our BDC coverage in '14, have a UIT of BDCs with a partner SmartTrust, it's about 10 years old and has deposited about a half billion dollars. We have added interval funds and tender-offer funds to CEF Data in recent years, as well as recently non-

listed and private BDCs, so basically every closed-ended management company in the US market. We typically have 35 to 45 positions, depends on risk and size and taxes, and look to really customize that income experience while being thoughtful in three things: discount analysis, dividend analysis, and manager and sector analysis.

KEN BURDON: All right, great. Thank you, everyone. So we seem to be in an inflection point in the market with the Fed starting to cut rates, and in economic policy with the 2.0 version of the Trump administration about to come in. So how do you see these macro trends impacting your outlook on closed-end funds? We'll start with Ryan, I guess.

RYAN PAYLOR: Yeah, sure. We were pretty bullish on fixed income heading into the election and really over the last year plus, a little bit less so now just based on the thoughts that have been put out there with Trump 2.0, with regards to dealing with the debt. I think the worries that we have on our end are that the Fed may not have cut interest rates as much as people are expecting or the market has priced in, and then the possibility of the longer end of the curve getting steeper, starting to get a five handle in the 30-year or the 10-year, I think that's a very distinct possibility. So with that said, how do you invest in closed-end funds then if that's your outlook? Well, one of the things we've been able to do is the closed-end fund wrapper I think is the perfect wrapper to invest in fixed income. On the fixed-income side, what are the advantages of the closed-end fund wrapper versus an ETF or mutual fund? Well, first off, closed-end funds don't necessarily need to buy liquid securities, on-the-run securities, because they don't have that redemption or inflow feature that the ETF or a mutual fund has. So mutual fund and ETF, they pretty much have to deal with cash flow issues, and as a result, they have to have assets that I consider something I do not want to be invested in in their portfolio mainly for that reason

whatsoever. Whereas a closed-end fund, because it doesn't have the restrictions on illiquid securities, it can go out and buy the off-the-run securities, something that's more attractive, providing much more attractive investment profile, and you can wait through those situations where, yes, maybe when there's a pullback in the market and if discounts widen out, well, the underlyings, they can be buyers of that market, whereas the mutual funds and ETFs are often sellers in that market. It's that opportunity set of that premium discount relationship where there's volatility in that, that's the opportunity. That's the ticket to better returns, is getting access to that volatility through the closed-end fund structure where the underlying asset isn't nearly as volatile as the price action is, and just trying to take advantage of those opportunities in the market where we see. And then further on that question about where see what's attractive in the market, obviously I already mentioned short duration I think is the safest place to be in this environment, at least where we think interest rates may be going, but real assets, there's already been a bunch of panels already talking about real assets, so I don't want to harp on that, but to me it's pretty obvious that if inflation does rear its head again, real assets are a good place to hide out. What happened in the last Trump administration, Trump 1.0, energy didn't do very well, it actually was one of the worst performing sectors, this time around I think it's different, I think now it's more of a national security issue. A lot of the tailwinds that we talked about, they talked on prior panels about energy infrastructure and datacenters and the like I think provide a good tailwind for that space, so for us we're pretty defensive in our equity exposure, more focused on utilities and MLPs and the like, but on the fixed-income side, we're still trying to stick to opportunities that the closed-end fund structure provides that structural alpha where there's activism, there's tender offers, there's rights offerings, there's

all these corporate actions that the closed-end fund structure allows that you can't take advantage of in an ETF or mutual fund.

KEN BURDON: Yeah, and please go ahead.

MARK MILNER: Yeah, maybe building on that.

KEN BURDON: Ryan really got into what the outlook on our industries are and what sectors might be attractive and what makes the closed-end fund, the listed closed-end fund in particular, still a very attractive wrapper. We'd love to hear your thoughts on that too.

