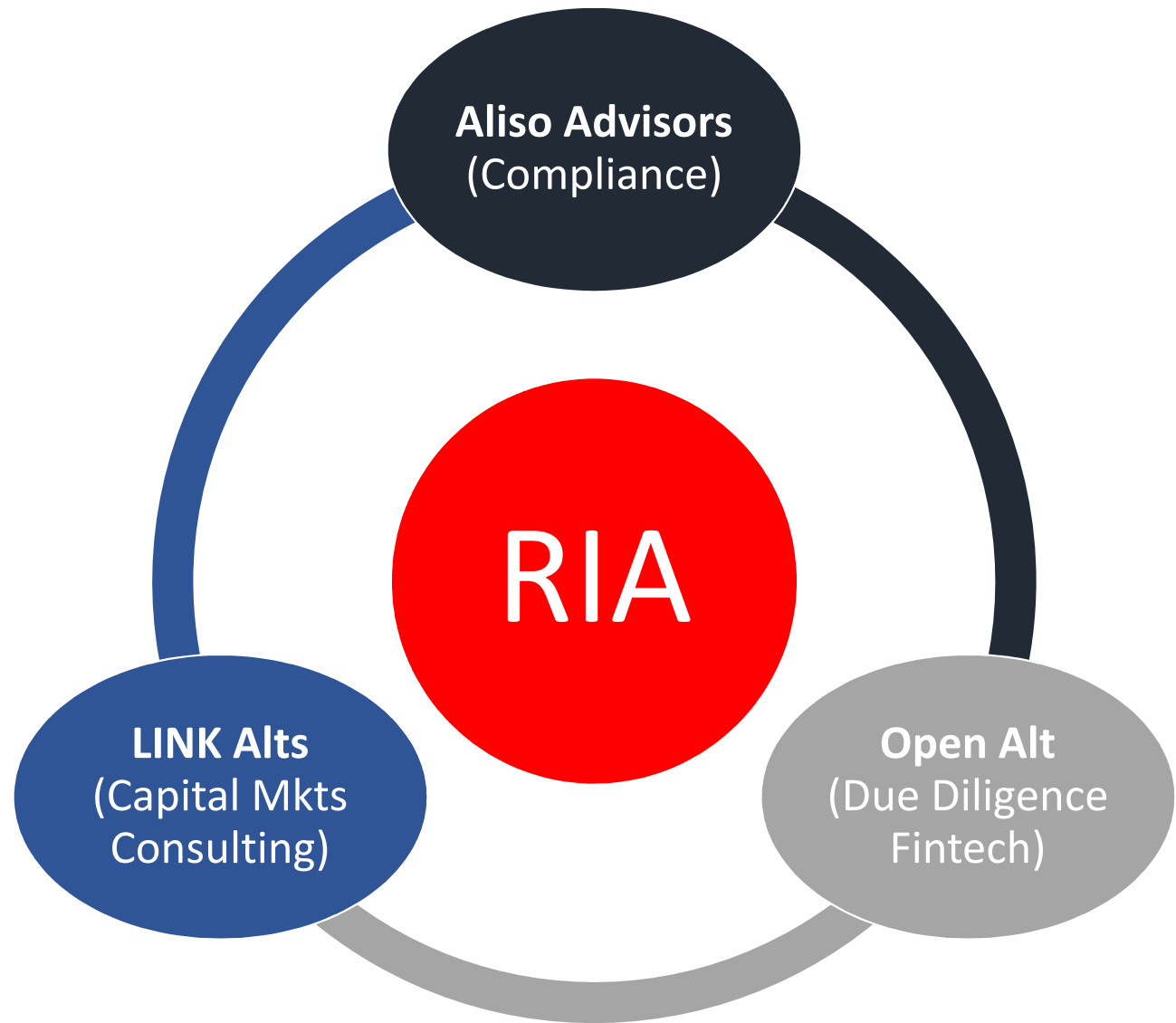


IPA ALTS EDGE 2019

COMPLIANCE & DUE DILIGENCE CONSIDERATIONS



OUR ECOSYSTEM



ABOUT ALISO ADVISORS



- ☐ FINRA / SEC Registration Services
- ☐ Mock Audits
- ☐ Compliance Protocols Assistance
- ☐ Outsourced CCO
- ☐ Outsourced Alternatives CIO

ABOUT OPEN ALT



- ☐ Collaborative due diligence platform
- ☐ Sharable, customizable templates
- ☐ Audit trail on all activities



