PERCH WEALTH

REAL ESTATE INVESTORS GUIDE TO

ALTERNATIVE INVESTMENTS

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WHAT ARE ALTERNATIVE INVESTMENTS?

Alternative investments refer to investment opportunities that differ from conventional investments such as stocks, bonds, and cash. Instead, these investments include Delaware Statutory Trusts (DSTs), Opportunity Zone Funds (OZFs), commodities, and private equity.

Despite their nature as high risk, illiquid investments, due to uncertainty and volatility in financial markets, alternative investments have garnered increased attention in recent years. While alternative investments provide attractive income and growth opportunities, they also offer investors an investment option that is historically less correlated to equity markets.

PERCH WEALTH ALTERNATIVE INVESTMENTS

Alternative investments offer accredited investors the ability to diversify their portfolios to strive to better meet their financial objectives. These investments include the following:

- Delaware Statutory Trusts (DSTs)
- Opportunity Zone Funds (OZFs)
- Oil and Gas Interests
- Private Equity and Debt Funds
- Non-Listed Real Estate Investment Trusts (REITs)
- Interval Funds
- Hedge Funds

DELAWARE STATUTORY TRUSTS (DSTs)

A Delaware Statutory Trust (DST) is a legally recognized real estate investment trust that offers investors the ability to acquire indirect fractional ownership in property. Investors purchase ownership through a sponsor, who sets up the trust and manages the real estate held within the trust. Though the investor's ownership in the property is indirect, as they actually own units in the trust that holds the property, the DST structure allows those interests to be considered as direct beneficial ownership by the IRS.

DSTs include institutional quality properties with access to excellent financing through the DST sponsor. Real estate held in a DST can vary depending on the sponsor's investment objectives and can include retail assets, multifamily properties, office or medical complexes, hotels and motels, industrial facilities, and other investment properties across the United States.

DSTs are similar to other real estate investment funds in that investors have limited liability and are protected from personal liabilities beyond the amount they invested. However, unlike other funds, DSTs qualify as like-kind property in a 1031 exchange; therefore, investors can defer capital gains while investing in a DST.

OPPORTUNITY ZONE FUNDS (QOFs)

Qualified Opportunity Zones (QOZs) were introduced in 2017 by the federal government to help stimulate the economy by encouraging investors to invest in distressed areas throughout the country.

Under the “Opportunity Zone” program, the governor of each U.S. state and territory could nominate up to 25 percent of qualifying census tracts as QOZs – these tracts had to have a poverty rate of at least 20 percent as of the 2010 census. More than 8,700 census tracts have been designated throughout the United States, District of Columbia, and U.S. territories.

However, to invest in a QOZ, an investor must use a qualified opportunity fund (QOF). A QOF is an investment that holds at least 90 percent of its assets in QOZ property.

Opportunity zones are highly desirable due to the multiple tax advantages they offer. Investors can sell specific assets – including, but not limited to, stocks, bonds, real estate, closely-held business assets, cryptocurrency, jewelry, and art – and invest in QOZs to defer, reduce, or exclude capital gains.

OIL AND GAS INTERESTS

Economic uncertainty has recently increased the demand for oil and gas investments. Although these investments are considered high risk, current market conditions offer investors both the opportunity to diversify and the potential for upside performance via direct or indirect investments. While these investments, like those in the stock market, can fluctuate, consumer price increases paired with inflation help these investments seek to mitigate risk.

There are various ways to invest in oil and gas. Investors can purchase oil and gas-based ETFs or mutual funds, or they can purchase commodities-based futures or options contracts through a CFTC registered firm. Alternatively, certain investments enable investors to purchase oil and gas rights, which qualify as a like-kind property in a 1031 exchange.

PRIVATE EQUITY AND DEBT FUNDS

Private equity (PE) refers to funds that invest in or acquire private companies; debt funds refer to funds that invest in bonds (or a company's debt). Investors interested in real estate can opt to invest in real estate funds, a subset of investment funds where the fund invests exclusively in income-generating real estate. Investors can select to invest in either a PE or debt fund; however, each option differs in how the investor holds interest in the company and real estate.

PRIVATE EQUITY FUNDS

Most real estate funds work in a similar manner. The fund will define its investment criteria, then pool capital and invest on behalf of those invested. Every fund's investment strategy can differ; while some may focus on specific assets such as retail or office buildings, others may focus on geographic areas such as the Northeast or Southwest. Others narrow their investments to both, such as apartments in the Southeast. Investors are drawn to these funds due to the experience of the sponsors who manage the funds. Furthermore, they allow investors to be completely hands-off while potentially earning annual returns.