MARK MILNER: Yeah, I would say building on those underlying pieces of the closed-end fund, why not munis? Still a lot of room for discount improvement in the muni space, obviously the biggest group in closed-end funds, so why not that if you're looking for something in fixed income? Who knows what's going to happen with tax rates, but depending on what state you're in, federal tax rates aren't going to be that big of a deal anyway, it's going to be your state taxes that are going to hurt you. So I think that from the discount capture opportunity zone, munis are probably the place to be right now. I'll absolutely agree with what Ryan said, and what's already been said multiple times today, and that's real assets, infrastructure space, great opportunities there. How about just plain old domestic equity? I mean, if the US equity market's going to continue to run, you can certainly invest in that through closed-end funds and collect your yield or your distributions along the way. You're certainly not going to maybe participate in the S&P 500 upside, but if you can get pretty darn close and collect that consistent, reliable cash flow, that's a great way to do it. And then obviously a little discount capture bump at the end too, I think there's a lot of great opportunity out there.

JOHN COLE SCOTT: Yeah, I agree in lots of ways. I'd say we look at baskets of closed-end funds over the last 12 years of our data business, it's so common in a three-year period, no matter what that three-year period is, it is roughly an 18-20% average peak to valley of a market price around its NAV, and it's really a really good reminder of why it's useful to be active and really a great place for intelligent individual investors, thoughtful FAs, and focused and resourced institutional firms. We also look at things like what we want to find in a closed-end fundedness of a closed-end fund, so that's digging into the types, the structure of the leverage, and so that goes through with our thinking of where interest rates are going. Now there's times we want to lean into the more fixed leverage as possible, the more floating rate as possible, longer duration, shorter duration, we also historically have really been a proponent of balancing tax appropriate BDCs and munis. I remember we used to sell our UIT fund, the wholesaler would take an ETF of BDCs, an ETF of munis, and print them on paper and you could not get compliance to approve this chart otherwise, and show the disconnected of those wrappers, and the only issue would be if you're in the highest federal bracket, you probably could only have 4% BDCs versus maybe 8-12% at our firm if you're less tax painful. I then say just going to thinking about doing corporate actions well. We covered this in the podcast last month or month before, but making sure you do your best to step into the tenders, away from the rights, I don't like funds to liquidate but if something's going to happen, I'd rather make money than not make money for my clients. That is our fiduciary duty on this stage for everyone we represent. I really say it's balancing those opinions about the guts. We were overweight real assets this year as well, and discounts tightened a lot across a lot of those funds. And then at a basic level, it's never perfect but lean into discounts. I know Dan Silver on my team and I, we cancelled our meetings on, was it August 4th or 5th, traded I think

about 20% of our portfolios that day because it was the day to rotate, take your tax losses as soon as you can because they may not come back. If they do, wait 31 days, you can do it again.

KEN BURDON: Very good. So let's talk a bit about private credit, which is booming along with the trend towards democratizing access to private markets. So how do you see these trends impacting the story of listed closed-end funds and the trajectory of the products and the discounts? And relatedly, earlier in the conference we talked about some of the unlisted closed-end fund products, and how are those impacting the market for the listed closed-end funds?

JOHN COLE SCOTT: I might just jump in quickly and talk about we really see that you can put a lot more tranches of it in the interval fund wrapper because you don't get that unfortunately historical discount for too much level three private assets in a regular listed fund outside of maybe a CLO that trades well historically, or a BDC, which a well-managed BDC trades well. I just think that it's very competitive to find generally more success and more multi-sector exposure in the listed fund, and people choosing the interval fund for various styles and flavors of credit. At a basic level, since we started this conference five years ago, there's way more interval funds from managers that the average advisor and public has heard of, and like all industries, better systems, better firms bring out better quality funds, and funds that weren't meant to raise assets eventually don't, and they go away and better funds come to market.

RYAN PAYLOR: Yeah, and to add onto that point, the absolute growth that we've seen in that industry, it's already dwarfed the closed-end fund industry, so we've seen a significant amount of money being raised in interval fund, tender-offer fund structures where a lot of it is direct lending and private credit. Obviously this was talked about on prior panels too, but we're less bullish on that space. Right now I

think the inflows coming in are helping paper over some of the declining returns or declining credit quality of the portfolio, but it's easy when you can just buy the market, you never have to make a financial decision when you have constant inflows. At some point, we joke at Herzfeld that we call them Hotel California funds, like you can get in but you may never leave. So at a certain point, when some of these funds that have these illiquid holdings, in some of the strategies, not all of them, but some of these strategies when the growth stops and they're just getting consistent redemptions and there's no inflows coming in, I'm hoping a lot of these funds come back home to the closed-end fund wrapper, like convert to a closed-end fund and keep that permanent capital. That'd be a way to grow our industry since IPOs--

JOHN COLE SCOTT: I think we can all agree to that.

