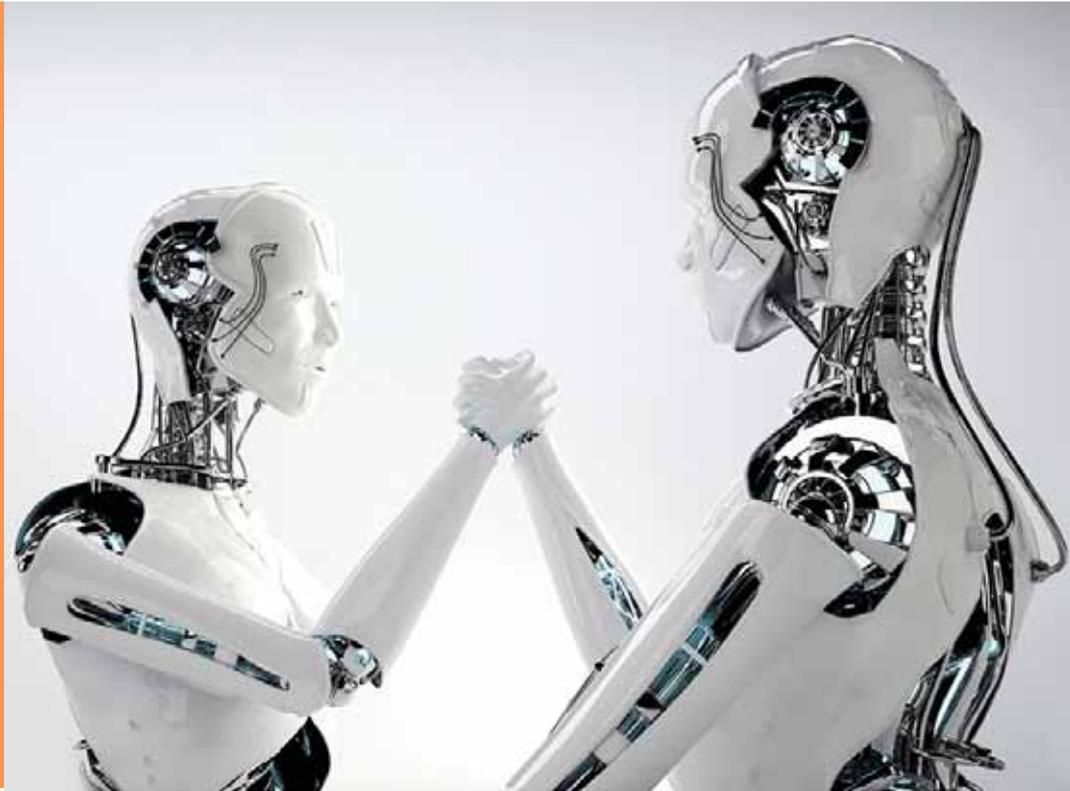


PRESENTED BY



# How To Thrive In The Robo-Advisor Age



## Today's Robo-Advisor Platforms Have **Positive Implications** for Two Audiences...

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Advisory  
Professionals



Tech-Savvy  
Investors



## Technological Advancements Will Shape the Future of Robo-Advice

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Version 1.0



Version 2.0



Version 3.0

## Advisor Roles Will Change, **Quality Client Interaction** Will Remain a Differentiator

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Investments

Technical  
Functions

Operations

Process  
Efficiency

Analysis



Relationship  
Management

**Cross-Selling**

Service

**Business  
Development**

Marketing

**Client-Facing  
Activities**

## Most Common Client Complaints Stem From **Superficial Relationships**

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Lack of chemistry

Too much talk about products,  
not enough focus on solutions

Underperformance

Poor working rapport

I didn't know you did that

Nothing feels tailored...were you listening?

