

Heightened Demand for Alternatives

Advisors to Make Bigger Push into Alts in 2023

Demand for alternative investment strategies surged over the past year, fueled by market volatility and greater advisor access.



\$23 TRILLION

Global Alternative Assets Under Management by the end of 2027, up from \$14 trillion in 2021¹



NEARLY 90%

of advisors intend to **increase their allocations to alternative asset classes** over the next two years²

ALTERNATIVE ALLOCATIONS



Alternative allocations from polled advisors reporting **allocating an average of 14.5% and seeking to increase this to 17.5%** in two years⁴

60% of advisors are currently allocating between 6% to 19% of client assets to alternatives, with only 8% allocating 20% or more of assets³

Source: FundFire, December 29, 2022

¹ Prequin

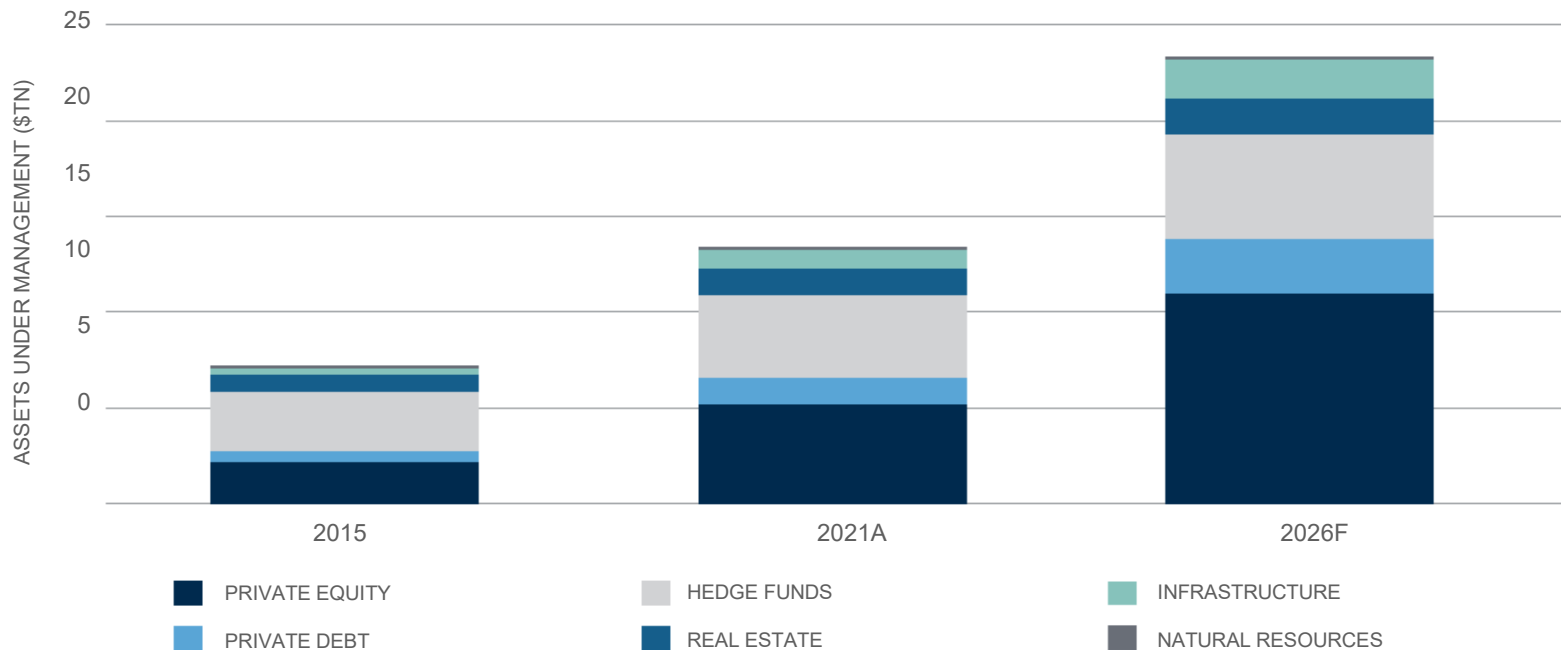
² Recent survey of about 200 independent advisors, asset managers and other industry professionals by Mercer and CAIS, 2022

³ November 2022 survey of more than 800 advisors released by ISS Market Intelligence.

⁴ Cerulli Associates | Alternative Investments in 2022: Capitalizing on Markets in Turmoil

