Alternative Investment Solutions

DIVERSIFY CLIENT ASSETS WITH GREATER TRANSPARENCY AND SELECTION

BNY MELLON | PERSHING

Meet Investor Demand by Diversifying with Alternative Investments

Overview

Many advisors are turning to alternative investments as a way to meet clients' financial goals amid today's investment challenges. As a result, investor engagement with alternative investments continues to grow, with global alternative assets predicted to grow by 45% to reach over $17.1 trillion by the end of 2025.[1]

Alternative investments have long been popular with institutional investors. Now, they have become more accessible to advisors, especially those serving high-net-worth (HNW) investors. Alternatives are entering a season of considerable growth due to the influence of macro-economic drivers, technology enhancements, product innovation and increased access. This growth is increasing demand from a wide range of investors whose needs have become more complex.

Why Alternative Investments?

A well-diversified portfolio typically includes investments that seek to enhance diversification beyond stocks and bonds, reducing overall portfolio volatility. Advisors are using alternative investments to address a range of portfolio objectives from enhancing returns to managing risk against return.

TOP THREE REASONS TO USE ALTERNATIVE INVESTMENTS

Portfolio Diversification

Helps further diversify beyond traditional asset classes and may provide low correlation to other investment classes

Manage the Balance Between Risk and Return

Potentially generate superior risk-adjusted returns when added to a portfolio of traditional investments

Help Insulate From Volatility

May help protect against volatility when added to a well- diversified portfolio

[1] Preqin Insights, Preqin Ltd, November 2020.

Streamline Your Business with Pershing's Alternative Investment Network

Pershing's Alternative Investment Network may help make your business more efficient by providing solutions to manage your clients' alternative investments through NetX360®.

Pershing has over 20 years of experience supporting alternative investments and offers a cost-effective, transparent solution that features:

- **Fee and no transaction fee options**—Pershing provides access to more than 3,500 alternative investments, including no transaction fee options
- **Increased transparency**—Real-time order approval and audit trails
- **Accuracy and timeliness**—DTCC's Alternative Investment Product (AIP) service is a standardized trading and reporting platform that links the alternative investments industry participants to securely and efficiently exchange data and money. Pershing's alternative investment processing via the DTCC AIP platform helps to ensure transaction accuracy, timeliness and security
- **Convenience**—Research and analysis available through the Investment Center in NetX360

Efficiently Manage Your Alternatives Business

ALTERNATIVE INVESTMENTS AVAILABLE THROUGH PERSHING

Non-Traded REITs	**Hedge Funds**	**Funds of Hedge Funds**
Business Development Companies	**Private Equity**	**Managed Futures**

...and more

Pershing provides access to more than 3,500 alternative investments, including fee and no transaction fee options.

ONLINE ORDER ENTRY

Through Pershing's NetX360 platform, you can enter and track alternative Investment buy orders electronically helping you manage your clients' alternative investments similar to traditional investments.

KEY BENEFITS INCLUDE

- Increased transparency
- Full audit trails
- Automatically capture and report cost basis information of select alternative investments

Pershing has one of the most expansive alternative investment networks in the industry, which includes tools and resources to help grow your alternative investment business:

- **Ease of use**—Single network and account opening process
- **Combined account information**—Included with other holdings on client statements
- **Operational oversight**—enhanced workflow tools through NetX360
- **API Integration with CAIS and iCapital**—allows automatic upload of alternative investment documents and forms to NetX360.

Help Meet Investor Needs

Pershing helps support advisor and investor needs through:

- **Simplicity**—Providing low-cost access to a wide range of alternative investments on a consolidated platform
- **Flexibility**—Alternatives on the network are available for both retirement and non-retirement accounts
- **Consolidation**—Alternatives are included in consolidated statements with other holdings
- **Choice**—Access to a range of alternative investments with a range of investment minimums

Crucial Comprehension

"Above all else, it's critically important for advisors to know what's currently available, understand what's under the hood of what they are recommending, and determine the right risk/reward combination for the client based on asset level," says Justin Fay, Director of Financial Solutions for Pershing with responsibility for alternative investments and exchange-traded funds.