Didn't like recommendations

Your plan doesn't reflect MY goals

I didn't know who to ask

## Successful Client Relationships Are Built On Understanding and a Shared Vision

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A feeling of trust

We have chemistry

The right amount of contact

You anticipate my family's needs

Investment expertise

You understand my goals

You're my go-to resource

I get answers to my questions

Solutions to my current issue

## Three Challenges

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Globalization

Demographic Trends

Investor Instincts

## Challenge #1: Globalization

Trends in tightening correlation present an asset allocation and diversification issue

	Bull Correlation 1990s	Bear Correlation 1990s	Bull Correlation 2000s	Bear Correlation 2000s	Bull Correlation 10/1/2007 to 12/31/2013	Bear Correlation 10/1/2007 to 12/31/2013
S&P 500	1.00	1.00	1.00	1.00	1.00	1.00
Russell 1000 Value	0.80	0.92	0.86	0.85	0.97	0.97
Russell 2000	0.51	0.66	0.43	0.67	0.78	0.92
MSCI EAFE	0.37	0.55	0.63	0.83	0.77	0.86
MSCI Emerging Markets	0.31	0.68	0.47	0.66	0.66	0.75
MSCI World Ex US	0.38	0.57	0.65	0.83	0.78	0.85
DJ Credit Suisse Hedge Fund	Not Available	Not Available	0.09	0.41	0.48	0.54
Barclays US Corporate High Yield	0.15	0.57	0.31	0.56	0.55	0.64
Barclays US Agg Bond	0.27	0.13	0.00	0.15	0.03	0.28
<b>CBOE Market Volatility</b>	<b>-0.11</b>	<b>-0.66</b>	<b>-0.32</b>	<b>-0.46</b>	<b>-0.45</b>	<b>-0.52</b>

**Bear Correlation** calculates the annualized monthly correlation between an investment and a selected benchmark index in the months when the selected benchmark index delivers negative returns. A high bear-market correlation means that a fund will suffer at the same time as the broad market, lessening its diversification benefits.

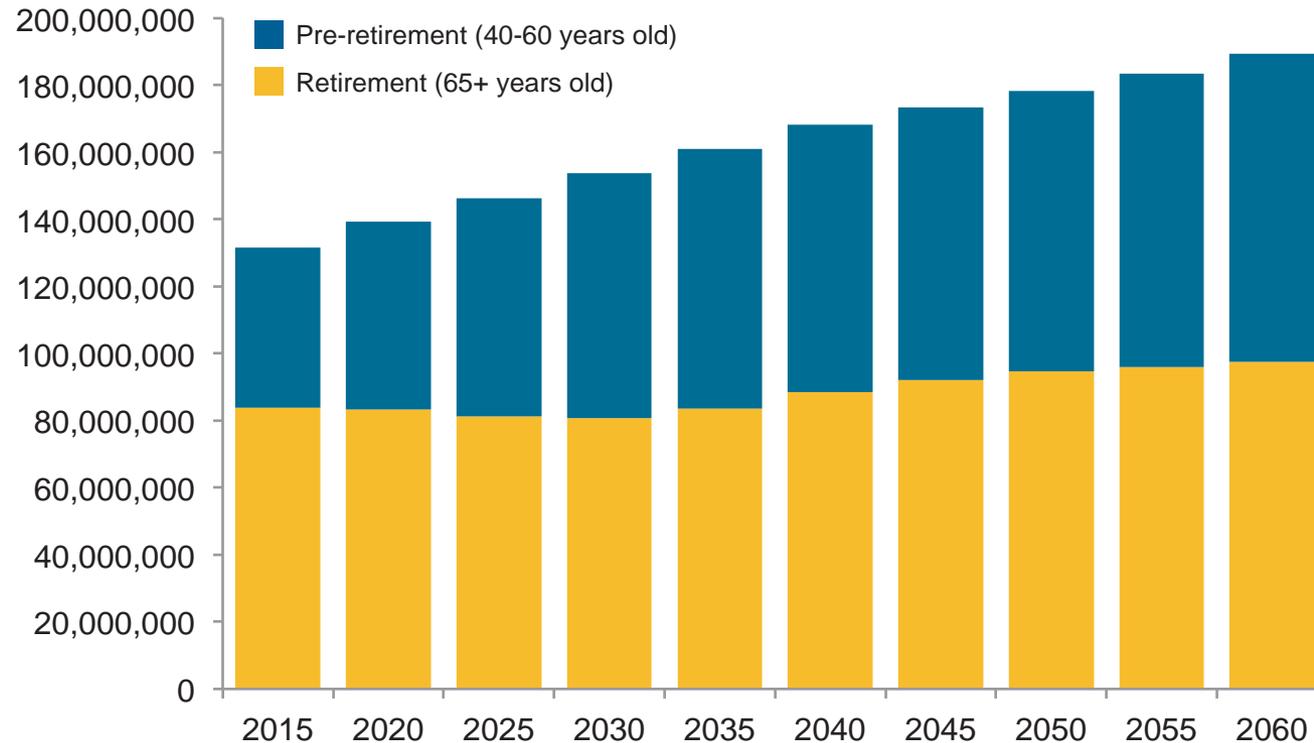
**Bull Correlation** calculates the annualized monthly correlation between an investment and a selected benchmark index in the months when the selected benchmark index delivers positive returns. A high bull-market correlation means that a fund will yield at the same time as the broad market, lessening its diversification benefits.

