THINK BEYOND
TRADITIONAL ASSET ALLOCATION

NorthStar
SECURITIES

WHAT'S INSIDE?

THE NEED FOR NEW ASSET ALLOCATION STRATEGIES

Whether planning for retirement, saving for children's college education or establishing a nest egg, many investors have similar financial goals, including income, growth and diversification.

To meet these goals, investors have historically invested in a traditional investment strategy comprised of stocks, bonds and cash. However, many individual investors are following the lead of institutional investors and pursuing alternative asset allocations. This brochure explores the potential benefits and risks of including such types of investment solutions.

76% of individual investors would consider alternative investments if recommended.[1]

1) Natixis Global Asset Management, Global Survey of Individual Investors conducted by CoreData Research, February 2015. CoreData Research was commissioned by Natixis to conduct the study of investors in 17 countries in order to better understand their attitudes toward portfolio construction, risk, advice, and saving, their market sentiments and their perceptions on benchmarking investment performance. An online quantitative survey was developed and hosted by CoreData Research. A sample of 7,000 individual investors with a minimum net worth of US $200,000 (or Purchase Price Parity {PPP} equivalent) was obtained for the purposes of this study. Results ware analyzed with segmentation from a range of perspectives.

Alternative investments involve specific risks that may be greater than those associated with traditional investments, and there is no assurance that any investment will meet its performance objectives or that losses will be avoided.

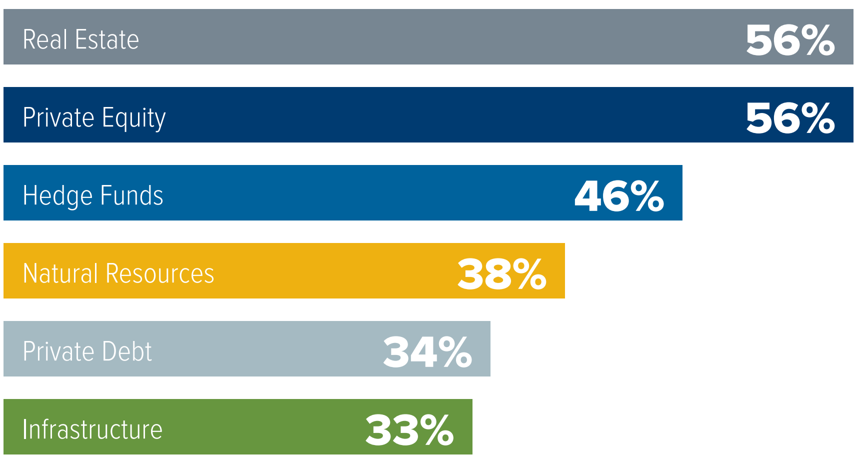
THE GROWING POPULARITY
OF ALTERNATIVE INVESTMENTS

Historically Reserved for Institutional Investors

Alternative investments include a broad range of asset classes, strategies and structures that expand the opportunities for portfolio construction beyond traditional investments. Due to strict suitability requirements and high minimum investment restrictions, these alternative asset classes were previously reserved for institutional investors, limiting participation by individual investors.

However, rising demand for investments that offer higher return potential and portfolio diversification has resulted in product innovation among asset managers, allowing for individual investors to more easily access these strategies, including real estate investment trusts, business development companies and closed-end funds (including interval funds).

INSTITUTIONAL INVESTORS' ALLOCATION TO EACH ALTERNATIVE ASSET CLASS[2]



78% of institutional investors invest in at least one alternative asset class, with almost half of those investing in three or more alternative asset classes.[2]

Alternative investments are often illiquid and highly specialized. In the context of alternative investments, higher returns may be accompanied by increased risk and the possibility of investment loss. Investing in alternative investments involves risks including but not limited to unfavorable market conditions, limited liquidity and the potential loss of principal. Investing in alternative assets relies less on publicly available data and more on a manager's ability to analyze and underwrite its investments.

2) Preqin Investor Outlook: Alternative Assets, September 2017.

IMPLEMENTING
ALTERNATIVE INVESTMENTS

An increasing number of advisors are turning to alternative investments to help diversify investor portfolios and provide the potential for income and growth in response to market volatility in today's economic climate.

