



Private
Wealth



Robert A. Stanger & Co. LLC

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Innovative REAL ESTATE STRATEGIES

HOW ADVISORS CAN ACHIEVE PORTFOLIO DIVERSIFICATION THROUGH REAL ESTATE

Outlook for Real Estate Vs. Other Alternative Investments and Financial Assets

MODERATOR

Michael Underhill

Founder & Chief Investment Officer
Capital Innovations, LLC

PANELISTS

F. Fuller O'Connor

Managing Director
EJF Capital LLC

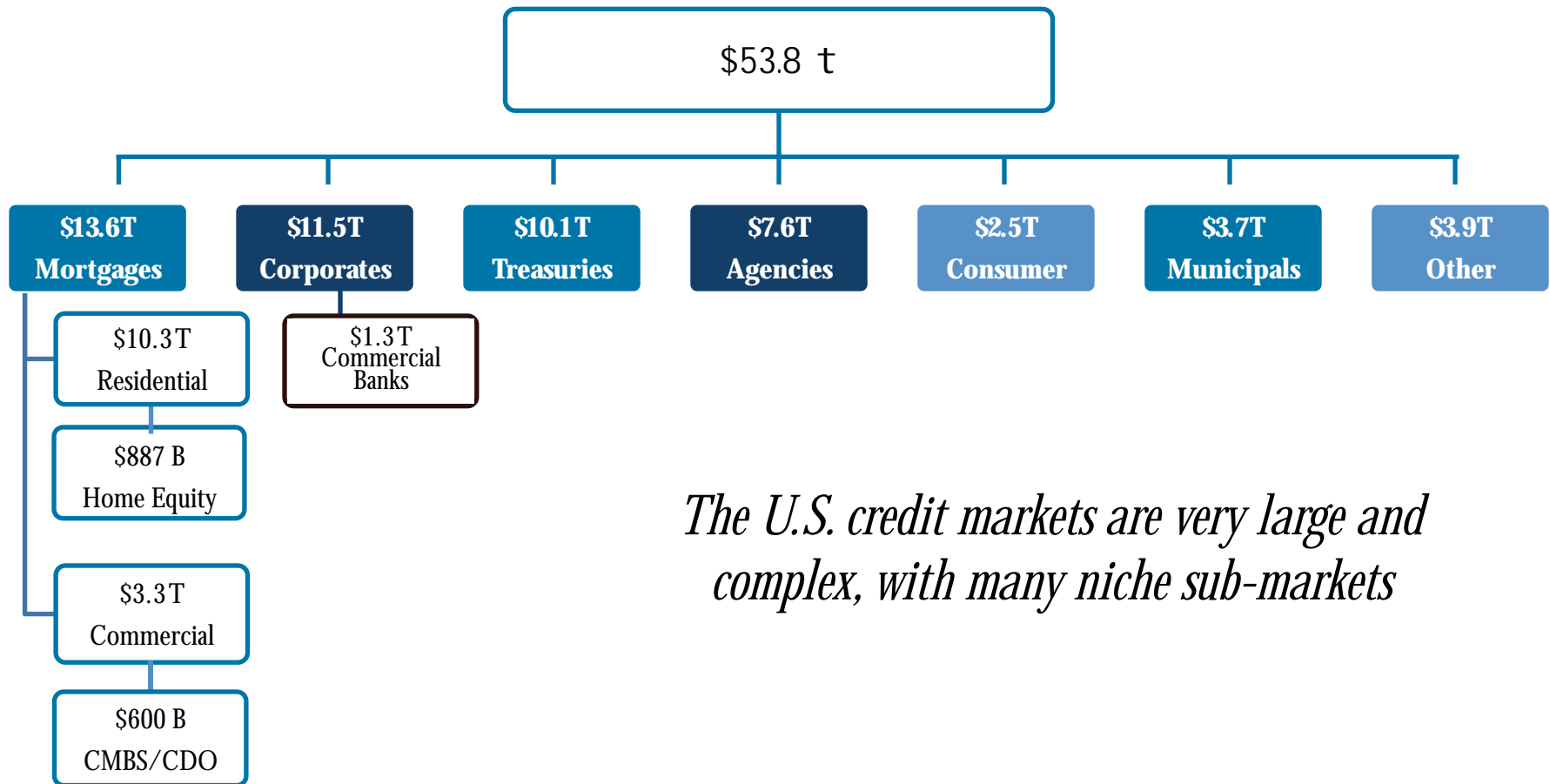
Daniel Oschin

Managing Director
KBR Capital Partners

Gordy Wilhite

Senior Vice President/Regional Sales Manager
CNL Securities

U.S. Credit Market Debt¹



1.) Source: Federal Reserve, Flow of Funds Account of the United States, Third Quarter 2011