RYAN PAYLOR: IPOs have kind of struggled. But I think also when people point to the IPO market and the changes there, the Fed can fix all things, that's one of the reasons when the Fed's cutting rates, closed-end funds discounts narrow. So I'm hoping the Fed is still on that trajectory, but I'm a little wary of the market pricing in what it's doing at this moment, but if we go back to the prior five Fed cutting cycles, it's my expectation that you'll see closed-end funds get back to premiums and then the IPO market will come back out. But until then, the interval funds are just driving all the asset growth, and right now there's plenty of runway left, the private equity market is 10 times the size of the private credit market I think, so there's a lot of growth that can still be there before maybe they have to make these decisions to come home to the closed-end fund structure.

MARK MILNER: Yeah, and whether it's in an interval fund or a closed-end fund or a BDC, I think all these wrappers have a great place for private credit. At what point does that trade become too crowded? And at what point are we just reaching for

places to stick our capital because it's called private debt? Maybe stick with quality, I guess, would be the way to go. Yeah, anything that allows us to grow and enhance the closed-end fund universe is certainly a positive as far as we're all concerned.

KEN BURDON: All right, great. One thing that you touched on was the lack of closed-end fund IPOs. Obviously the fact that those might go directly to a discount can impact that, but what else in your view is impacting the market for closed-end fund IPOs? There was none in 2023, I think there's maybe been one or two small ones this year. So as investors who potentially are buying in those IPOs, what are you looking for? What can we do to fix that?

MARK MILNER: It's probably not the sexiest asset class, right? All the growth is either in interval funds or un-listeds in this sort of space, or it's in ETFs. ETFs are the new hotness, even private credit being stuck in an ETF wrapper, which to me is kind of a wild concept because the person striking the NAV is the person that's redeeming for you, so however that works, great, good for them. But really if this is me talking directly to the fund sponsors about what I want as an investor or where maybe there's opportunity for them if they want to IPO some new closed-end funds, I would say just look at the funds are trading at premiums or historically trade at premiums, certainly some good hunting ground there. There's a lot of open-end to ETF conversions, not saying you have to do an open-end to closed-end conversion or an interval to closed-end conversion, but you can certainly do like or similar funds in the closed-end fund space and utilize that fixed capital to maybe deploy it to some slightly less liquid investments and give us something slightly different. I think there are opportunities out there. The point you made about obviously trading at a discount post-IPO is a challenge, and certainly the fund sponsor wants to get paid, they don't want to sink all this money into IPOing a new fund and then several years down the road be an activist target and end up losing

money on the deal. So I think it behooves all of us to invest in quality new IPOs, but I imagine the three of us could sit and talk to anyone about what we would like to see more of for quite a lot longer than this panel will allow us.

JOHN COLE SCOTT: I could add that not being a lawyer like our esteemed moderator, I always felt like some of the mutual funds that illiquid holdings were natural fits to potentially have a vote, where you can stay a mutual fund if that was your goal, you could convert part of it to an interval fund if you dislike volatility but want to deploy leverage, and you could [inaudible 0:17:47] a listed closed-end fund to deploy leverage and gain market liquidity and figure out a way through the framework of the SEC and the 40 Act, not being a lawyer, I'm a psych major from William & Mary, that that would be a useful way for us to get more funds. I also think that there's probably, with the growth of what we do today with technology and communication and connections, try to find a more efficient manner to reduce the cost structure to get shares in the hands of potentially not series seven registered wraps as the only outlet. I think that's been the historical pathway, but there's got to be a way to leverage the numerous non-seven just like asset allocation, like a manager wanting to be in a sector. And you've got to, I'm sure this will be covered later, but think about how do you protect the asset manager from not making a dollar on the creation of the fund? His board should not allow that, as well as protect investors from a pervasive long-term discount through the opportunity to maybe have tenders at certain levels or some of the policy that just makes it more shareholder friendly like some of the funds we see trading in other places.

