SEWARD & KISSEL LLP

2022 Alternative Investment Allocator Survey

May 2022

Prepared by the Investment Management Group at Seward & Kissel LLP

Seward & Kissel — Alternative Investment Allocator Survey

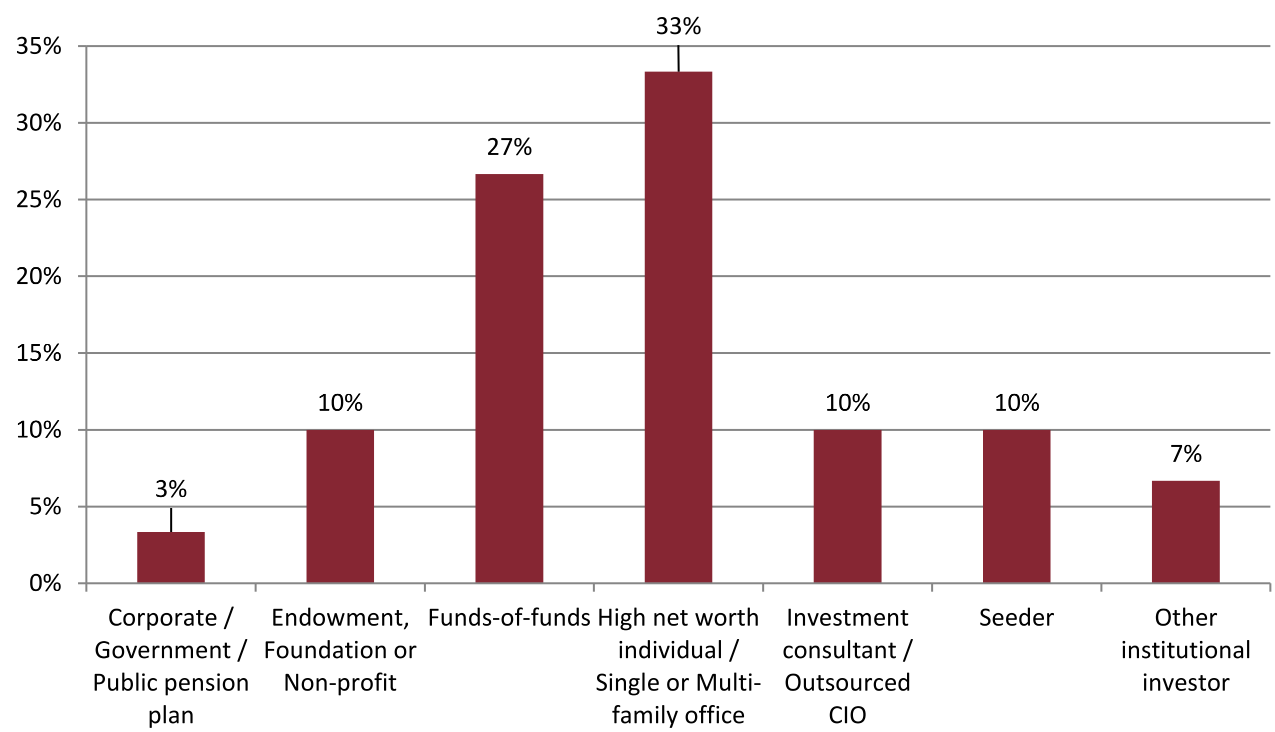
Driven by our ongoing commitment to understanding the alternative investment industry, Seward & Kissel conducts various studies throughout the year of the important trends that impact the industry and our clients. We surveyed alternative investment allocators to gain a better understanding of the allocation trends to expect throughout 2022. Based on the number and variety of participants, we believe that the Survey results provide informative benchmarking data.

(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, one-third represented high net worth individuals (HNWI)/Family Offices (33%), followed by funds-of-funds (27%), and endowments, foundations and non-profits, investment consultants and seeders (each representing 10% of responding firms).

Which of the following best describes your organization?