DEBT FUNDS

A debt fund provides capital for real estate investments; however, the investor is lending the capital for the acquisition rather than acquiring company shares. Debt funds, like private equity funds, offer a management-free opportunity to invest in real estate. However, payments to the investing party are predetermined and backed by the real estate. As a result, returns tend to be lower, but the overall risk profile of the investment, while still high, is generally lower than that of a private equity fund.

NON-LISTED REAL ESTATE INVESTMENT TRUSTS (REITs)

Real Estate Investment Trusts (REITs) are corporations that purchase and manage income-producing real estate. By law, they are required to return 90 percent of any profits to investors in the form of dividends.

REITs generally have well-defined investment parameters. Most focus on a specific product type (e.g., retail, hospitality, multifamily housing, senior living, student housing, office, self-storage, industrial, and so on) or geography (e.g., commercial real estate in the Northeast vs. Southwest). Some focus on both.

REITs can be traded or non-traded; however, accessibility to the two varies drastically. Any investor can purchase shares of traded REITs through a public exchange like NYSE or NASDAQ. Non-traded REITs, though, are reserved for accredited investors.

Investments in non-traded REITs are available through individual brokers or financial advisors. Unlike traded REITs, they tend to require the investor to commit to a longer hold period, reducing the liquidity of the investment.

However, many are drawn to non-traded REITs because they tend to experience lower volatility and are historically less correlated to the stock market. They also have higher return potential than traded REITs due to the risk involved. And, similar to other alternative investment solutions, non-traded REITs offer true diversification in real estate investing.

INTERVAL FUNDS

An interval fund is a closed-end mutual fund that allows investors to redeem shares periodically, generally quarterly, semi-annually, or annually. Interval funds can include numerous types of investments, including but not limited to real estate.

Interval funds offer benefits that are similar to both open- and closed-end funds. For example, since they only trade at set dates, fund managers have more options when investing. Therefore, interval funds generally target higher yields compared to open-end funds. However, since they include a repurchase option, they do not rely on supply and

demand in a secondary market – instead, investors can turn to the company to repurchase the shares. Additionally, interval funds have a lower historical correlation to public markets and may be able to reduce portfolio volatility.

Generally, all retail investors can invest in interval funds, and most have low minimum investments. However, due to their unique nature and low liquidity, non-accredited investors should fully understand this asset before investing.

HEDGE FUNDS

Hedge funds are similar to other funds in that they pool together capital to invest, and the fund is professionally managed. However, these funds are unique in various ways. For example, a hedge fund is limited to 100 investors. Per the SEC, private funds with limited investors do not need to register and are, therefore, unregulated. As a result, hedge fund managers have access to more flexible and aggressive investment strategies, which have the potential to generate positive returns in varying market conditions. For investors, hedge funds strive to reduce portfolio risk and volatility given their historical nature as being less correlated with equity and bond markets.

There are risks associated with investing. Hedge funds tend to rely on highly leveraged portfolios, utilize derivative products such as options and futures, have less liquidity, and offer less transparency. Additionally, more management responsibility tends to result in higher fees. However, with higher risk comes higher reward potential, which is the primary draw for today’s accredited investors.

BENEFITS

Alternative investments can significantly differ from traditional investments, offering the potential for benefits previously unseen by real estate investors. Here are a few reasons investors are drawn to these investment strategies.

LOW HISTORICAL CORRELATION WITH THE STOCK MARKET

One of the driving reasons investors have recently turned to alternative investments is their low historical correlation to the stock market. While traditional investments, such as stocks, bonds, and mutual funds, tend to fluctuate with shifts in the stock market, alternative investments typically operate more independently.

TRUE DIVERSIFICATION

Historically, the term “diversification” has indicated that an investor’s portfolio comprises a mix of stock and bonds in different industries. Alternative investments, however, offer true diversification across investment opportunities, all potentially responding differently to various market conditions. This diversification provides investors the possibility for greater stability and may help mitigate risk, especially risk associated with swings in the market.

POTENTIALLY HIGHER RETURNS

Many alternative investments offer the potential for a higher rate of return than traditional investments. Returns are generally associated with risk, and alternative funds are riskier than traditional investments. While they provide less liquidity and their underlying value is more difficult to understand, these characteristics tend to provide investors with access to higher return potential.

