

Highmore Dynamic Liquidity Portfolios

Introduction To Highmore's Investment Model
Integration With Axxcess

The Next Generation of Global Alternative Investing
New York | London | Los Angeles



Signatory of:



A Partnership To Provide Holistic and Income Model Portfolios

Axxcess And Highmore Have Partnered To Address The Needs Of Clients In The Current Market



Axxcess has partnered with global alternative asset management firm Highmore to provide alternative investment solutions for clients, to solve for income, capital growth and diversification

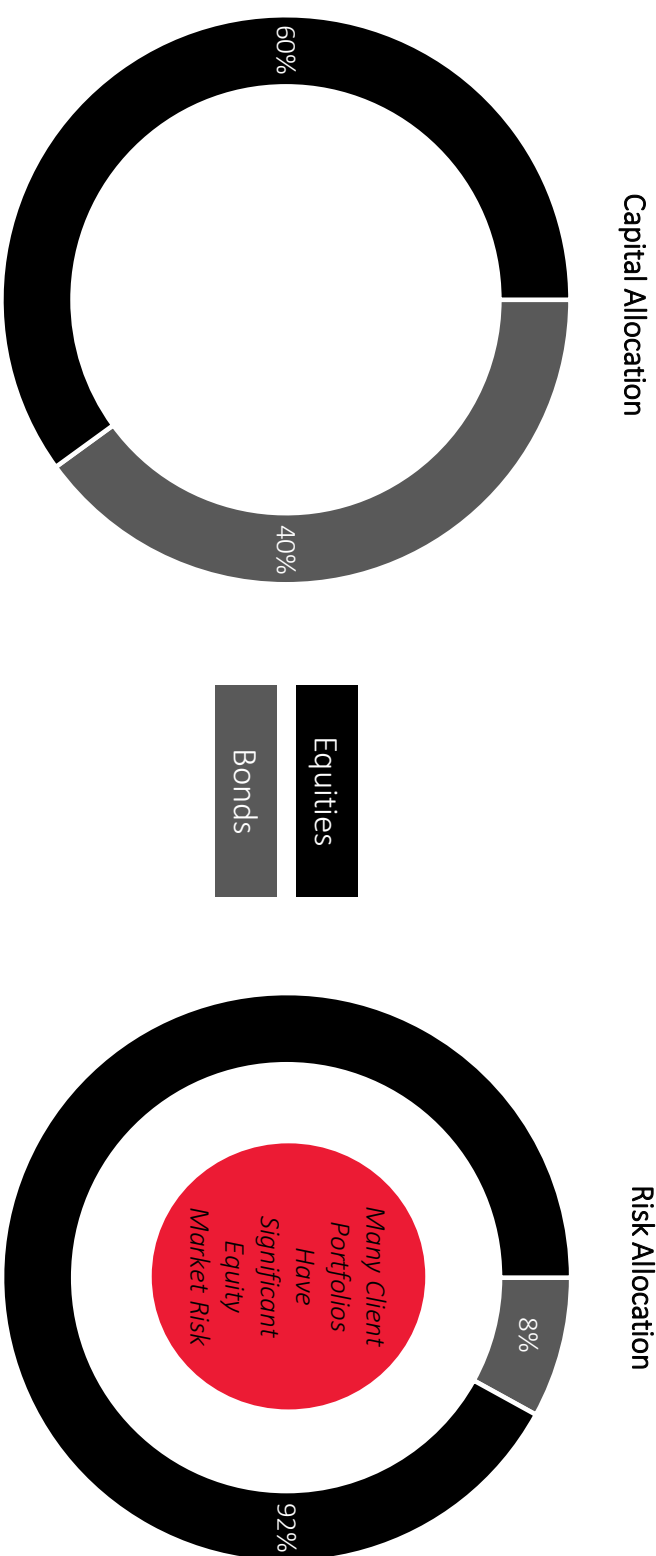
Clients will gain access to these solutions through Highmore's Conservative, Balanced, Growth and Alternative Income Models

Highmore will provide Axxcess advisors and their clients to differentiated and turn-key solutions



Elevated Market Valuations Exist, With Portfolios Dominated By Equity Risk

Most investors may not realize that the portfolios they think are diversified are in fact dominated by equity market risk, and as a result they are highly vulnerable to the risk of capital loss after the prolonged equity bull market.