Alternative Investments Continuously Accelerate

Alternatives AUM to hit \$23tn in 2026



Advisor-Reported Goals of Alternative Investment Allocations

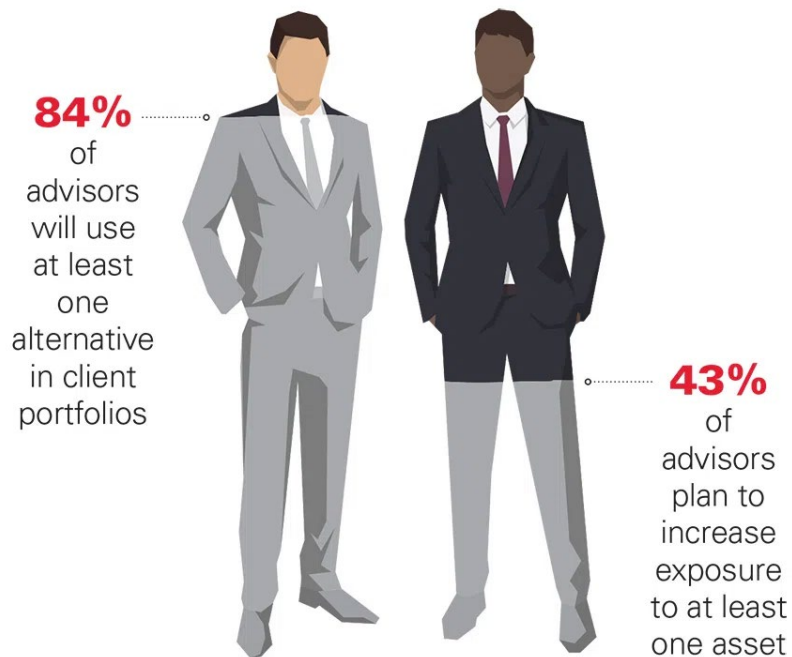
Alternative investment demand is driven by the necessity to reduce exposure to public markets as well as by mix of volatility dampening/downside risk protection and income.

GOAL	% OF ADVISORS
Reduce exposure to public markets	69%
Volatility dampening / downside risk protection	66%
Income generation	59%
Portfolio diversification	52%
Growth / enhanced return opportunity	42%
Inflation hedge	31%
Demonstrate own advisory practice value proposition	22%
Client requests	19%

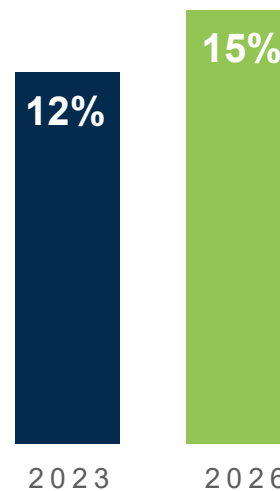
Demand for income, inflation protection, enhanced returns, and volatility dampening is coinciding with an increase in supply of products that can help lead to these respective outcomes.

Investor's Increased Appetite for Alternative Investments

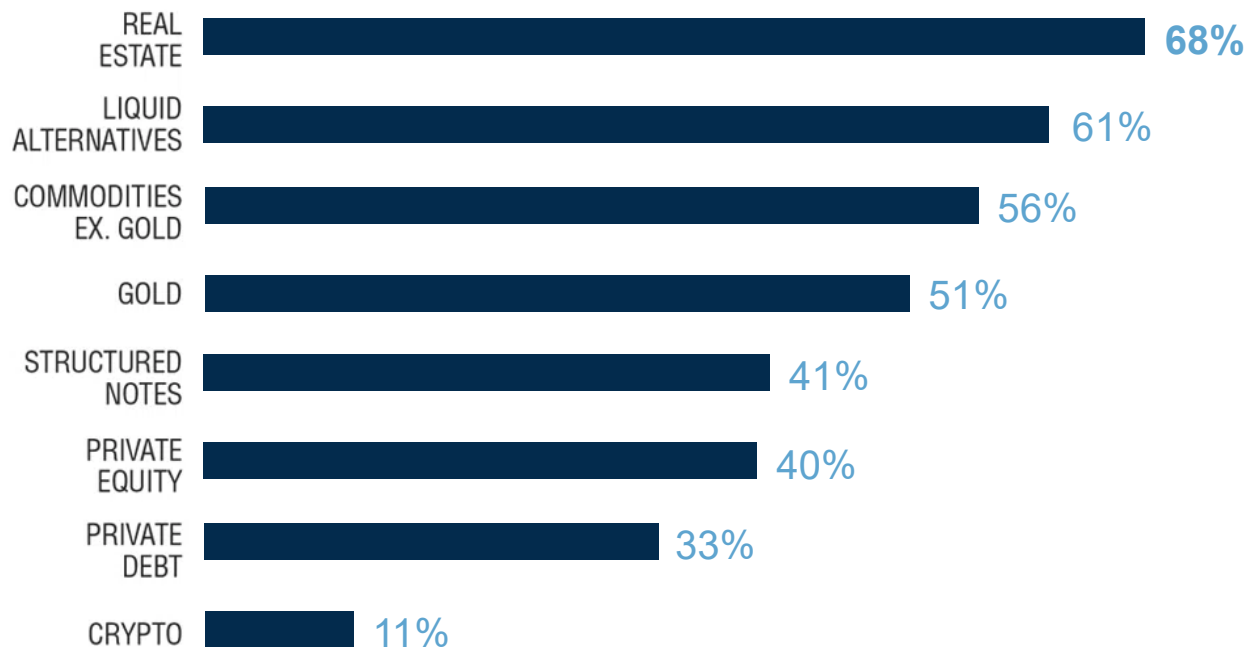
Based on Survey, 43% of advisors plan to add exposure to at least one alternative asset class this year, and 46% anticipate increasing their average allocation to alternatives over the next three years.



