

# Alternative Investments guide

Alternative investments (AIs) use complex or nontraditional investment strategies, or investment instruments, to help you pursue your investment goals.



EQUITABLE



# Equitable Advisors' commitment to you

**Equitable Advisors is committed to delivering superior investment service. The foundation of that commitment rests on providing the information you need to make an informed decision about what may be best for your particular circumstances.**

Equitable Advisors is also committed to supervising the AI sales process to address the conflicts of interest discussed herein. If you have any questions in regard to any of the information included in this document, please contact your financial professional. Equitable Advisors sincerely appreciates the opportunity to serve you and values the trust you have placed in us.

The sole purpose of this document is to provide investors with an overview of the risks, considerations and conflicts of interest associated with the AI products offered by Equitable Advisors. This information is in no way intended as a solicitation and is subject to change. As always, you are advised to carefully read all offering memoranda, or prospectus and supplements, to help determine if any particular AI program may be right for you.

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# Alternative investments

While most AIs have historically been purchased by institutional and high-net-worth investors, many qualified retail investors today also look to add them to their portfolios.



They can offer:



**Potentially higher returns**  
(including income and/or capital appreciation)



**Additional diversification**



**Potential tax benefits or similar advantages**

**The purpose of the Equitable Advisors alternative investments guide is to help further educate you on the most common AIs we offer, so you can determine which one may address your investment needs.**

When considering the purchase of any investment, please keep in mind the following fundamental rule: If you do not understand the product's risks and how it is expected to perform in various market scenarios, do not buy it.

Some AIs that could be offered by Equitable Advisors are:

- 1 Interval funds
- 2 Non-traded REITs
- 3 Non-traded BDCs
- 4 Private equity
- 5 Private credit
- 6 Exchange funds
- 7 Hedge funds/funds of hedge funds

# Qualification requirements

Equitable Advisors also restricts AI investments to no more than 10% of an investor's liquid net worth in any one AI product with a maximum of 15% or 20%, depending on age, per asset class (e.g., non-traded REITs).

**Depending on factors, including your risk tolerance and liquid net worth, Equitable Advisors may further reduce the allowable percentage of your liquid net worth that may be invested in any AI product.**

Certain products and your state of residence may also have their own minimum qualification requirements or certain unique limitations. These are listed in the offering material or prospectus and supplements. Please note any limitations listed within the prospectus and supplements, if more restrictive than the policies set by Equitable Advisors, will supersede our policies.

**Certain AI products offered and sold in private placements may be appropriate only for, or available only to, accredited investors.**

Generally, among other categories, an accredited investor is any:



**Natural person** whose individual net worth (exclusive of primary residence), or joint net worth with spouse, **exceeds \$1,000,000;**



**Natural person whose annual income is in excess of \$200,000,** or whose joint annual income with a spouse is in excess of \$300,000;



**Corporation, LLC, limited partnership, employee benefit plan, or tax-exempt organization** with total assets in excess of \$5,000,000;



**Trust with total assets in excess of \$5,000,000** that is directed by a sophisticated person capable of evaluating the merits and risks of the potential investment; or



**An entity all of the equity owners of which are accredited investors** (not formed for the purpose of making the investment).

Products requiring you to meet these standards may require your financial professional to initially screen you prior to releasing materials. Investors in private placement products are generally expected to be sophisticated investors with an ability to understand how the product works and accept higher levels of risk.



## Equitable Advisors' minimum investor qualification requirements for public AI offerings are:

- **\$70,000** annual income **and** \$70,000 in liquid net worth; **or**
- **\$250,000** in liquid net worth

# Risks and considerations

Als are intended for sophisticated and experienced investors who are also willing to bear additional risks when compared to traditional investments.

Before purchasing an AI, we recommend you carefully consider the following:

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## How does the strategy fit into my portfolio?