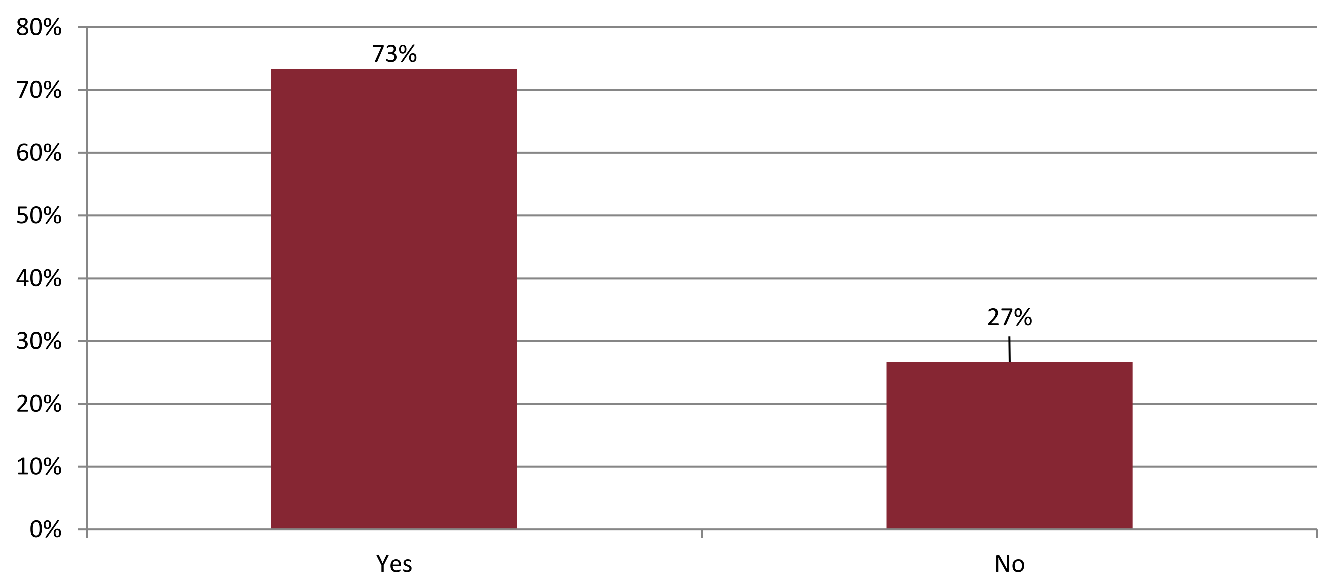


(II) Survey Findings

(A) Most Investors Allocate to Emerging Managers

An overwhelming majority of the survey participants (73%) indicated that their organizations invest in alternative investment managers founded less than two years ago, down slightly from 2021 (80%). When looking at specific investor groups, at least 60% of participants from each investor group indicated that their organizations allocate to emerging managers, with seeders the most active followed by funds-of-funds.

Does your organization invest in alternative investment managers founded less than two years ago?