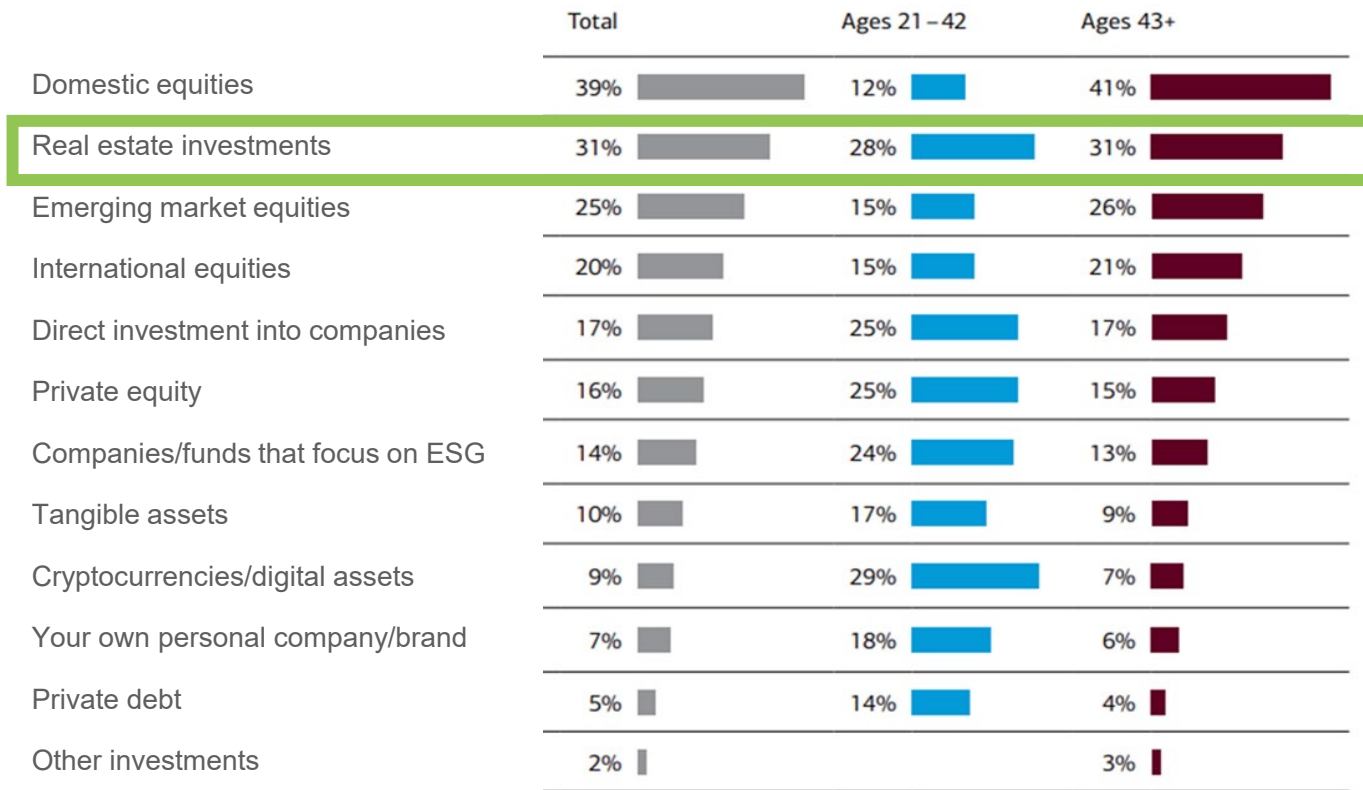
AVERAGE PORTFOLIO ALLOCATION TO ALTS, CURRENT AND PROJECTED



Advisors Maintaining or Increasing Exposure in 2023

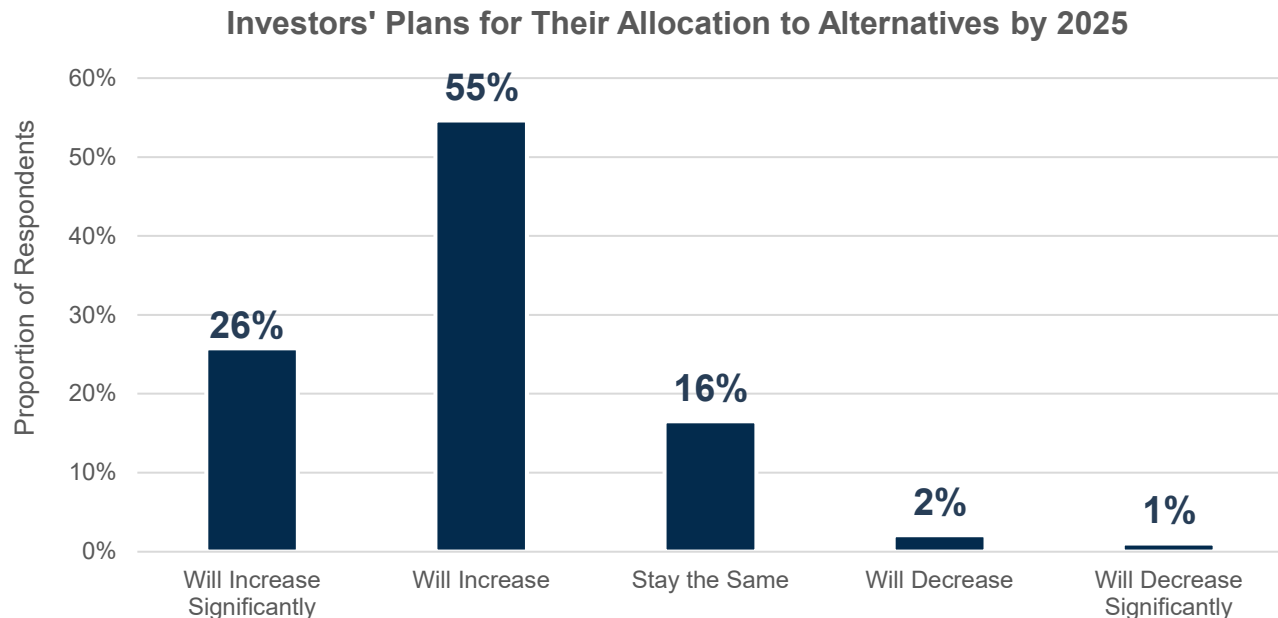


Investments that Offer the Greatest Opportunities for Growth



Investor's Increased Appetite for Alternative Investments

Globally, 81% of investors polled said they expect their allocation to alternatives to increase by 2025



“We are increasingly seeing advisers target a three-dimensional portfolio that more closely resembles a 50/30/20 model across stocks, bonds and alts,”

- CAIS