RYAN PAYLOR: Yeah, to kind of just add to the point of the dearth of IPOs we're seeing, like I said earlier, it's all about interest rates with closed-end funds, right? When the Fed's hawkish and increasing rates, you usually see discounts widen up,

the IPO market freezes up, no one's going to issue a closed-end fund when you can buy something similar in the secondary market at 10% discount. Why would you pay NAV for that asset unless it's a manager that you just have to have? Unfortunately there's not many retail investors that are willing to pay up for something like that, so it's a little difficult, but we have seen discounts tighten up, so I think the IPO market may be in next year. And at least from the regulatory environment, especially we were at ICI yesterday and they were talking, most of the conference was about just laws that are trying to benefit the closed-end fund structure, and if we see a better regulatory environment for closed-end funds potentially starting in 2025, there's a possibility there that you might see a rebirth of the IPO market in the closed-end fund industry.

KEN BURDON: So we're not going to steal the thunder from our last panel at all, but I would like to hear your views on how you see the current state of shareholder activism in closed-end funds. It's a big part of what was talked about yesterday at ICI, it's a big part of what the industry's been dealing with for the past four, five years in terms of the closed-end fund product, so what do you think? Is it a good thing? Is it a bad thing? Does it have some uses? No uses? Depends?

JOHN COLE SCOTT: I'll weigh in if you want. I would say at a basic level, go back talking about my father's book from 1990 about discounts from the eighties and nineties when it was a very small industry with very little activism, 20-30% discounts weren't uncommon, and this was not necessarily a bad environment. So I'm thoughtful that activism or the threat of it is a positive put on the sector, it should lead to generally better behavior at the fund manager, an opportunity to vote for the board and for other things annually to make sure that they're on pace. No system is perfect, but I'd say the biggest change is just the amount of capital being deployed by, I'll say it, Saba Capital. And it's interesting because they merged

into that role and have raised a lot of assets, and they're doing activism at the not just a tender, not just the occasional liquidation for funds that were more popular like country funds in the nineties that my father was a fan of, but actually, no, we're going to attack this fund and it's going to be our fund and we're going to say goodbye to the manager contract fee and we're going to get paid as a perpetual fund going forward. It's a very different outcome than the activism of five plus years ago.

RYAN PAYLOR: Yeah, I would say there's a place for it. It's different though, an operating company is totally different than an investment company. Activism in operating companies is more your typical activist is going to push for board seats, push for improvements in the actual company. Well, an activist, it's a pirate, you're trying to steal assets ultimately. It's short-term-ism, but you can profit from that, like we do profit from piggybacking an activist position at times or participating in tender offers or any of the other type of corporate options that can be alpha deriving in the closed-end fund structure. For me where I'm less positive on activism in some instances when I feel it's unwarranted, right? In some of the funds that we recently some of these activist campaigns, some of them were launched two years ago, and the company put up all this money, I'm giving BlackRock as an example, they put up a lot of money to launch these funds and they're never going to get it back if they lose the fund, so what's the incentive then to anyone to ever even do another closed-end fund IPO if you're never going to get the issuing costs back? So that to me, I believe in the idea that there's cycles in the closed-end fund industry, and I'd love for a fund not to liquidate, maybe do tender offers here and there, but a board can be more proactive, they can do contingent tender offers that let the investors know that, "Hey, if the discount does get to this level, maybe we'll return some capital in the form of a tender offer." And then the flip side is if you're

more proactive with discount management, there's a good chance you will trade at a premium, the investors will reward that, and then when you're at a premium you can look at funds that have had long-standing premiums, a lot of them have higher distributions, many times return of capital, but in those instances they've been rewarded with the ability to run at-the-market offerings and continually raise assets in the good times, and then when the bad times come they can return capital and be more shareholder friendly. For me there's a place for activism, but I think it really comes down to the boards being more proactive in managing their discount relationship and not just ignoring it, because they're providing an opportunity for an activist campaign where no one really benefits from an expense standpoint. Because at the end of it, it raises expenses on the fund but it also raises expenses to manage the proxy fight, and the fund's usually left either smaller or damaged or liquidated all together.