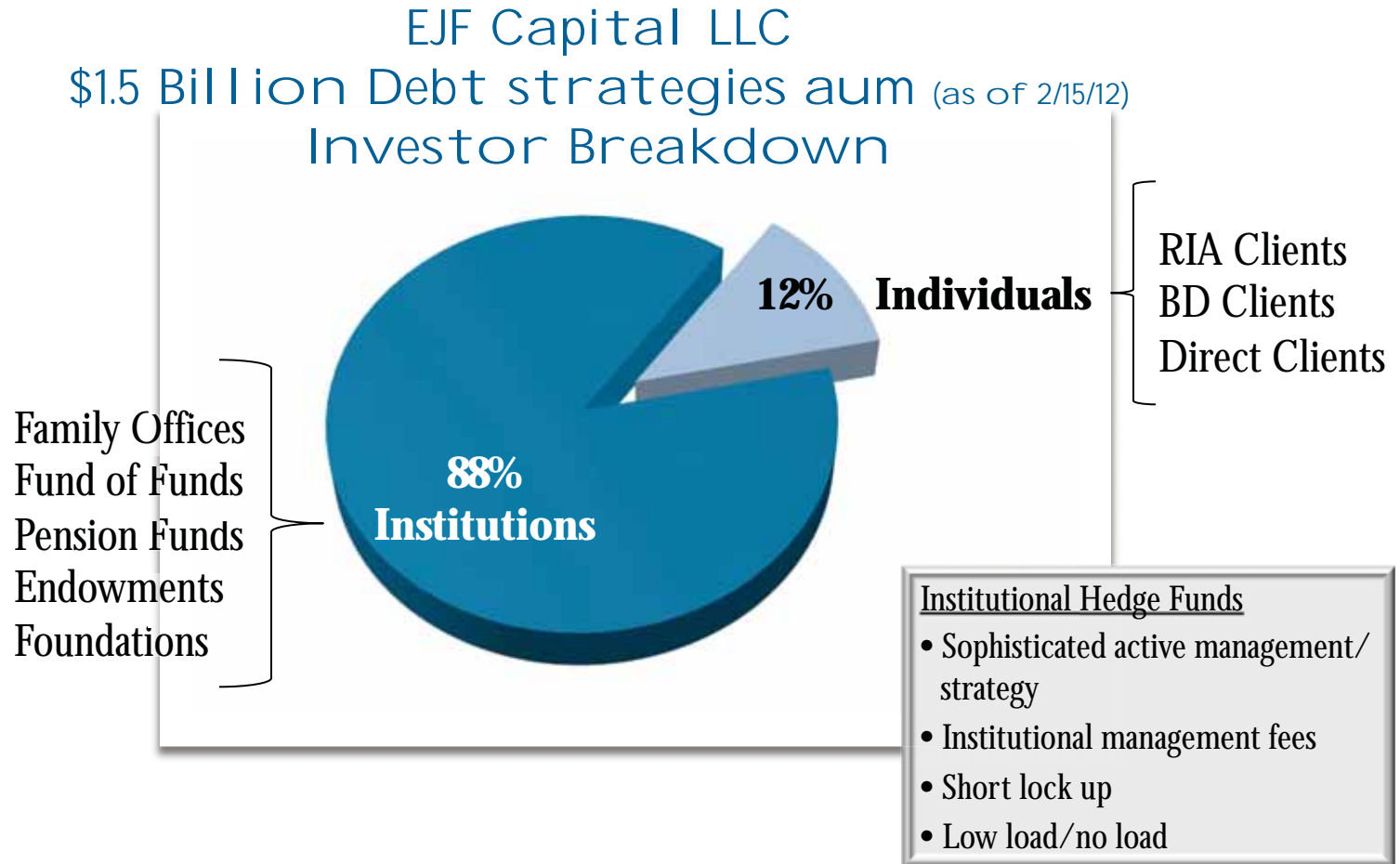
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Investor Breakdown



Fund Structured For RIAs/Broker Dealers

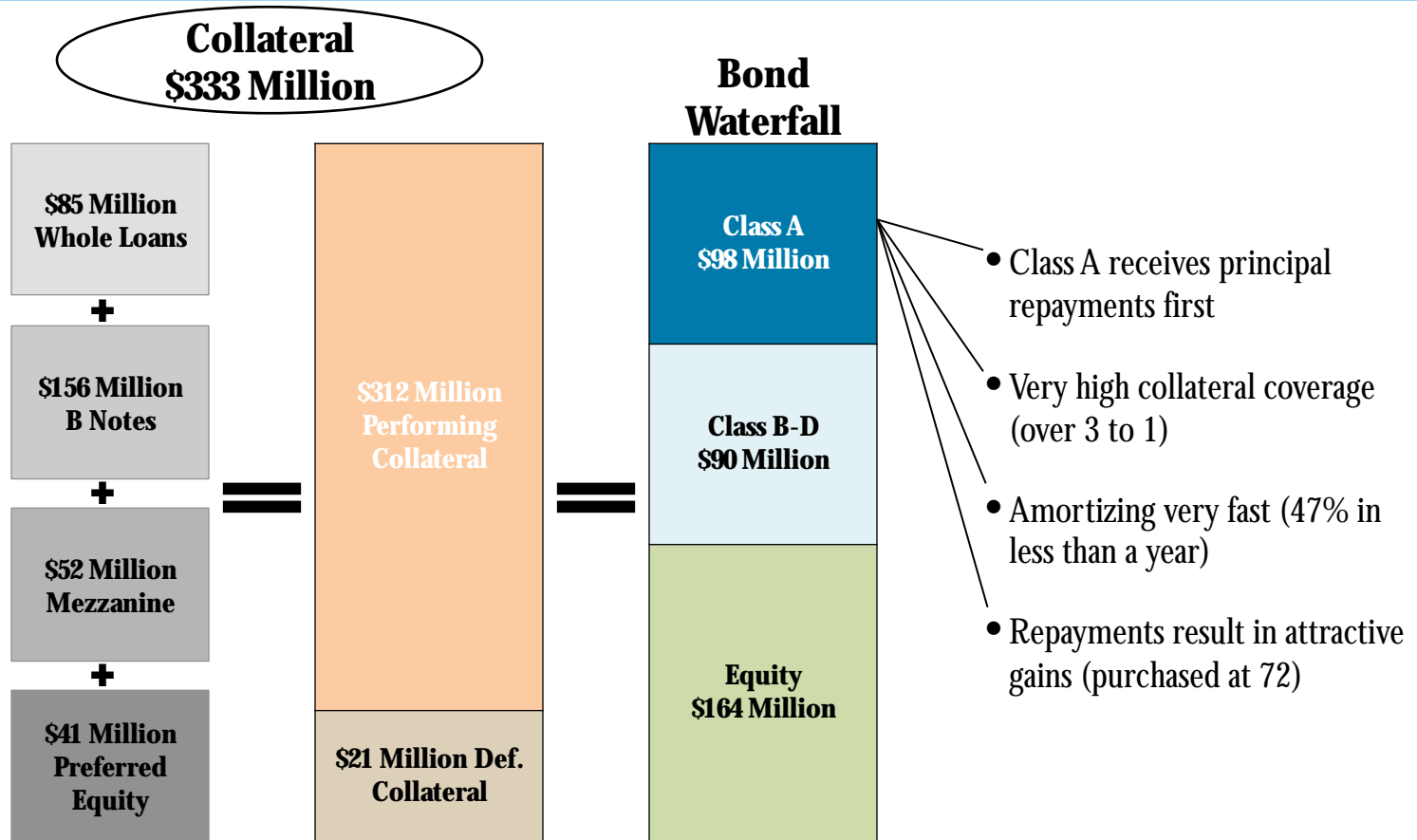
EJF Income Fund, LP

\$18 Million AUM
(as of 2/1/12)

- Capital may invest alongside EJF Debt Opportunities Fund
- A portion of the Fund's capital is invested in agency mortgages for current income
- Low minimum investment of \$100,000
- Both load and no-load classes (BD/RIA)
- 7% hurdle rate + high water mark
- Quarterly distributions of taxable income
- Audited financial statements
- Monthly NAV directly from the administrator

Accredited individuals may benefit from investing alongside the *institutional* fund.