Als may be beneficial for clients in higher tax brackets who are seeking to offset tax liabilities. For some, AI taxes are a significant consideration. Some Als may offer no tax advantage, depending on the program.

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## Does the objective match my needs?

While one AI product may seek to capitalize opportunities in distressed companies, another may seek to profit from leveraged commodity or currency investments, while another may seek pass-through income and tax benefits. You should consider only those Als with objectives matching your own.

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## What are the unique risks and potential consequences?

Many Als' underlying investments can significantly expose you to nontraditional risks, such as leveraging risks, political risks, speculative risks, currency risks, forward and futures contract risks, etc., resulting in significant volatility and the possible loss of your investment. Another unique risk is investing in a blind pool. Unlike other investment products, certain Als may start their offering period without any initial holdings and minimal funding. Clients who invest in the early stages of an offering are investing in a blind pool, which means that the investor is investing in a program based on the plans of the issuer to create a portfolio. These plans are detailed in the prospectus or private placement memorandum for the program. Furthermore, certain AI products may be affected by regulatory or legislative changes that may affect the structure of the product or its investments.

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## What are some of the benefits?

AI products can diversify portfolios, may provide income and are non-correlated to traditional markets. Due to their illiquidity, you may not be able to properly rebalance your portfolio, which may also impact overall performance. Diversification does not ensure a profit or protection against loss in declining markets. Some Als are also difficult to benchmark, or do not regularly update pricing, which can also make it difficult to value the position in your portfolio.

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## What are the total fees and charges?

Als generally have higher fees and charges compared to traditional investments. Many products also include incentive fees — fees that are paid to the program sponsor if certain thresholds are met. Generally, these thresholds have a specified return to investors, or hurdle, before additional payments are made to the product sponsor. These fees are not paid to Equitable Advisors. These fees are detailed in the program prospectus or private placement memorandum for your review.

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## Am I willing and able to hold to maturity?

If you need to abruptly sell your AI, many lack immediate liquidity or even a relatively liquid secondary market. Always plan to keep an AI to maturity. Certain products do not have set liquidity dates. Even if the product permits liquidation, the opportunity may be very limited (e.g., only at the first day of each quarter). Overall changes in market conditions may cause AI products to have terms greater than initially anticipated. Conversely, favorable market conditions may result in a shorter investment term than initially anticipated. There is no way to be certain of these changes at the time of investment.

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## Am I comfortable with little transparency?

Due to their nature, many Als lack asset and management transparency, not to mention regular asset valuation and pricing information. In addition, many AI sponsors' creditworthiness is difficult to ascertain.

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## What will be the impact on my taxes?

Some Als offer individuals pass-through income and tax benefits. And depending on the product, complex tax structures can also result in reporting delays. Products offering tax benefits, such as oil and gas programs, may be more susceptible to legislative changes to their structure

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For complete details on a particular AI's risks and considerations, please refer to its offering material — the prospectus and supplements or the private placement memorandum.

# Products offered by Equitable Advisors

Through an extensive due diligence process, Equitable Advisors' AI products are identified, evaluated and vetted for firm approval.

## Some important evaluation factors include, but are not limited to:

- Firm size and regulatory history
- Senior management's knowledge, experience and regulatory history
- Product type and investment focus
- Past performance, although not indicative of future results, and fidelity to investment strategy and objectives
- Fees and charges



While the firm may approve its AI program offerings, this does not mean that any single one may be right for you.

## Product types include:

### Interval funds

Interval funds, or tender-offer funds, are a type of Investment Company Act of 1940 closed-end fund that continuously offers new shares for sale but only buys back existing shares during specific periods (intervals). These funds, most of which do not trade on an exchange, can provide individual investors with access to alternative investments that are typically limited to institutional investors. But interval funds come with their own set of risks, including lack of liquidity. Interval fund fees and expenses also tend to be higher than other closed-end funds and mutual funds.

