Brett Hickey

Episode 252: Lower Middle Market Opportunities: How Star Mountain Creates Alpha Through Active Lending

GUEST Q & A

Stewart: Welcome to another edition of the InsuranceAUM.com podcast. My name Stewart Foley, I'll be your host. Welcome back, it's so nice to have you. We've got a great podcast for you today and we're joined by a really remarkable person, Brett Hickey, who's the founder and CEO of Star Mountain Capital. Star Mountain Capital focuses on lower middle market lending, and Brett is a serial entrepreneur and he has done a lot of interesting things over the course of his career in spite of being relatively, I would say, from an age perspective, you're mid-career but you've crammed a lot in a short period of time. So, welcome and I can't wait to get an education on your world.

Brett: Right. Thanks, Stewart, pleasure to be with you.

Stewart: So, let's get started like we always do. Yours is an interesting story, can you talk a little bit about where you grew up and then talk about the first job but that's a longer story than typical but I think it's important. So, would you kick us off there?

Brett: Yeah, I'd be happy to. And in fact, we think a lot in investing about evaluating people given they're such a key driver of the success of businesses that we invest in both on our differentiated private lending with equity upside business as well as our secondaries business and private equity business. And so, I'm happy to share a little bit about me given that we always try to evaluate people the best we can. My background, as you mentioned, is a little bit different, Stewart, and I think part of that is motivation is a key driver in life.

So, I grew up in a small town of 10,000 people in Northwestern Canada, parents were school teachers, mom unfortunately passed at a young age and so I grew up really around the school all the time with my father who taught mathematics and chemistry and other subjects in school. And, in that, I think I was quite fortunate to actually have the community of that school system. And what I believe, looking back and reflecting, is community has always been a very centric thing for me and it's really part of the DNA and culture at Star Mountain Capital today.

I then briefly worked on the oil rigs for approximately one year to make money for college. And then, when I was going to college, initially, I had aspirations for going to the Olympics, I'd been a Canadian gold medalist record holder and was training in Calgary in the National Speed Skating Training Team and ended up, unfortunately, getting in a bike accident on the velodrome during summer training and, during that time, was working with a family-owned registered investment advisor investment firm in the late 1990s and really got excited about finance. And at that point in time, I asked myself, well, I'm not ... I always am thankful that, in speed skating, I knew there was no money in the sport and people often look at me with a strange glance and say, "Why are you thankful for that?"

I said, "Well, a lot of friends of mine in hockey figured they could have a ton of fun and make a lot of money and that's an all in one life. But as we in the investment world know, putting all your eggs in one basket is usually not a great strategy." So, while I had very little financial acumen at that point in my life, I knew that I didn't want to work on the oil rigs and work tough, hard labor because that's very difficult. And I knew that I didn't want to be a speed skating coach which was really one of the few careers that the sport led into.

And so, I was going to college studying business and, thankfully, working with some family that was able to give me exposure to the finance industry in 1998 starting and it was exciting. Back then, everybody's charting, showing look how much money you're going to make and this is heading into the dot com bubble and everything's up into the right. And little did I know a lot of that didn't actually make any sense but it was neat and it was fun and it's exciting and, wow, look at companies breaking out of their zones and barriers and double dips and all this stuff. And so, that was really fun, I'm like, "Hey, this finance stuff is really awesome."

And so, when I got injured in skating, I said, "How do I get to Wall Street?" and that's when I moved over to the east coast of Canada to Montreal to finish my degree at McGill University in finance and accounting and, at the time, that had one of the best placements into Wall Street. And that was my clear focus and I grew up speaking French as well and so that was also a double benefit of living in Montreal. I ultimately moved to the US to work for Citigroup Salomon Smith Barney and was fortunate to have some good career choices and able to work within the financial institutions group which I thought would be a great way to gain perspective knowing that I knew very little about anything other than my few years at a registered investment advisor with my family and, again, stock charting, looking at different things that are working and how many morning stars does a mutual fund have and so forth.

And within the financial institutions group at Citigroup, it was a great role to be in because, at the time, Stewart, it was the largest financial institution in the world and it also had the largest wealth business in the US under the Smith Barney brand. And so, I was able to work on what you could really call financial institutions private equity where, for example, I did the modeling and helped work in a junior capacity, of course, but a lot of listening, a lot of learning and, as we know in life, you do a lot of learning when you're doing a lot of listening and sitting in the meetings with heads of banks, heads of insurance companies, heads of some of the largest asset management firms that was interested in working with Citigroup for its balance sheet or for its distribution or other advisory capabilities. I was able to see a lot of what was working, what wasn't working and how were the leaders of these investment business is thinking. Where were they trying to go? Where did they face challenges?