HOME

DUE DILIGENCE

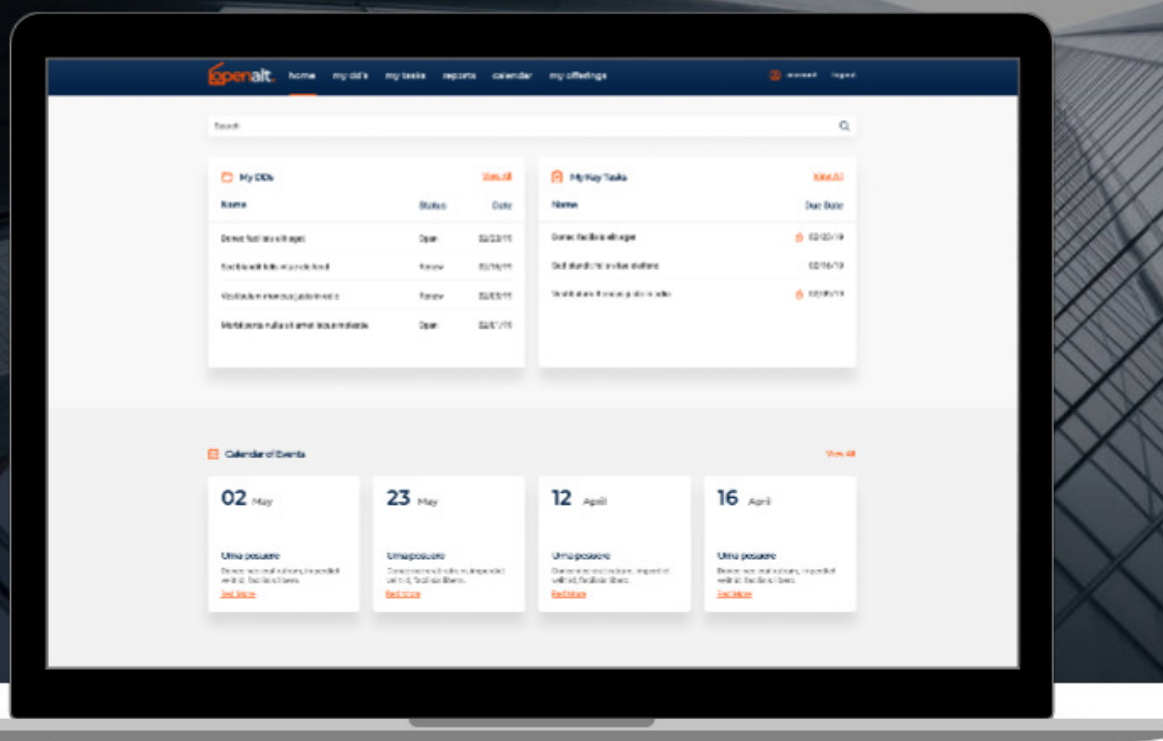
ABOUT

👤 LOG IN / SIGN UP

The World's First Collaborative Alternative Investment Due Diligence Platform

Bridging Financial Advisors and
Alternative Investments

Register



ABOUT LINK ALTS



- ☐ RIA-only capital markets consulting
- ☐ Offering creation consulting
- ☐ RIA research & market segmentation
- ☐ Non-exclusive placement agent

