RAYMOND JAMES

Private Markets Glossary

Commonly used terms, phrases, and market indexes used in conversations regarding private market investment opportunities.

1031 EXCHANGE FUND: IRS Code 1031 allows taxes on the capital gains from the sale of real estate to be deferred if that capital is used to buy other real estate. 1031 Exchange Funds allow investors to benefit from the tax deferral while also diversifying away from single properties into a fund of multiple properties and third-party management.

ADVISED / NON-ADVISED: Private market opportunities can be presented to potential investors in a number of ways. Advised offerings are heavily researched and recommended by the firm; non-advised offerings are less researched and the potential investor is connected to the opportunity and makes the decision themselves.

CAPITAL CALL: Some private market investments do not accept cash right away, rather the investor makes a commitment to send in money once the manager notifies them that an opportunity has been identified. It is very important that committed investors meet these capital calls, as penalties for missing them can be quite severe - including forfeiture of money invested to date and being barred from ever working with the manager again.

CARRIED INTEREST / PERFORMANCE FEE / PROMOTE: Some private market investment managers charge a fee on the returns they create. Sometimes, this fee can be subject to certain rules:

> **Hurdle rate:** Some funds have a certain level of return that investors need to achieve before the manager can charge their performance fee.
>
> **Catch-up provision:** If the manager has produced enough returns to meet the hurdle rate, some funds have a catch-up provision where a certain amount of additional profits are retained by the manager until the full performance fee is reached.

CORRELATION: The degree to which an investment historically correlates with (or behaves like another investment. It is measured on descending scale from +1.0 (perfect positive correlation) to -1.0 (perfect negative correlation). A measure of 0.0 would indicate no correlation.

DISTRESSED DEBT: Managers invest in corporate bonds, privately held loans and other securities or obligations of companies that are highly leveraged, are in financial difficulty, have filed for bankruptcy or appear likely to do so in the near future. Managers purchase the debt at a discount to face value in anticipation of recovery or liquidation of assets.

DRAWDOWN STRUCTURE: Some private market investments have minimum commitments, meaning that the investor does not submit money right away - the manager calls capital as opportunities are identified and the commitment is slowly drawn down over time.

EVENT-DRIVEN MANAGERS: Typically focus on company-specific events. Examples of such events include mergers, acquisitions, bankruptcies, reorganizations, spin-offs and other events that could be considered to offer "catalyst driven" investment opportunities. These managers will primarily trade equities and bonds.

EVERGREEN STRUCTURE: Some private market opportunities operate in a manner similar to hedge funds or mutual funds. Rather than submitting capital over time, the full investment is taken on day one and the offering is meant to continue investing and re-investing indefinitely.

FEES: The fees and expenses of alternative investments are generally higher than those of traditional investments and often include performance-based incentive fees.

HEDGE FUNDS: Hedge funds typically offer private investment management in a structure that provides managers broad flexibility in executing their mandates. They employ a wide array of strategies and may invest in a variety of financial instruments across global markets. Hedge funds are designed to offer diverse exposure, often incorporating multiple hedge fund managers and strategies. The number of underlying strategies and funds varies, depending on the funds' mandates and the views of the fund of funds' portfolio manager(s).

HEDGE FUND RESEARCH, INC. (HFR): HFR is a research firm specializing in the aggregation, dissemination and analysis of alternative investment information. The company produces a widely used commercial database of hedge fund performance, research products and monthly performance indices. For additional information, visit HEDGEFUNDRESEARCH.COM.

HFRI FUND WEIGHTED COMPOSITE INDEX: The HFRI Fund Weighted Composite Index is a global, equal-weighted index of over 2,000 single manager funds that report to HFR Database. Constituent funds report monthly net of all fees performance in US Dollar and have a minimum of $50 Million under management or a twelve (12) month track record of active performance. The HFRI Fund Weighted Composite Index does not include Funds of Hedge Funds.

HIGH-YIELD DEBT: A high-yield bond is one that is rated below investment grade at the time of purchase. Therefore, high-yield bonds typically have a higher risk of default, but generally pay higher yields in order to compensate for the additional risk.

INTERNAL RATE OF RETURN (IRR): A "time value of money" term that conveys both the amount of value created by an investment and how long it took to create that value. For two equal investments that ultimately realize the same total value, the investment that realizes its return sooner would have a higher IRR. It is a useful performance measure in private equity since capital is called and distributed on an as-needed basis. Please note, the IRR is similar to an annualized return; however, it is not the same because capital within private equity is generally not re-invested.

INTERNATIONAL INVESTING: Subject to additional risks such as currency fluctuations, differing financial accounting standards by country, and possible political and economic risks.

LEVERAGE: The use of borrowed money in an effort to enhance returns is known as leverage. Alternative investment strategies may employ leverage, which can magnify both profits and losses.

LIQUIDITY: The ability of a financial asset to be readily converted into cash without a significant discount. Many alternative investments do not offer the liquidity that stocks, bonds and mutual funds offer, at times "locking up" an investment for a certain period of time. Illiquidity can be the result of an investment fund that trades less liquid financial instruments, requiring that the fund provide "liquidity windows" only on a periodic basis.