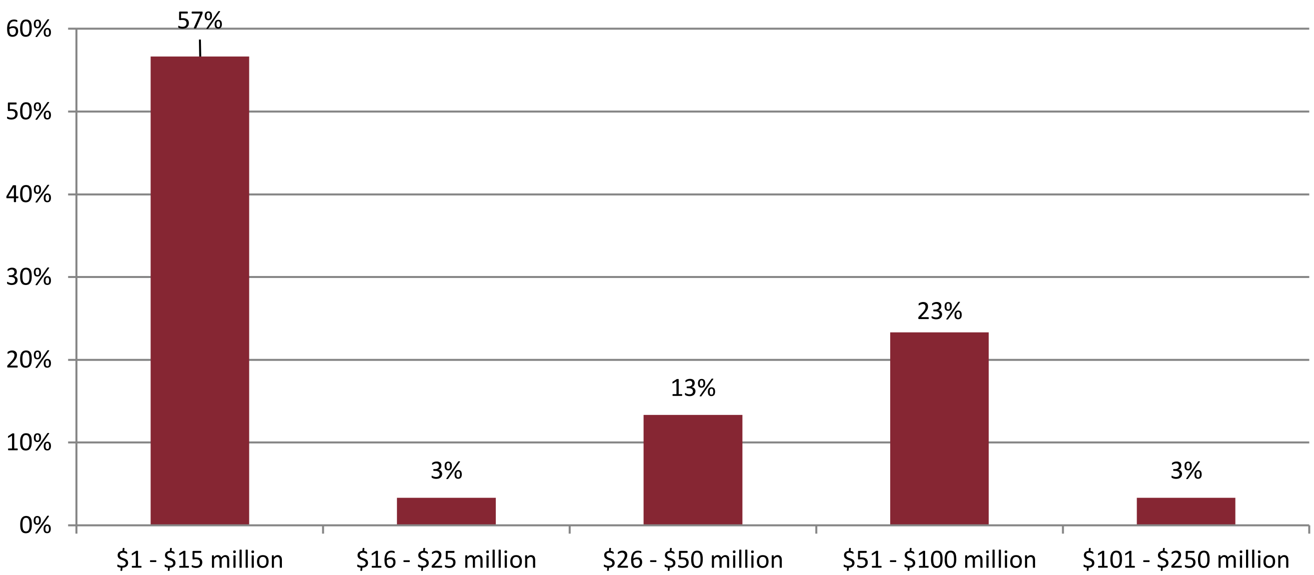
(B) Key Allocation Decisions

1. Allocation Sizes are Typically Less Than $100 Million

Almost three-quarters of all participants indicated that they anticipate their organization's average allocation size to be between $1 million and $50 million, 13% of participants anticipate an average allocation size of $26-$50M and 23% of participants anticipate an average allocation size of $51-$100 million.

When evaluating the relationship between specific investor groups and allocation size, more than 60% of funds-of-funds anticipate that their average allocation will be between $1 - $15M and most of the participants from seeders indicated that they anticipate their average allocation size to be between $51-100M. 20% of HNWI/Family Office participants anticipate their average allocation size to also be between $51 - $100M.

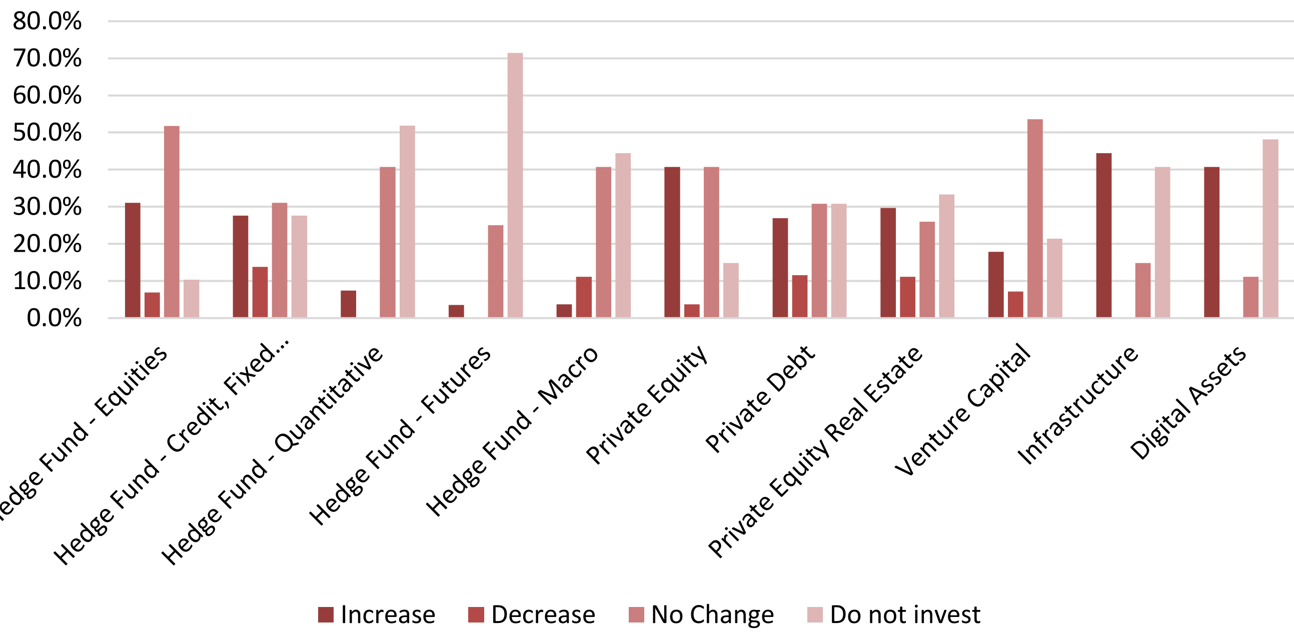
What do you anticipate to be your organization's average allocation size in 2022?



