

The background of the entire page is a composite image. It features several stacks of coins, likely US quarters, arranged in a way that creates a sense of depth and value. Overlaid on this are several line graphs with different colored lines (blue, orange, green) representing various data trends. The overall color palette is dominated by blues and greens, giving it a professional, financial feel.

SEWARD & KISSEL LLP

2021 Alternative Investment Allocator Survey

April 2021

*Prepared by the Investment Management Group
at Seward & Kissel LLP*

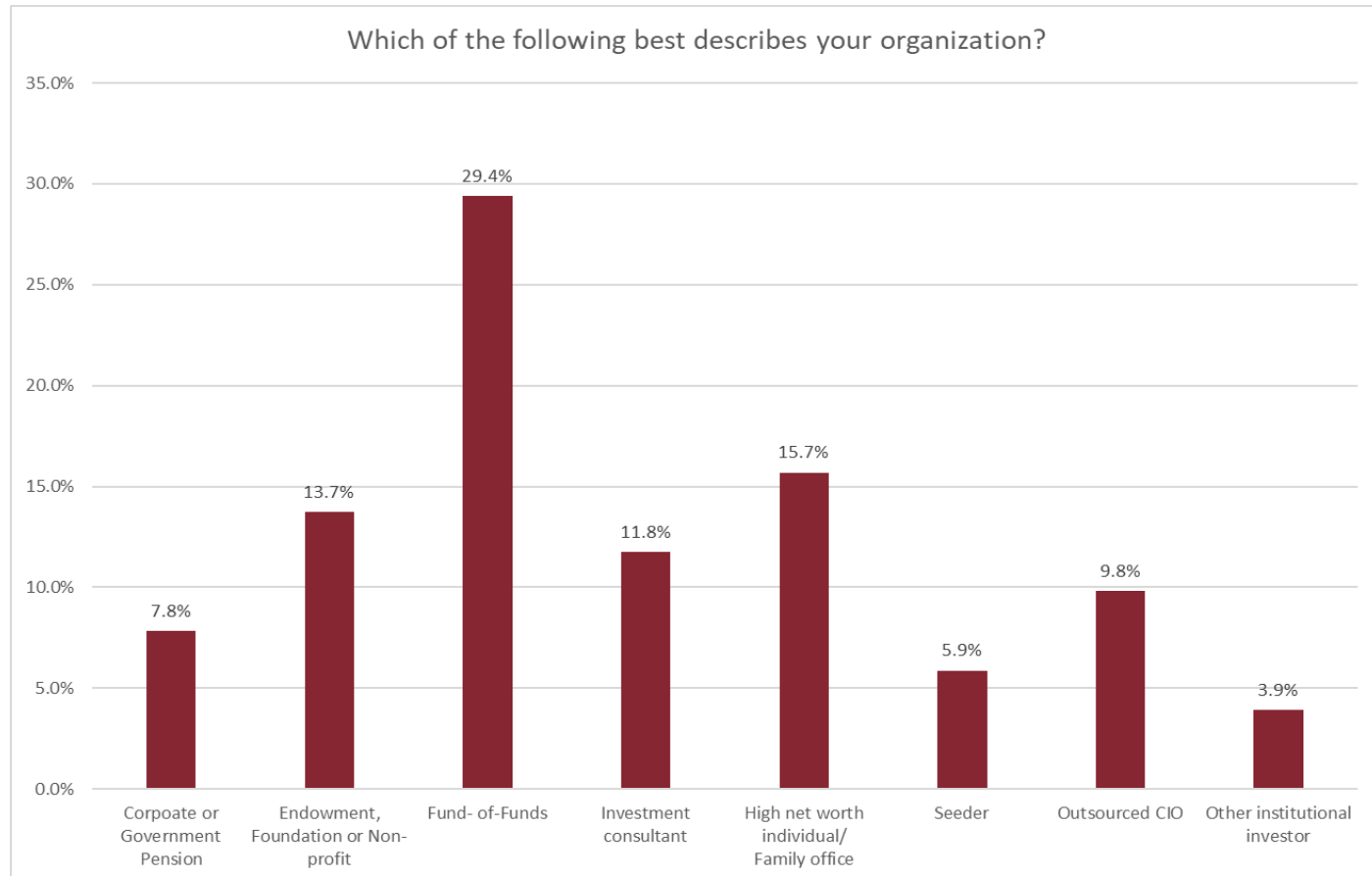
Seward & Kissel — Alternative Investment Allocator Survey

Driven by our ongoing commitment to understanding the alternative investment industry, Seward & Kissel conducts various studies throughout the year of the important trends that impact the industry and our clients. We surveyed alternative investment allocators to gain a better understanding of the allocation trends to expect throughout 2021. Based on the number and variety of participants, we believe that the Survey results provide informative benchmarking data that will be useful as the industry emerges from the current environment.