Percentage of Investors with Alternative Assets by Generation

Gen Xers are the most likely to have alternative investments, but that may not last much longer. The percentage of millennials who use alternative investments is expected to explode by 2024.

GENERATION	CURRENT USAGE LEVEL OF ALTERNATIVE INVESTMENTS	ESTIMATED USAGE LEVEL BY 2024
Millennial	32%	60%
Generation X	38%	54%
Baby Boomer	26%	34%

Baby boomers will transfer an estimated \$84 trillion of their wealth to Generation X and Millennials between now and 2045¹

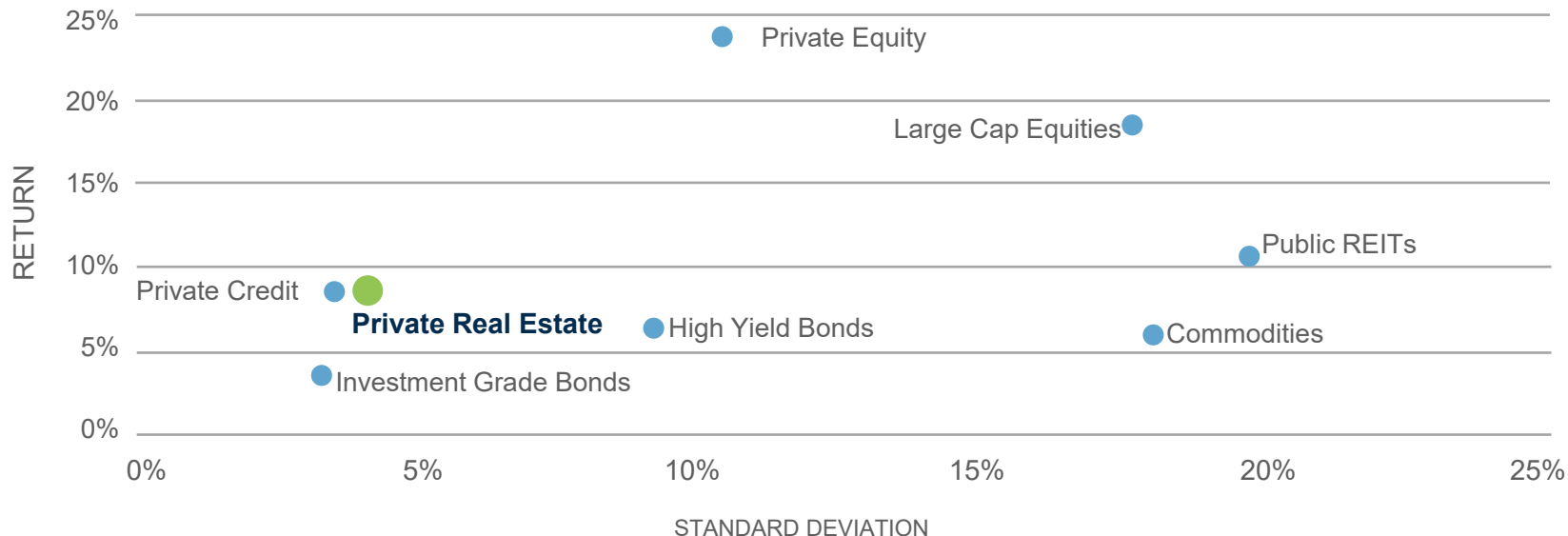
Chart Source: Preqin, 2020.

¹ Investment News, October 2022, Cerulli Associates.