AGENDA



PDI Capabilities Audit

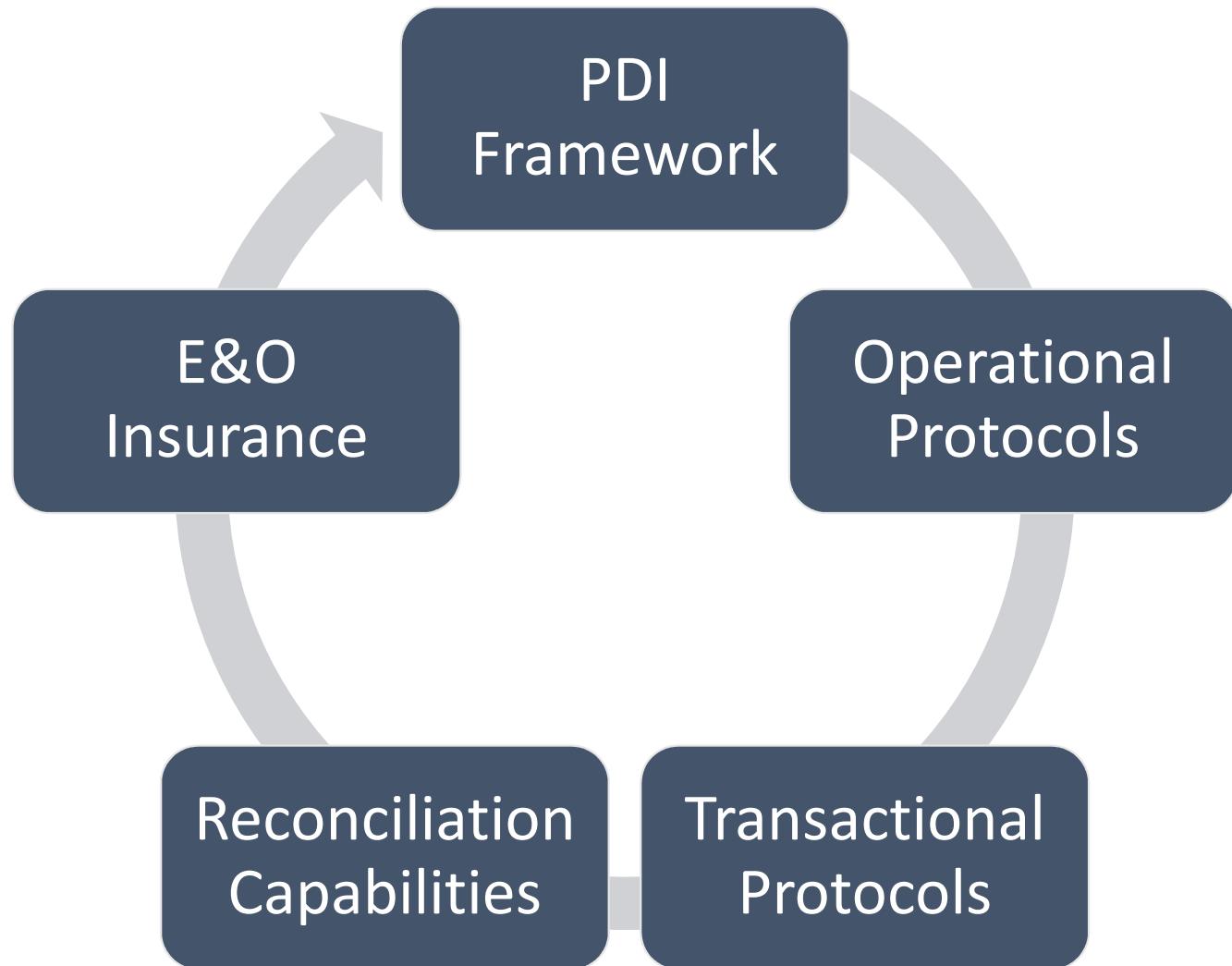


Internal DD Lifecycle



PDI CAPABILITIES AUDIT

PDI CAPABILITIES AUDIT



Energy

Oil & Gas Drilling
Programs

Lease Banking

Mineral Royalty
Programs

Private Equity

VC-Backed
Primary Offerings

Secondary
Offerings

Mezzanine / LBO
Financing

Operating
Companies

Infrastructure
Programs

Real Estate

Single Family
Residential

Multi-Family
Residential

Student Housing

Senior Living

Storage / Parking

Hospitality

Retail