REASONS ADVISORS UTILIZE ALTERNATIVE INVESTMENTS[3]

69%
Diversification

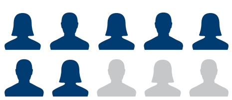
61%
Reduce Volatility

57%
Reduce Risk

39%
Enhance Returns

33%
Inflation Hedge

24%
Generate Income



Seven in ten advisors report that they believe a traditional stock and bond portfolio is no longer an adequate strategy to maximize returns and minimize risk in client portfolios.[4]

Alternative investments are often illiquid and highly specialized. In the context of alternative investments, higher returns may be accompanied by increased risk and the possibility of investment loss. However, there is no guarantee of greater or any returns. Utilizing alternative investments involves various risks including, but not limited to, complete loss of principal and limited liquidity. Diversification does not eliminate risk and does not assure better performance. Investing in alternative assets relies less on publicly available data and more on a manager's ability to analyze and underwrite its investments.

3) Investment News; Alternatives in the Mainstream: A Potential Growth Opportunity for Advisers. 4) Natixis Global Asset Management, Global Survey of Financial Advisors conducted by CoreData Research, May 2016.

UNDERSTANDING
ALTERNATIVE INVESTMENTS

The Evolution of Portfolio Construction

Portfolio construction has evolved over the past 50 years to respond to the needs of investors and changing market conditions, including volatility, yield expectations and correlation risks. While a traditional investment portfolio typically consisted of stocks, bonds and cash, modern portfolio construction theory includes portfolio diversification through low-correlated asset classes, which may improve performance and reduce overall risk by minimizing exposure to any one asset type.

ALTERNATIVE INVESTMENTS MAY POTENTIALLY OFFER:

- Increased Portfolio Diversification
- Downside Protection
- Greater Returns
- Lower Correlation to Broader Markets
- Hedge Against Inflation
- Capital Appreciation

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Alternative Asset Classes

Alternative products can be utilized to meet a variety of objectives and may complement traditional investments. Some common examples of alternative investments include:

INVESTMENT TYPE		GROWTH	INCOME	CAPITAL PRESERVATION
PRIVATE EQUITY	Financed by high net worth investors; used to purchase and grow private companies	■		
PRIVATE DEBT	Used as a source of financing for private companies, often through senior secured loans		■	■
REAL ESTATE	Invests in or finances professionally managed diversified portfolios of high-quality commercial real estate	■	■	
VENTURE CAPITAL	Provides investment capital to start-ups and early-stage companies	■		
HEDGE FUNDS	Invests in a wide array of assets across a variety of markets, employing both long and short strategies	■		
MANAGED FUTURES	Managed by commodity trading advisor; trade futures on energy, currency, interest rates, etc.			■

Utilizing alternative investments involves various risks including, but not limited to, loss of principal and limited liquidity. Alternative investments may be subject to higher costs and fees than traditional investments and are often illiquid and may be highly specialized, necessitating an experienced professional to help determine investments. As with any investment, there are important investor suitability considerations like age, tax status, investment objective, investment experience and the source of funds to be invested.

POSITIONING ALTERNATIVES
IN A DIVERSIFIED PORTFOLIO

Low-Correlated[5] Assets as a Diversification Tool

In general, alternative investments are less correlated to the stock and bond markets, meaning they may outperform the broader stock and bond markets when they decline. By including lower-correlated assets in a diversified portfolio, investors may be able to reduce portfolio risk compared to a portfolio exclusively comprised of correlated assets.

CORRELATION OF TRADITIONAL VS. MORE ALTERNATIVE INVESTMENTS (1997 Q1–2016 Q2)[6]

	Core Equity Real Estate	Commercial Mortgages	CMBS	Stocks	Corp. Bonds	Gov't Bonds	Private Equity	Hedge Funds	Int'l Stocks
Core Equity Real Estate	1	0.12	0.10	0.21	-0.18	-0.02	0.36	0.12	0.16
Commercial Mortgages		1	0.73	-0.12	0.44	0.40	-0.02	-0.02	-0.11
Investment Grade CMBS			1	0.27	0.67	0.11	0.16	0.27	0.30
Stocks				1	0.07	-0.55	0.67	0.81	0.87
Investment Grade Corporate Bonds					1	0.49	-0.06	0.10	0.16
Government Bonds						1	-0.40	-0.53	-0.52
Private Equity							1	0.79	0.66
Hedge Funds								1	0.83
International Stocks									1

Asset correlation is a measure of how closely investments perform relative to one another. High correlated (a number closer to 1) assets tend to behave similarly in an improving or deteriorating market. Lower correlated assets (a number closer to 0) have an inverse relationship and respond in opposite directions.