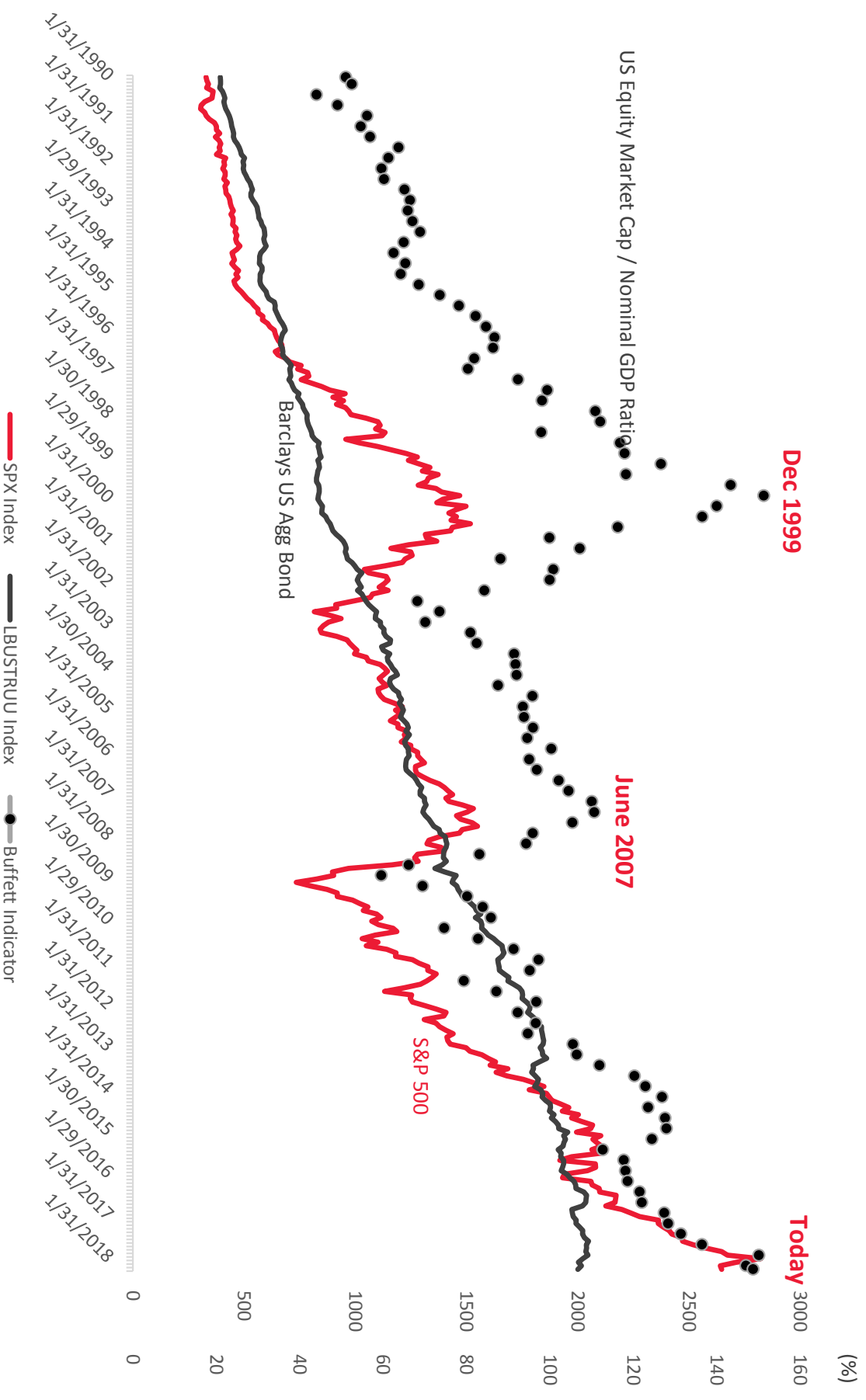
Source: Bloomberg , Highmore

Note: Equity Risk is assumed at 15%, Bond Risk is assumed at 5% and Equity and Bond correlation is assumed at 0.2 for illustration only. This is close to the historical data since 1990.

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Investor Portfolios Are Increasingly Vulnerable To Material Declines Due To Elevated Valuations

Equity valuation today is higher than pre-financial crisis peak and close to tech bubble peak.