Advisors new to alternative investments, he adds, should consider the following when looking at a specific alternative investment:

WHO COULD THIS SOLUTION HELP AND WHY?

Alternative investments are a broad asset class designed for a wide range of needs and one size does not fit all. Identifying a suitable client and understanding specific needs should help guide decisions. There are many interesting and novel alternative concepts, strategies and structures out there, but advisors need to be careful about engaging in a solution to a problem that may not exist for a particular client.

WHAT IS UNDER THE HOOD?

Due diligence is critical to understanding the investment's objective, risks and initial costs, along with ongoing expenses, liquidity terms, tax structure and performance history.

WHERE CAN ADVISORS GO FOR HELP?

Whether it's a firm's investment committee or compliance team, the investment manager or other third parties that specialize in alternative investments, there is a wealth of resources available.

WHEN SHOULD ADVISORS ENTER AND EXIT?

The investment manager or third parties can help advisors understand the documents and signatures needed to facilitate a purchase and any capital call requirements. It's important to not only know how liquid the structure is but also the liquidity of the underlying assets.

HOW SHOULD ADVISORS COMMUNICATE WITH THEIR INVESTORS?

It's important to explain what you are recommending and why, potential risks and rewards, the tax structure and fees. Clearly set expectations to avoid unwanted surprises.

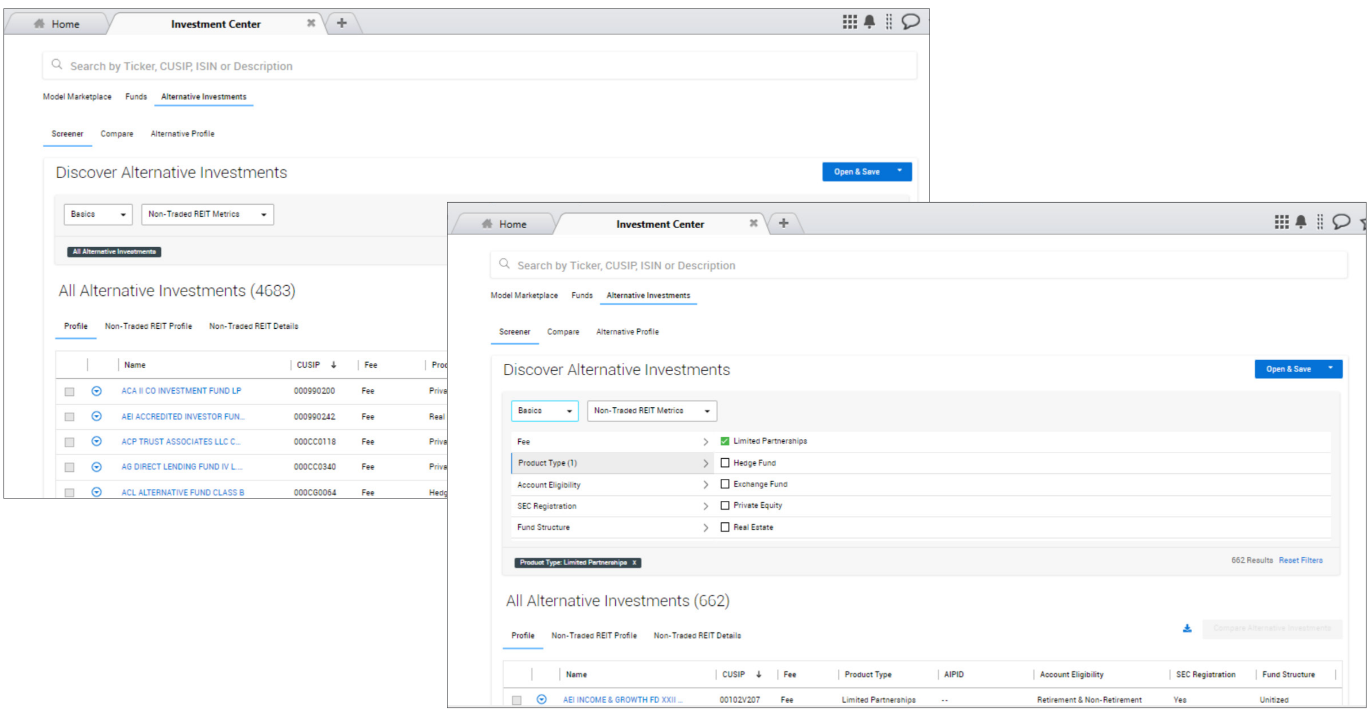
Help Manage Alternative Investing More Efficiently with the Investment Center