And ultimately, that's what led me into launching a specialized lower middle market private investment firm really from a data-driven perspective where you have a really large market of about 50% of US GDP that's extremely fragmented and then has a bunch of positive secular tailwinds including banks retracting from the space because it's hard to get the other ancillary revenue that a bank wants from smaller companies. You don't get a lot of deposits, you don't get a lot of investment banking fee revenue, you don't get a lot of wealth management fee revenue and so those revenue streams are really critical for the larger banks in particular.

So, as they were vacating that sector and the larger asset managers were continuing to go up market to deploy their larger volumes of capital, we then saw an aging demographic trend which we all of course know about but not everybody realizes that, in the lower middle market, 95% of the businesses are estimated to be founder-owner operated. Many of whom are now motivated sellers so, for the first time in history, are really open to having outside investment whether they're looking for strategic capital partners to sell their businesses, looking for loan to make an acquisition and so forth. And so, that's my story in a nutshell. It's not as a crow flies but, ultimately, it's about having a very clear strategy, focusing on things that we think make a lot of sense. And I guess the commonality between oil rigs and speed skating and Star Mountain is labor intensity and that's a lot of how we drive our alphas, the resources involved in it.

Stewart: Yeah, it's interesting. I grew up in rural Missouri and, at that time, there were a couple of really good jobs. One of them was, if you were in the union at the brewery, at the Anheuser-Busch Brewery in St. Louis, if you were in the union driving a forklift, being a painter, whatever it was, that was really good money. And the other one that was really good money was heavy equipment operator and, like you, I spent some time trying that out and I'm with you 100%, finance is a lot better path. At the end of that day, I could barely walk and I was like, "Wow, how do these guys do this every day?" and it's just amazing. But you'll learn a lot in those situations so it's all about taking the-

Brett: Well, it's focus. When you do those jobs, same with the oil rigs, I unfortunately had friends die and it's very real. So, if you think in life to some core attributes, work ethic, focus, if you don't focus, people can die. So, it teaches you at a young age to be very driven and perseverant as does a sport like speed skating of course. But I think hard labor, while it's not something my kids are currently doing, I'm always thinking about how to bring that in, I try to use a lot of sports, I think sports can be another way of getting there that's hopefully a little bit safer, yeah, hard labor definitely motivates you, I think, in many cases, to not want to have to do that for the rest of your life. So, that was a big driver for me.

Stewart: So, you talked about this a little bit but a lot of people want to do big transactions and sponsor back deals and all of that and that's not the direction that you've taken here. And so, talk to me about why US lower middle market companies can be compelling from your perspective.

Brett: It all starts with supply-demand. The one thing I learned at Citigroup and observing all the data and information and listening to leaders of as imagined firms, they were rarely saying we're going to outsmart the world. They were focused on saying what is intelligent, what's a smart insurance space to underwrite in or not underwrite in, what's a smart sector to invest in or not invest in and why. And so, what we've tried to do in Star Mountain, I launched my lower middle market lending fund working with my partner Dave DiPaolo and others over 20 years ago now. So, to your point around age, I asked somebody, "When am I not a young CEO? I want to make sure I know why I'm in that sweet spot before somebody says I'm an old CEO."

So, having turned 46 this year, some people are like, "Yeah, you're right in the sweet spot," now I'm like, "Oh, good, thanks for letting me know just so I can make sure I'm aware of that." But with all kidding aside, the lower middle market serves a value for investors as a great compliment to the larger markets. When we look at the larger markets, there are many fantastic asset management firms that run great businesses and deliver great value for investors. I don't view that trying to create a competitor to one of them would be of value to business owners, the community, our team nor our investors so we don't do that. Instead, what we focus on in the lower middle market is a segment of the US economy that is much more labor-intensive to find the businesses, underwrite, actively work with them and, as a result of those supply-demand inefficiencies on a relative basis, the much more efficient larger markets, we believe we can deliver meaningful alpha in a systematic way and also less correlated returns.