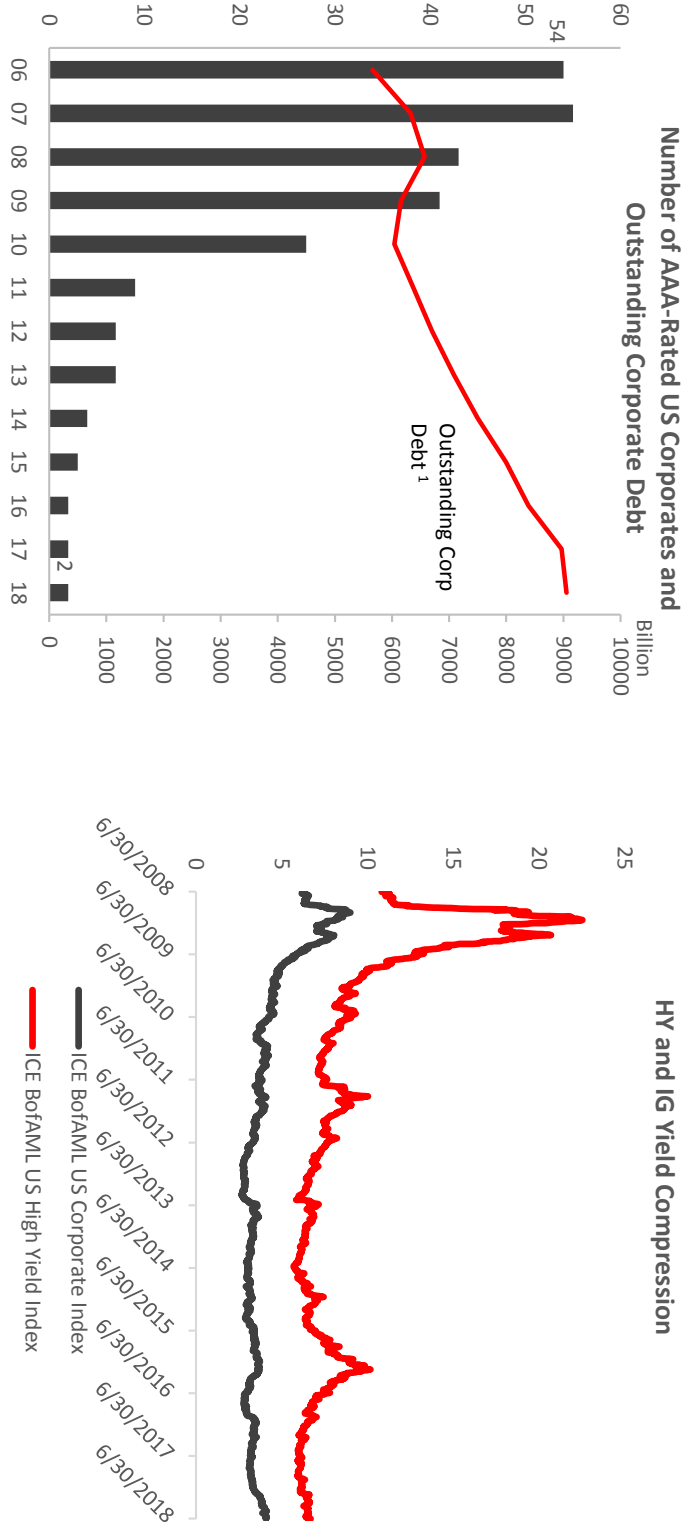
Source: Bloomberg, Federal Reserve

Note: Q1 2018 US Equity Market Cap/ Nominal GDP Ratio data comes from Bloomberg (Buffett Indicator). Market Cap to GDP is a long-term valuation indicator.

And At The Same Investor Are Overreaching For Yield Against A Decline In Credit Quality

The unprecedented monetary easing following the Global Financial Crisis has resulted in the compression of risk premiums across all asset classes and in our view has been most acute in fixed-income. The charts below show a compression in yields across both investment grade and high yield while at the same time we can see the reduction in credit quality with the decline in the number of AAA rated corporates from 54 in 2006 to 2 in 2018 combined with corporate leverage reaching the crisis high.

Against this backdrop, investors should be mindful of searching for yield against a backdrop of rising leverage and declining credit quality. Even private debt markets have not been immune from the compression in yields and we are seeing investors focus on absolute yield increasingly at the expense of credit quality and duration.



Source: Bloomberg and Highmore. Chart on the left is as of Q1 2018. DOUTCORP Index(FOF US Debt Outstanding by Sector Corporate) is used. Yield to Maturity is used for HY and IG yield. Indexes refereed here are HOAO and COAO.

Highmore's Solution Addresses Client Risk Exposures And Heightened Valuations

Highmore Has Created Its
Dynamic Liquidity Portfolios
Range To Be Used For New
Client Portfolios OR Integrated
Into Existing Client Portfolios To
Mitigate Market Risks.

Introduction To Highmore

Highmore Is Based On The Premise That Exceptional Human Capital Is Critical To Investment Success

Highmore is a global alternative asset management firm, investing in both public and private markets, directly and indirectly, across asset classes and investment structures. Our approach addresses two common yet flawed investment practices: relying upon past performance as a predictor of future success, and human bias for the familiar.

Uniquely, Highmore's investment approach identifies the DNA of exceptional investment talent, because we believe the most reliable indicator of investment success is human behavior. We focus on opportunities in the growth stage of their investment life cycle, which we believe are more likely to provide greater alignment, transparency, and investment outperformance.

Through a proprietary investment process that identifies those variables that most link to investment performance, Highmore brings the next generation of alternative investing to clients seeking genuinely differentiated investments. Highmore currently manages, advises and oversees assets in excess of \$1.7 billion.

Led By A Team With Proven Investment Experience And A Long-Shared History

Highmore's team has experience and a long-shared history at firms such as Man Group, FrontPoint Partners, Bank of America Merrill Lynch, Citigroup and Oppenheimer & Co., where the team oversaw assets in excess of \$25 billion

[Portfolio Management

- Portfolio management team member for the \$3.2bn FrontPoint Multi-Strategy Fund
- Portfolio manager for the \$4bn+ multi-asset class Citibank Umbrella Fund
- Senior team member for FrontPoint Volatility Investments Strategy
- Founded customized portfolio business at Citibank, and Bank of America / Merrill Lynch
- Managed multi-risk level alternative investment portfolio team for Bank of America / Merrill Lynch

[Asset Allocation and Research

- Built and oversaw customized portfolios for pension plans at FrontPoint Partners
- Head of Behavioral Finance at Bank of America/Merrill Lynch
- Created proprietary analytics and portfolio allocation tool for Bank of America/Merrill Lynch
- Led alternative investments asset allocation models at Citigroup
- Created multi-dimensional due diligence and portfolio management framework

[Due Diligence and Structuring

- Successfully negotiated and structured investment team partnerships
- Senior members sourcing emerging managers at Man Investments and FrontPoint Partners with AUM of \$40bn and \$11bn respectively
- Led 3rd party private equity and hedge fund of funds group at Bank of America/Merrill Lynch with AUM of \$3bn and \$15bn respectively
- Management of alternative investments due-diligence process at Oppenheimer & Co. with \$3bn AUM

[Business Development

- Strategic direction and management of \$3bn Alternative Investments Group at Oppenheimer & Co.
- Developed strategic relationships at FrontPoint Partners with pension plans and sovereign wealth funds
- Founded TPG Alternative Solutions Group at Citigroup and the Alternative Investment Solutions Group at Bank of America/Merrill Lynch
- Restructured and built alternative investments group at Oppenheimer and increased profitability

Source: Highmore

Investing Opportunistically Across The Core Investment Styles Comprising Alternative Investments

Highmore takes a structure agnostic approach to investing across investment styles in both public and private markets and are willing to pay a premium for scarcity of approach and barriers to replication.