(I) Survey Participants

The Survey was distributed to personnel who work at various types of investment allocators, irrespective of location or the amount of investable assets.

Of the Survey participants, approximately one-third represented fund-of-funds (29.4%), followed by high net worth individuals (HNW)/family offices (15.7%) and endowments, foundations and charities (13.7%).



Seward & Kissel — Alternative Investment Allocator Survey

(II) Survey Findings

Most Investors Allocate to Emerging Managers

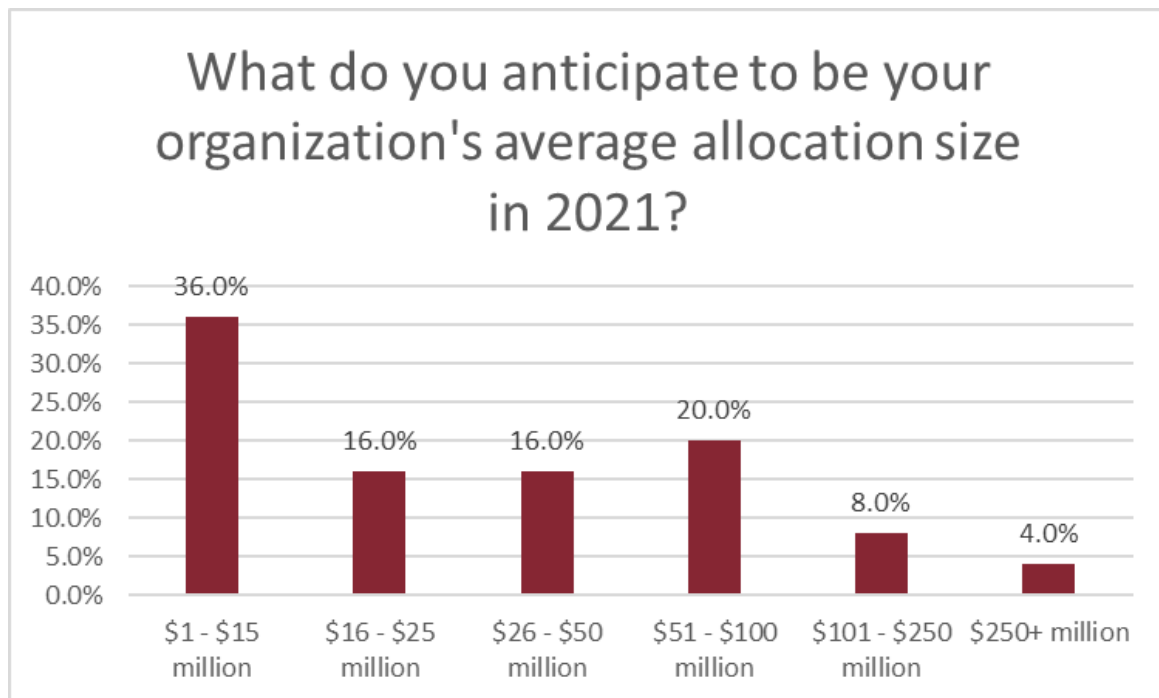
An overwhelming majority of the Survey participants (80%) indicated that their organizations invest in alternative investment managers founded less than two years ago. When looking at each investor group individually, at least 50% of participants from each group indicated that they allocate to emerging managers, with fund-of-funds and seeders at the high end (100%), pensions at the low end (50%), and the other investors falling roughly in-between.