Data source: EY (2021)

Private Markets Provided for Higher Risk-Adjusted Returns Over the Past Five Years

Historical Risk and Return of Select Asset Classes (2017 – 2021)



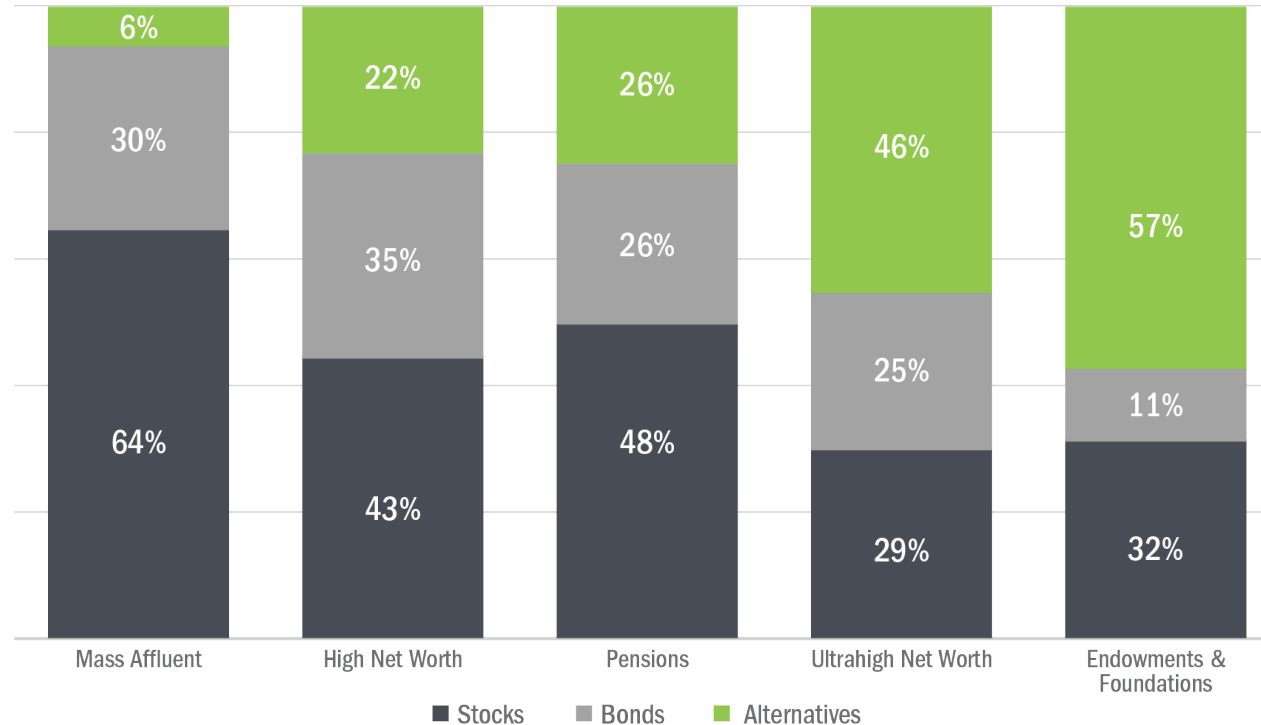
Source: Blackstone, Morningstar as of 12/31/21. The returns and volatility of the asset classes presented are based on the following indices: Private Equity: Cambridge Assoc. US Private Equity Index, Hedge Funds: HFRI Fund Weighted Composite Index, Commodities: DJ Commodity Index, Investment Grade Bonds: Bloomberg US Aggregate Bond Index, Private Real Estate: NCREIF ODCE Index, High Yield: Bloomberg US Corporate High Yield Bond Index, Large Cap Equities: S&P 500 Index, Public REITs: MSCI US REIT Index. Investments in less liquid private market strategies are by nature risky and typically involve a high degree of leverage. The returns indicated above are long-term and represent well-known asset class indices and are not meant to be predictive of the performance of any particular fund, nor are they meant to suggest that all private funds result in positive returns or would avoid loss of principal.

Illiquidity May Provide an Opportunity to Earn Excess Returns

- Investors are willing to pay a higher price for liquidity
- Therefore, liquid assets can generate a ‘discounted’ return, and illiquid assets can generate a ‘premium return’
- As a result, illiquid investments have the potential to deliver the investor an attractive ‘illiquidity premium’ in terms of:
 - higher total returns,
 - lower volatility by avoiding daily market fluctuations,
 - and higher risk-adjusted returns, i.e. ALPHA
- Typically, unavailable to and/or underutilized by most individual investors