Source: Highmore

Highmore Dynamic Liquidity & Highmore Alternative Incomes Investment Models

Highmore's Dynamic Liquidity Portfolio Family Is Designed To Meet A Broad Range Of Investor Needs

Highmore Holistic Risk Targeted Models

Highmore's **Risk Targeted Models** are designed to provide clients with a diversified holistic investment portfolio, designed using a risk targeting approach. This approach results in a client's ability to choose between a conservative, balanced or growth model.

The **Conservative Model** aims to preserve the portfolio's value with the aim of targeting low volatility of returns and generate returns primarily through fixed-income and credit investments, while on average being at 1/3 of equity market volatility.

The **Balanced Model** aims to generate returns through a combination of capital growth and current income strategies with moderate volatility (1/2 of equity market volatility) relative to equity markets.

The **Growth Model** aims to generate returns predominantly through capital appreciation with equity-like volatility through investing in equity and equity-like instruments, while having 2/3 of equity market volatility.

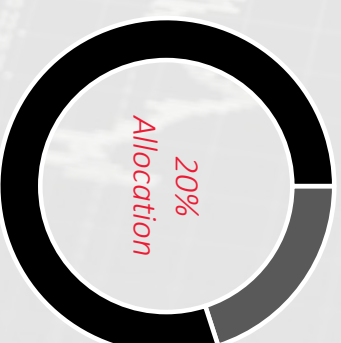
The models can be invested standalone as a client's overall holistic portfolio *or* as a **20%** allocation of a traditional client portfolio.

Highmore Alternative Income Model

Highmore's **Alternative Income Model** is designed to address the needs of clients focused on enhancing their ability to generate current income or for those looking to complement their existing fixed income portfolio allocation.

The model is designed to display a lower correlation and beta to the traditional fixed income markets.

The model can be invested in as a standalone investment for investors looking to enhance or complement their current income *or* as a **20%** complement to their existing fixed income allocation.



The Alternative Income Models On A Standalone Basis Outperform Traditional Fixed Income Portfolios

Barclays Global Aggregate Corporate TR Index vs Highmore Alternative Yield

Barclays Global Aggregate Corp. TR Index Highmore Alternative Yield Portfolio



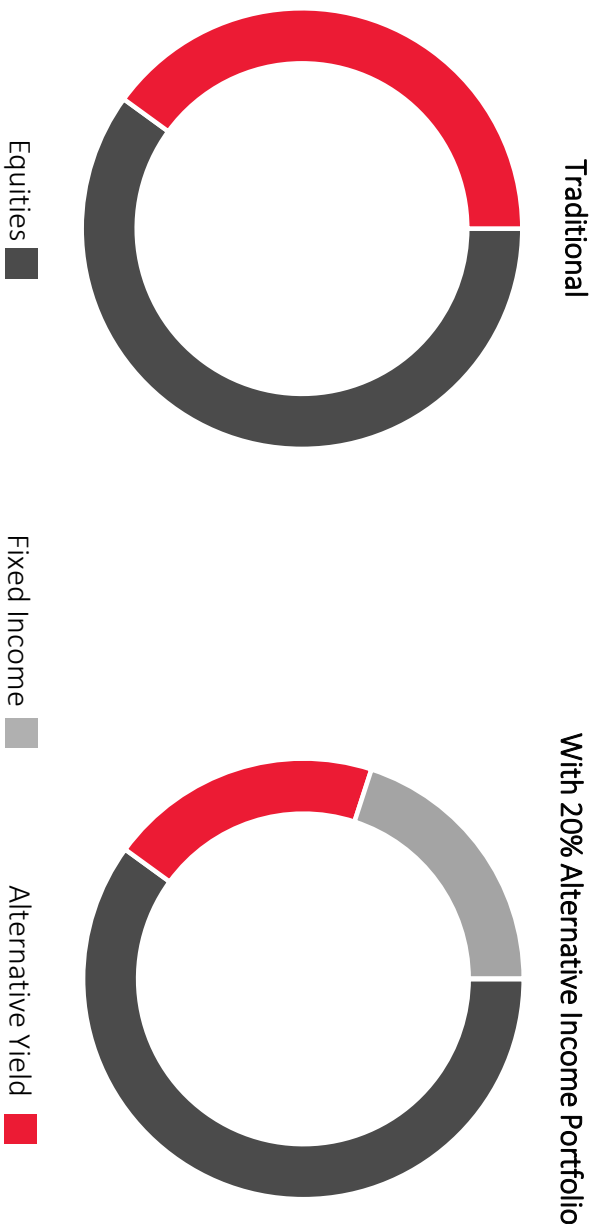
Annualized Return	1.7%	8.4%
Annualized St. Dev.	4.2%	5.8%
Sharpe Ratio	0.34	1.4
Correlation to S&P	0.36	0.49
Annualized Alpha to S&P	-0.44 %	4.13%
Beta to S&P	0.16	0.29
Indicative Yield	2.04%	7.54%

Source: Highmore, Bloomberg. Return is analyzed between January 2013 to June 2018. 20% is funded from both traditional Fixed Income. 0.5% of management fee is applied to Highmore models. Yield to Worst is used for Barclays Global Aggregate Corp. TR Index.