Source: Behringer proprietary analysis of data from Morningstar Direct, as of 12/21/2013

## Challenge #2: Demographic Trends

Aging population moving into retirement during market downturns presents a retirement drawdown deficit

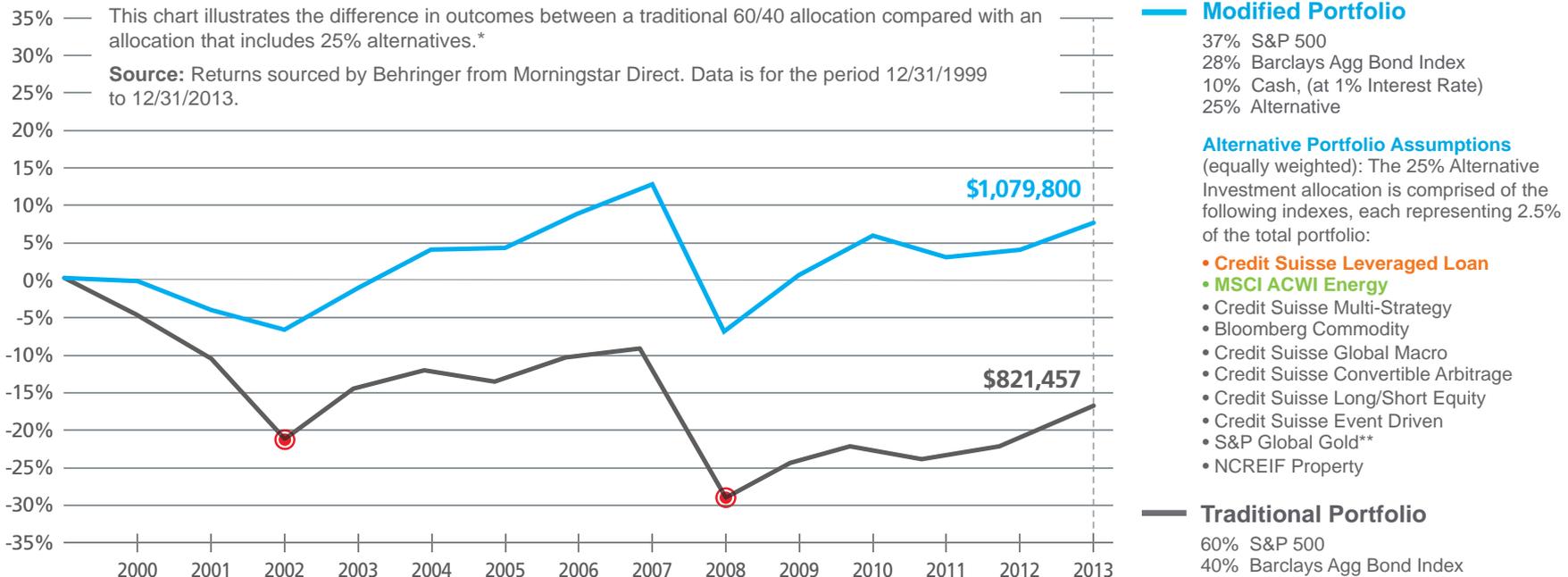
### Projected U.S. Population



Source: U.S. Census Bureau. Table 2. Projections of the Population by Selected Age Groups and Sex for the United States: 2015 to 2060. Retrieved January 29, 2014 at <http://www.census.gov/population/projections/data/national/2012/summarytables.html>

## Challenge #3: Investor Instincts

Aging population moving into retirement during market downturns presents a retirement drawdown deficit



**Scenario Assumptions:** The sample portfolio has a beginning value of \$1 million on 12/31/1999 and assumes the individual commences retirement on 1/1/2000 at the age of 65. At the end of each year, the retiree withdraws a 4% RMD, which is increased 3% for inflation each subsequent year. The portfolio is rebalanced annually at the end of the year.