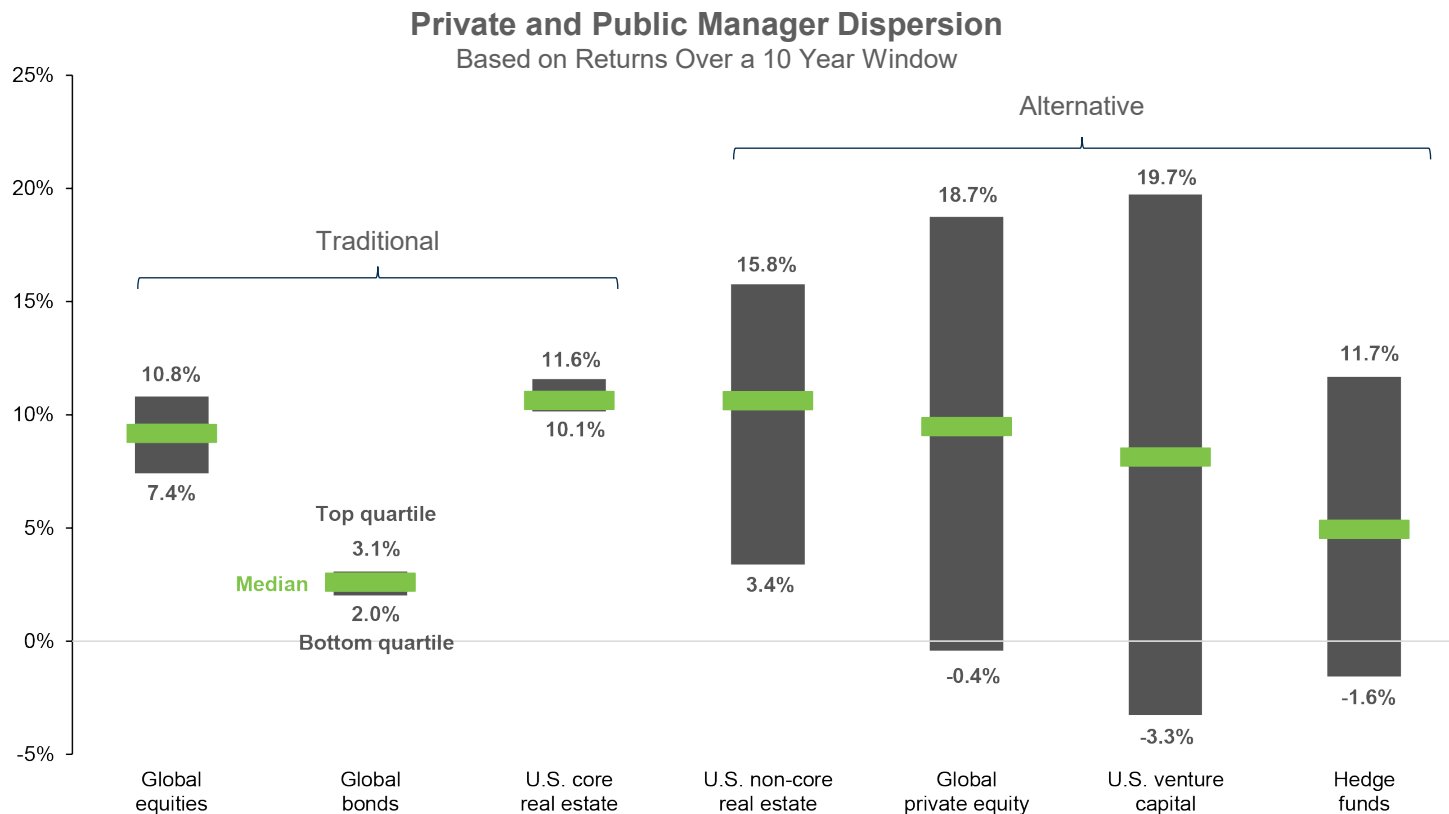
Institutions Have Higher Exposure to Alternatives

Where Investors Put Their Money



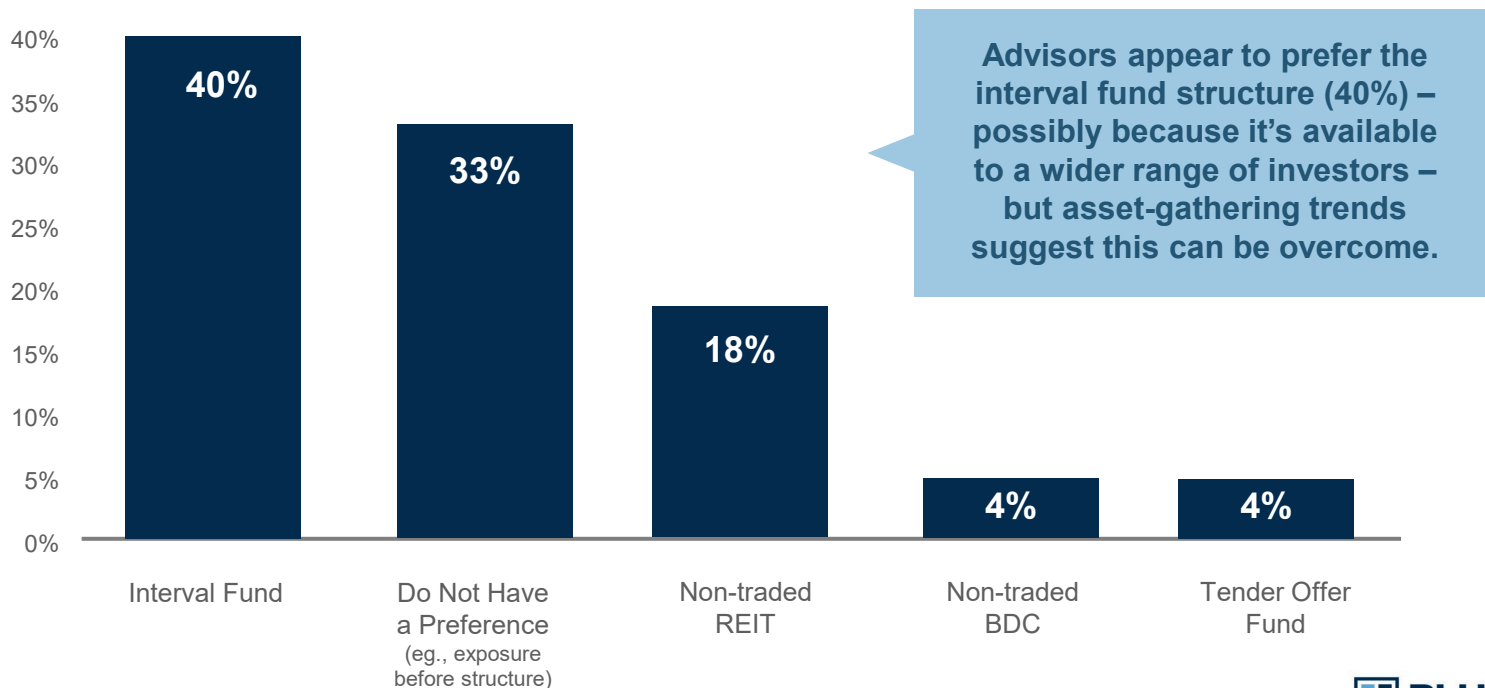
40% - Pension and Endowments Average Alternative Allocation

