Local Office Alternatives Diligence Guidelines

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March 2024

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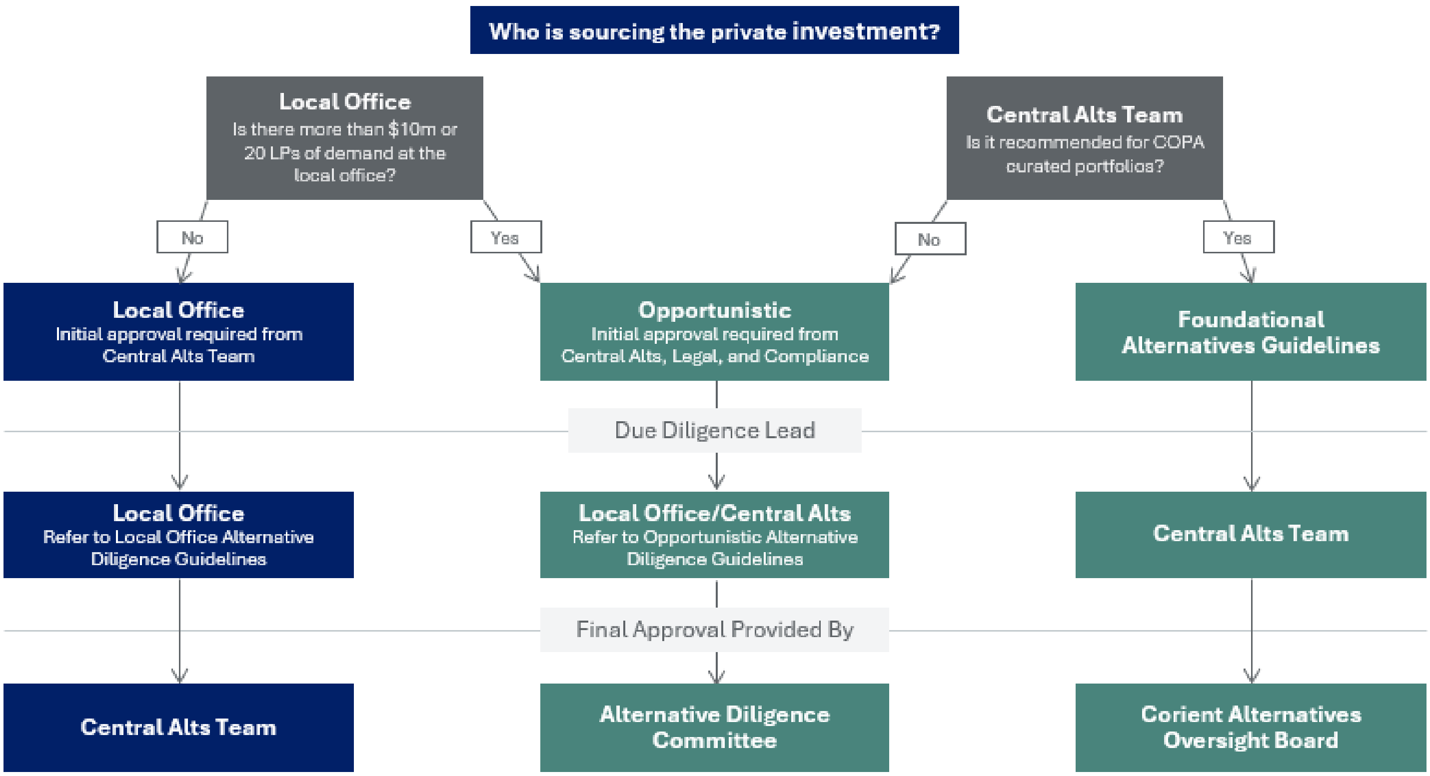
Local Office Alternatives - Diligence Guidelines

INTRODUCTION

- These guidelines apply to alternative investments not sourced or diligenced by the central platform team.
- This applies to investments less than or equal to $10 million in total commitments and less than or equal to 20 limited partners; investments greater than $10 million or more than 20 limited partners must meet the requirements for Opportunistic platform investments.
- Local office investments must be made directly with funds or via an independently established feeder vehicle; no local investment will be allowed on Corient Private Access. The local office will be responsible for all aspects of investment, including handling subscription documents, capital calls, and reporting.
- These guidelines will apply to both Qualified Purchaser investments and registered funds.



SUMMARY

- Local office runs a complete diligence process without support from the central platform term.
- Evidence of due diligence must be documented. For example, including a PDF of a fund's valuation or ethics policy in the appropriate alternatives directory is insufficient. Policies must be read and reviewed with exceptions/non-standard practices documented; local office must attest that all due diligence requirements have been met.
- Local office alternatives will require a Private Fund Acknowledgement form that summarizes the risks and conflicts of the investment and requires the client's signature. The local office team may submit a draft Private Fund Acknowledgement form for signoff by Legal and must retain copies of all signed client forms. While no comprehensive central legal review will be required, the local team is expected to review fund offering documents and include legal document review within the scope of any third-party diligence provider they engage.
- Due diligence meeting notes are required for all meetings with fund manager personnel; a log of all due diligence meetings should also be included.