Commercial Real Estate CDO Example



Using complex structures to buy real estate at a discount



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Portfolio Allocation

- Adding alternative investments to a traditionally diversified portfolio may significantly improve your risk-adjusted returns.¹
- Because alternative investments tend to consist of lower correlated assets, they provide an additional level of diversification and can help smooth volatility and create a more efficient portfolio.¹
- Alternative Investments may provide:²
 - ✓ More flexibility
 - ✓ Lower historical correlation to traditional asset classes
 - ✓ The potential for better risk-adjusted returns
- While, as with all investments, past performance is not a guarantee of future results, the selective addition of alternative investments that have historically demonstrated lower correlation to traditional market indices may:³
 - ✓ Reduce overall portfolio volatility through diversification
 - ✓ Increase long-term portfolio performance through a variety of market conditions⁴

¹Source: Morningstar. ²Source: Altegris. ³Source: Raymond James Financial, Inc 2012. ⁴There is no assurance that these objectives will be achieved. Diversification does not guarantee a profit or protect against loss. Correlations are subject to change over time.

Performance Comparison



There is no guarantee that any investment product will achieve its objectives, generate profits or avoid losses. PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS. An investor cannot invest directly in an index. Moreover, indices do not reflect commissions or fees that may be charged to an investment product based on the index, which may materially affect the performance data presented. INDICES: Intl Stocks: MSCI EAFE Net Index; US Stocks: S&P 500 Total Return; Commodities: GSCI Composite Total Index; REITs: NAREIT Total Index. SOURCE: Altegris.

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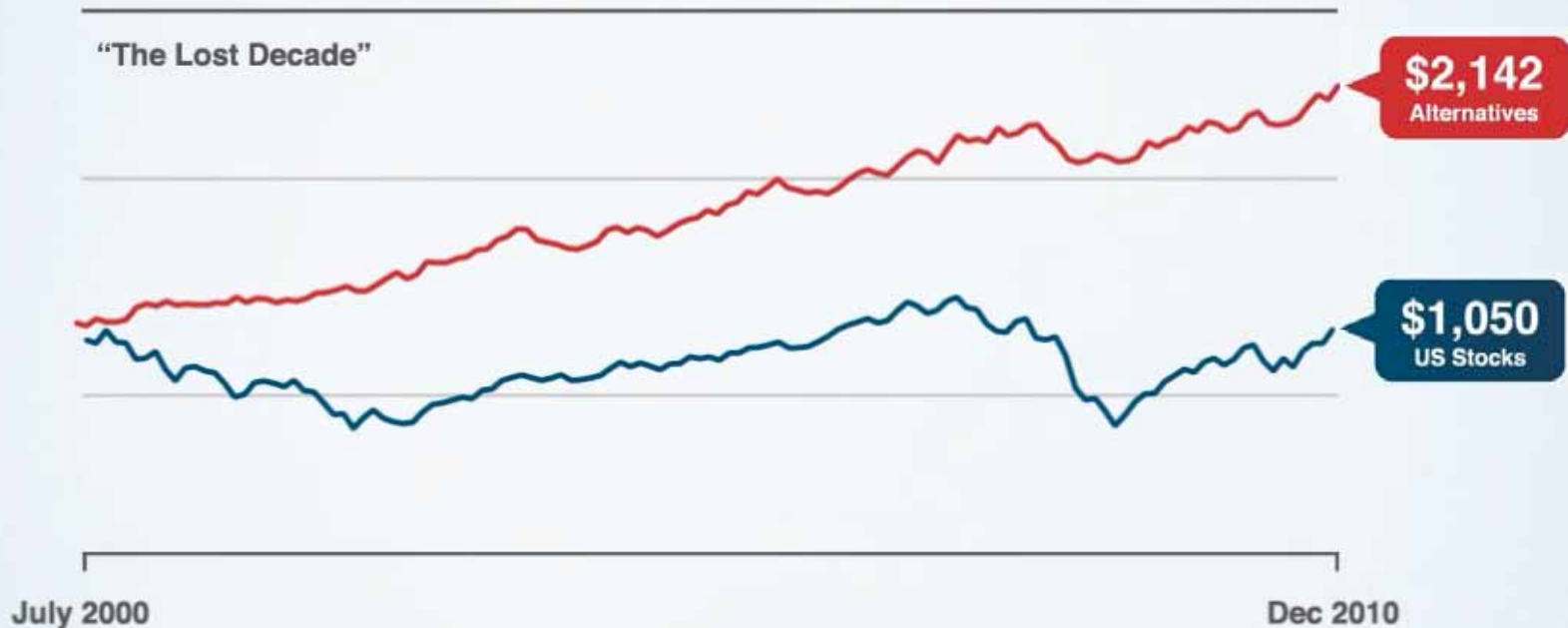
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Stocks vs. Alternative Investments Performance Comparison



There is no guarantee that any investment will achieve its objectives, generate profits or avoid losses. Past performance is not indicative of future results. Source: Altegris

Alternatives are represented by an equal blend of indices that represent various alternative strategies. These include: Altegris 40 Index, Barclay Global Macro Index, and HFRI Equity Hedge (Total) Index.

Correlation is a statistical measure of how returns of two strategies move together over time; a correlation of 1 indicates the two returns move perfectly together, 0 indicates movements are random, and -1 indicates opposite movements. Correlations will vary over time and there is no guarantee that these correlations will persist.