Seward & Kissel — Alternative Investment Allocator Survey

Allocation Sizes are Typically Less Than \$50 Million

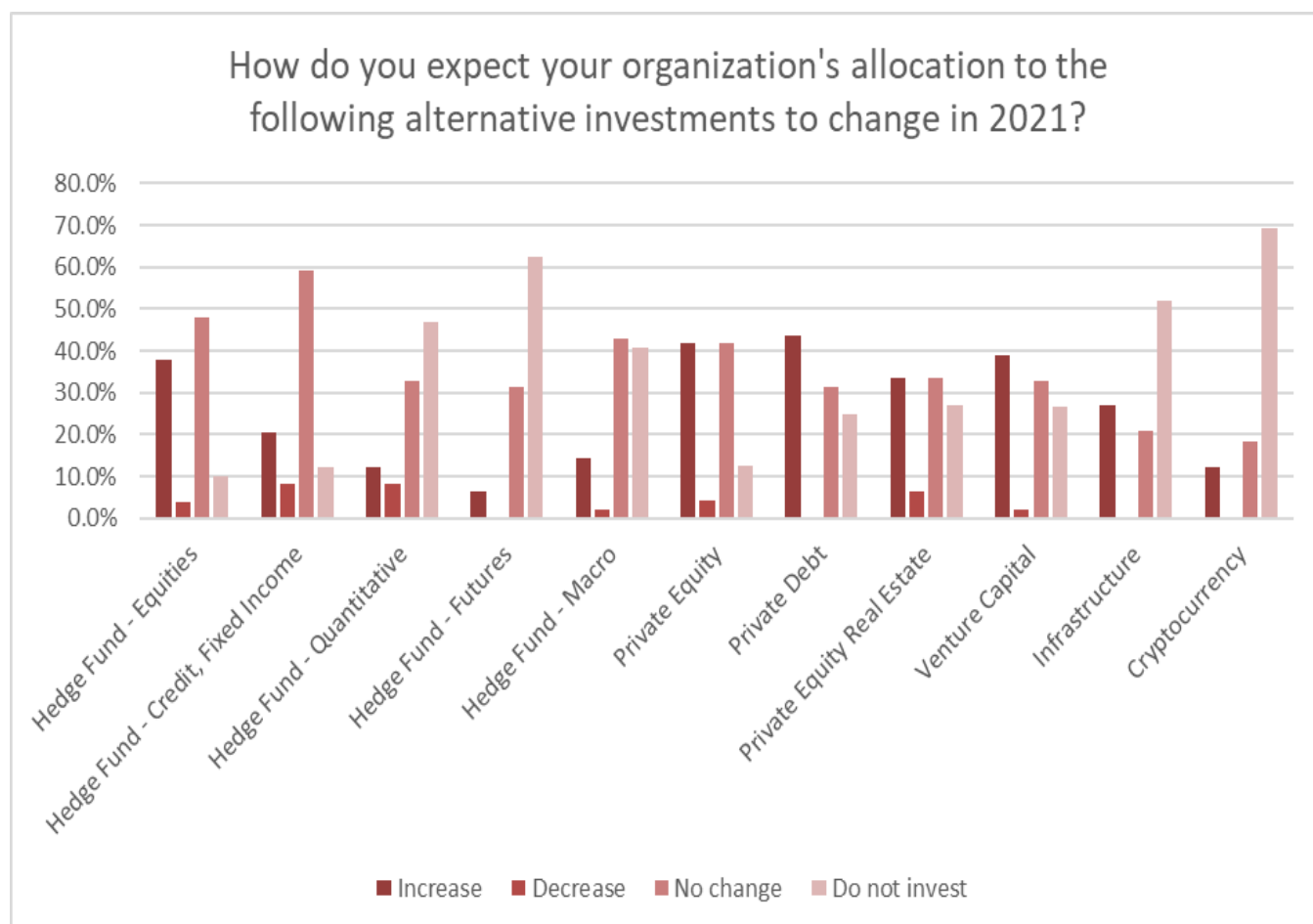
More than two-thirds of all participants indicated that they anticipate their organization's average allocation size to be between \$1 million and \$50 million. However, 20% of participants anticipate an average allocation size of \$51-\$100 million. Of the investor groups, one-third of fund-of-funds anticipate that their average allocation will be above \$50 million.



Seward & Kissel — Alternative Investment Allocator Survey

Investors Show Increased Appetite for Less Liquid Strategies

We asked participants whether their organizations would increase, decrease or leave unchanged their allocations to various strategies. On average, the ratio was as follows: 42% would increase to at least one strategy, 4% would decrease, and 54% would stay the same. The strategies for which participants expect to increase allocations to in 2021 were primarily less-liquid strategies with private equity, private credit, and venture capital accounting for the top three of the four strategies where participants expect their organizations to increase allocations, followed by equity hedge. The strategies with the highest percentage of participants anticipating a decreased allocation (about 8% of respondents) were quantitative and credit/fixed income. In addition, over 60% of participants indicated that their organizations do not allocate to cryptocurrency or futures strategies, while over 40% also indicated their organizations do not allocate to quantitative, macro or infrastructure strategies.



