XA's Flynn On How Interval Fund Indexes Change The Game

Friday, January 9, 2026

Chuck Jaffe, in this episode of The NAVigator podcast interviews Kimberly Flynn, President at XA Investments. Kim and Chuck discuss the just-launched XAI Interval Fund Credit Index, which tracks the performance of non-listed closed-end interval funds and tender offer funds in the alternative-credit space, and how having the benchmark should help investors as they look at adding private credit and other alternatives to their portfolios. Flynn says the new index, which is not currently investable, so it is not the basis for a fund, is a sister to a broad interval fund index the firm introduced last year, both reflecting the growth in interval funds and in advisors' interest in adding them to consumer

The podcast can be found on AICA's website by clicking here: https://aicalliance.org/alliance-content/pod-cast/

Get the inside track on the one trillion dollar closed-end fund universe on January 14th at 2PM Eastern Time as CEF Advisors holds its quarterly closed-end fund, BDC, and interval fund market outlook. It's everything you want to know about discounts, yields, leverage, activism, pricing trends and more. Earn 1.5 continuing education credits, register at CEFData.com/quarterly.

CHUCK JAFFE: Kimberly Flynn, president of XA Investments is back, and in 2025 XA launched the XAI Interval Fund Index, it's about to add the Interval Fund Credit Index and it's all a game changer, we're discussing it now on The NAVigator. Welcome to The NAVigator, where we talk about all-weather active investing and plotting a course to financial success with the help of closed-end funds. The NAVigator's brought to you by the Active Investment Company Alliance, which is a unique industry organization representing the full spectrum of the closed-end fund business from users and investors to fund sponsors and creators. If you're looking for excellence beyond indexing, The NAVigator will point you in the right direction. And today, well, we are talking about indexing, but it certainly is not the normal side of indexing because it's indexing involving interval funds, we're doing that with Kimberly Flynn, she is the president of XA Investments, which is online at XAInvestments.com. By the way, if you want to learn more about interval funds, closed-end funds, and business-development companies generally, AICAlliance.org is the website for the Active Investment Company Alliance. Kimberly Flynn, thanks so much for coming back to The NAVigator.

KIMBERLY FLYNN: Thanks, Chuck. Good as always to see you, and it's fun to be talking about our new indexes.

CHUCK JAFFE: I never know if an index is necessary in this day and age where you can index anything, but we've had consecutive record years of growth for interval funds and tender offer funds, as a result, there's a lot more there that begs for the creation of, hey, can you do something with this as an asset class? So let's start by just talking about what you've got, because you've launched the Interval Fund Index in 2025, and when I saw that my thought was, an interval fund index, is that about the chassis rather than what's riding in the car? It's an interval fund, but that doesn't tell me anything about assets, I don't know how to allocate that, and now we have the Interval Fund Credit Index, and that of course is about the assets. So let's talk about the creation of the two indexes, what they represent, and then maybe what they portend, because I'm thinking there will be more in the future.

KIMBERLY FLYNN: Absolutely, Chuck. So we started working on the master index, which is the market-wide interval fund index, about three years ago. There's been tremendous growth in that time of both the interval fund side of the market and the tender offer fund side of the market. So much demand from financial advisors looking to get access to private markets, and as you know, an interval fund is a type of SEC registered closed-end fund, less liquid private market capabilities, including private credit, so it was really a natural next step after we debuted the market-wide interval fund index as a benchmark for the industry and to provide transparency for the entire interval fund industry. With over 300 funds in the marketplace, that's a lot to get your arms around, so we're trying to bring some focus to the space, but credit was a natural next step. Credit is the largest segment of the interval fund market, it's where all the action has been happening in terms of flows and a lot of new entrants into the credit side of the market, so when you're trying to benchmark the performance of your alternative credit investments, this credit interval fund index is one way to do it. Now these indices aren't yet investable, and that may be possible in the future, because I think there's a lot of investors that would like a diversified basket of interval funds, right now most investors probably only have a handful, maybe one or two of these investments in their portfolio.

CHUCK JAFFE: Doesn't that create some measure of issue? An interval fund, as a general rule you have gates about when you can sell potentially, it's not as easy as saying, I'm all in or all out. It might be okay if you're just one small investor, but if you're talking about an index, which gets a significant piece of money and a big chunk of the fund's assets, that index fund, that fund built off of it may have a much more likely time to trigger those redemption issues, et cetera. So structurally, how does that work?