2. Continued Appetite for Less Liquid Strategies

We asked participants whether their organizations would increase, decrease or leave unchanged their allocations to various strategies. Following the sentiment of 2021, the less liquid strategies continued to be attractive to investors for increased allocations in 2022. The three highest percentage strategies in which participants expect their organizations to increase allocations are infrastructure (44%), digital assets (41%) and private equity (41%). Private debt, private equity real estate and hedge fund – equities were also strategies that participants indicated an increased interest in, each above 30%. With respect to asset classes that investors do not allocate to, 71% of participants indicated that their organizations do not allocate to hedge fund - futures strategies, while over 40% indicated their organizations do not allocate to hedge fund - quantitative, hedge fund - macro or infrastructure strategies.

How do you expect your organization's allocation to the following alternative investments to change in 2022?



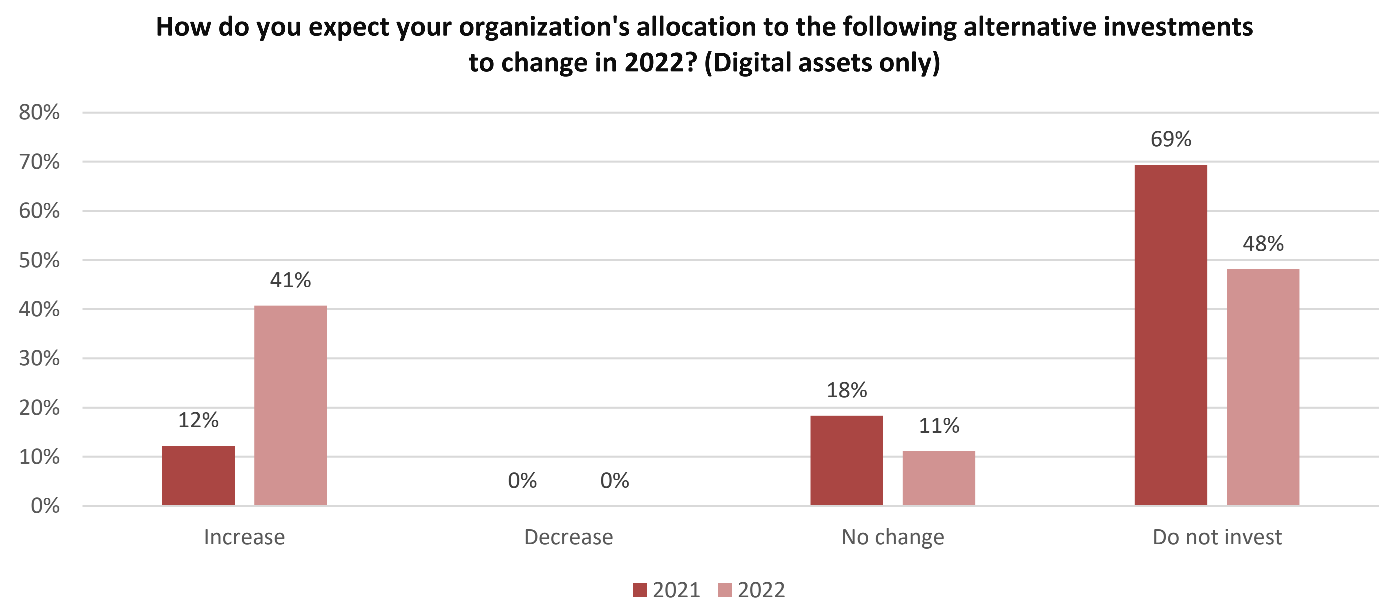
When evaluating the relationship between specific investor groups and strategies for which they are seeking to increase allocations to in 2022, trends began to emerge:

