

Liquid Alternatives

Key Facts

Liquid alternatives are one of the fastest growing segments of the funds market. Forecasts predict that liquid alternatives will represent 14% of total industry assets by 2023.¹

Benefits and Advantages

- Full suite of services required by liquid alternative fund managers
- Expertise in supporting multi-manager structures
- Dedicated onboarding team
- Consistent flow of data across all segments of our services
- Manager access to key fund information
- Proprietary technology

Liquid alternative investment products typically use investment strategies that do not move in correlation with the equity or bond markets. These strategies include the ability to utilise a broad array of financial markets, derivatives, leverage, and take both long and short positions.

Launching a liquid alternative fund can pose unique operational challenges for both traditional and alternative asset managers. BNY Mellon offers a liquid alternative funds solution that integrates fund accounting, fund administration, custody, transfer agency, performance and risk analytics, collateral management and derivatives management services in a seamless package. This solution is available for both standalone funds, as well as funds in the BNY Mellon FundVantage and RBB turnkey solutions. Integrating these services allows us to respond quickly to our clients' requests and to regulatory changes.

BNY MELLON CAPABILITIES

Fund Accounting

- Automated multicurrency, multi-class and multi-manager transaction processing and reporting, including support of corporate actions and dividends on short positions, interest rate changes, paydowns, and swap activity
- Automated creation of security master files via interfaces with industry leading data collectors
- Security pricing services with connectivity to pricing vendors
- Automated interfaces with prime brokers for short sale processing and interfaces with numerous prime brokers within the same account
- Automated reconciliation to custodians and prime brokers
- Fund data available via our online information delivery management system
- Direct reporting of performance, holdings, and net asset information to each respective sub-advisor with rolled up reporting available to the sponsor/advisor
- Automated delivery of nightly NAVs, distribution, and fund performance information

¹ Cerulli Associates: *Alternative Products and Strategies 2013: Identifying Enduring Opportunities in Complex Markets*

Fund Administration

- Integrated suite of services including financial reporting, tax, fund compliance and regulatory administration
- Fund compliance monitoring for certain IRC and SEC rules with daily reporting of tolerance exceptions
- Automated creation of shareholder reports in typeset ready pdfs from the first draft
- Automated N-Q, N-SAR and N-MFP production
- Automated workflow for creation of tax provision work papers for both fiscal and excise reporting
- Coordination of annual audit
- Coordinate and prepare board materials and regulatory filings

Transfer Agency

- Broker/dealer and financial planner services, including commission and 12b-1 payment processing, NSCC support, and broker/dealer–financial planner inquiries
- Standard and customised reporting services to investors and fund sponsors
- Capability to support responses to regulatory inquiries with standard and customised reports
- Daily interface with accounting and custody to coordinate investor activity and money movements
- Institutional order entry facilities
- Integrated check processing/electronic funds transfer services
- Document Solutions, including electronic output, print mail/fulfillment and proxy print and mailing services through our strategic partnership with Xerox
- Regulatory support services covering AML, CIP and suspicious

activity monitoring and Rule 22c-2 monitoring solution.

Liquid Alternative Custody

We offer complete domestic and global custody services built on a single multicurrency systems platform. Our integrated, multicurrency environment includes the following:

- Technology integration with various Prime Brokers to offer operationally efficient custody/collateral management solutions
- Centralised Onboarding Team, responsible for account opening, KYC, foreign market account opening, technology and tax support
- Service teams with expertise supporting hedge fund and prime broker relationships in multi-manager structures
- Third party collateral management services with monitoring of cash and securities held in third party collateral accounts against leverage with Prime Brokers
- Custody data integrated with our accounting, performance and reporting systems
- Online information delivery management system delivers reliable and timely information and reports on a real-time basis
- Subcustodian Network in more than 100 markets
- 24/7 global operations
- Complete multicurrency asset servicing (corporate actions, income collections, tax reclaim and proxy services)
- Automated and customised trade processing and reconciliation
- Online cash availability, reporting and forecasting

Performance and Risk Analytics

HedgeMark, a BNY Mellon company, is a specialist in the risk analytics and monitoring of alternative investments and strategies. HedgeMark's services include:

- Daily performance and multi-level Performance Attribution
- Daily exposure and risk information including Notional Exposures, VaR (Monte Carlo and Historical), Stress Testing and Scenario Analysis
- Position-level risk for each individual sub-advisor along with total portfolio aggregation
- Capabilities to monitor compliance with investment guidelines at the individual sub-advisor and portfolio level
- Multi-asset class security and risk modeling coverage across all hedge fund strategies
- Robust data enrichment and quality control process

Securities Lending Opportunities and Liquidity Alternatives

Through our Securities Finance group, BNY Mellon has the ability to provide incremental yield and a comprehensive liquidity solution. Services include the ability to:

- Enhance yield on longs through Securities Lending, with cash collateral options
- Short securities through the Borrow Plus program
- Provide term and overnight financing for liquidity needs

Ancillary Services

- Collateral Management services
- Pershing Prime Brokerage
- BNY Mellon Dedicated Managed Accounts, supported by HedgeMark

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HedgeMark Advisors, LLC ("HMA") is an SEC-registered investment adviser. HMA provides managed account and infrastructure solutions. Managed accounts monitored by HMA are referred to as the "Platform Accounts". HMA transacts business in the United States and other jurisdictions where it is properly registered, or excluded or exempted from registration requirements.

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IMPORTANT DISCLOSURES:

An investment in alternative investment strategies is speculative, should comprise of discretionary capital set aside for speculative purposes, involves a high degree of risk and is not suitable for all investors. Investors could lose all or a substantial portion of their investment and must have the financial ability, sophistication/experience and willingness to bear the risks of an investment long term.

Alternative investment strategies may be leveraged (including highly leveraged) and an alternative investment strategy's performance may be volatile. Accounts pursuing alternative investment strategies commonly enter into swaps, futures, forwards, options and other derivative transactions for various hedging and/or speculative purposes that can result in volatile fund performance. Leveraging may increase risk.

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