### Non-traded REITs

Non-traded REITs are companies that own or finance income-producing real estate and provide investors an opportunity to gain exposure to real estate without having to buy or sell property themselves. Unlike publicly traded REITs, non-traded REITs are not bought and sold on national security exchanges. There are multiple types of non-traded REITs, including public non-traded REITs and private REITs, sometimes called private placement REITs. Unlike public REITs, private REITs are not subject to SEC regulations.

The complexity, costs and risks of REIT products vary. You should understand the differences in order to choose investments that meet your objectives.

### Non-traded BDCs

A non-traded Business Development Company (non-traded BDC) is a closed-end fund that provides financing primarily to small or medium-sized private companies that are typically not large enough to secure funding from banks or other traditional lenders. They give investors the ability to invest in private companies and offer the potential for higher yields, lower volatility and diversification when compared to public fixed income. Non-traded BDCs are not traded on national security exchanges and are considered illiquid. Generally, to qualify as BDC, at least 70% of the fund's assets must be invested in eligible assets, including private U.S. companies or public U.S. companies with market values of less than \$250 million.

### Private equity funds

Private equity funds generally seek to provide enhanced long-term capital appreciation by investing in private, non-traded companies to drive business growth, streamline operations and/or support acquisitions. Unlike public equity managers, private equity managers often seek to work with management teams of these companies with the goal of eventually selling shares at a profit and distributing those profits to investors. Private equity funds are considered long-term investments with terms that typically range from 7 to 12 years.

## **Private credit funds**

Private credit funds seek to provide higher income and/or total returns versus public credit markets by investing in privately negotiated loans, bonds or other debt instruments. Private credit fund managers often negotiate directly with small- and medium-sized companies providing a tailored financing solution which may not be accessible to them in the public credit markets or through bank lenders. Private credit funds may hold debt in non-investment grade borrowers, and therefore there may be a greater risk of nonpayment or default, which may negatively affect the return to investors. Private credit funds are considered long-term investments with terms that typically range from 5 to 10 years.

## **Exchange funds**

Exchange funds, also known as swap funds, are limited partnerships sponsored by banks, brokerage firms or investment management organizations that take concentrated shareholders of different companies and pool their shares within the limited partnership. This pooling of assets allows investors to exchange their single-stock concentration for shares in a diversified fund, without having to sell their original stock and trigger capital gains taxes. Exchange funds provide investors with a way to diversify their holdings while deferring capital gains taxes.

## **Hedge funds/funds of hedge funds**

Hedge funds/funds of hedge funds are privately managed investment funds that use sophisticated strategies, or instruments, to potentially offset losses during market downturns or generate returns higher than traditional investments. Hedge funds are pooled investment funds that trade relatively liquid assets and can be used as a diversification tool. The investment strategies can vary but typically seek to produce return while mitigating downside risk. Hedge funds often invest in public markets and have the flexibility to employ alternative trading techniques to manage overall exposure. By deploying various financial instruments or market strategies, hedge funds seek to offset risks and provide the potential for downside protection.

# Compensation to Equitable Advisors and your financial professional

If purchased through a brokerage account, Equitable Advisors is paid a sales compensation by the sponsor, a percentage of which goes to your financial professional.

**Since some products have higher sales compensation than others for the same amount invested, actual dollar amounts paid to Equitable Advisors, and ultimately to your financial professional, may vary. Therefore, your financial professional may receive more compensation for selling some AI products as opposed to other investment products.**

This creates a conflict of interest on the part of your financial professional. In addition, certain program sponsors may pay periodic 12b-1 distributions and servicing fees, or trails, to Equitable Advisors, from which a portion also go to your financial professional. Details on actual payment amounts and their frequency are described in the AI program's offering material or prospectus and supplements.

If purchased in an investment advisory account, sales compensation will not apply. Instead, investors in such accounts pay an advisory fee based on the assets in the account. The fee is negotiated and typically payable quarterly in advance, and is shared with your financial professional. Other fees and costs may be included in the advisory fee or paid separately; those details are set forth in your investment advisory services agreement.