MERGERS AND ACQUISITIONS ARBITRAGE: Mergers and acquisitions are two ways that separate companies can join together to become a single, larger company. Upon the announcement of a stock-based acquisition, the stock price of the company being acquired typically trades below the stated per-share acquisition price and the stock of the acquiring company declines. Such a scenario provides an opportunity to profit from the "spread" between announced and trading prices without being subject to broader market influences.

MEZZANINE FINANCING: Mezzanine debt represents a claim on a company's assets that is senior to the common equity but junior to its debt. Mezzanine instruments typically have characteristics of both debt and equity.

MULTIPLES: Private equity performance information is shared on a realized and unrealized basis. Information is reflected as a ratio that compares the value of realized or unrealized performance to the amount of capital that has been called by the fund. Specifically, there are three important ratios when evaluating private equity performance:

Distributions to Paid-in Capital ("DPI"): Performance that has been realized with capital distributed to the investor. DPI is the ratio of the distributions the investor has received to total invested capital. In other words, this metric measures the money returned to the investor compared to the money he/she invested in the fund.

Remaining Value to Paid-in Capital ("RVPI"): Prior to realizing returns from underlying investments, a private equity fund will provide estimates of remaining value for all of its underlying investments on a quarterly basis. These estimates of value are shown in a ratio relative to total invested capital, or the RVPI.

Total Value to Paid-in Capital ("TVPI"): The sum of an investor's DPI and RVPI is the TVPI. TVPI represents the total multiple of realized and unrealized value relative to invested capital. This figure is also sometimes called the "MOIC" (Multiple on Invested Capital).

NCREIF PROPERTY INDEX: The index is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. Information on this index is available at NCREIF.COM.

OPPORTUNITY ZONE FUND: A managed offering investing in areas identified as needing economic development. Taxes on capital gains can be deferred or in some cases eliminated as long as guidelines are followed.

PRIVATE EQUITY: Managers seek to make privately negotiated investments in companies, ranging from providing capital for startup companies to “buying out” mature companies with the intent of improving fundamentals and, in turn, the value of the businesses.

PRIVATE MARKETS: Broad description of investment opportunities not available on public exchanges.

REAL ESTATE: Real Estate has long been considered an alternative tangible asset. While real estate can be accessed through traditional means, such as direct ownership and real estate investment trusts (REITs), it is also possible to access this asset class through managers who invest opportunistically in private real estate and trade less mainstream real estate-related securities.

REAL ESTATE INVESTMENTS: Can be subject to different and greater risks than more diversified investments. Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks to real estate investments. Diversification does not ensure a profit or protect against a loss.

REAL ESTATE PRIVATE EQUITY: Private equity can be broadly defined as privately negotiated transactions in publicly traded or private companies. Real estate private equity funds invest in a wide array of real estate and related securities, including physical buildings, real estate debt and mezzanine securities, across a broad array of the risk/return spectrum.

REGULATION: Many alternative investments are not required to register with certain financial regulatory organizations such as the Securities and Exchange Commission (SEC). Therefore, investors will not receive some of the protections and disclosures that are generally afforded to funds or companies that are registered with these organizations.

S&P 500 TOTAL RETURN INDEX: The index consists of 500 stocks chosen from market size, liquidity and industry group representation, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities, and it is meant to reflect the risk/return characteristics of the large-cap universe. It is a market capitalization-weighted index including reinvestment of dividends that is generally considered representative of the U.S. stock market. Information on the index is available at STANDARDANDPOORS.COM.

SMALL CAP SECURITIES: Investing in smaller, newer companies generally involves greater risks than investing in larger, more established companies, and may not be appropriate for every investor.

SPECIAL PURPOSE VEHICLE: An SPV is a subsidiary created by a parent company to hold assets or debt separate from the parent company. It can be seen as a way to isolate the parent company from financial risk.

SPECULATIVE TRADING STRATEGIES: Many alternative investments employ trading strategies that may include short selling, trading of derivative securities and other strategies of a speculative nature. There are no assurances that such strategies will be profitable or not result in a loss.

TAXES: Taxation of alternative investments varies significantly; some investments produce a Form 1099 while others produce a Schedule K-1. In certain cases, K-1s may be delayed, resulting in an investor having to file for an extension. Additionally, short-term trading may result in suboptimal taxation. Please refer to specific offering documents and consult a tax professional to evaluate the tax consequences of any prospective investment.

TENDER PROCESS: Some private market investment managers have processes in place whereby investors can sell all or some of their interest in a fund back to the manager. This usually occurs during defined tender offer periods and are sometimes subject to limits, such as 5% per quarter fund-wide or 25% of an individual investor’s balance.

TRANSPARENCY: The degree to which information is available on underlying portfolio holdings is often referred to as transparency. While some alternative investments offer transparency, many do not fully disclose portfolio positions in order to protect intellectual capital.

RAYMOND JAMES®

INTERNATIONAL HEADQUARTERS: THE RAYMOND JAMES FINANCIAL CENTER
880 CARILLON PARKWAY // ST. PETERSBURG, FL 33716 // 800.248.8863 // RAYMONDJAMES.COM