New Choices for New Challenges

Harnessing the Power of Liquid Alternatives

Paradigm Liquid Alternatives

ENVESTNET® PMC™

Liquid Alternatives—
A New Take on Diversification

Today's markets combine complexity and volatility in ways that are unprecedented and disorienting for even the most sophisticated clients. Many asset classes have become so highly correlated that some traditional diversification strategies have lost effectiveness. And as market volatility persists, advisors are questioning the value of diversification.

Time for a new take.

Diversification now means more than multiple asset classes—it means alternative investment strategies as well. Alternatives can help address market challenges by cushioning portfolios against extreme market conditions or tapping into new sources of returns. And a more durable portfolio can make it easier for your clients to stay invested for the long run.

Bringing institutional investing strategies to the marketplace

Historically, alternative investment strategies were available only to institutional investors and high-net-worth individuals. Nowadays, the attractive attributes of alternatives can be accessed by all investors through the use of liquid alternatives.

What is a liquid alternative investment?

Liquid alternatives are mutual funds or ETFs registered with the SEC under the 1940 Act. They seek returns that are uncorrelated with traditional asset classes and employ nontraditional investment strategies, including selling short, using leverage or using derivatives.

Traditional Alternatives	Liquid Alternatives
Limited Partnership	ETF
Limited Liability Company	Mutual Fund
Hedge Fund / Private Equity Fund	SMA

Why liquid alternatives?

The rise of liquid alternatives has provided access to some of the benefits of traditional alternatives without many of the drawbacks of hedge funds and limited partnerships.

Liquid alternatives have many of the same characteristics of traditional alternatives but eliminate some disadvantages by offering:

- Daily liquidity
- Transparency
- Reduced fee structure
- Efficient tax reporting
- No accreditation issues
- Low investment minimums

Benefits of using liquid alternatives:

- Ability to reduce risk through low correlation with traditional stock & bond investments
- Diversifying with liquid alternatives can help smooth the ride
- Potential to enhance returns through distinctive investment strategies
- Access to specialist money managers employing unique approaches

Investment Philosophy

Envestnet|PMC seeks to help advisors preserve and grow their clients' wealth by creating portfolios with valuable, diversifying investment characteristics for potentially superior risk-adjusted returns. To do this, PMC employs a rigorous fund selection and implementation framework for utilizing liquid alternative strategies.

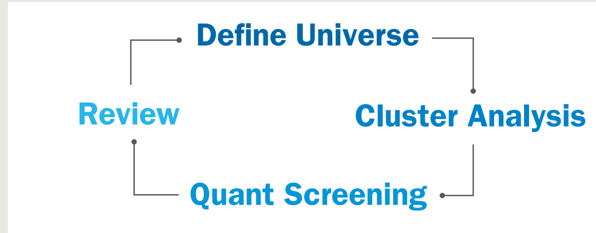
Investment Process

PMC evaluates liquid alternative funds using criteria that encompass both investment expertise and operational infrastructure. Our philosophy, style and process set us apart.

The PMC investment process has four distinct phases:

1. **Understanding and access—**provide access to liquid alternative solutions plus continuous education
2. **Research—**rigorous quantitative and qualitative approval process
3. **Implementation—**a scalable framework for implementing alternative strategies into client portfolios
4. **Insight—**objective guidance on liquid alternative portfolio composition

PMC Liquid Alternatives Research Framework



Cluster Analysis

A statistical technique used to segment the alternative universe into groups of like strategies, or clusters, that have common objectives. These clusters serve as peer groups, enabling effective evaluation.

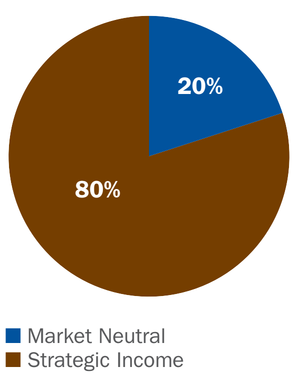
With cluster and characteristics identified for funds in each cluster, PMC provides a framework for thinking about how specific alternative strategies can provide complementary or enhanced risk, return and diversification elements to a portfolio. An advisor can use this framework and approved list of funds to select specific investments to satisfy client return objectives.

Building all-weather solutions to hedge risk & volatility

PMC's Paradigm Liquid Alternatives portfolios enable advisors to effectively and efficiently construct portfolios that benefit from exposure to liquid alternatives. PMC offers three approaches to managing risk and volatility using liquid alternative strategies.

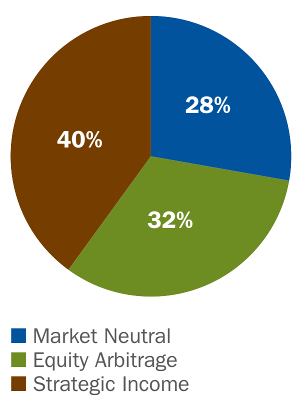
Paradigm Liquid Alternatives

Fixed-Income Complement



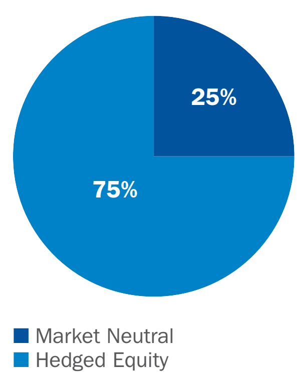
Seeks to exploit inefficiencies in the fixed-income market, potentially protect against rising interest rates and help to enhance a fixed-income portfolio's risk-adjusted return

Diversifier



Seeks to tap into non-correlated sources of returns across multiple asset classes, capitalize on a non-trending equities market and reduce traditional equity and fixed-income exposure

Equity Complement



Seeks to reduce overall equity portfolio volatility, diversify across multiple strategies, add value through tactical allocation shifts and potentially enhance risk-adjusted returns

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Learn more at envestnet.com

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Investors should consult with an investment advisor to determine the appropriate investment vehicle. Investment decisions should always be made based on the investor's specific financial needs and objectives, goals, time horizon and risk tolerance. The statements contained herein are based upon the opinions of PMC and third party sources. Information obtained from third party sources are believed to be reliable but not guaranteed. All opinions and views constitute our judgments as of the date of writing and are subject to change at any time without notice.

Exchange Traded Funds (ETFs) and mutual funds are subject to risks similar to those of stocks, such as market risk. Investing in ETFs may bear indirect fees and expenses charged by ETFs in addition to its direct fees and expenses, as well as indirectly bearing the principal risks of those ETFs. Income (bond) ETFs and mutual funds are subject to interest rate risk which is the risk that debt securities in a fund's portfolio will decline in value because of increases in market interest rates.

Alternative Investments may have complex terms and features that are not easily understood and are not suitable for all investors. You should conduct your own due diligence to ensure you understand the features of the product before investing. Alternative investment strategies may employ a variety of hedging techniques and non-traditional instruments such as inverse and leveraged products. Certain hedging techniques include matched combinations that neutralize or offset individual risks such as merger arbitrage, long/short equity, convertible bond arbitrage and fixed-income arbitrage. Leveraged products are those that employ financial derivatives and debt to try to achieve a multiple (for example two or three times) of the return or inverse return of a stated index or benchmark over the course of a single day. Inverse products utilize short selling, derivatives trading, and other leveraged investment techniques, such as futures trading to achieve their objectives, mainly to track the inverse of their benchmarks. As with all investments, there is no assurance that any investment strategies will achieve their objectives or protect against losses.

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