Office

International
Real Estate

Land /
Entitlements

Private Debt

1st & 2nd Senior
Lien Debt

Collateralized
Debt Obligations

Collateralized
Loan Obligations

Private
Debentures

Mortgage Backed
Securities

ASSET STRATEGIES

Equity Total Return

Growth

Speculative

Equity Income

Core

Core Plus

Value Add

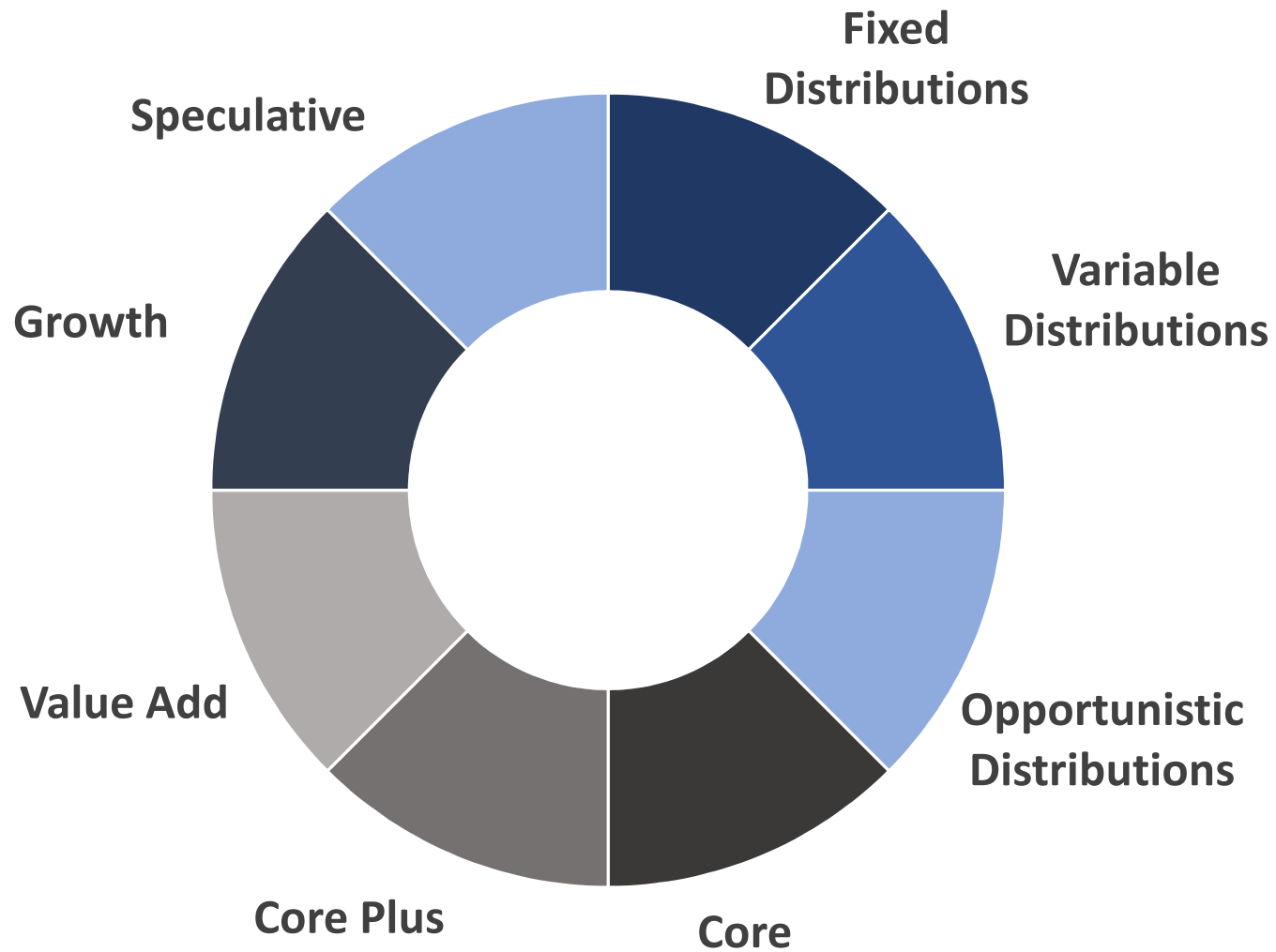
Fixed Income

Fixed Distributions

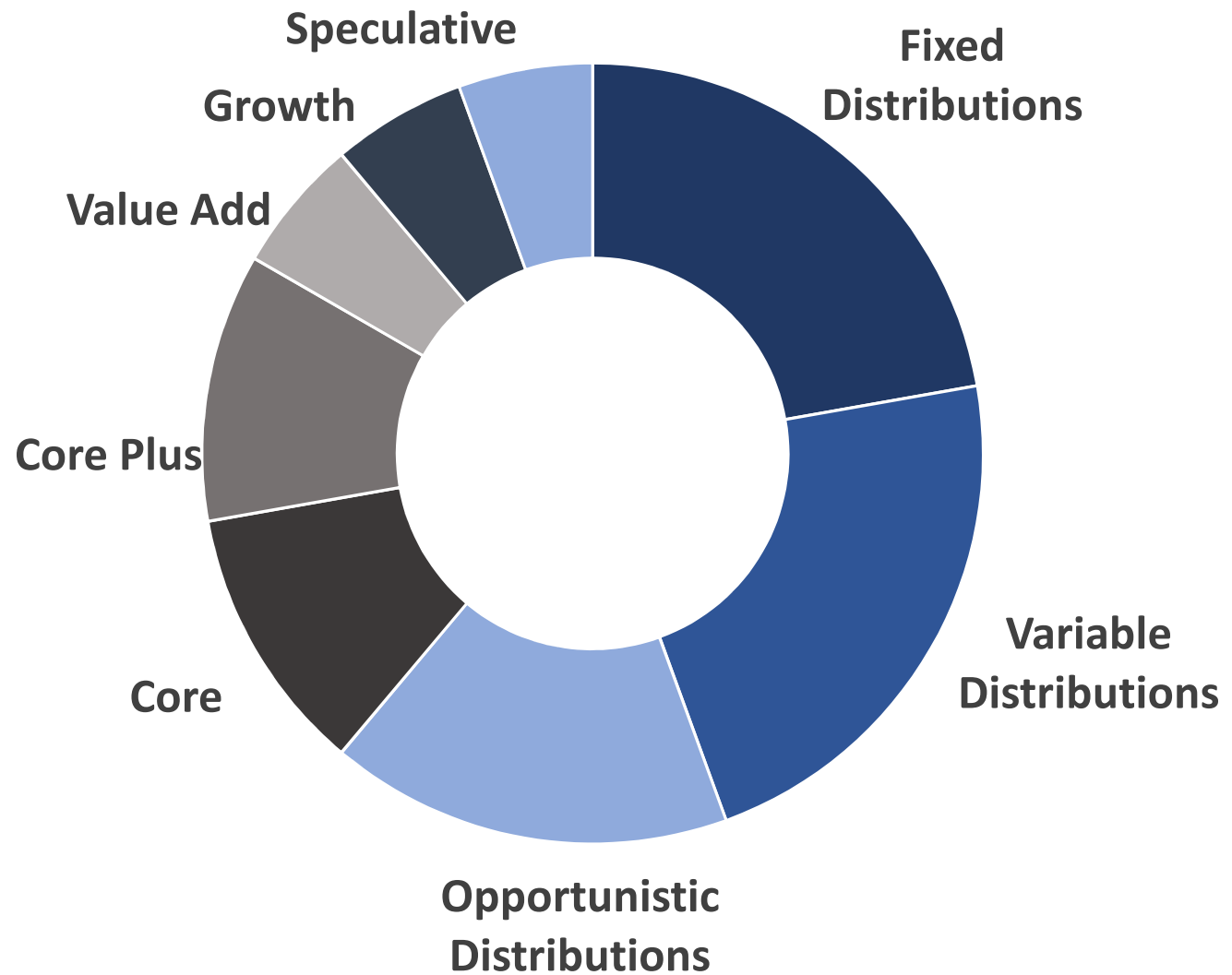
Variable
Distributions

Opportunistic
Distributions