If you think about a school bus transportation company or a preschool chain, businesses like this, roadside repair businesses to talk about some of the labor background that you and I both had, these are mission-critical oriented businesses that go on whether the stock market's going up or down and this end of the economy is highly uncorrelated to large public markets, to big tech and so forth. And so, we think, ultimately, when I look at product design and a lot of what we did at Citigroup is thinking about what products made sense whether it was for an asset manager to buy or whether it was for a product to create to be distributed in a wealth channel. So, Star Mountain has built specialized products focused on complementing an investor's portfolio to bring systematic alpha and less correlated returns. And given the aspects of the aging demographics today, there's really a generational opportunity where there are more motivated sellers of these smaller businesses than ever in history.

In our private lending business, what we largely specialize in is helping one business owner find another one. So, if, Stewart, you're running a school bus transportation company in one city in Missouri and, your neighboring city, you know a buddy that runs the same business and he's in his 70s now and says, "Hey, Stewart, I really want somebody who's going to take over my business that's going to take care of my employees and so forth," we'll help you put those businesses together the right way. So, we really act like a private equity partner and helping you think about finding acquisitions, analyzing them, negotiating them, integrating them and then helping you take your business to the next level, we call it getting middle market ready. Professionalizing your board of directors, different aspects like that that we help you in your whole journey of further professionalizing to drive value.

So, given the number of motivated sellers today due to demographics, the demand for Star Mountain's value added lending approach is higher than we believe it's ever been and you overlay that within the category of luck in a sense. Not lucky nor fortunate for the US economy that Silicon Valley Bank and Signature and others went under but, ultimately, what happened when that occurred was a huge dislocation in private credit. The deposits fled from smaller banks to larger banks and the larger banks remain in very strong capital positions, the larger asset managers continue to raise an enormous amount of capital, the CLO market is near or at all-time high issuance run rates and then we're seeing capital formation like recent partnerships between Citigroup and Apollo recently announced for another $25 billion and others that are forming very efficient, large sums of capital for the large market. Whereas, in the smaller end of the market, because it's so much more labor-intensive, we just don't find the same competition.

And so, what we've built at Star Mountain is a purpose built company that doesn't invest in other market segments. We're specialists in finding, working with understanding the challenges, which there are, and being able to develop ways to mitigate challenges and maximize value both for the businesses we're investing in as well as for our investors. And we have over a hundred full-time people at Star Mountain plus an additional 40 senior advisers and operating partners as what I believe is the largest team that is exclusively focused on the lower middle market in the country and we're only investing around a billion and a half of capital or so per year. And so, in the large market, you have managers that make single loans that might have a managing director and an analyst staffed on it that are larger than our entire annual deployment. So, there are trade-offs.

A lot of investors say, "Well, gee, why doesn't everybody do what you do?" We at Star Mountain can't service the volume of capital needs that many big insurance companies have. We can be a great addition to add incremental alpha, have higher yield, have capital protection and less core related assets in their portfolio and really drive that systematic total return but we can't deploy 50 billion a year for them. And so, that's where I think that there's really a fit for many types of strategies and how can investors develop portfolios of systematic alpha integrated with some high-quality beta, I'll call, some of the larger managers.

Stewart: And so, in my notes, I have the statement that says there was a Moody study done over 25 years that said leverage is the leading indicator of defaults. Can you talk a little bit about risk management and mitigation in your market and how you go about it?

Brett: So, we start, Stewart, with data-driven approaches to everything. And as you say, if you look at the data, one of them is revenue. If a company's revenues are going well, you can work through expenses, work through challenges. It's hard to work through revenue going away which is one of the reasons, while I'm very thankful for paying for college from working on the oil drilling rigs, we don't invest in the energy sector because, ultimately, commodities can be difficult to time and that's a different skill set and specialization that some, of course, is good at, it's not what's Star Mountain does. But if you look at the beta, let's call it, of private lower middle market and middle market businesses, and this is all US census data so it's not cherry-picking any information, it's just, if you close your eyes and said where would I allocate that, on average, should actually play better for me, lower and middle market private businesses, over the last roughly 12 years since we have the data from the US government, grow revenue faster and more stable than S&P 500 companies do, for example. That surprises a lot of people.

Now, what I like to remind people is that excludes startups, Star Mountain does not invest in startups. Startups have a very high failure rate and are extremely volatile. But if you actually build a defensive, think again of a school bus transportation company that's got great contracts, operates well and does, say, a hundred million of revenue, has 20, 30-year operating history, those businesses, on average, grow revenue faster and more stable than the S&P 500. So, if you think about that as a proxy of larger companies, that's helpful. It doesn't mean those companies might not have challenges and, of course they, naturally will in some cases which is why Star Mountain overlays a very active portfolio management approach.