Clients Can Enhance Their Fixed Income Allocation By Allocating To The Alternative Income Model

Highmore Alternative Income portfolio is constructed to aim to attractive yield with a better risk/return profile than High Yield benchmarks. The current estimated indicated yield is 7.54%.

Example Traditional 60 / 40 Model with 20% Alternative Income Portfolio

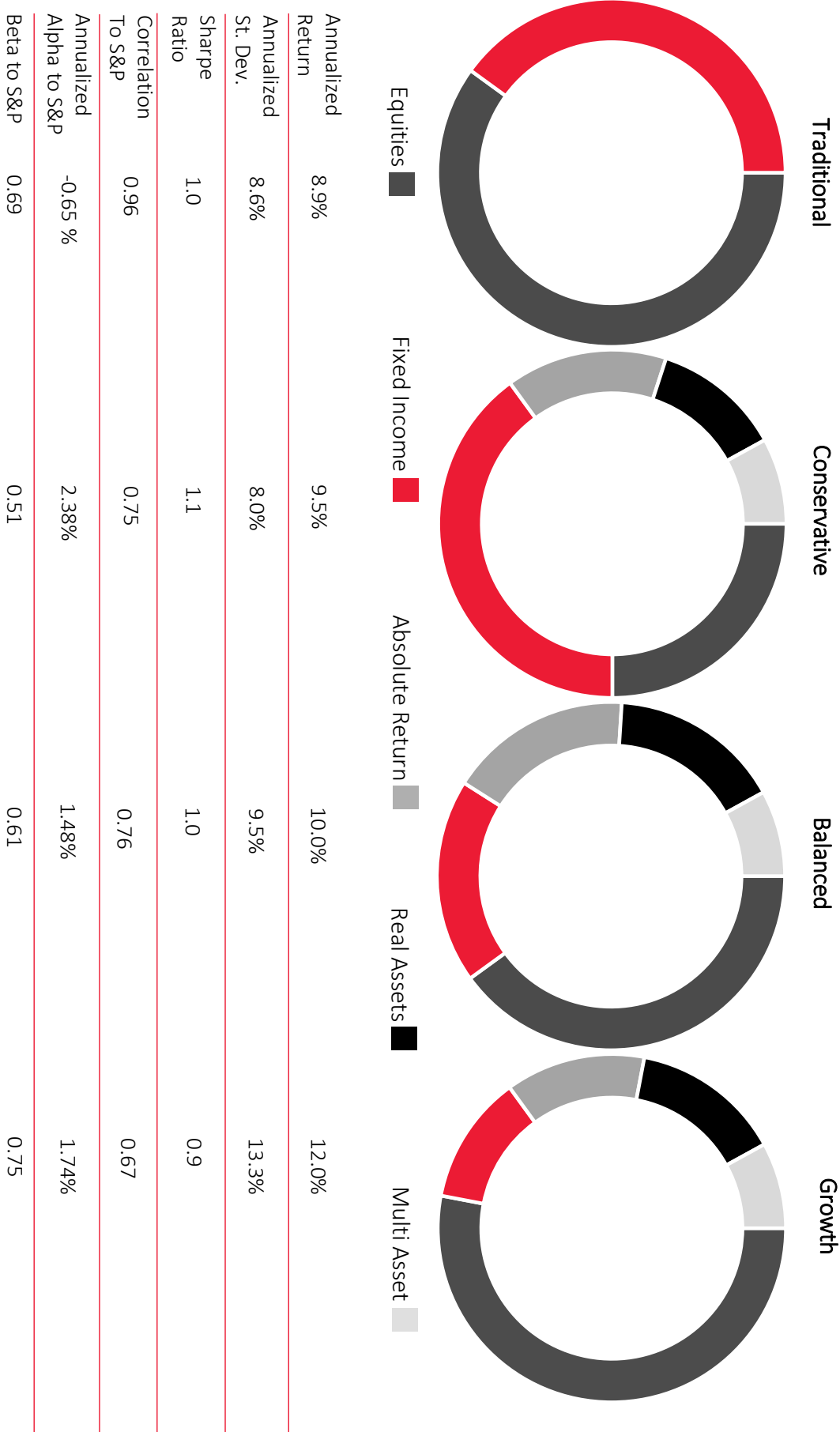


Annualized Return	8.9%	9.8%
Annualized St. Dev.	8.6%	6.9%
Sharpe Ratio	1.0	1.3
Correlation to S&P	0.96	0.95
Annualized Alpha to S&P	-0.65 %	-0.15%
Beta to S&P	0.69	0.68
Indicative Yield	2.01%	3.17%

Source: Highmore, Bloomberg. Return is analyzed between January 2013 to June 2018. 20% is funded from both traditional Fixed Income. 0.5% of management fee is applied to Highmore models.