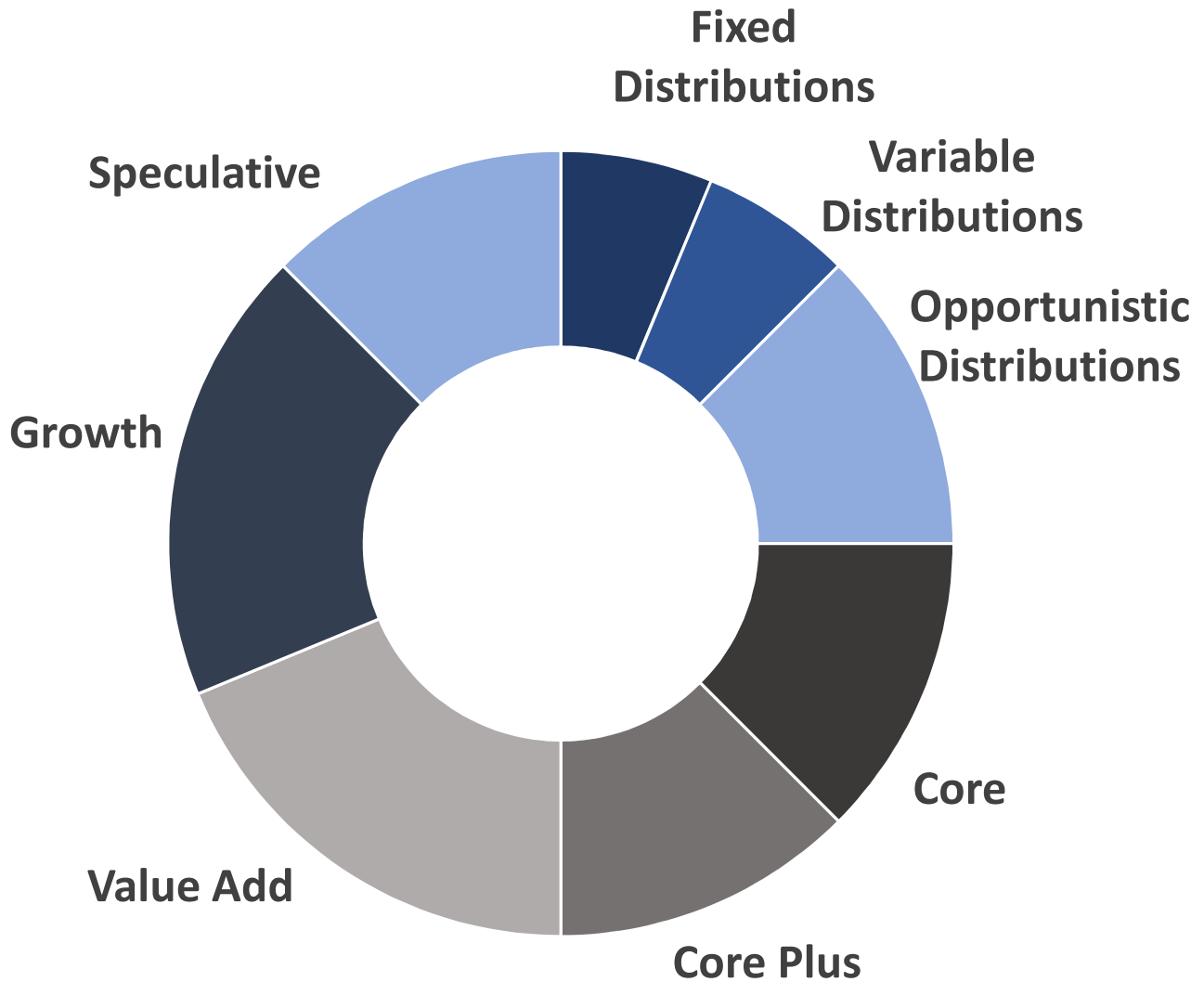
ASSET STRATEGY- BASED PORTFOLIO



EXAMPLE OF AN INCOME- FOCUSED ASSET STRATEGY-BASED PORTFOLIO



EXAMPLE OF A TOTAL RETURN- FOCUSED ASSET STRATEGY-BASED PORTFOLIO



ALLOCATION / CONCENTRATION BEST PRACTICES

- ☐ Establish Max Allocation Limits:
 - ☐ AUM Bands?
 - ☐ Age Bands?
 - ☐ Sophistication Bands?
- ☐ Establish Concentration Limits:
 - ☐ Offering Level
 - ☐ Sponsor Level
 - ☐ Asset Strategy Level
 - ☐ Firm Level (% of total AUM)
- ☐ Have Exception Handling Protocols