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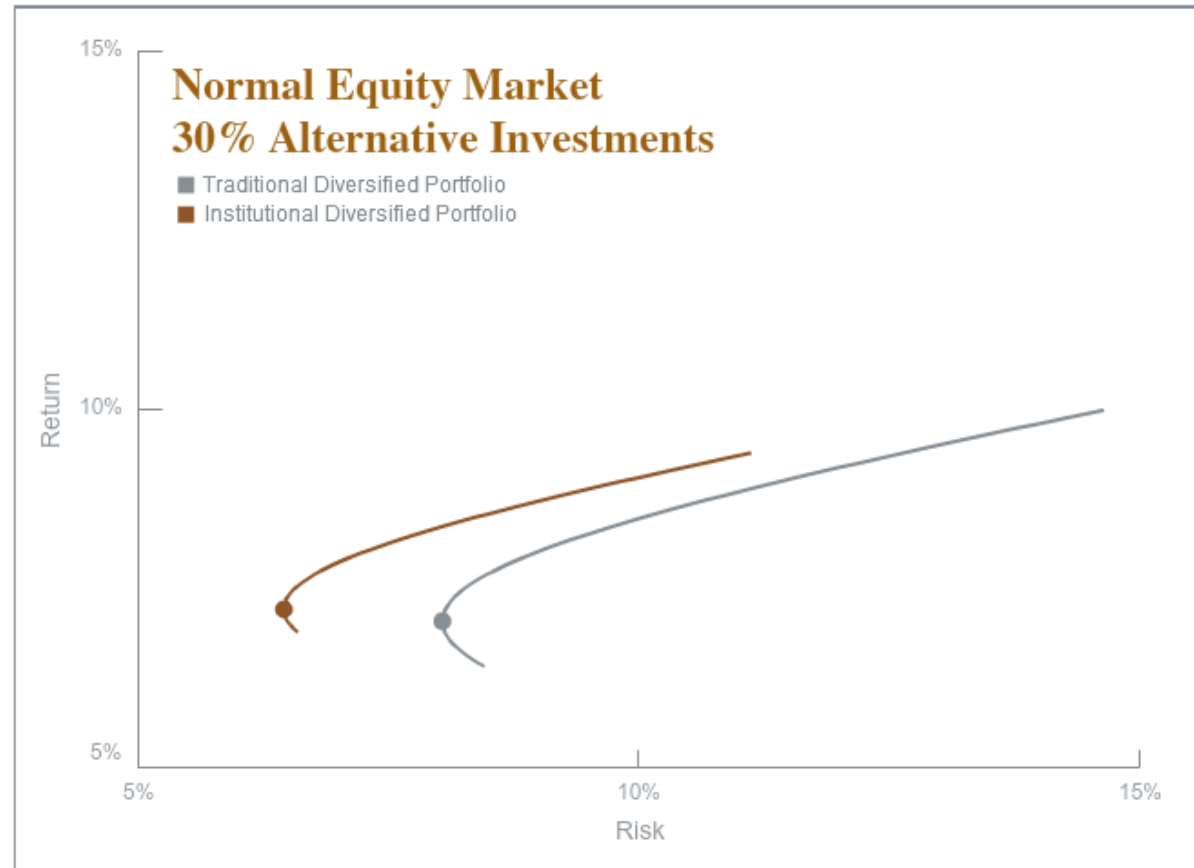
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Risk/Return Efficiency Frontier Comparison

Every portfolio has an efficient frontier, which is the point on a graph where the highest return possible for the given amount of risk is achieved. The feature below allows you to clearly see the risk/reward benefits of adding varying percentages of alternative investments to a traditionally diversified portfolio amid markets where equities are performing well, average or poorly.



Source: Morningstar Direct

Past performance does not guarantee future results. The traditionally and institutional diversified portfolio in the efficient frontier representations are based on varying weightings of stock, bonds, and alternatives. Risk data represents standard deviation. Standard deviation is a general statistical measure of volatility and higher standard deviation indicates greater relative risk. Stock and Bond indices return and standard deviation metrics based on time period between 1/1/1950 and 9/30/2010.

Alternative Strategies is calculated based on equal weightings of Dow Jones Credit Suisse Hedge Fund Index, Dow Jones Credit Suisse Long Short Equity Index, Dow Jones Credit Suisse Managed Futures Index, Standard and Poor's Global REIT Total Return Index, Hennessee Hedge Fund Market Neutral Total Return, Morningstar Morgan Stanley Country Index, Long-Short Credit Index, Morningstar Morgan Stanley Country Index Short Bias All Size, Standard and Poor's Goldman Sachs Commodity Index, and Barclays Capital Global Aggregate Total Return Index between 1/1/1999 and 9/30/2010. You cannot invest directly in an index. This graph is for illustrative purposes only and does not represent the performance of any Transamerica fund

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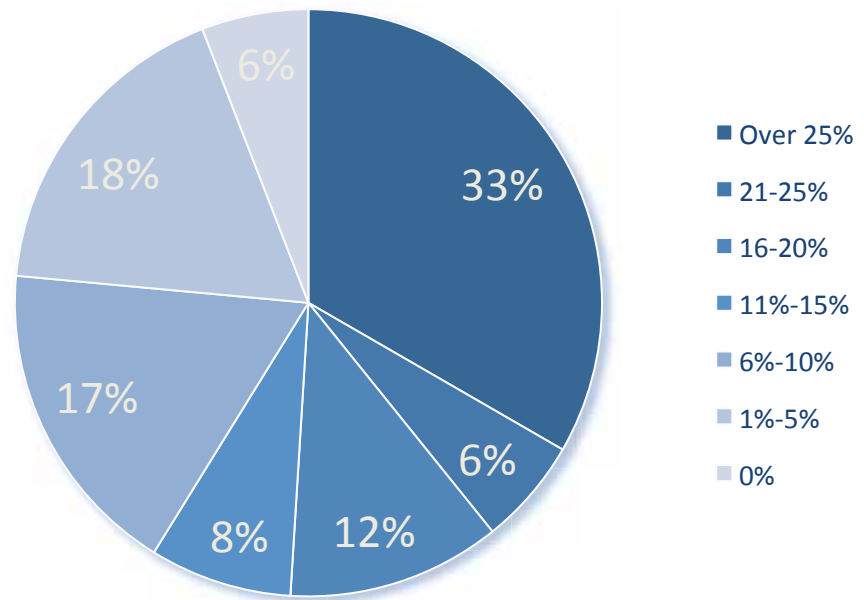
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Institutional Portfolio Allocation

**Institutional Portfolio Allocation to
Alternative Investments**



- **34% of institutions have over 25% of their portfolio holdings in alternative assets.**
- **75% of institutions have over 10% of their portfolio holdings in alternative assets.**