- All due diligence documents and supporting documentation must be included in the Alternatives directory under Local Office Investments.

- Only existing GP relationships will qualify for approval of new fund investments; no new relationships will be considered under the local office alternative guidelines.

- Local offices must seek (1) initial approval from the Alternatives team to proceed with the investment and (2) final approval from the Alternatives team once all required due diligence steps have been completed. Operational due diligence, conducted by a reputable 3rd party, is critical to the approval process.

- By proceeding with the approval process, the local office sourcing the investment opportunity agrees to conduct the necessary ongoing monitoring and due diligence review annually.

INITIAL APPROVAL – STEP 1

The local office must submit a 1-page summary to Alternatives team leaders answering basic questions:

- History of investment
    - Size and number of previous commitments
    - Performance
- Expected size of investment commitment and number of subscriptions
- Conflicts
- Rational for investment:
    - Business case for why the local office is undertaking investment.
    - Investment thesis.
    - Reasoning for not using other platform offerings.

The Alternatives team and Compliance will sign off that local office diligence can proceed.

DUE DILIGENCE – STEP 2

MANAGER MATERIALS

The process should include reviewing manager materials, including marketing presentations, due diligence questionnaires, manager commentaries and letters, and regulatory filings. Data room documents populated with strategy or fund-specific materials should also be reviewed. All relevant materials located in data room should be read and reviewed and with exceptions/non-standard practices noted. All due diligence documents and supporting documentation must be included in the Alternatives directory under Opportunistic Investments. Essential areas for review may include:

- Investment approach
- Fund legal, regulatory, financial, and business documents
    - Offering memorandum
    - Partnership agreement
    - Subscription document
    - Due diligence questionnaire
    - Financial statements
    - Firm ADV(s)
    - Side letters
    - Code of ethics
    - Compliance manual
- Personnel
    - Backgrounds, tenure, and experience of key investment professionals
    - Staff turnover
    - Organizational chart
- Investment process
    - Decision-making process
    - Competitive advantages
- Performance record
    - Prior funds/managed accounts/co-investments
    - Attribution

    - Public market equivalent analysis
- Review of historical offerings
    - Target fund size
    - Area of investment focus

MANAGER MEETINGS

The due diligence process should include interacting directly with representatives of the alternative investment manager and its key investment personnel. Due diligence meeting notes are required for all meetings with fund manager personnel; a log of all due diligence meetings should also be included. These discussions may include:

- Firm
    - History
    - Key personnel, including time allocation to specific funds
    - Ownership and allocation of performance fees
    - GP investment in offering and other firm products
    - Composition of investor base
- Investment Strategy and Process
    - Targeted opportunity set
    - Capacity of the strategy
    - Attractiveness of strategy relative to history
    - Sourcing approach
    - Due diligence and approval process
    - Use of outside consultants or resources
    - Investment team collaboration
    - Exit/sales process
    - Discussion of historical performance and attribution

OPERATIONAL DUE DILIGENCE

This step must be performed by a reputable 3rd party (who will be subject to approval by the Alternatives team). This is a critical part of the approval process. Required coverage areas include:

- Governance structure
- Organizational structure and human capital
- Fund structure
- Regulation, compliance and audit
- Valuation methodology and process
- Accounting, systems and reporting
- Cash management
- Fund expenses
- Technology and business continuity/disaster recovery
- Third-party relationships
- Conflicts of interest
- Reference and/or background checks on key personnel

FINAL APPROVAL – STEP 3

Local office personnel must conduct a rigorous due diligence process subject to the standards described below. This approach is intended to be consistent with the one utilized by the central platform team. There is an expectation that multiple meetings with senior fund personnel be required. Operational due diligence must be included in this process and should be conducted by a qualified 3rd party provider. This expense will be allocated to the local office.

The local office shall provide a summary document (including an operational due diligence report) to the Alternatives team highlighting the key aspects of due diligence, including any red flags that may have been uncovered.

The Alternatives team will be responsible for approving these investments subject to satisfactorily completing due diligence.

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ONGOING MONITORING – STEP 4

By proceeding with the approval process, the Alts team or the local office sourcing the investment opportunity agrees to conduct the necessary ongoing monitoring and due diligence review annually. Ongoing monitoring efforts should consist of reviewing the following materials while documenting material findings and changes from subsequent periods. They should be completed on an annual basis within the subsequent 12-month period (e.g., 2023's review should be completed no later than 12/31/2024).

- Audited Fund Financial Statements
- Due Diligence Questionnaire
    - Personnel
    - Policies and Procedures
    - Service Providers
- Updated Fund documents
    - Redlined version
- Form ADVs (Part 1 and 2A)
- Any material events that occurred over the prior 12 months
    - New business activities/products/services
    - Correspondence with any regulatory agencies
    - Violations of Compliance Policy
    - Cybersecurity Events
- Performance/Track Record