KIMBERLY FLYNN: Yeah, the best way to achieve a diversified allocation would probably be the combination of direct investments but also derivatives, because to achieve a rebalance in a diversified index, you're not going to be able to do it through just single investments into single interval funds. So it's definitely something that we're looking at, there's actually a lot of demand for making private equity more accessible in an indirect way, we haven't launched a private equity index. We think having a sufficient number of funds in the index is important, because if you've only got five or six private equity funds in an index, I'm not sure that constitutes a diversified index, so we waited to launch this credit index. It does have 58 different funds across a number of the different subsegments of the credit market, it's not just direct lending, it also has exposure to structured credit, to asset-backed lending, which has been a hot area in 2025, and then also there's a number of multi-strat credit funds in this diversified credit index.

CHUCK JAFFE: It's 58 funds in this index, what's the universe of funds? And is the 58 staying as we watch more growth, is the 58 changing? How do you pick the players?

KIMBERLY FLYNN: Our index methodology is going to expand the number of constituents as the marketplace grows, and it's not capped out like the S&P 500 at 500 stocks. In this case, the marketplace is north of 300 interval and tender-offer funds, about half the funds in the marketplace are within the credit asset class, so our index represents about 58 out of about 150 funds, so a little bit greater than a third of the credit funds in the marketplace. Now to be in the index you've got to meet certain criteria, including a sufficient track record and sufficient assets under management, here it's $100 million to be in the master index and to be part of the credit index. And part of the reason why we don't see more funds yet being included in the index is, I think when we talked last, Chuck, we talked about 50 interval funds launched in 2024, this year 67 funds launched, so a lot of 'em just haven't met the track record requirement or the asset requirement, because as you know, it's tough to scale a new interval fund out of the gate.

CHUCK JAFFE: Obviously with the new index, easy to consider what you're tracking it against, but with the broad one, how do you do that? Because again, interval funds tend to but don't always have the illiquid assets, how do you size up or how does somebody else size up that index and say, "Okay, if I'm looking at interval funds for their performance, what am I measuring them against when it's just interval funds without that specialty locked in?"

KIMBERLY FLYNN: I think you're right, because there's a lot of noise in the interval fund index because it allocates to credit, it allocates to private equity, and to real estate and to hedge funds and some other specialty structures or specialty assets, things like energy or things like infrastructure. And so when you put all those diverse, uncorrelated or less correlated private market assets into an index, A) does anybody want to buy all of those together? Maybe they do, but I think people have viewpoints. Right now, for example, real estate has been out of favor the last two or three years, and in that index you see that in terms of return attribution, real estate drags down the return of that overall interval fund index, whereas private equity and hedge fund strategies have been producing 20-30% returns in that last 12 to 18 month period, so you have an amalgamation of different asset classes with different return profiles. But I think it helps address the question, what does an evergreen private markets allocation do for a 60-40 portfolio? Whether or not anyone would want to buy that single allocation, I think it's a helpful reference for the marketplace as a whole, because people are trying to understand the breadth of the market, the size of the market, the overall returns of the market, and appreciating that you're going to have the good and the bad in terms of returns in an index like that. The credit index still has a number of different credit categories within, for example, direct lending has been a bit higher yielding than other parts of the credit market, like structured credit, and so I think that with the credit index you can get more granular and a financial advisor can ask themselves, hey, I may have BDC exposure, which gets me that corporate direct lending that I want, but maybe I should consider asset-backed lending, maybe I should consider structured credit, because that's going to offer up a different risk-return profile. So I think these indices call into question not just your allocations, but what are the risk-return expectations that you have for those parts of the market? And this gives you a sense of, as a whole, how are those performing? So it just gives you a reference for an area of the market that's not particularly transparent, and we're trying to bring some of that.

CHUCK JAFFE: But I'm curious, because I talk in the traditional mutual fund side and the ETF side to folks in places like Morningstar, VettaFi or whoever does indexes and makes peer groups and the rest, functionally by creating these indexes you are creating a peer group to measure an interval fund against that they might not have otherwise had that measure. And I know that in the case of a Morningstar, there'll be plenty of times where there are analysts who say, "Oh, yeah, this fund manager, he kind of says our methodology is not right or it's not the right peer," et cetera, and money managers, they want to beat the index, they want to beat whatever it is, be in the top of their cohort. How much pushback have you gotten from the industry or some of these folks about, "Well, wait, that's an interval fund index, I run an interval fund, but that doesn't really reflect what I'm doing"?

KIMBERLY FLYNN: It might be surprising but I think they actually like that the index is bringing together the high performers and the underperformers, because if you are an outstanding interval fund manager, a market leader like a Cliffwater, like an Apollo or Federated Hermes, you are going to stand out, your performance is likely better than the benchmark, so I think in some ways they're looking to highlight the difference that they bring in terms of the management style. We've had a lot of curiosity, a lot of questions about when and if it'd be investable, but I would say generally because our firm, XA Investments, tries to basically shine a spotlight on the benefits of the interval fund structure and the potential risk and returns, we're very straightforward, we're not trying to be Pollyann-ish about the risks of investing in private markets, but we are trying to give this information to a wider audience because right now it's not as easy to find information on interval funds the way it might be an ETF or a mutual fund, and so these indices just further that goal of the long-standing research that we've done in this space.