MARK MILNER: Yeah, and at the end of the day we're all capitalists, right? At some level you gotta say, "Wow, good for them," they found a way to use what's going on in this market environment to make some money for their investors, so great? I think all of us certainly in this room are certainly invested in the long-term health of the closed-end fund universe, so if activism brings about positive change, whether that's more board oversight and more active discount management at the board level, great. At the very least, the closed-end fund mentions in Matt Levine's column and the financial press have been off the charts this year, so no news is bad news, I guess? So at least people are hearing more about closed-end funds, I would much rather have it be maybe in a little bit better scenario than it is now, but yeah, the Saba-BlackRock fight is absolutely wild to me. But you know, there's also that pendulum, right? Announcing a 20% distribution, we know that's not long-term sustainable, and certainly you want to narrow that discount and drive the activist

investor out, but what does that mean for the investors left in the fund are hopefully not proverbially left holding the bag, if you will, if those distributions get cut. Or should I say, when they get cut. So it's all about I guess managed defense against the activists, and even proactive defense prior to activism.

KEN BURDON: Sounds like a very nuanced view from the institutional perspective, right? Because you're the ones who have to make the decision as to whether to go along or stay in, and it sounds like quite a fraught decision. I'm going to pause here and see if we have any questions, Q&A time. Anyone?

JOHN COLE SCOTT: Should we open the bar first? No.

KEN BURDON: All right, well, like my previous moderator, I have one in my back pocket, but feel free if anybody wants to raise your hand and ask a question, we can certainly pivot. So looking forward to the rest of next year, through the end of 2025, or even if you might want to look out a longer through end of the decade, where do you see closed-end funds going as a product? As investors, what do you want to see? Where do you want to see the product go and what's going to be useful to you?

MARK MILNER: Well, maybe I'll give the doom and gloom answer, and then I'll let these two guys give a positive view. Based on the current trajectory over the last couple of years, if you do the math, 2030ish, we're in a universe of 300-350 funds, probably with a total market cap not too dissimilar to where we're at today, maybe a few IPOs between now and then, but probably not a lot. That would be the really bad scenario. I hope that doesn't happen, and I'll hear what these guys have to say about maybe something positive.

JOHN COLE SCOTT: We had similar fears and perspectives after the Great Recession and the pain of those IPOs prior to spring of '07, or even look at the MLP IPOs prior to the '15-'16 pullback. One thing I've noticed being more of a student of the structure for most of my life, there are really smart people who get paid a lot of

money to figure this problem out, and we live in America and generally can find some way to do it. And so my dad always thought that he'd rather be a pessimist and wrong, because you want to be in an optimist in life, I think that's a John Templeton framework, it's more muscles to frown than smile. I remember my first closed-end fund conference was the stock exchange February of 2001 with my father and the Closed-End Fund Association almost got a hold of the concept ETF to rebrand closed-end funds, but ETFs had just got in successful enough, and we heard about the death of closed-end funds in 2001. It feels like my entire adult life closed-end funds are dying. ETFs, interval funds, regular open-end funds, the plethora of private funds, and all the diversity in fund options, regulated, non-regulated, this country, others, really forces the wrapper to be its best version of itself. So you can't come in and be a C student and become a closed-end fund, you've got to be using the wrapper perfectly, you have to have a strong board, a strong manager, the asset allocation, whether one sector or multi, make great sense for the liquid liquidity with the prudent use of leverage in many cases but not all, and then that active management. Yes, you have active management in other places, leverage in other places, but really that blend of selling after lunch if you need to, but don't have to, looking for volatility if you're a patient investor to catch extra upside and extra downside, there's no other structure that does it than the listed closed-ended structure. So I'd like to think there's a great way for product managers and boards and investors to work together to create the right market for these funds in the future.

RYAN PAYLOR: Yeah, I think most of the doom and gloom has kind of already happened actually. We used to have over 600 plus funds.

JOHN COLE SCOTT: 635, I think.