OPERATIONAL & TRANSACTIONAL COMPONENTS

WSPs

ADV Part 2A

Approved
Investment
Blotter

Fee
Agreement

New Client
Form

New Account
Application

Risk Tolerance
Form

Prospectus
Receipt

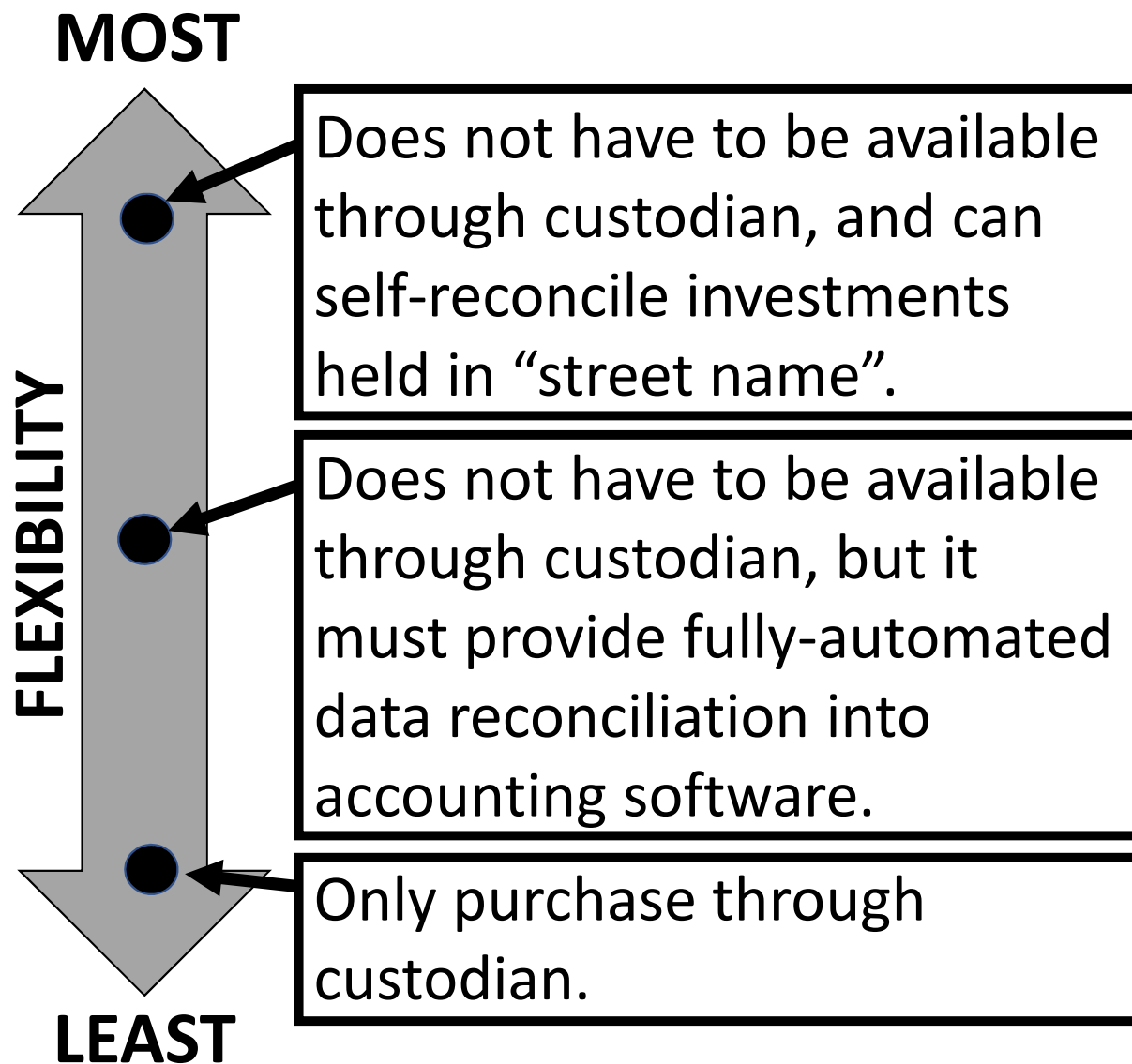
Purchase
Authorization
Form

Additional
Risks
Disclosure

Switch
Authorization

Investor
Suitability
Checklist

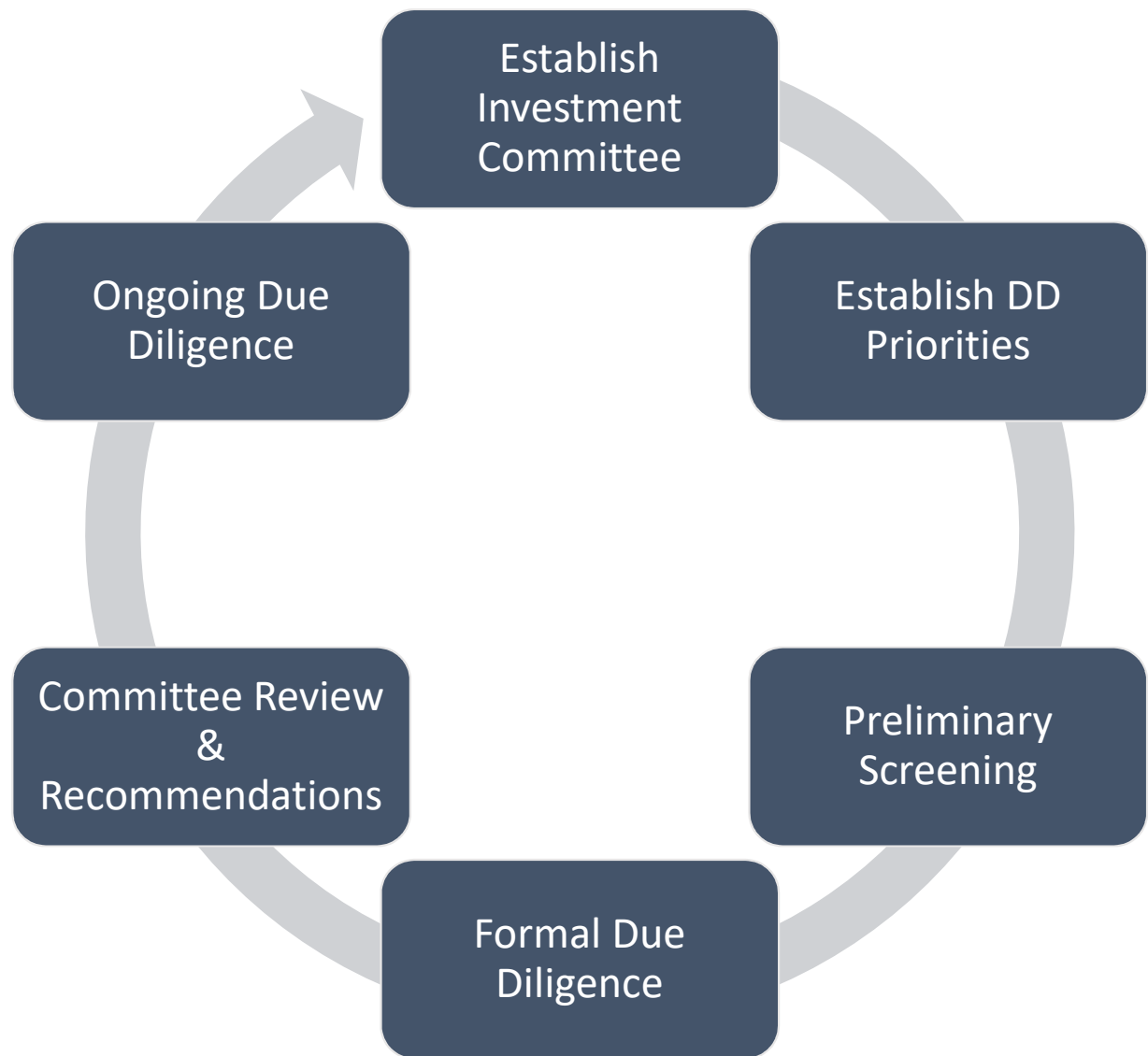
RECONCILIATION CAPABILITIES





INTERNAL DUE DILIGENCE LIFECYCLE

INTERNAL DUE DILIGENCE LIFECYCLE



INVESTMENT COMMITTEE ROLES

Chief Strategy Officer

- Role: Determines global asset allocation guidelines
- BP: Establishes candidate investment priorities

Chief Compliance Officer

- Role: Ensures compliance protocols are followed
- BP: Has absolute authority to reject IC approvals

Due Diligence Officer

- Role: Manages DD projects
- BP: Has authority to reject candidate investment before review by investment committee