Source: Morningstar and Barron's 2010 Alternative Investments Survey, January 17, 2011

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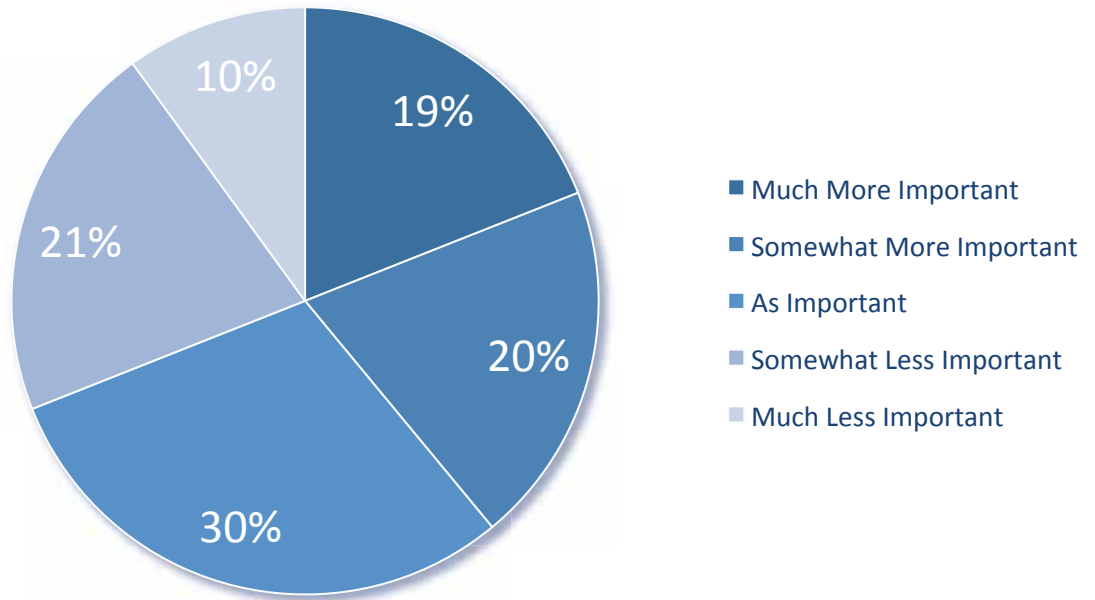
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Institutional Portfolio Allocation

**Importance of Alternative Investments
to Institutions**

- **31% of institutions believe that alternative investments will be more important than traditional investments over the next five years.**
- **61% of institutions believe that alternative investments will be as important or more important than traditional investments over the next five years.**



Source: Morningstar and Barron's 2010 Alternative Investments Survey, January 17, 2011

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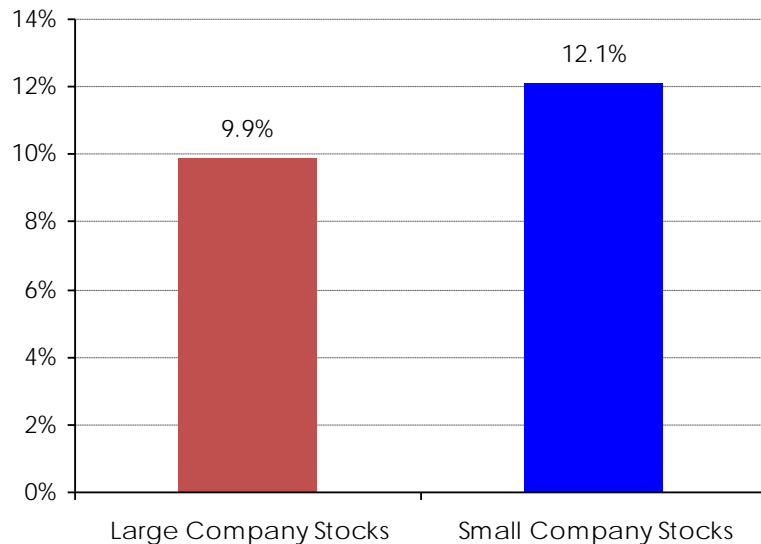
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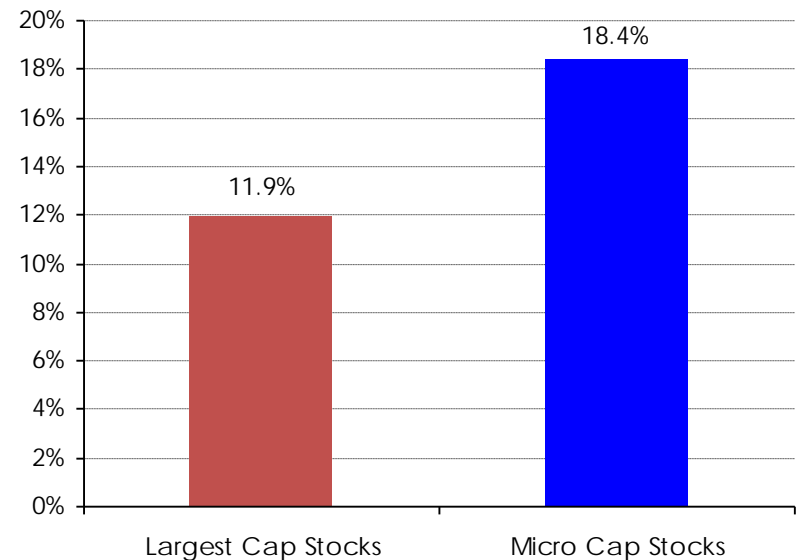
Small Cap and Microcap Performance

Small-cap stocks have historically outperformed large-cap stocks by 2.2% compounded annually for the past 85 years and have done so in nearly 2 out of every 3 years. Microcap performance has been even greater with historical average returns 6.5% higher than the largest-cap stocks. Even adjusted for increased volatility, microcap stocks outperformed by nearly 2.5% on a compounded basis.

Small and Large Cap Compounded Returns
1926-2010



Large and Microcap Mean Returns
1926-2010



Source: Ibbotson & Associates, 2011- Valuation Yearbook. Prior performance is not indicative of future results. While small and microcap stocks have cumulatively outperformed large cap stocks during this historical period, there have been significant periods of time where small cap and microcap stocks underperformed large cap stocks.