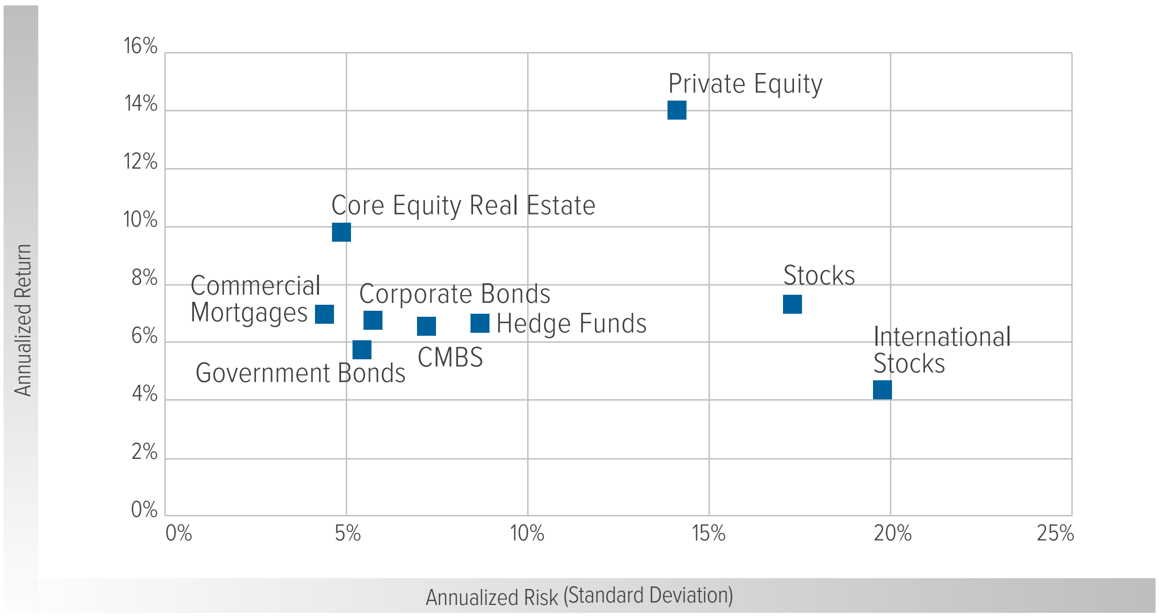
5) Correlation is a statistical measure of how two securities move in relation to each other. The higher the coefficient (1 is the maximum), the greater the correlation between the two markets. 6) Source: the indices used for each asset class are: Commercial Mortgages, Giliberto-Levy Commercial Mortgage Performance Index; Government Bonds, Barclays U.S. Treasury Index; Corporate Bonds, Barclays U.S. Investment Grade Corporate Credit Index; Core Equity Real Estate, NCREIF Property Index (NPI); Stocks, S&P 500 Total Return Index; Commercial Mortgage-Backed Securities, Barclays Capital U.S. Investment-Grade CMBS Index: Private Equity, Cambridge Associates LLC U.S. Private Equity Index; Hedge Funds, HFRI Hedge Fund Index; International Stocks, MSCI EAFE Index. Data is from 1997Q1-2016Q2, except for the Cambridge Associates LLC U.S. Private Equity Index, which is as of 2015Q4. 1997 is used as a starting point as it was the first time data was consistently available across these asset classes. Past performance is no guarantee of future results.

Risk-Return Tradeoff

As shown below, alternative investments may offer individual investors the opportunity for greater returns relative to their risk when compared to traditional investments. While the risk and returns of alternatives may vary depending on the underlying investment strategy and targeted assets, diversification through lower-correlated assets may help reduce overall volatility while providing attractive returns compared to traditional portfolio allocation. Higher returns may be accompanied by increased risk and, like any investment, the possibility of an investment loss. In addition, distributions may come from offering proceeds or borrowings and may represent a return of capital.

As shown in the chart below, stocks had nearly an 8% return over the last two decades. In comparison, commercial mortgages experienced similar returns but at a fraction of the risk. This illustrates how Incorporating a variety of asset classes may help lessen the impact of volatility with decreased portfolio risk.

TOTAL RETURNS & RISK BY ASSET CLASS (1997 Q1–2016 Q2)[6]



6) Source: the indices used for each asset class are: Commercial Mortgages, Giliberto-Levy Commercial Mortgage Performance Index; Government Bonds, Barclays U.S. Treasury Index; Corporate Bonds, Barclays U.S. Investment Grade Corporate Credit Index; Core Equity Real Estate, NCREIF Property Index (NPI); Stocks, S&P 500 Total Return Index; Commercial Mortgage-Backed Securities, Barclays Capital U.S. Investment-Grade CMBS Index: Private Equity, Cambridge Associates LLC U.S. Private Equity Index; Hedge Funds, HFRI Hedge Fund Index; International Stocks, MSCI EAFE Index. Data is from 1997Q1-2016Q2, except for the Cambridge Associates LLC U.S. Private Equity Index, which is as of 2015Q4. 1997 is used as a starting point as it was the first time data was consistently available across these asset classes. Past performance is no guarantee of future results.