The Risk Targeted Models On A Standalone Basis Outperform Traditional 60 - 40 Portfolios

Example Liquid Alternative Investment Portfolios vs Traditional 60 / 40 Model

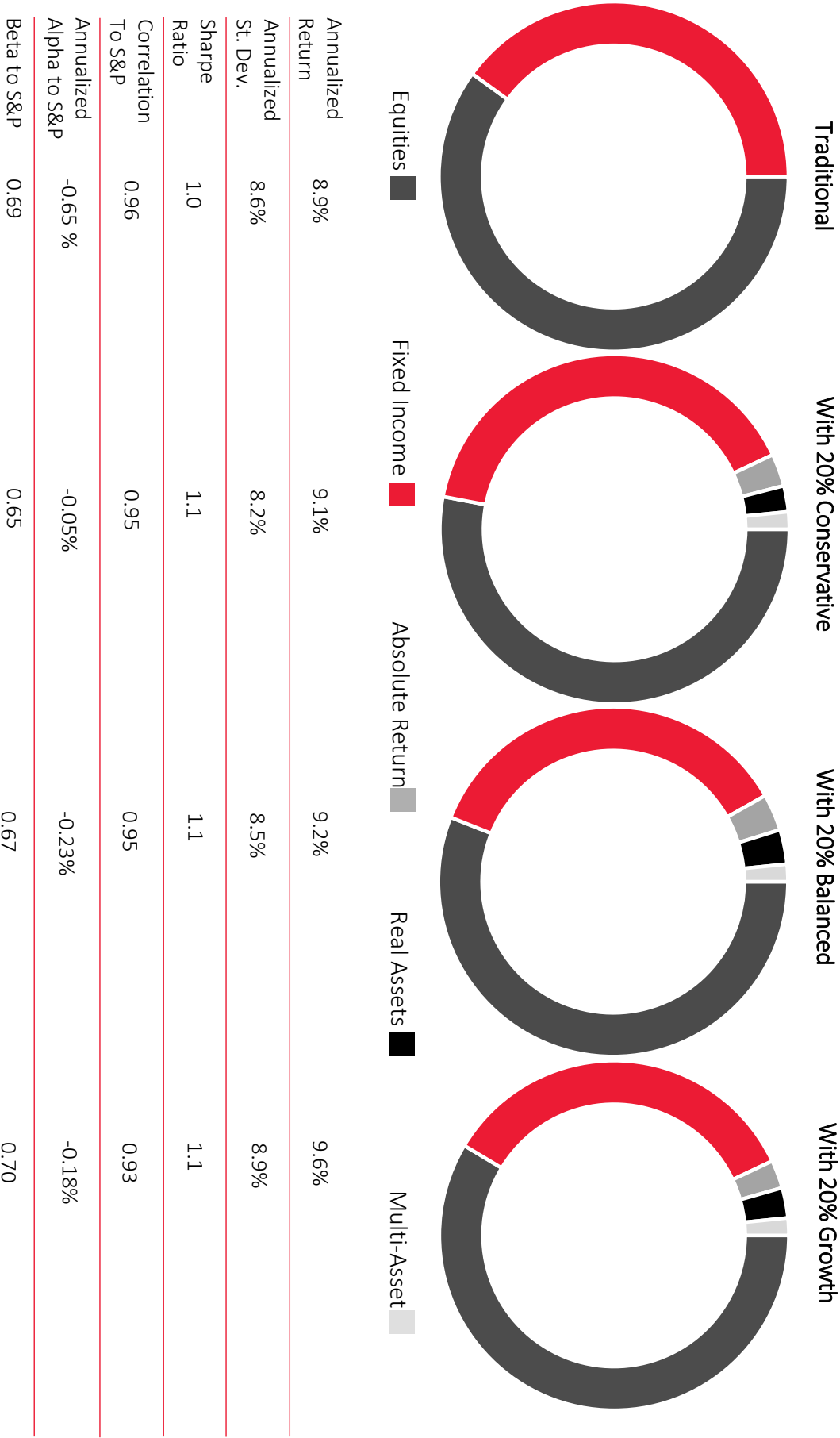


Source: Highmore. NET Return is analyzed between September 2009 to June 2018

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Alternatively Risk Targeted Models Can Be Integrated Into A Client's Existing Portfolio To Achieve Benefits

Example Traditional 60 / 40 Model with 20% In Liquid Alternative Investment Portfolios

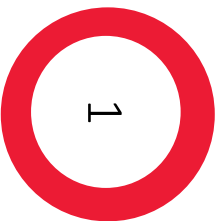


Source: Highmore, Bloomberg. Return is analyzed between September 2009 to June 2018. 20% is funded from both Equity and Fixed Income on a pro-rated basis. 0.5% of management fee is applied to Highmore models.

Using Highmore Models In Client Portfolios

Highmore Model Portfolios Are Designed To Be Used In One Of Two Ways For Client Portfolios

Depending on a client's needs, the Highmore Model Portfolios can be either used as stand alone investment portfolios, or integrated into a client's existing portfolio.



Using Models For New Money Allocations

The models can be used when a client has assets which need to be allocated, and they do not have an existing portfolio to integrate with new investments.



For the **Risk Targeted Models** the resulting portfolio is based on a client's risk target and provides both equity and income generating exposures.