Active Management is More Important for Alternatives Than Traditional Investments



Preferred Limited Liquidity Structure, 2022

7 in 10 asset managers and financial professionals surveyed revealed that their firms are rolling out these new investment products and/or structures to meet demand, including interval funds, 40 Act Funds, and non-traded REITS¹



Interval Funds: Combining the Benefits of Liquidity and Illiquidity

What are the Key Features of an Interval Fund?



Continuous –

offer shares to investors on a continuous basis



Liquidity –

make repurchase offers at NAV at a specified interval determined by the Fund (generally quarterly)



Transparency –

Daily NAV pricing after market close



Account Flexibility –

Available for managed portfolios, retirement plans, trusts

- May have multiple share classes, but not all do



Private Assets –

An Interval Fund can invest freely in less liquid investments (up to 95%), such as private equity funds and other institutional investments, in an attempt to earn premium returns

- Open-end mutual funds are limited to a maximum allocation of 15% in illiquid investments.*
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Professionally Managed –

with multiple investments pooled into one portfolio



Governance –

managed by Board of Trustees, majority of which are independent



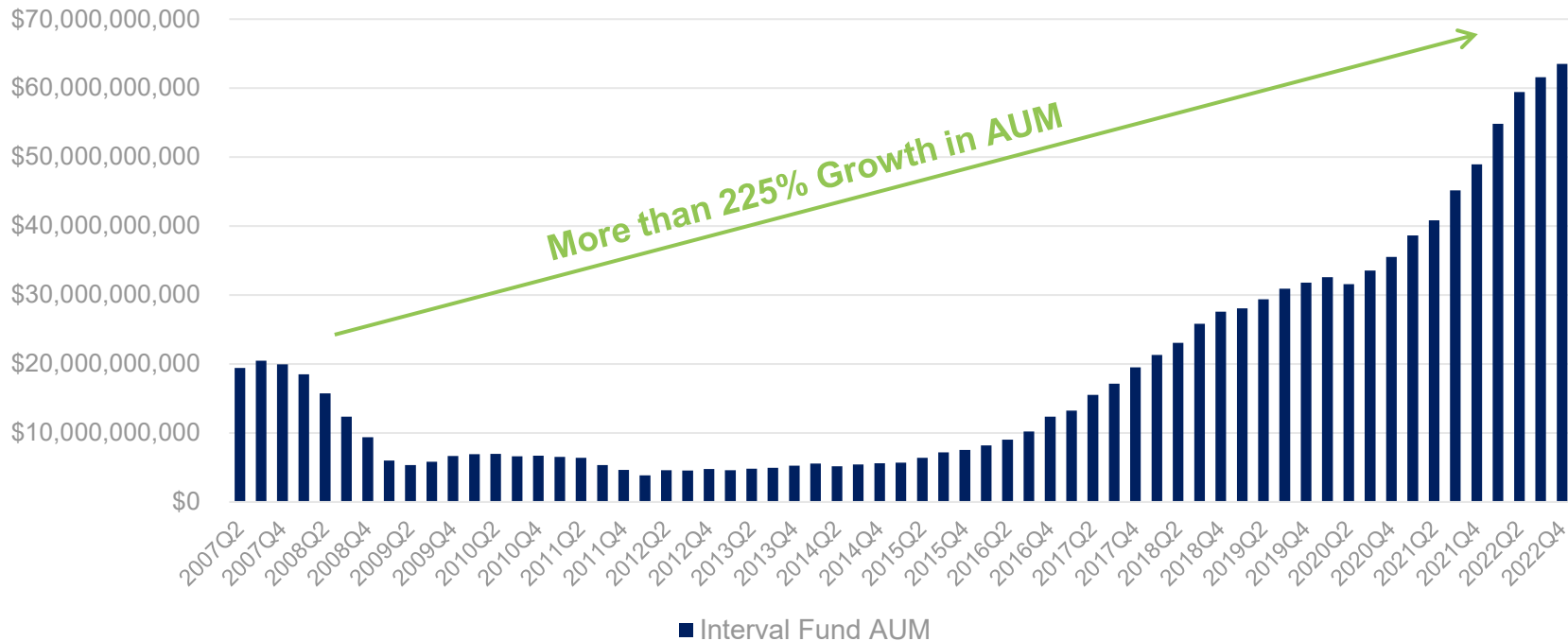
Other '1940 Act Requirements –

Interval Funds are registered as investment companies with the SEC which establishes a host of legal and procedural requirements
- Leverage limited to 33 1/3%.