Of those advisors in the U.S. utilizing alternative investments, 60% incorporate exposure to real estate in their clients' portfolios.[7]

EXPOSURE TO ALTERNATIVES
THROUGH COMMERCIAL REAL ESTATE

Commercial real estate may serve as an integral role in diversifying investor portfolios while providing a source of income and attractive risk-adjusted returns.

INVESTMENTS IN COMMERCIAL REAL ESTATE MAY PROVIDE:[8]

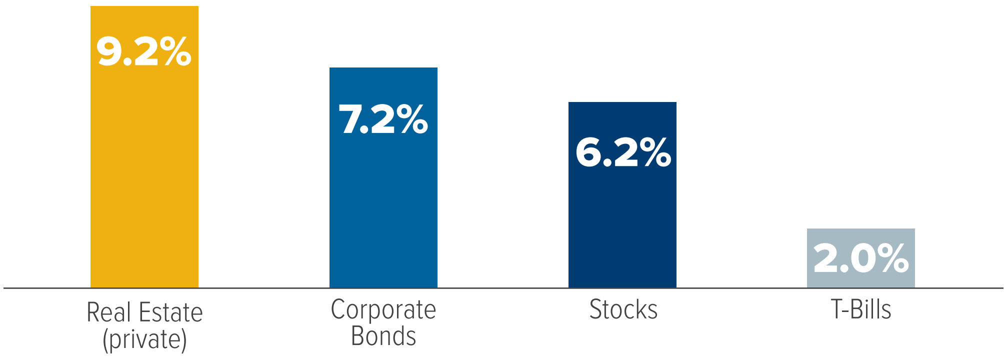
INCOME	May offer investors consistent income through monthly distributions from rent or mortgage payments collected from the property
CAPITAL APPRECIATION	Potential opportunity for capital appreciation if the property increases in value over time
INFLATION PROTECTION	Historically, real estate income has increased at nearly the same rate as inflation
LOWER CORRELATION	Including low-correlated assets with varying degrees of risk may reduce overall portfolio volatility
PORTFOLIO DIVERSIFICATION	Real estate has retained a lower correlation to stocks and bonds in comparison to other major asset classes, bringing valuable diversification

7) "Why Advisors are Using Alternatives" from 2016 Natixis Survey of Financial Advisors. 8) Investing in commercial real estate involves various risks including but not limited to unfavorable market conditions, loss of principal and limited liquidity. There is no guarantee of distributions. Distributions may be paid from sources other than cash flow from operations, such as offering proceeds, borrowings or sales of assets, which may reduce an investor's overall return and may constitute a return of capital. There is no guarantee of appreciation and investments may decrease or fluctuate in value. As with any investment, there are various risks including unfavorable market conditions. There can be no assurance that low-correlated assets will protect against loss. Diversification does not eliminate risk and does not assure better performance.

Strong Historical Performance

Real estate's strong historical performance may provide a measure of confidence to investors who consider adding the asset class to their portfolios. As shown below, real estate has outpaced traditional asset classes over the past 20 years, delivering an 9.2% annualized total return and surpassing the returns on stocks and bonds over the same period.

HISTORICAL RETURN COMPARISON (1997-2017)[9]



While commercial real estate may provide certain benefits, investments can vary in degree of risk and may decrease or fluctuate in value. As with any investment, there are various risks that investors should consider, including but not limited to potential loss of principal and increased risk.

9) NCREIF, Standard & Poor's, Citigroup, Federal Reserve. Real Estate (Private) is represented by the NCREIF ODCE gross total returns. NCREIF ODCE data reflects the returns of diversified, core, open-end funds including leverage and fund expenses, but excluding management and advisory fees. Stocks are represented by the S&P 500 Index and are subject to market risk. Corporate Bonds are represented by the Citigroup Broad Investment Grade Corporate Bond Index and are subject to credit risk. T-bills are represented by the U.S. Government 90-day T-bill and are subject to interest rate risk. Government bonds and Treasury Bills are guaranteed as to the timely payment of principal and interest. Indices are meant to illustrate general market performance; it is not possible to invest directly in an index. The indices presented represent investments that have material differences from an investment in non-traded investment programs such as real estate investment trusts, business development companies and closed-end funds (including interval funds), including those related to investment objectives, risks, fees and expenses, liquidity and tax treatment. Past performance is no guarantee of future results.

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