A lot of private credit is more of passive lending. Think about it similar to public markets, there's active and passive, we take a very active role having people local in 20 cities across the country, having industry specialists, portfolio management specialists to help these businesses identify risks, solve problems and create value. And one of the risks that I think is higher in a smaller business is it's going to have a smaller management team. So, we think having a very active hands-on approach is the way to mitigate that and that's worked extremely well for us. When you talk about defaults and loss rates, what Moody has found, as you mentioned over the last 25 years, they tried coming up with a predictive analytical approach and said what are the items that have really driven defaults historically. And what they found was the single largest determinant and predictor of a default was how much leverage a company had on.

What's interesting today is we double click, if you listen to folks like Howard Marks that talk about what is the less obvious risk, I think one of the less obvious risks that is paramount to this point of risk is adjusted EBITDA. So, if I said to you, Stewart, no, the leverage on this company is only four times, it's really safe. Well, if the EBITDA is adjusted by 100%, maybe it's actually eight times leverage but I'm reporting it to as four. That's one of the biggest risks, I think, going on in the economy today that relates to what's historically been the largest risk. And then, if you look at recovery rates, our segment has also had the best recovery rates and, ultimately, the way we try to design our portfolio, Stewart, is for total return where we can get warrants on some of our deals and other equity upside. So that, naturally, while we love all of our children, some of the companies will outperform, some will underperform and some will perform as expected.

If you design your portfolio where you can control the loans, have strong covenants, have some of the equity upside, it means, on the ones that do well, you don't just get your loan repaid, you actually participate in that value creation. For the ones that struggle, you take that active approach and you really earn your keep for working with the businesses and solving problems and, the ones that bump along, that's probably the easiest category to work with. But we design ours to capitalize on the valuation arbitrage that exists between the lower middle market and the larger market where, historically, we've been able to help our companies increase their EBIT evaluation multiples by far greater than 50% by helping them grow a little bit, professionalize a little bit and then package to sell in an efficient way. And as I'm sure you're aware, Stewart, there is more uninvested private equity capital raised today than ever in history.

So, you've got more small business owners that are motivated sellers and more uninvested capital than ever and we're built to find, work with and develop these companies to sell into that segment of the market and that's the approach that we take and it's really driven from supply-demand opportunities of capital and deals that enables us to do that.

Stewart: And when ... One of the things that I have in my notes is this idea of a collaborative ecosystem and you touched on it a moment ago and you were talking about whether you're a middle-aged CEO or whatever. I can assure you, that I'm on the back end of that, I'm actually about ... I'm about to turn 60 and, when I look around, and you had mentioned some things that are actually near and dear to my heart which is professionalizing. When you're running a business, a small business, you often don't know that, hey, there's some things that you need to be taking care of here and there's some things that you need to get in order in order to get ready to be ... If there's an event coming down the road, that you got to get ready for it. So, can you talk a little bit about how that collaborative ecosystem works and it is as both as an investor and as a borrower?

Brett: Sure. So, I'll tie back just to keep this fun and personal, Stewart, given our relationship that way. In a small town, I think especially losing a parent as a young age and having your other parent as a school teacher, you get very involved in the community. And in these small towns, nobody has that much money, generally speaking of course, there's the odd outlier but you work as a community, you work as a team. So, if that's borrowing somebody's snow blower if there's a lot of snow and you're shoveling the roof off an old person's roof so it doesn't collapse and you're helping out, whether it's helping share lawn mowers, whatever different ways you're working as a community with people.

So, in the way I grew up, that was actually just the norm, it wasn't a second guess. Oh, yeah, of course. Our neighbor's away, our neighbor needs a hand, of course we're going to help, of course we're going to watch their house, of course we're going to shovel the snow off their roof if they're elderly, of course they'd be delighted to lend us their snow blower. Whatever it might be, we worked as a community and that's how, together, we really took one plus one to equal three, as people love to talk about in finance.

