Opportunistic Alternatives Diligence Guidelines

CORIENT

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Opportunistic Alternatives - Diligence Guidelines

CORIENT

INTRODUCTION

- Opportunistic Alternatives are compelling private investment opportunities arising from Corient's collective network but typically will be more specialized and focused than more foundational investments included in model allocations.

- These guidelines apply to private investments over $10 million in total commitments or where more than 20 limited partners are expected to commit; to the extent that a local office offering exceeds these thresholds, the Opportunistic Alternatives guidelines will apply.

- Opportunistic Alternatives may utilize the Corient Private Access (COPA) platform but are not required. Other avenues of access include direct investment as well as other feeder vehicles. Larger allocations are encouraged to utilize COPA as we seek to build scale and lower client expenses.

- Underlying funds in Corient-managed multi-manager vehicles will not be considered Opportunistic Alternatives; these investments will be subject to separate multi-manager vehicle due diligence guidelines. However, if an underlying investment (of a multi-manager offering) is offered directly on COPA, it would be subject to the Opportunistic Alternatives guidelines.

- These guidelines will apply to both Qualified Purchaser investments and registered funds.

SUMMARY

- The due diligence process will be led by the Alternatives team for investments it initiates and by the local office for investments not centrally sourced. Regardless of where an investment is sourced, the central alternatives team will maintain involvement throughout the process.

- The local office initiating an Opportunistic Alternative should seek (1) Initial approval from the Alternatives and Legal teams to proceed with the investment diligence, (2) Final approval from the Diligence Committee once all required due diligence steps have been completed, and (3) Agree to conduct ongoing/annual due diligence coverage. Operational due diligence, conducted by a reputable 3rd party, is critical to the approval process.

- Opportunistic Alternatives will require a Private Fund Acknowledgement form that summarizes the risks and conflicts of the investment and requires the client's signature. Likewise, a comprehensive legal review and series supplement with side letter for investments held on the COPA platform will be necessary.

- Due diligence meeting notes are required for all meetings with fund manager personnel; a log of all due diligence meetings should also be included.

- 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 sponsors of Opportunistic Alternatives must attest that all due diligence requirements have been met.

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

- A newly formed Diligence Committee, comprised of Alternative team personnel and at least one Corient Alternatives Oversight Board member, will be responsible for the final approval of each investment.

- 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.

INITIAL APPROVAL – STEP 1

For Opportunistic Alternatives not sourced centrally, 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
- Rationale 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

Either Alts team personnel (if centrally sourced) or the local office must conduct a rigorous due diligence process subject to the standards described above. 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.

Due diligence should include a summary document (including an operational due diligence report) highlighting the key aspects of due diligence, including any red flags that may have been uncovered.

The Diligence Committee will be responsible for approving these investments subject to satisfactorily completing due diligence.

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