HOW TO INVEST IN ALTERNATIVE FUNDS

Most investments in alternative funds are reserved for institutions and accredited investors. However, thanks to changes in the U.S Securities and Exchange Commission (SEC) rules and regulations, more retail investors have been provided the opportunity to invest in these alternative assets.

CASH INVESTMENTS

The simplest way to invest is via cash investments. Investors can either invest available cash or liquidate their existing portfolio (including stocks and bonds). Most investors collaborate directly with a real estate sponsor or fund manager specializing in alternative assets.

INDIVIDUAL RETIREMENT ACCOUNTS

Another option is to roll a traditional or Roth Investment Retirement Account (IRA) into a self-directed IRA (SDIRA) with an alternative asset custodian. The SDIRA will facilitate the transaction and hold title to the assets on an investor’s behalf. Through SDIRAs, investors can make investments into various alternative options, including but not limited to DSTs, QOFs, and PE funds.

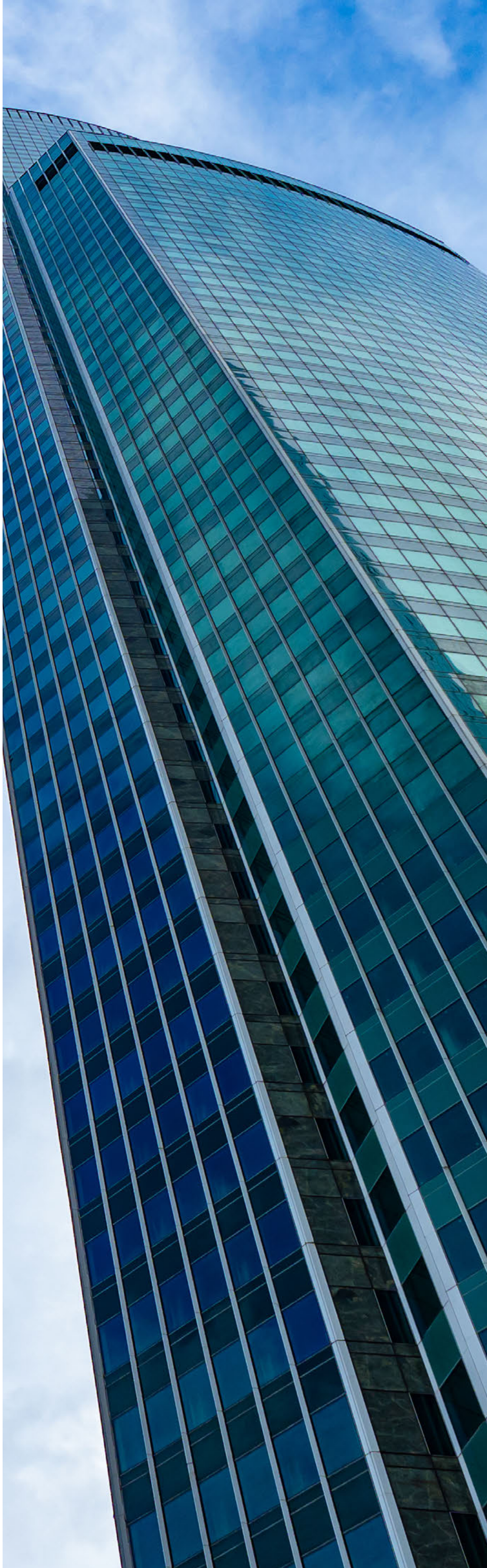
1031 EXCHANGES

Investors who hold real estate can invest in alternative funds via a 1031 exchange. Per the Internal Revenue Service (IRS), fractional ownership in a DST and oil, gas, or other rights all qualify as like-kind property. Therefore, investors can sell their real estate and invest in a DST or a qualified commodity while deferring their capital gains.

CONCLUSION

While alternative assets were once considered too risky for individual investors, their potential benefits are now increasing their popularity and making them a core tool in the investment world. Each opportunity offers a new avenue for diversification, striving to reduce volatility and seeking to mitigate the risk to investment portfolios.

Of course, all investors need to do their homework and research their options before putting their money at risk. Alternative investments are not appropriate for all investors, and any investment should be in line with the investor's investment profile. Anyone considering alternative investment options should rely on an experienced sponsor or fund manager to provide access to a full range of alternative investment solutions. With the proper guidance and appropriate timing, investors can strive to achieve higher returns in today's market.



ALTERNATIVE INVESTMENTS AVAILABLE WITH PERCH

Perch Wealth is an investment firm specializing in real estate and alternative investments. With more than two hundred years of combined experience and recognized as one of the most experienced teams in the alternative investment industry, the Perch Wealth team is qualified to guide investors in various investment opportunities within this niche space.