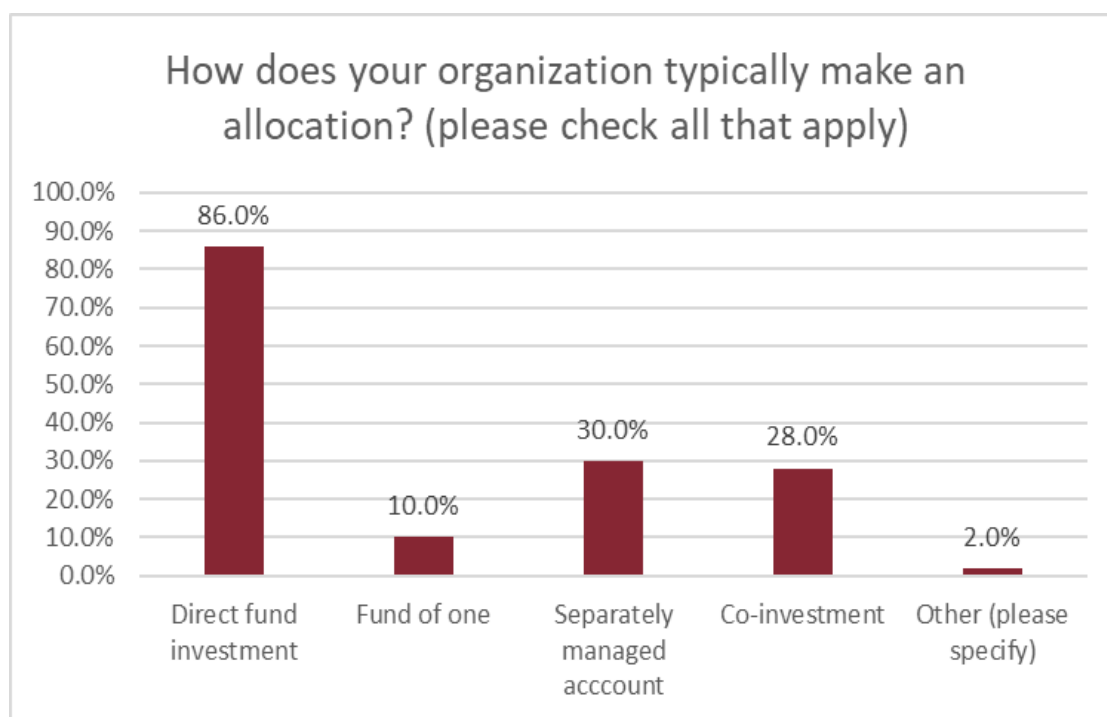
Seward & Kissel — Alternative Investment Allocator Survey

When evaluating the relationship between specific strategies and those investor groups seeking to increase allocations in 2021 to those strategies, trends began to emerge:

- For private debt strategies, participants from endowments, foundations and non-profits, HNW/family offices and investment consultants expect to increase their allocation
- For private equity strategies, participants from fund-of-funds and investment consultants expect to increase their allocation
- For venture capital strategies, participants from HNW/family offices and fund-of-funds expect to increase their allocation
- For equity hedge strategies, participants from HNW/family offices, funds-of-funds and investment consultants expect to increase their allocation