**Past performance is neither indicative nor a guarantee of future results.**

The hypothetical portfolios are for illustrative purposes and should not be considered representative of actual investment results. Results will vary based on fees, expenses, and portfolio construction. Historically, the investment objective of equities has been capital appreciation; the investment objective of bonds has been current income; and the investment objective for alternative investments has been portfolio diversification.

Portfolios were constructed using indexes considered to be representative of certain asset classes; indexes are unmanaged and cannot be used to predict future results of any investment. An index's returns may not reflect the deduction of any sales charges or management fees, which may be substantial for alternative investments. Investors cannot invest directly in an index.

Alternative investments may involve higher fees, more limited liquidity, and greater risks, including higher volatility and the opportunity for significant losses, compared to traditional investment strategies. Alternative investments are not suitable for all investors.

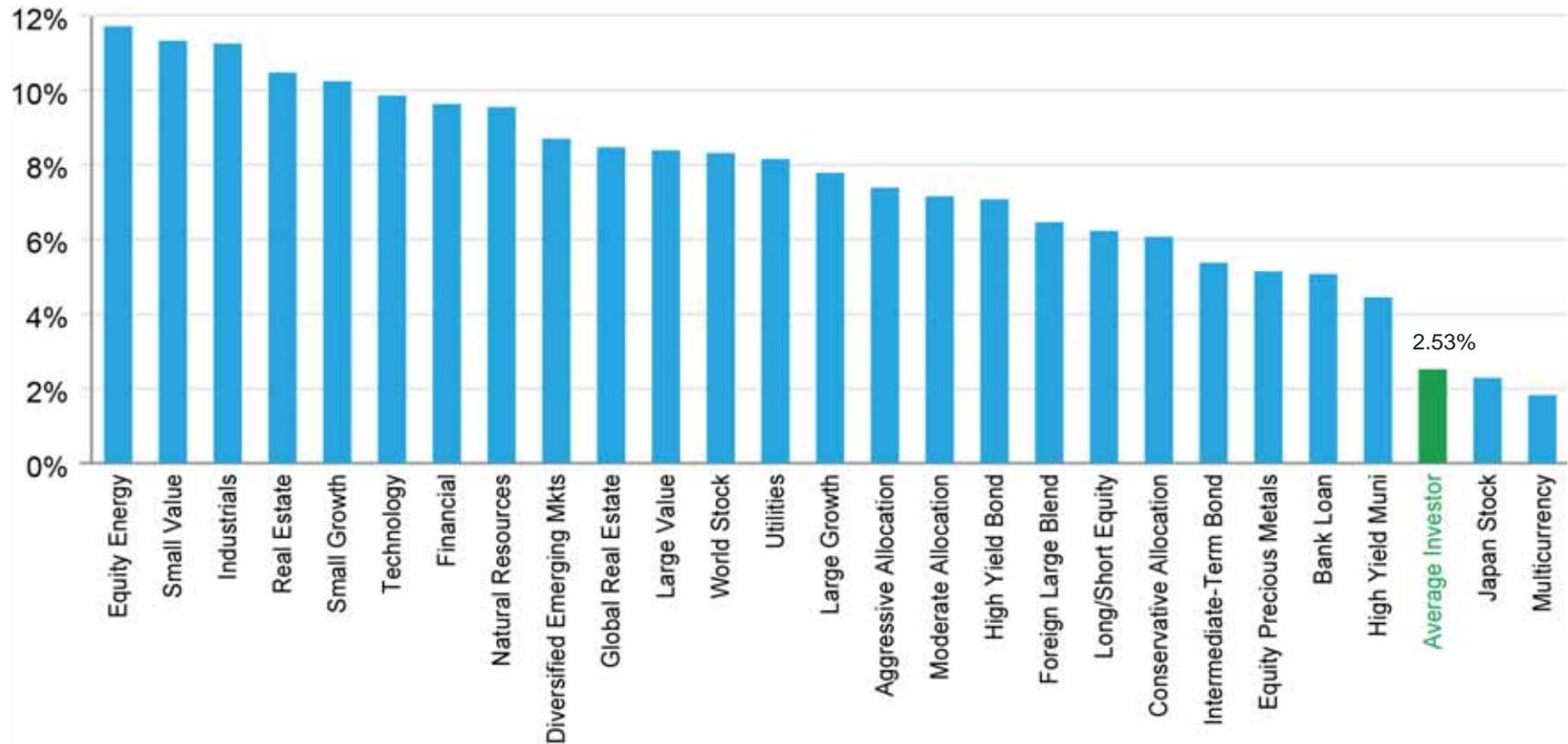
\*Diversification does not ensure a profit or guarantee against a loss.