- Endowments, foundations or non-profits participants expect to increase allocations to digital asset strategies.
- HNWI/Family Office participants expect to increase allocations to primarily illiquid strategies, including infrastructure, private equity, private debt, private equity real estate as well as digital assets.
- Investment consultants/OCIO participants expect to increase allocations to infrastructure strategies and hedge fund- equity strategies.

3. The Emergence of Digital Assets as an Asset Class

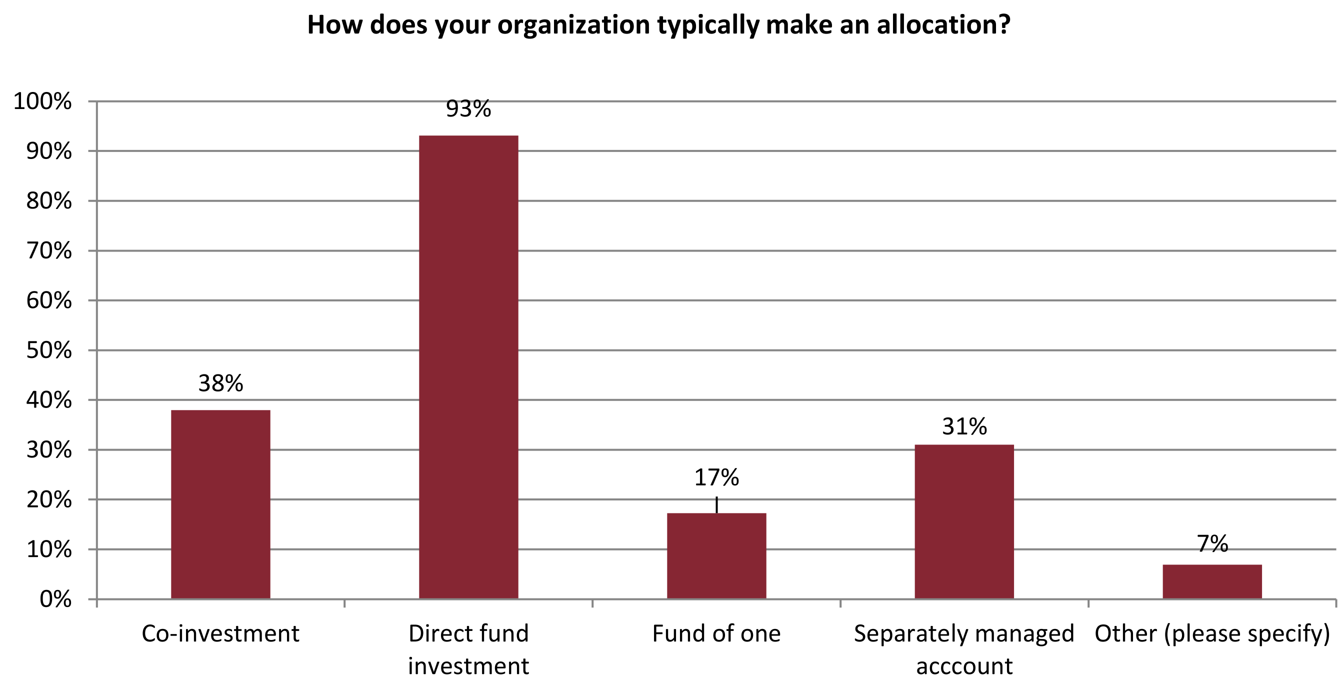
The emergence of digital assets as an asset class and the level of institutional investor interest is a major development. Over 80% of participants from endowments, foundations and non-profits expect to increase their respective allocations to digital assets in 2022.