How Investors Allocate

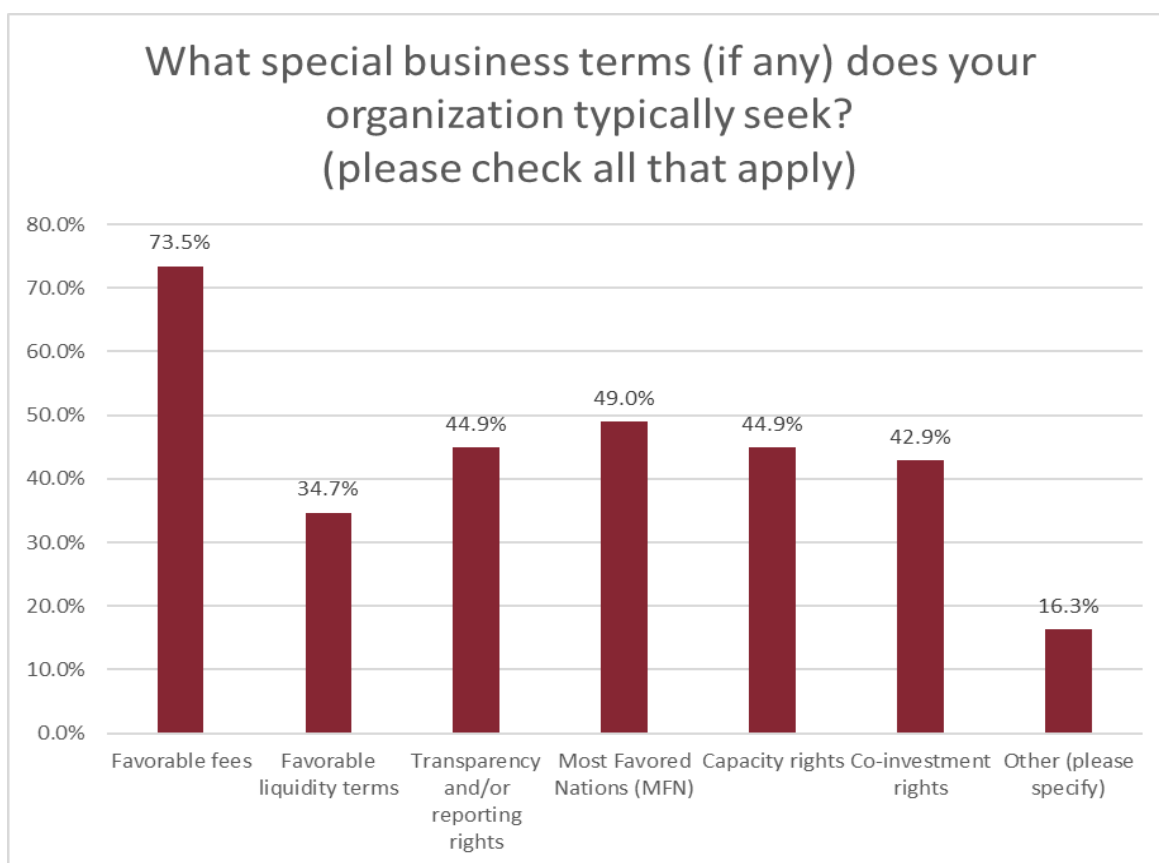
Of the different ways that allocators make allocations, direct fund investments are the most popular across all investor groups (86%) followed by separately managed accounts (SMAs) (30%) and co-investments (28%). At the investor group level, a disproportionate percentage of participants from HNW/family offices indicated that their organizations will also utilize SMAs (50%) and co-investment vehicles (37.5%) while corporate and government pensions regularly invest through co-investment vehicles (75%).