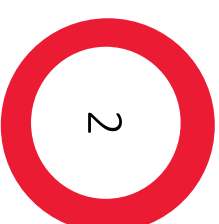
For an allocation to the **Alternative Income Model**, clients are gaining exposure to a current income focused model.



Allocating To The Models

Choose one of the three risk targeted models – conservative, balanced or growth and allocate full client portfolio to provide a holistic portfolio.

If allocating to the Alternative Income Model, invest full allocation of fixed income allocation.



Integrating Allocations Into Existing Portfolios

The models can be used when a client currently has an existing holistic or fixed income portfolio and is looking to improve both returns and risk characteristics of their portfolio (s).



The risk targeted portfolios can be invested in as part of a client's traditional 60-40 allocation for those looking to improve their risk-return profile. For investors looking to improve their fixed income portfolio, an allocation to Alternative Income Model will suffice.



Allocating To The Model

For the Risk Targeted Models, target a weight of 20% of a client's overall portfolio.

For the Alternative Income Model, target a weight of 20% of a client's fixed income portfolio.

With Implementation And Ongoing Support Designed To Provide An Easy And Full Approach

Implementation

Highmore's monthly investment committee meets to discuss newly diligenced funds, asset allocation of the models, and any recommended changes

Changes to models will be communicated to advisors shortly after the investment committee meets

Advisors with new model clients can complete a brief online suitability - behavioral questionnaire (which takes less than 10 minutes), which can be used to target model use, as well as ongoing targeted support if desired

Models are easily purchased and are managed and rebalanced by the Highmore team without any management needed by advisors once the models are purchased

Often there will be no changes to the models on a monthly basis, as we view alternative allocation as longer-term in outlook

Ongoing Support

Monthly publishing and updates on asset allocation of models, monitoring of underlying investments, and any recommended changes

Customized monthly commentary on client support based upon the Highmore Suitability and Investor Personality Assessment completed by clients at time of onboarding

Ongoing education support by Highmore on underlying investments in the models, as well as more general educational pieces to help support the sales and support process

Sales support by Highmore for advisors where requested

Training for advisor by Highmore on how to sell the models to clients and their potential benefits

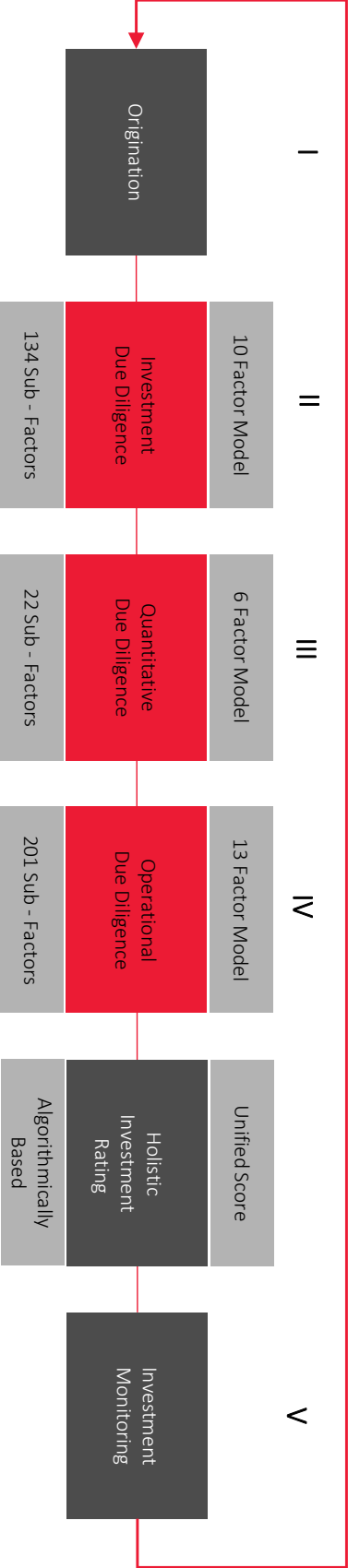
Customization for more complex and larger client relationships

Highmore's Approach To Portfolio Construction And Investment Selection

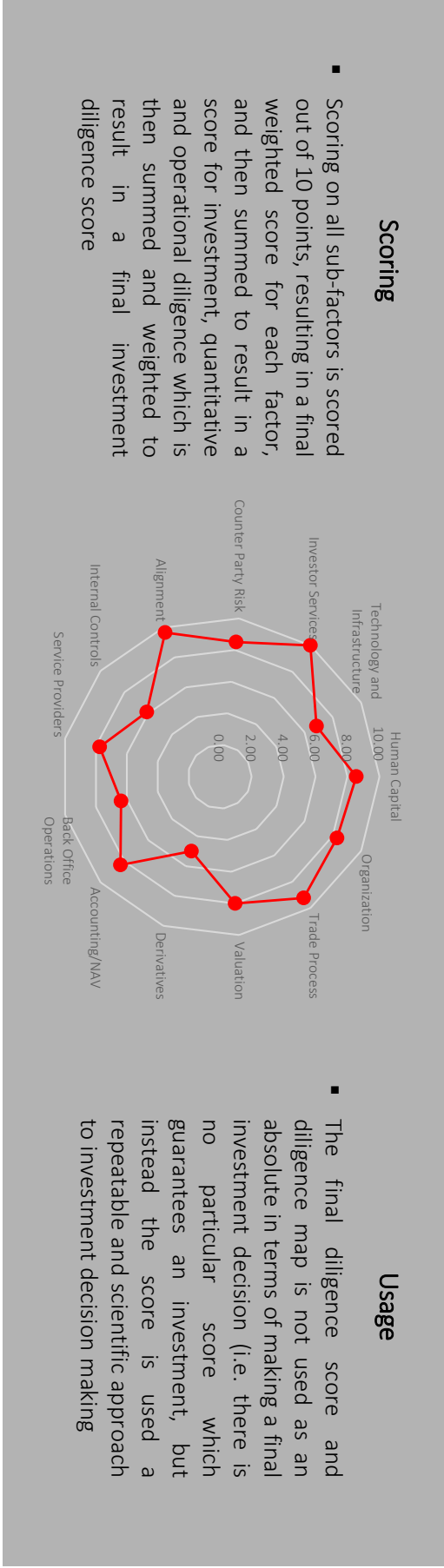
Underlying Model Investments Are Analyzed And Selected Using Highmore’s Proprietary Approach