Advisors need to be well-armed with insight and education to help ensure they are comfortable when addressing an investor's alternative investment options. It is important to know what to look for, what the investment is and how to effectively communicate it to investors.

To help choose appropriate alternative investments and stay on top of the latest information and trends, Pershing's Investment Center is a central resource for all your alternative investment research and analysis needs. You can quickly access information and time-saving functionality.

FEATURES AVAILABLE INCLUDE:

- Screener tool to view and filter a real-time list of alternative investments on Pershing's platform, including the Alternative Investment Network no transaction fee providers
- Comparison tool to easily compare and evaluate non-traded REITs
- Valuable research, industry commentary and educational resources
- Non-traded REIT metrics from Blue Vault Partners™, the first independent research firm to monitor non-traded REITs



The screener tool allows you to select by account type, fee or no transaction fee as well as security and asset type

ALTERNATIVE MUTUAL FUNDS AND EXCHANGE-TRADED FUNDS (ETFS)

Beyond Pershing's Alternative Investment Network, you can also access additional ETF and mutual fund strategies for your clients through the Investment Center in NetX360. Available strategies range from diversified arbitrage funds and long/short funds to managed futures funds and other solutions.

Pershing's Alternatives Eligibility Review

Pershing's Alternative Investment Network has been designed to transform and evolve as advisor and investor requirements and strategies change. Pershing will continue to add new funds that meet our standards to respond to requests from our client firms.

As part of the process, all alternative investments on the network go through Pershing's eligibility review, which focuses on the quality of the investments available. Requirements include:

- Use of an auditor that is registered with the Public Company Accounting Oversight Board (PCAOB)
- Three years of audited financials or Engagement Letter if this is a new product
- Review of the prospectus/offering memo
- Ability to balance at least monthly via DTCC AIP, File Transfer Protocol (FTP) or Transport Layer Security (TLS)
- Background check on principals, sponsors and law firm
- Approved valuation method

Getting *Started*

Visit the Investment Center in NetX360 under Market & Research or contact your relationship team to learn more.

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Alternative investments are speculative, involve a high degree of risk and may engage in the use of leverage, short sales and derivatives. These investments are intended for investors who understand and are willing to accept these risks. Performance may be volatile and an investor could lose all or a substantial portion of his or her investment.

ABOUT BNY MELLON'S PERSHING

BNY Mellon's Pershing is a leading provider of clearing and custody services. We are uniquely positioned to help complex financial services firms transform their businesses, drive growth, maximize efficiency, and manage risk and regulation. Wealth management and institutional firms outsource to us for trading and settlement services, investment solutions, bank and brokerage custody, middle and back office support, data insights, and business consulting. Pershing brings together high-touch service, an open digital platform and the BNY Mellon enterprise to deliver a differentiated experience for every client. Pershing LLC (member FINRA, NYSE, SIPC) is a BNY Mellon company. With offices around the world, Pershing has over $2 trillion in assets and millions of investor accounts. Pershing affiliates include Albridge Solutions, Inc. and Lockwood Advisors, Inc., an investment adviser registered in the United States under the Investment Advisers Act of 1940. Additional information is available on pershing.com, or follow us on LinkedIn or Twitter @Pershing.

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