Due Diligence Analyst

- Role: Completes internal DD project
- BP: Does not vote on candidate investment

PRIORITIZATION BEST PRACTICES

1. Prioritize based on Asset Strategy Needs
2. Prioritized based what complements Asset Strategy sleeve
3. Prioritize based on lack of correlation within Asset Strategy
4. Prioritize based on management team
5. Prioritize based on fees
6. Prioritize based on market cycle

PRELIMINARY SCREENING BEST PRACTICES

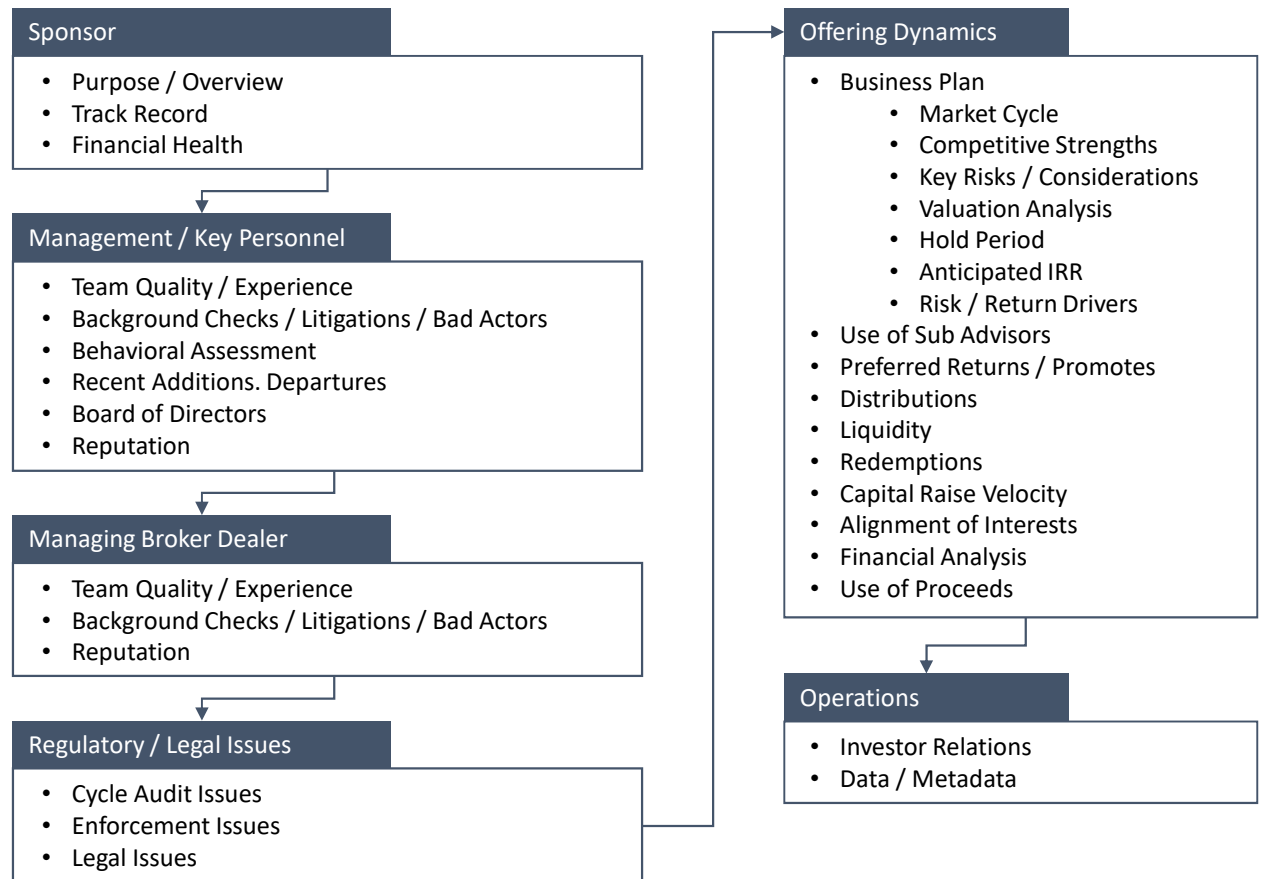
- ☐ Create sponsor initial communication:
 - ☐ What you're looking for
 - ☐ What you're not looking for
 - ☐ What soft requirements do you have
 - ☐ What hard requirements do you have
 - ☐ How to get started / expectations
- ☐ Utilize an intake questionnaire
- ☐ Keep initial conference call / webinar to 20 minutes
- ☐ Track programs in matrix. Sample priorities:
 - ☐ High priority
 - ☐ Low priority
 - ☐ Watchlist
 - ☐ Iced