Highmore’s investment diligence framework is designed as a scientific and repeatable process which incorporates proprietary factors such as behavioral analytics, dynamic factor weights and holistic investment ratings

Highmore Investment Diligence Framework



Example Diligence Map And Scoring



Source: Highmore

With Models Constructed Improving Upon The Flaws Of Traditional Mean Variance Optimization

<u>Traditional Industry Portfolio Construction</u>		<u>Highmore Approach</u>
Mean Variance Optimization (MVO)		Minimize frequency and size of investment loss
MVO was pioneered over half a century ago and used too simplistic assumptions about the real world		Recent research allows real world assumptions and deals realistically with investor concerns
Asset returns are assumed to have normal distributions, a bell-shaped curve with its bottom flared out; meaning, there are equal chances of gains or losses	Asset returns, in the real world, are non-normal distributions, i.e., chances for gains or losses are not equal, and losses/gains can be much larger than expected	
Risk is measured by volatility, which is calculated from deviations of periodic (e.g.: monthly) actual returns during a period (year) from the average (e.g.: monthly) return of that year. Mathematically, these deviations are squared, resulting in “variance”, always a positive number.	Risk is the downside risk, the risk of losses. Mathematically, it is the left tail risk of the non-normal distribution. An asset with returns skewed to the left (negative skew - it has more instances of losses than gains) has a larger tail risk than an asset skewed to the right (more occurrences of gains – positive skew)	
Counter-intuitive: This means a year of losses could have the same variance as a year of gains. An asset with a string of losses could have the same “risk” as another with a string of gains.	Reality: An asset with positive skew is preferred to a negatively-skewed asset, even if they both have the same mean and variance/volatility.	
<u>Potential Problems</u> 1) Investors make 50/50 bets 2) They treat gains and losses with equal aplomb 3) Risk of loss of capital is not dealt with	<u>Investor preferences</u> 1) Investors make bets if they believe chances for gains are greater than chances of loss. Conversely, they try to avoid bets with significant chances of loss 2) They are happier with gains, unhappy with losses, and particularly concerned about significant losses	

Source: Highmore

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Alternative investments provide limited liquidity and include, among other things, the risks inherent in investing in securities and derivatives, using leverage and engaging in short sales. An investment in an alternative investment fund is speculative, involves substantial risks, and should not constitute a complete investment program. An alternative investment fund may be highly leveraged. These funds may not be subject to the same regulatory requirements as mutual funds, and their fees and expenses may be high.

An investment in alternative investments is not suitable or desirable for all investors. Investors may lose all or a portion of the capital invested.

References to indexes and benchmarks are hypothetical illustrations of aggregate returns and do not reflect the performance of any actual investment. Investors cannot invest in an index. There can be no assurance that current investments will be profitable. Actual realized returns will depend on, among other factors, the value of assets and market conditions at the time of disposition, any related transaction costs, and the timing of the purchase.

This presentation contains certain “forward” looking statements”, which maybe identified by the use of such words as “believe”, “expect”, “anticipate”, “should”, “planned”, “estimated”, “potential”, and other similar terms. Examples of forward looking statements include, but are not limited to estimates with respect to financial conditions, results of operations, and success or lack of success of any particular investment strategy. All are subject to various factors, including but not limited to, general and local economic conditions, changing levels of competition within certain industries and markets, changes in interest rates, changes in legislation or regulation, and other economic conditions, operations, and success of any particular strategy. All are subject to governmental, regulatory and technical factors affecting a portfolio's operations that could cause actual results to differ materially from projected results.

Some of the strategies reflected in the model portfolio only partially relate, to the benchmarks shown for comparison (e.g. The HFRI is a composite index of a group of hedge funds. The model portfolio may not include the same investment strategies that are included in the HFRI. The Barclays US High Yield Index only directly compares to high yield portfolios. The S & P Index does not direct relate to many alternative investment strategies that are included in the model portfolios.)

The Hypothetical Model Portfolio is shown before, custody, commissions and any related transaction fees and expenses and do not reflect the reinvestment of dividends and capital gains. S&P 500, Barclay's, HFRI and MSCI indexes are not “investable” and do not reflect the deduction of any fees or expenses. Economic factors, market conditions, and investment strategies will affect the performance of any portfolio and there can be no assurance that a portfolio will match or outperform any particular index or bench-mark.

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