Seward & Kissel — Alternative Investment Allocator Survey

Side Letter Terms

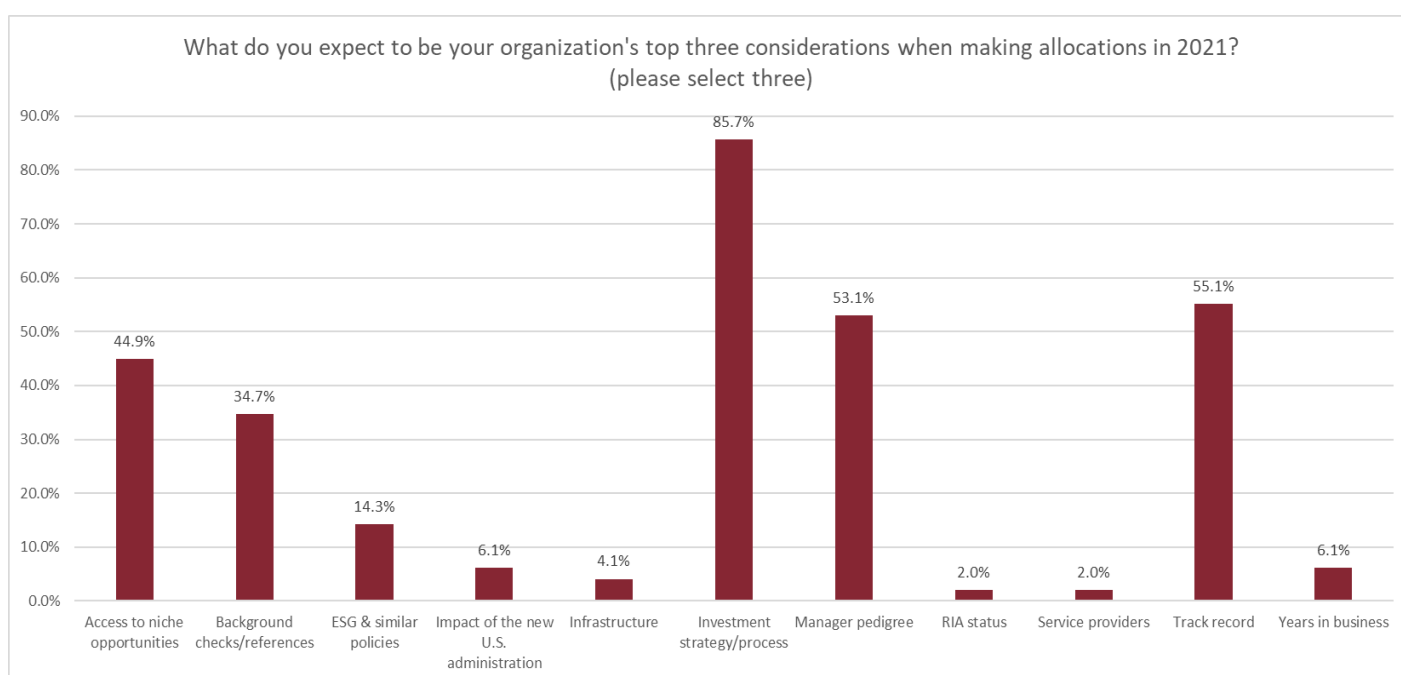
Favorable fees are the most commonly sought-after term by allocators. However, most favored nations clauses (MFNs), capacity rights, transparency/reporting rights and co-investment rights are also frequently requested from every investor category with more than 40% of participants indicating as such. For more information about common trends among side letters, download [Seward & Kissel's 2019/2020 Hedge Fund Side Letter Study](#).



Seward & Kissel — Alternative Investment Allocator Survey

Top Considerations by Allocators When Making an Allocation

Participants were asked to identify their organization's top three considerations when making an allocation to a manager. A manager's investment strategy/process is the most often considered factor at almost 86%, followed by the manager's track record at 55% and the manager's pedigree at 53%.



We hope that you find *The Alternative Investment Allocator Survey* helpful. If you have additional input that you would like to share with us, or have any questions, please contact your primary attorney in Seward & Kissel's Investment Management Group.

SEWARD & KISSEL LLP

Daniel Bresler

212.574.1203

Bresler@sewkis.com

Robert M. Kurucz

kurucz@sewkis.com

202.661.7195

Kevin Neubauer

neubauer@sewkis.com

212.574.1355

Christopher Carlson

202.661.7165

chender@sewkis.com

Paul M. Miller

202.661.7155

millerp@sewkis.com

Patricia A. Poglinco

212.574.1247

poglinco@sewkis.com

Robert L. Chender

212.574.1415

chender@sewkis.com

Joseph M. Morrissey

212.574.1245

morrissey@sewkis.com

Christopher C. Riccardi

212.574.1535

riccardi@sewkis.com

Debra A. Franzese

212.574.1353

franzese@sewkis.com

David R. Mulle

212.574.1452

mulle@sewkis.com

David Tang

212.574.1260

tang@sewkis.com

Maureen R. Hurley

212.574.1384

hurley@sewkis.com

Steven B. Nadel

212.574.1231

nadel@sewkis.com

Robert B. Van Grover

212.574.1205

vangrover@sewkis.com

Lancelot A. King

king@sewkis.com

202.661.7196

Valentino Vasi

212.574.8421

vasi@sewkis.com

New York

One Battery Park Plaza
New York, NY 10004
+1-212-574-1200

Washington

901 K Street, NW
Washington, D.C. 20001
+1-202-737-8833

www.sewkis.com

The information contained in this Study is for informational purposes only and is not intended and should not be considered to be legal advice on any subject matter. As such, recipients of this Study, whether clients or otherwise, should not act or refrain from acting on the basis of any information included in this Study without seeking appropriate legal or other professional advice. This information is presented without any warranty or representation as to its accuracy or completeness, or whether it reflects the most current legal developments. This Study may contain attorney advertising. Prior results do not guarantee a similar outcome.