Perch Wealth works with investors from around the globe, offering the following alternative investments to those who qualify:

PRIVATE REAL ESTATE FUNDS

Perch Wealth offers access to leading funds for both accredited and non-accredited investors worldwide. Private real estate funds available through Perch Wealth include:

- Preferred Equity Offerings
- Real Estate Investment Trusts (REITs)
- Interval Funds
- Other Income Funds

DST INVESTMENTS

Perch Wealth connects accredited investors with Delaware Statutory Trust (DST) investments nationwide, delivering a management-free approach to real estate investing.

1031 EXCHANGE SOLUTIONS

Perch Wealth provides guidance on and manages 1031 exchanges and processing, offering discounted exchange fees to those we work with.

OPPORTUNITY ZONES

Perch Wealth educates and assists clients on how and why to invest in opportunity zones, providing access to numerous potential tax benefits.

Perch Wealth is committed to providing the highest quality service and the most informed guidance that investors deserve. As experts in private real estate and tax-deferral strategies, we're committed to identifying the very best investment opportunities for our clients.

GENERAL DISCLOSURE:

Not an offer to buy, nor a solicitation to sell securities. All investing involves risk of loss of some or all principal invested. Past performance is not indicative of future results. Speak to your finance and/or tax professional prior to investing. Any information provided is for informational purposes only.

Securities offered through Arkadios Capital, member FINRA/SIPC. Advisory Services offered through Arkadios Wealth. Perch Wealth and Arkadios are not affiliated through any ownership.

REAL ESTATE / 1031 EXCHANGE DISCLOSURE:

- There is no guarantee that any strategy will be successful or achieve investment objectives;
- Potential for property value loss – All real estate investments have the potential to lose value during the life of the investments;
- Change of tax status – The income stream and depreciation schedule for any investment property may affect the property owner's income bracket and/or tax status. An unfavorable tax ruling may cancel deferral of capital gains and result in immediate tax liabilities;
- Potential for foreclosure – All fnanced real estate investments have potential for foreclosure;
- Illiquidity –These assets are commonly offered through private placement offerings and are illiquid securities. There is no secondary market for these investments;
- Reduction or Elimination of Monthly Cash Flow Distributions – Like any investment in real estate, if a property unexpectedly loses tenants or sustains substantial damage, there is potential for suspension of cash flow distributions;
- Impact of fees/expenses – Costs associated with the transaction may impact investors' returns and may outweigh the tax benefits.
- Stated tax benefts – Any stated tax benefits are not guaranteed and are subject to changes in the tax code. Speak to your tax professional prior to investing.

OPPORTUNITY ZONE DISCLOSURE:

- Investing in opportunity zones is speculative. Opportunity zones are newly formed entities with no operating history. There is no assurance of investment return, property appreciation, or profits. The ability to resell the fund's underlying investment properties or businesses is not guaranteed. Investing in opportunity zone funds may involve a higher level of risk than investing in other established real estate offerings.

- Long-term investment. Opportunity zone funds have illiquid underlying investments that may not be easy to sell and the return of capital and realization of gains, if any, from an investment will generally occur only upon the partial or complete disposition or refinancing of such investments.

- Limited secondary market for redemption. Although secondary markets may provide a liquidity option in limited circumstances, the amount you will receive typically is discounted to current valuations.

- Difficult valuation assessment. The portfolio holdings in opportunity zone funds may be difficult to value because financial markets or exchanges do not usually quote or trade the holdings. As such, market prices for most of a fund's holdings will not be readily available.

- Capital call default consequences. Meeting capital calls to provide managers with the pledged capital is a contractual obligation of each investor. Failure to meet this requirement in a timely manner could elicit significant adverse consequences, including, without limitation, the forfeiture of your interest in the fund.

- Leverage. Opportunity zone funds may use leverage in connection with certain investments or participate in investments with highly leveraged capital structures. Leverage involves a high degree of financial risk and may increase the exposure of such investments to factors such as rising interest rates, downturns in the economy or deterioration in the condition of the assets underlying such investments.

- Unregistered investment. As with other unregistered investments, the regulatory protections of the Investment Company Act of 1940 are not available with unregistered securities.

- Regulation. It is possible, due to tax, regulatory, or investment decisions, that a fund, or its investors, are unable realize any tax benefits. You should evaluate the merits of the underlying investment and not solely invest in an opportunity zone fund for any potential tax advantage