In 2021, just 12% of participants indicated they anticipated increased allocations to digital assets by their firms – in 2022, by contrast, that number has more than tripled to 41%. Additionally, 48% of participants indicated that their organizations do not invest in digital assets, down from 69% in 2021.



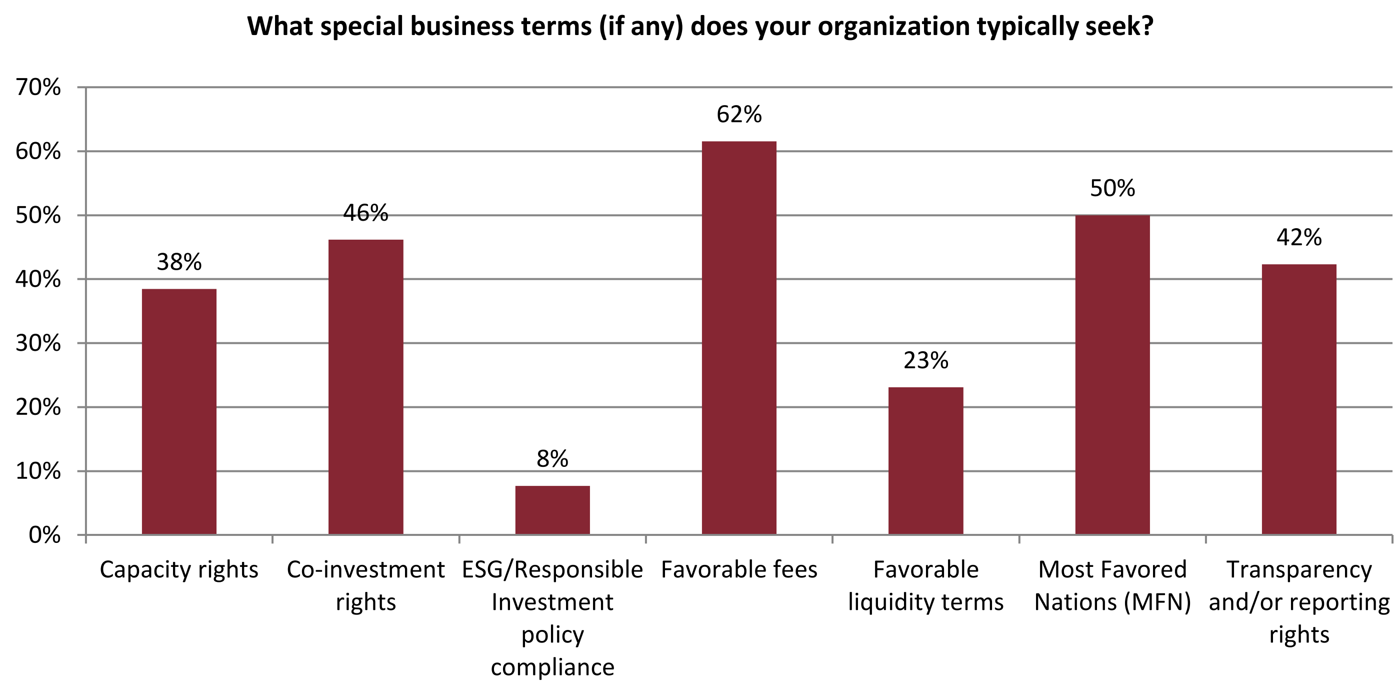
(C) How Investors Allocate

Of the different ways that allocators make allocations, direct fund investments are the most common across all investor groups with 93% of participants indicating they invest directly via comingled fund vehicles, followed by co-investment vehicles, including special purpose vehicles (SPVs) (38%) and separately managed accounts (SMAs) (31%). At the investor group level, a disproportionate percentage of participants from HNWI/Family Offices indicated that their organizations will also utilize co-investment vehicles (70%) and SMAs (60%).