*Investment Company Liquidity Risk Management Programs, SEC Release No. IC-32315, 81 Fed. Reg. 82142 (Nov. 18, 2016). See also Investment Company Liquidity Risk Management Programs; Commission Guidance for In-Kind ETFs, SEC Release No. IC-33010 (Feb. 22, 2018).

Significant Capital Inflows Into Interval Funds

Interval Fund AUM Growth
as of 12.31.2022

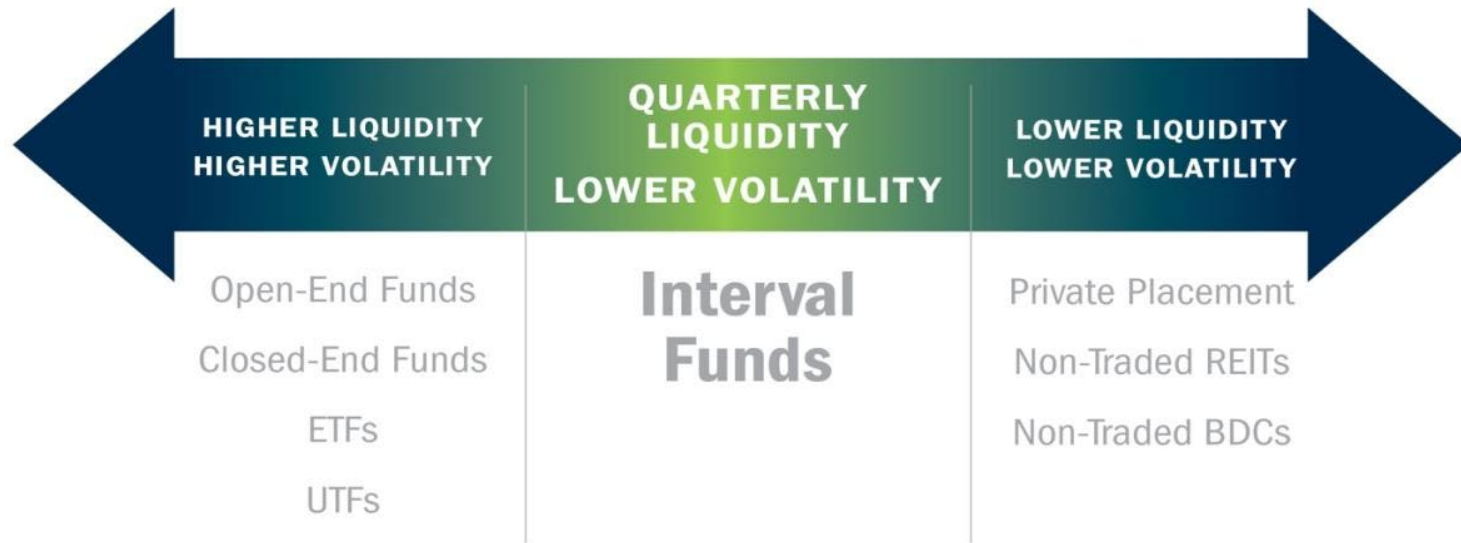


Top Interval Fund Managers

The interval fund ecosystem consists of 80 funds with \$64 Billion in capital.

Manager	Total Assets	Fund Count	Primary Asset Class
Cliffwater	\$10,298.4	2	Credit
Bluerock	\$7,260.2	2	Real Estate
Alkeon Capital	\$6,824.0	1	Equity
Apollo	\$6,533.0	2	Real Estate
Versus Capital	\$5,985.2	2	Real Estate
PIMCO	\$4,177.8	2	Credit
Stone Ridge	\$3,432.9	2	Derivatives
CION	\$2,425.8	1	Credit
Variant	\$2,230.1	2	Credit
Fundrise	\$1,840.3	2	Real Estate
Total	\$51,007.4	20	-
Total of Other Managers	\$12,504.4	59	-
Grand Total	\$63,511.9	79	-

Interval Funds Balance Liquidity and Market Volatility Concerns



INTERVAL FUNDS: with their quarterly liquidity feature, may help combat investors' emotional investing behaviors by inhibiting their ability to engage in immediate panic selling. This may also provide fund managers the opportunity to execute strategies better suited to longer holding periods in the search of long-term investment returns.

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Structural Advantages of Interval Funds

Interval Funds combine the benefits and features of both open-end and closed end mutual funds

- ✓ Daily NAV pricing
- ✓ Shares are continuously offered
- ✓ Direct periodic redemptions at NAV