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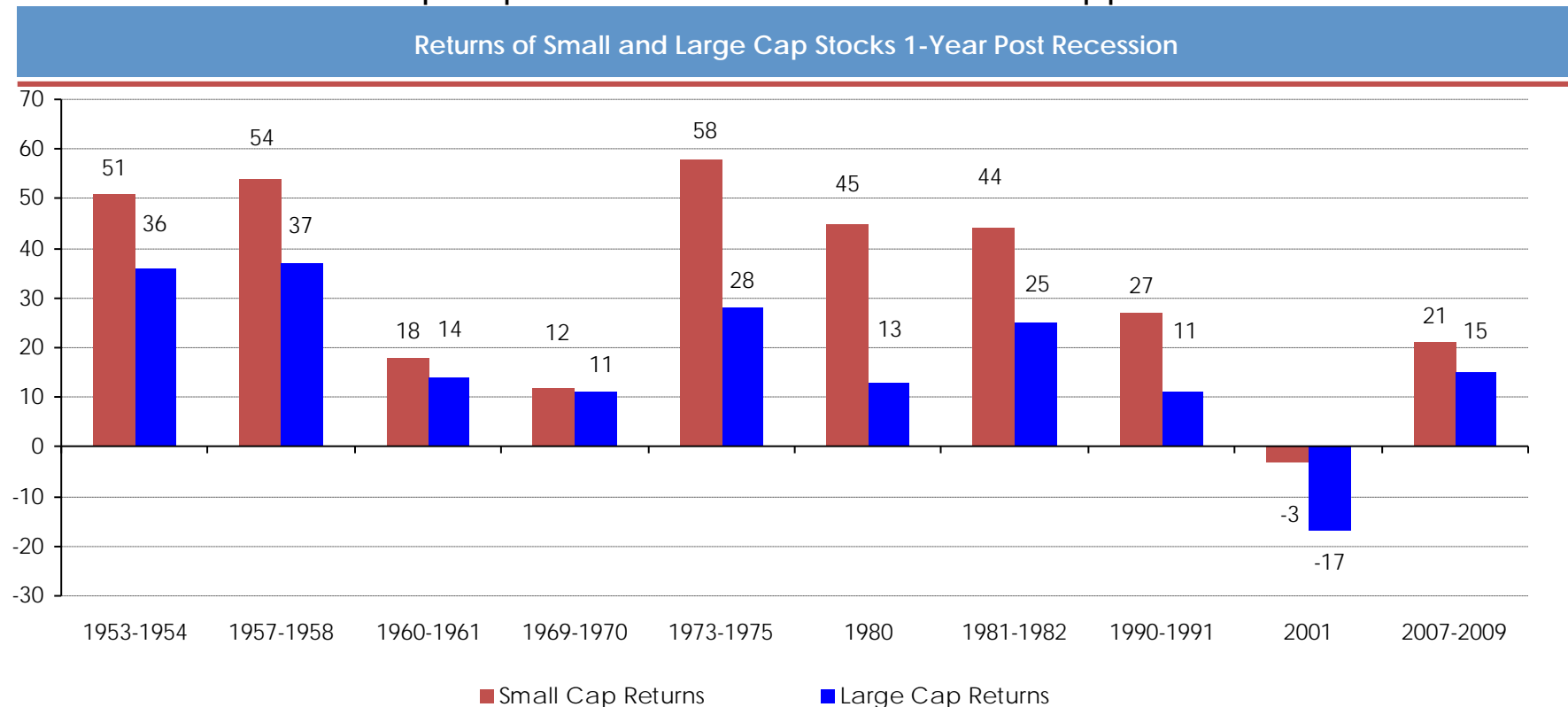
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Small Cap Performance

Small Cap Performance has been Enhanced Following Periods of Distress

Small-cap stocks have outperformed large-cap stocks following each of the past ten recessions by an average of 15%. The most recent recession of 2007-2009 officially ended, the remaining economic weakness provides an attractive backdrop and potential enhancement for small and microcap performance.



Source: Small caps lead the way, Prudential, 2008. For 2007-2009, Large cap returns are based on the Russell 1000 Index and small cap returns based on the Russell 2000 Index. Prior performance is not indicative of future results. While small and microcap stocks have outperformed large cap stocks following the above recessions, there have been significant periods of time where small cap and microcap stocks underperformed large cap stocks.

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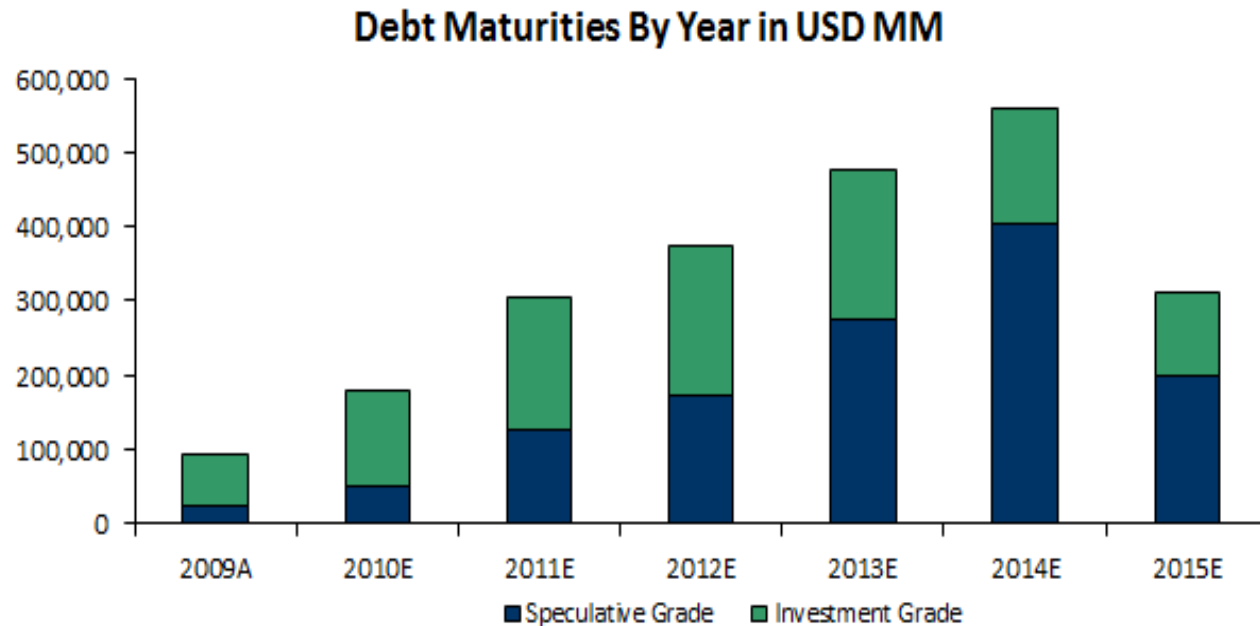
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Corporate Debt Maturities