(D) Side Letter Terms

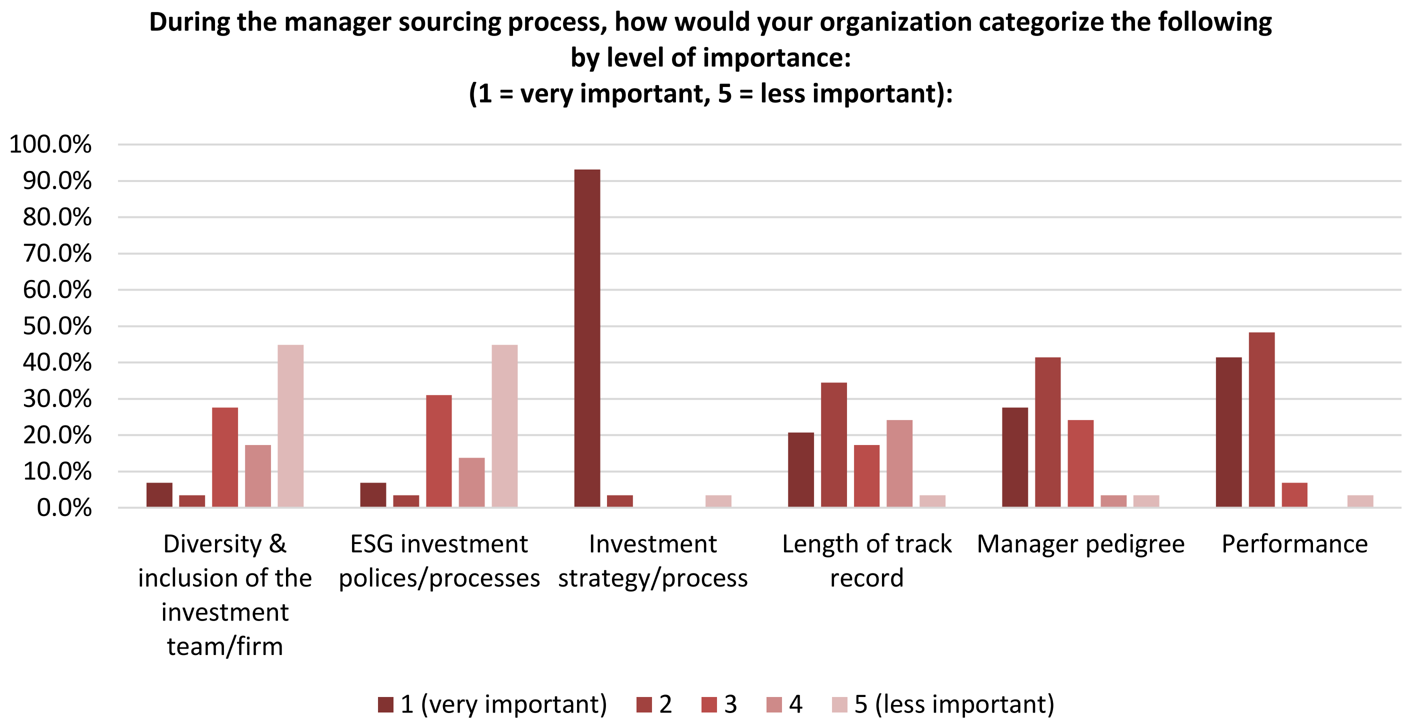
Favorable fees are the most commonly sought-after term by allocators (62%). However, most favored nations clauses (MFNs), co-investment rights, and transparency/reporting rights are also frequently requested from every investor group with more than 40% of participants indicating as such. For more information about common trends seen in side letters, please download Seward & Kissel's 2020/2021 Hedge Fund Side Letter Study.