A percentage of annual advisory fees and sales compensation is also paid to Equitable Advisors for supervisory and administrative services.

Advisory account fees may be higher than sales compensation over time.

LPL Financial and Equitable Advisors may also receive 12b-1 trails and similar service or administration fees from AI sponsors, although not all products charge these fees. Trails do not apply to advisory accounts.

For more information regarding the firm, products and services offered and additional information concerning conflicts of interest, please see the firm's Form ADV Part 2A, Relationship Summary for Retail Investors (Form CRS), General Conflicts of Interest Disclosure and Third-Party Compensation and Conflicts of Interest Disclosure, among other useful documents and information, all of which can be found at [equitable.com/CRS](https://equitable.com/CRS).

Compensation structures may change pending firm or regulatory developments. Ask your financial professional.





# Marketing support

At Equitable Advisors, we work diligently to develop, monitor and maintain our AI offerings, and to provide financial professionals with the tools, skills and knowledge to best serve our clients.

**While we offer AI products from many different sponsors, we also work closely with certain partner sponsors having employees who train, educate and help our financial professionals better understand their products and services.**

In such arrangements, Equitable Advisors provides enhanced marketing and support opportunities to these partner sponsors. In return, they pay additional amounts to compensate us for these opportunities, such as greater access and visibility, including access to dedicated relationship management, national meetings and national/regional speaking opportunities, branch office staff and events, the Equitable Advisors Sales Desk and quarterly sales reports.

Equitable Advisors uses these payments for education, training, due diligence and other distribution-related services, although Equitable Advisors may retain some of them for any valid corporate purpose, and these payments may contribute to the overall profits of Equitable Advisors.

Your financial professional may indirectly benefit from partner payments made to Equitable Advisors when this money is used to support costs related to program marketing or training. Your financial professional may also receive non-cash compensation from sponsors or other vendors, consistent with FINRA rules and firm guidelines.

**In addition** to any commissions earned, these payments may create a conflict of interest for your financial professional. Details regarding payments made to Equitable Advisors in investment advisory accounts are described in our Form ADV, Part 2A, which is provided should you choose to open an investment advisory account.

Marketing support paid to Equitable Advisors by AI sponsors varies, but does not exceed 1.5% of program sales (\$150 on a \$10,000 transaction). Some sponsors may pay Equitable Advisors a small fee for assets held longer than 1 year, rather than a payment based on program sales. This payment typically is no greater than 0.20% annually of assets (\$20 on a \$10,000 holding). Program compensation policies can be found in the offering memorandum or prospectus. These payments do not increase the sales charge you pay, the cash compensation paid to your financial professional or the amount of your investment that is put into the program. These fees generally come from the dealer manager fees that are charged by many AI products and included in the overall sales charge.



# 2023

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Equitable Advisors received marketing, conference or other support from Black Creek Group/Ares **(\$43,970)** and Hines Real Estate Investment **(\$46,970)**.

# 2024

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Equitable Advisors expects to receive financial support from some or all of these sponsors, however, the relative financial contribution will vary.

## However,

unlike marketing support for mutual fund and investment advisory solicitor programs, marketing support payments made to Equitable Advisors from AI sponsors may be significantly higher in dollar amount than mutual fund and investment advisory solicitor programs.

You should consider these matters carefully prior to investing in any product or service offered through Equitable Advisors. Additionally, you are encouraged to ask your financial professional for any potential conflict information that may be specific to them.

Equitable Advisors, LLC is not affiliated with LPL Financial.

Equitable Advisors, LLC (member FINRA, SIPC) (Equitable Financial Advisors in MI & TN) is a broker-dealer clearing through LPL Financial (member FINRA, SIPC). Duly-registered Equitable Advisors Financial Professionals also offer investment advisory products and services through Equitable Advisors, LLC, an investment adviser registered with the SEC.

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