\*\*For this index, data for the period up to 12/31/2000 is from the S&P Global Broad Market Index (BMI); data from 1/1/2001 to 12/31/2013 is from the S&P Global Gold Index.



# Morningstar Category Averages vs. The “Average Investor”

20 Years Annualized (12/31/1993–12/31/2013)



**Past performance is neither indicative nor a guarantee of future results.**

Returns are Morningstar Category averages for open-end mutual funds. Morningstar classifies open-end mutual funds into categories based on their actual holdings, and a Morningstar Category average returns include all funds classified by Morningstar in a particular category. Return data for all Morningstar categories is available upon request.

**Source:** DALBAR's 2014 *Quantitative Analysis of Investor Behavior*, 2014. 'Average investor' is represented by Dalbar's average asset allocation investor return, which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior.

## Opportunity: Make Investors Aware of Asset Allocation Options

As part of a diversified allocation strategy, investment in programs that invest in private debt and equity investments may<sup>1</sup>:

- Provide a hedge against market fluctuations
- Enhance diversification

Determining which mix of assets to hold in your portfolio at any given point in your life depends largely on your time horizon and your ability to tolerate risk.<sup>2</sup>



<sup>1</sup> These potential benefits do not guarantee a profit or protect against loss.

<sup>2</sup> U.S. Securities and Exchange Commission, Beginners' Guide to Asset Allocation, Diversification, and Rebalancing, [www.sec.gov/investor/pubs/assetallocation.htm](http://www.sec.gov/investor/pubs/assetallocation.htm), accessed 04/18/2014.

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- Absence of a public market for the securities
- Limited operating history and lack of substantial assets of the managers and trustees
- Lack of experience managing a registered closed-end fund
- Absence of investments identified for acquisition
- Reinvestment risk
- Limited transferability and lack of liquidity
- Risks related to failing to qualify as the desired business entity for U.S. federal income tax purposes
- Exposure to credit risk and interest rate risk
- Possibility of substantial delay before distributions are made
- No assurance that distributions will be made at any particular rate or frequency
- Risks associated with lending activities, including underlying borrower fraud
- Until the proceeds from an offering are invested and generating cash flow from operating activities, some or all of the distributions will be paid from other sources, which could result in less proceeds to make investments
- Reliance on and payment of significant fees to the program's advisor or general partner and its affiliates
- Potential conflicts of interest
- Lack of diversification in investment holdings until significant funds have been raised
- Risk that a program's operating results will be negatively affected by economic and regulatory changes
- Risk that the program will not achieve all of its objectives if it does not complete its securities offerings
- Risks related to investments in distressed properties and non-investment grade debt
- Risks typically associated with real estate and real estate-related debt securities
- Inability of tenants to pay their leases
- Unforeseen increases in operating and capital expenses
- Possibility of decline in real estate values
- Lack of availability of due diligence information

## Important Risk Factors to Consider (continued)

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- Inability to adequately value distressed assets
- No assurance that the disposition of property will be made to repay outstanding indebtedness
- Investors have limited control and lack of legal title to property
- Risk that a prospective purchase may not be consummated
- Inability of a tenant in a single-tenant property to pay rent or otherwise comply with its obligations
- Risks related to retaining tenants and/or re-leasing properties
- Potential uncertainty as to the value of a program's assets
- Risk that the net offering price per share will not reflect a program's net asset value
- Risk that the purchase price paid by you may be higher than a prior purchase price per share and therefore you may receive a smaller number of shares
- Potential interruption and deferral of cash flow and
- Risk related to the fact that the assets of a program are intended to be concentrated in one asset class.

These risks may impact a program's financial condition, operating results, returns to its stockholders, and ability to make distributions as stated in the applicable offering document.

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