(E) Top Considerations by Allocators When Making an Allocation

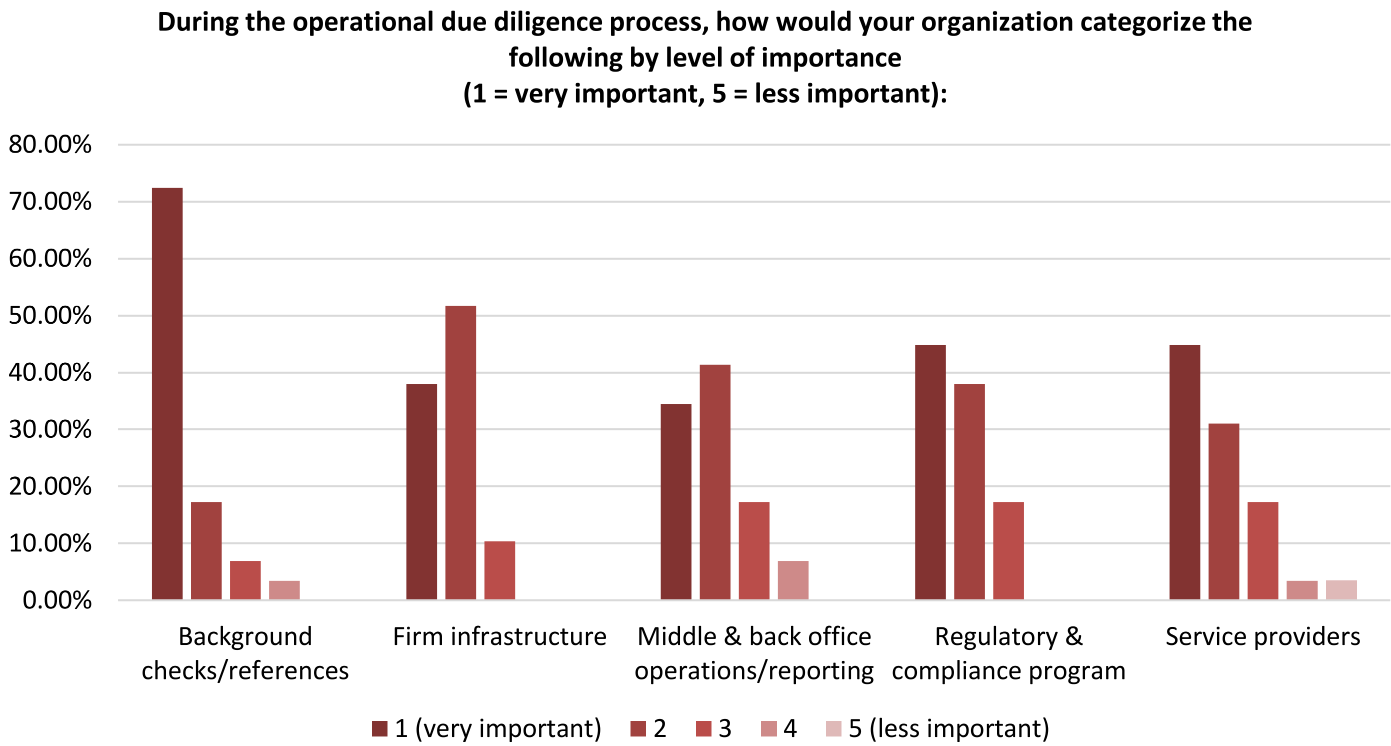
1. Manager Sourcing

Participants were asked to rank their organizations' considerations on a scale of 1 - 5 (1 = very important, 5 = less important). When sourcing investment managers for potential allocations, investment process (93%) was overwhelmingly identified as "very important", followed by performance (41%) and then pedigree (28%). The length of a manager's track record closely followed with 21% of participants identifying this as "very important".



2. Operational Due Diligence

Participants were also asked to rank their organizations' operational due diligence considerations (utilizing the same scale) when evaluating a manager for a potential allocation. Background checks/references was most frequently ranked as "very important" (72%) followed by regulatory & compliance program and service providers, each equally identified as "very important" by 45% of respondents, and closely followed by firm infrastructure (38%) and middle & back office operations/reporting (35%).



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.

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