- According to S&P (June 2010), U.S. non-financial corporate borrowers have more than \$1.7 trillion in rated bonds and loans maturing between 2011 - 2014.
- Amount of speculative-grade debt (“BB+” and lower) coming due will continue to be a large share of overall maturing debt.
- Corporate borrowers at low end of ratings scale will need to climb a “Refinancing Wall”.
- Many companies with speculative-grade debt have relied on amend-and-extend rather than refinancing to extend bond and loan maturities.



Source: S&P, June 2010

**Information contained herein is for informational and illustration purposes only – it should not be utilized as the basis for investment decisions, nor should it be considered as advice designed to meet the specific needs of an individual investor.*



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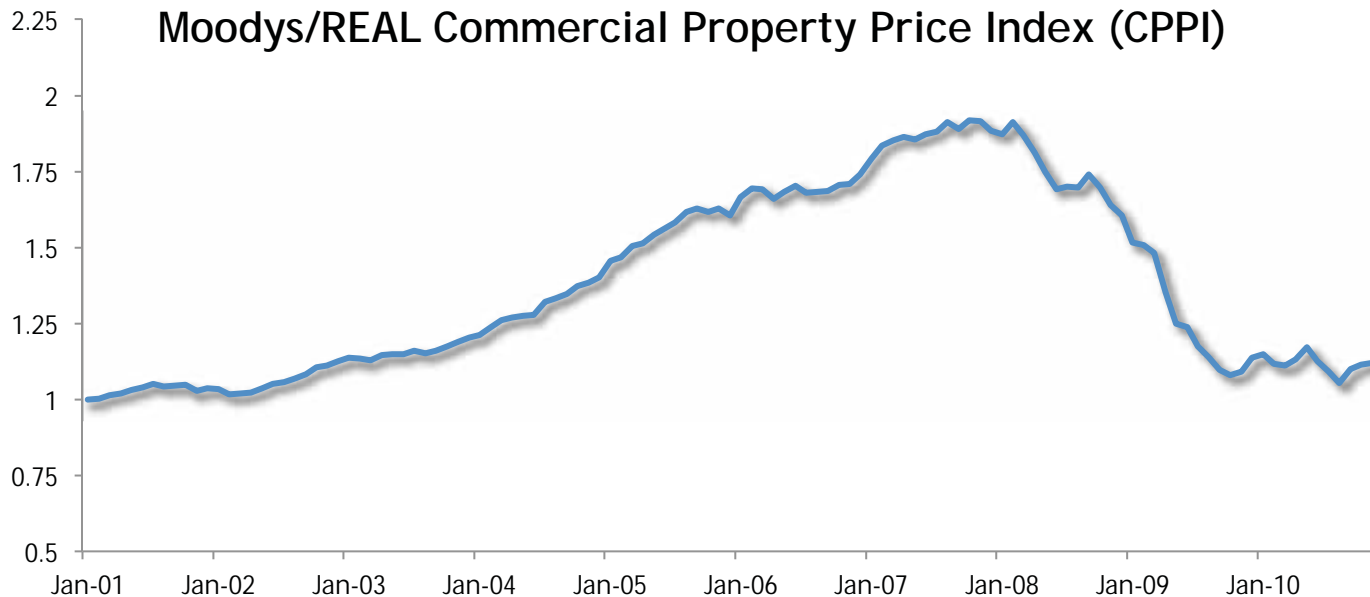
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Pricing off the Peak

Real estate values have dropped from the peak of the market.



Source: MIT Center for Real Estate, Real Capital Analytics, Inc.

The Moodys/REAL commercial property price index (CPPI) measures price changes of same-property round trip investments in the U.S. commercial property market. The index is based on data from MIT Center for Real Estate industry partner Real Capital Analytics, Inc (RCA). Indices are unmanaged and cannot be invested into.



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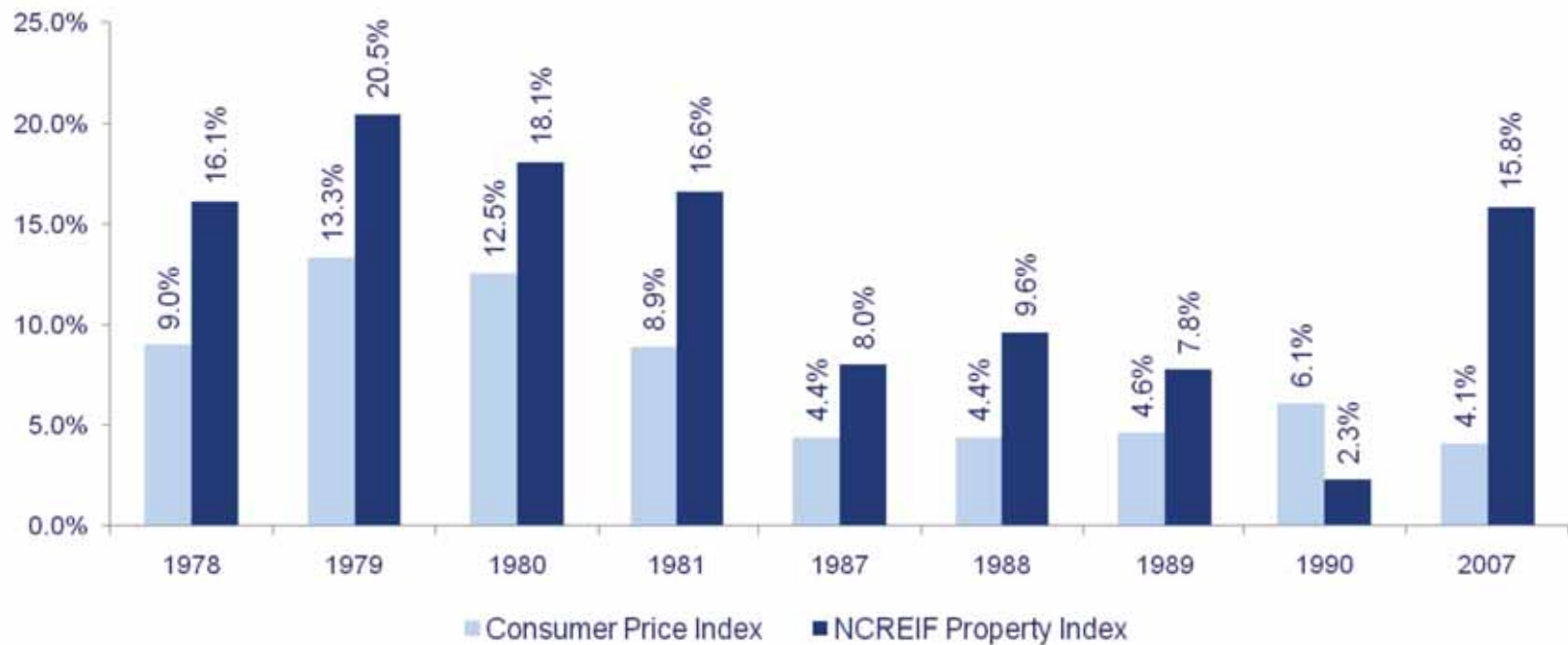
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Inflation Hedge