RYAN PAYLOR: A little over a decade ago, and now we're right around 400, so there's already been quite a bit of culling in the industry. Obviously when interest rates are high and the Fed's hiking rates and discounts blow out, it's an activist's dream, but now we're starting, the trend is going the other direction right now and obviously these activists that have these positions that are actually shrinking the closed-end fund industry, at some point the discounts are not going to be there, there's not really a strategy. So with that said, that's when I think the IPO market will come back, maybe in a different form, we've seen some IPOs that have come that are structured in ways that are atypical from the traditional actually go out and raise an IPO. For instance, I can just mention the Sound Point, the most recent issuance that actually was issued from a previous existing fund that was listed with an additional $100 million IPO on top of the existing fund. That to me, like I said before about permanent capital vehicles in closed-end funds, I think there's a lot of opportunity there in that space. If people have hedge funds or fixed income, mainly fixed-income strategies I think have a natural home in the closed-end fund structure, it's permanent capital, what manager doesn't like permanent capital? Where you get to make the investment decisions on your timeline, not when an inflow or an outflow comes in based on your hedge fund evergreen structure or your interval fund or whatnot. So I just think there's a place for closed-end funds in everyone's portfolio, I don't know why anyone invests in ETFs and mutual funds on the fixed income side, but that's just me personally, I just never touch those wrappers for fixed income. But yeah, the doom and gloom for me, I think a lot of that has already passed, or we're going through it right now and I think it's going to be brighter on the other side.

MARK MILNER: Yeah, and who knows, maybe Bill Ackman does come back and launch his $25 billion fund, right?

JOHN COLE SCOTT: I was optimistic about that, but I think he just had such a big ego that he couldn't handle a $2 billion fund. Raise your hand if you wouldn't mind a $2 billion fund.

KEN BURDON: Yeah, very much. All right, we'll have one more call for questions.

AUDIENCE QUESTION: [inaudible 0:32:17]

JOHN COLE SCOTT: Good news, there's one more panel covering this deeply from a different perspective.

KEN BURDON: And I guess on the particular structure of any new wave of IPOs, what do you think about term trusts, which we've been doing for a while now, versus actual perpetual permanent capital vehicles? All of you touched on the permanent capital nature of the vehicle and continuous income. Let's be real, the term trust was kind of meant to help with the discount and it hasn't.

JOHN COLE SCOTT: We ran the basket of CEF 2.0s versus the peer group average's data for a long time, and I believe it was a 4-6% average delta wider for the eventual put towards NAV, and us and others in the industry would talk about that as a positive thing if you're a patient investor. Even the 2028 targeted term's coming up, really they aren't really trading better than perpetual funds. So I think the concept of the target term is a great idea, but I think the market has proven that it has yet to work effectively in the US market based on last time around.

MARK MILNER: Yeah, I would absolutely agree with that sentiment. For me, just managing around that end date, that potential end date, especially with positions of size, does become a bit of a challenge. And so even if you're looking out a year, two years, three years for that conversion, that liquidation event, whatever it is, I'd rather just go old school and just give me the perpetual.

RYAN PAYLOR: Yeah, I don't really have much to add about that term structure, especially when you're beyond 10 years, there's a lot of time in between where the

discount, that actually matters as you approach the end date. What I do think's interesting about the term trusts is that normally when they get to the point where they offer the opportunity to liquidate or to continue on as a fund, I find it interesting, why don't they just re-extend it? If they're worried about activism or something along the lines in the future, maybe instead of turning it into a perpetual, just extend the term, extend the term three to five years.

JOHN COLE SCOTT: You should talk to counsel.

RYAN PAYLOR: Keep the discount narrowed, maybe something like that, [inaudible 0:37:41]. A lot more fees for them, I guess. I just think that's another option to try to find ways that appear more shareholder friendly and can keep discounts narrow, and then as a result it keeps activism at bay and investors should be happier with better returns if they're not worried about discounts getting to extreme levels.

JOHN COLE SCOTT: I had some of our data clients ask me, "These upcoming terms, what do you think, is it possible for the fund sponsor to renege?" And there's been certain times rarely that it could happen, and usually we would vet the quality of the manager and the how much this book of business means to their future reputation ever doing this again. And so I think that usually helps drive our decisions about the who could potentially make the adjustment, and also the detailed listing in the original paperwork about what exact terms drive the decision at the end of that term date, what the nuance is to the board's ability to extend it in certain ways, we collect in our dataset, worth reading if you are going to play that game.

KEN BURDON: All right, well, thank you very much, this was a very enlightening discussion, and I think next we have a break for networking and we'll be back I think in 15-20 minutes. Thank you.

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