SAMPLE INTAKE QUESTIONS

Darren@AlisoAdvisors.com

- | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><input type="checkbox"/> Sponsor's mission statement. Make sure it really is a mission statement...<input type="checkbox"/> Briefly describe sponsor and any key management members<input type="checkbox"/> Identify 3rd party sub-advisors, if any<input type="checkbox"/> Briefly describe investment strategy<input type="checkbox"/> Briefly describe how investment fits within a portfolio (i.e., "asset-backed fixed income replacement")<input type="checkbox"/> Anticipated life span of offering and likely exit options<input type="checkbox"/> Identify current distributions, if any. Identify whether distribution is fully covered or not<input type="checkbox"/> Describe preferred return and promote structure, if any<input type="checkbox"/> Offering structure and investor suitability requirements<input type="checkbox"/> Identify any states in which offering is subject to additional Blue Sky requirements<input type="checkbox"/> Minimum investment amount<input type="checkbox"/> Effective date of offering | <ul style="list-style-type: none"><input type="checkbox"/> Anticipated close date<input type="checkbox"/> Total capital raise and green shoe, if any<input type="checkbox"/> Capital raised to date (updated quarterly)<input type="checkbox"/> Describe share classes, if any<input type="checkbox"/> Briefly describe use of proceeds<input type="checkbox"/> Identify advisor commission or if a fee-only product. Describe what happens if purchased through RIA, if not obvious (i.e., gross up)<input type="checkbox"/> Early redemption provision, if any<input type="checkbox"/> Identify whether investment is subject to UBTI<input type="checkbox"/> Identify if investors receive a 1099 or K-1<input type="checkbox"/> List custodial platforms available, if any<input type="checkbox"/> Describe how valuation and distributions data is provided if not available through custodial platform<input type="checkbox"/> Identify which 3rd Party Due Diligence firms have completed a report<input type="checkbox"/> Sponsor's website<input type="checkbox"/> Sponsor's due diligence contact information<input type="checkbox"/> Managing Broker-Dealer contact information |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

DD WORKFLOW BEST PRACTICES



INITIAL DUE DILIGENCE BEST PRACTICES

- ☐ Determine if on-site review is necessary
- ☐ Build a second, in-depth, questionnaire
- ☐ Utilize third-party DD reports
- ☐ Develop DD document checklist
- ☐ Develop internal report template
- ☐ Document any flags
- ☐ All flags must have a resolution

INVESTMENT
COMMITTEE
MEETING BEST
PRACTICES

- ☐ Document decisions
- ☐ Create estimated hold period
- ☐ Determine internal investor suitability guideline
- ☐ Determine internal concentration guidelines
- ☐ Identify additional risks, if any
- ☐ Determine adviser training
- ☐ Establish review frequency guidelines

ONGOING DUE DILIGENCE BEST PRACTICES

- ☐ Establish review frequency
- ☐ Determine depth per interval
- ☐ Determine information required from sponsor:
 - ☐ Pricing
 - ☐ Acquisitions / dispositions
 - ☐ Distressed assets
 - ☐ Regulatory issues / inquiries
 - ☐ Key personnel turnover
- ☐ Decide to continue, ice, or close



Thank You!

Contact us for a copy of this presentation.

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949-500-8694