Historically real estate has outperformed the inflation rate in years of above average inflation.



Sources: U.S. Bureau of Labor Statistics, NCREIF
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Correlation Diversification

Historical low correlation with stocks, bonds and fixed-income investment returns

	Bonds	Domestic Stocks	International Stocks	Emerging Market Stocks	REITs	Direct Real Estate
Bonds	1.00					
Domestic Stocks	-0.59	1.00				
International Stocks	-0.72	0.85	1.00			
Emerging Market Stocks	-0.86	0.55	0.81	1.00		
REITs	-0.42	0.48	0.46	0.40	1.00	
Direct Real Estate	0.18	0.25	0.16	-0.06	0.34	1.00

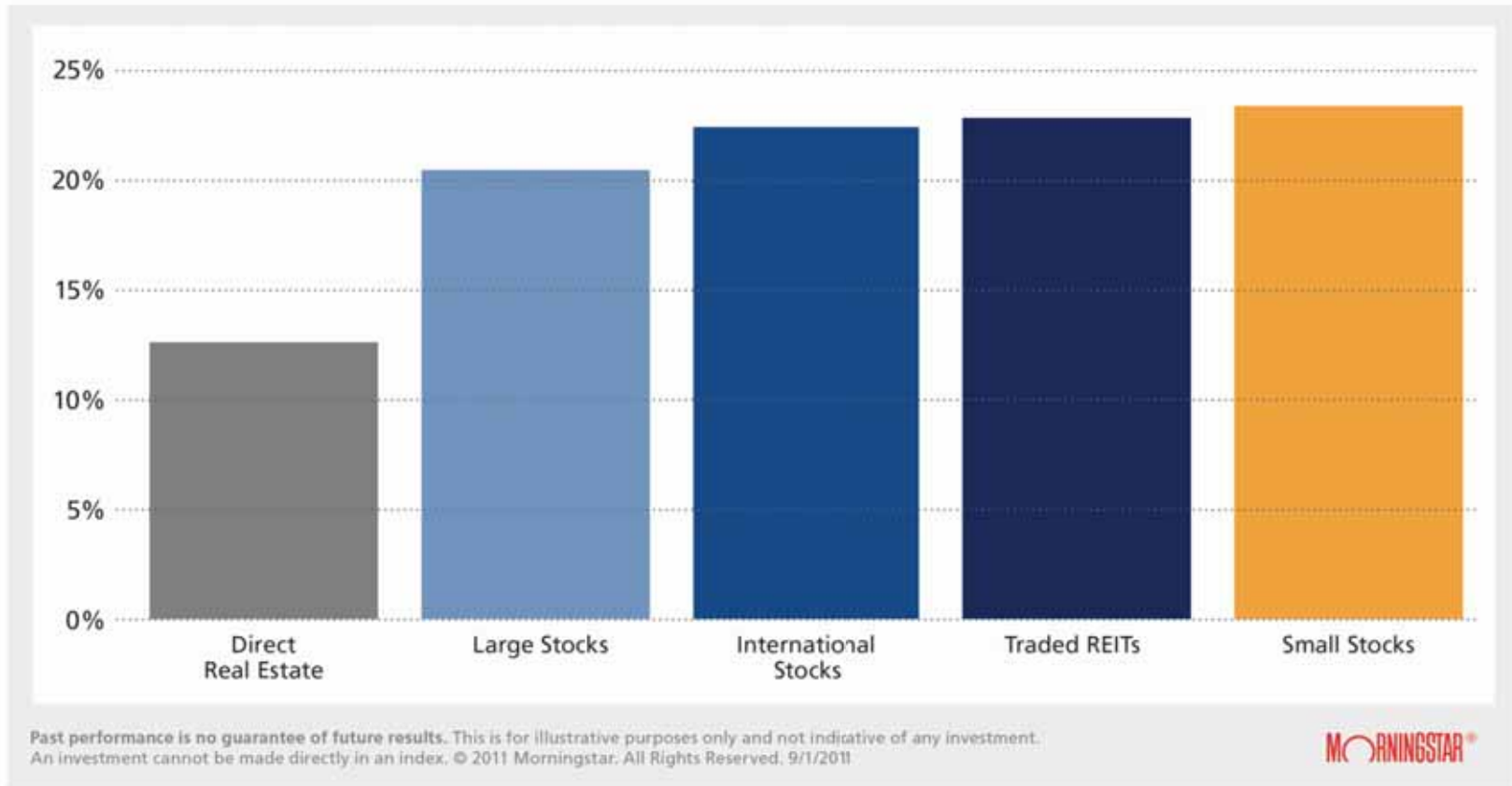
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Asset-Class Correlations: 1996-2010

Reduced Immediate Volatility

Low standard deviation when compared to other investment types



Risk Levels of Real Estate Versus Equities: 1996-2010