CHUCK JAFFE: I talk to a whole bunch of folks on *Money Life*, where they're talking about what's been happening in private credit and there are obviously some liquidity concerns, plenty of them have said at some point we'll see a liquidity problem or a liquidity crunch. Given what interval funds do, and that they are not completely liquid depending on the circumstances, et cetera, do you believe that we will have a liquidity crunch or some sort of problem that has to shake out in the private credit space? And if it does, will it impact interval funds first because there's your automatic liquidity issues with an interval fund?

KIMBERLY FLYNN: It will eventually impact the interval fund market, typically there's a bit of a lag like in terms of when we saw the First Brands news earlier in the fall of 2025, because interval funds, they all have lagged redemption schedules. So sometimes there's an acute headline that causes people to react and make changes in the portfolio, with an interval fund, you can't do it the minute that headline hits, you have to wait till the next redemption window, so in some ways it's a governor on that human response to maybe sell something. And then once, let's say because of that lag and because of the staggered nature of the different interval funds, not everybody redeems on the same date, you can pick your redemption timetable, so therefore as an industry there's a bit of a further lag to consolidate market-wide trends. And so people, especially reporters, will call me when a headline hit, and I'm always like, "Guys, we're not going to see it for three to six months," and in some ways that's bad because people want to know, but the reality is the action is lagged because you can't redeem out right away. I would acknowledge what you're saying, that liquidity is mission critical for interval funds, they are designed to provide ongoing liquidity, and that design element has to be addressed up front when you build the product. It is too late five years down the road if you haven't prepared, if you haven't been thoughtful about your liquidity basket, and I think that many funds should do stress testing to make sure that they're prepared to navigate a 2008-2009. It's a lot of what we talk about with our consulting clients to make sure that the portfolio and the interval fund is ready to withstand some of these pressures, but I can understand absolutely why there's so many questions about valuation and about liquidity, it is important.

CHUCK JAFFE: Kim, really interesting stuff. Thank you so much for joining us, I'm sure we'll talk to you again in 2026.

KIMBERLY FLYNN: Thanks, Chuck.

CHUCK JAFFE: The NAVigator is a joint production of the Active Investment Company Alliance and Money Life with Chuck Jaffe, and yes, I'm Chuck Jaffe and I'd love it if you'd check out my hour-long weekday podcast by going to MoneyLifeShow.com, or you can search for it wherever you find your favorite podcasts. Now to learn more about interval funds, closed-end funds, and business-development companies, go to AICAlliance.org, that's the website for the Active Investment Company Alliance. Thanks to my guest Kim Flynn, she's president at XA Investments, get more on the firm and its indexes as XAInvestments.com. The NAVigator podcast has something new for you every Friday, make sure you never miss an episode by subscribing or following along on your favorite podcast app. And if you liked this podcast, leave us a review and tell your friends, because that stuff really does help. We'll be back next week with more closed-end fund fun, and until then, happy investing, everybody.

Recorded on January 9th, 2025

To request a particular topic for The NAVigator podcast please send an email to:
TheNAVigator@AICalliance.org

Click the link below to go to the home page of Active Investment Company Alliance to learn more:
https://AICalliance.org/

Disclosure: *Views and opinions expressed are for informational and educational purposes only as of the date of production/writing/speaking and may change without notice at any time based on a multitude of factors. Speaker's/presenter's/author's opinions are their own and may not necessarily represent the opinions of AICA, its Board, or its staff. Materials may contain "forward-looking" information that is not purely historical in nature, such as projections, forecasts, market return estimates, proposed or expected portfolio composition, and other items. Listed closed-end funds and business development companies trade on exchanges at prices that may be above or below their NAVs. There is no guarantee that an investor will be able to sell shares at a price greater than or equal to the purchase price or that a closed-end fund's discount will narrow. Non-listed closed-end funds and business development companies do not offer investors daily liquidity but rather offer liquidity on a monthly, quarterly or semi-annual basis, often on a small percentage of shares. Closed-end funds often use leverage, which can increase the fund's volatility (i.e., risk). Actual distribution amounts may vary with fund performance and other conditions. Past performance is no guarantee of future results. This material is not intended to be a recommendation or investment advice, does not constitute a solicitation to buy, sell or hold a security or an investment strategy, and is not provided in a fiduciary capacity. Shares of closed-end funds are subject to investment risks,* *including the possible loss of principal invested. Closed-end funds frequently trade at a discount to their net asset value (NAV).*