And at Star Mountain Capital, we've actually trademarked the words collaborative ecosystem. We take it very seriously and it really stems from our firm as well where we're 100% employee-owned firm, we share our carried interest with 100% of our US employees and all of our senior investment team has substantial personal capital invested ultimately aligning interests with our investors but also importantly ourselves and our team and our community and our ecosystem as a firm. And I think the business owners, when we really believe that we are a partner of choice to many of the best lower middle market companies in America, that really resonates with them. We are working actively with them with our capital. This isn't just trading a deal or trading paper, this is personal to them. This is their community, this is their legacy, these are people that they care deeply about. And one of the things that we're very proud of in our very limited loss rate is the aspects of working with these businesses, not only make them better, but also keeping challenges low. It's impacting real families, real communities.

So, our collaborative ecosystem has multiple prongs to it. From a more specific business value aspect, it's how do we take our secondaries business where we have, I believe, one of the longest, if not, the longest private credit secondaries track records of over 12 years now with private equity secondaries as well and then our direct lending teams where we work together and say what's happening in industries, what's happening in economies. For example, people we're debating do we think that we're going to see inflation a few years ago. Well, we looked at all the data through our proprietary databases and we've heavily invested in technology to be able to assist in extracting that data and we said we're seeing inflationary pressures from a cost increase of labor across a wide range. So, our belief that Star Mountain is, yes, we are going to have inflation because that is hard to stop. It's not like you just pump more oil and drop the price of oil from a basic commodity, it's hard to change labor cost.

So, we viewed that inflation was going to come and we acted accordingly for our investors. I wish I could say that we predicted and could see COVID, that definitely was a new challenge that we didn't face which is why we think diversification matters. But ultimately that collaborative ecosystem is to gain insights, competitive advantages on what's happening to create incremental value for the businesses we invest in and for our investors and to bring all these resources together in a way that, Stewart, I think of it when I was at Citigroup, saying how do we take large market resources and bring those down to the lower middle market. Helping you build boards, really get professional advice, we use CEO off sites and bring together thought leadership and all the things that just help create better value.

And one of the last things that was very formative in Star Mountain's collaborative ecosystem has been my experience with an organization called the Young Presidents Organization. And I've been fortunate to be a member there now for over 15 years that has assisted me in, again, working as a community with other CEOs saying, hey, we all have challenges, how are we working with our families and balancing work, how are we balancing health and wellness where we could work 110-hour weeks every day if we wanted, how do we make sure that we remember it's a marathon, not a sprint, how do we collaborate with one another. And so, I've found that to be very valuable and we try to bring a lot of those resources as well into the businesses that we invest in.

And we're very fortunate to have a lot of extremely sophisticated investors that also really believe in the concept of a partnership and want to be part of our collaborative ecosystem. Joining us at events, engaging, sharing their knowledge and information so that we can help create maximum value for all stakeholders as a team ultimately.

Stewart: That's super helpful. I've learned a tremendous amount today, I really appreciate it. I just want to ask you, if you could give us a couple of key takeaways for our podcast today that you want investor, the investment community to take with them and I got a couple of fun ones for you out the door.

Brett: Sure. So, one is I would tell investors that the market in private credit is very dislocated and differentiated between the large market and the smaller market. Therefore, as an investor, we believe that it's good to complement and create diversification of portfolio and adding alpha from the lower middle market both in private credit and private credit secondaries has a generational opportunity today as a result of challenges with smaller banks and aging demographics. Those would be the key takeaways I would have for investors to consider as they're trying to build resilient portfolios into an unknown world.

Stewart: That's super helpful. I've got a couple of fun ones for you. So, you are a remarkably accomplished guy and I want to take you back, I think a lot of people who come out of towns the size of the ones that we did are not exposed to this world, the world of finance and institutional investing and private credit and so forth. What advice would you give to a 21-year-old person or 20-year-old person who's in a small town in Canada and is looking around? What advice would you give that person, essentially a 21-year-old Brett Hickey?

Brett: Well, luckily today, Stewart, the 21-year-olds have access to the internet. Back when we were younger, we didn't have that and so the knowledge that we could access was far more limited. So, I think that's a huge advantage that some of the younger generation has today is take advantage of all the information available. Second is we believe heavily in internships and finding opportunities at Star Mountain and we built a very distinctive internship program, for example, where we will start you with three years left in college and you work full-time during the summer, part-time during the school years. Over the course of years, you're working on real deals, learning real situations, learning pattern recognition and that means our senior team invests into you and you lean in, you're not just there to find books and observe a little bit, which is still valued, it is just a spectrum of value.

And so, learn as much as you can, focus on long-term career opportunities with great people and great business models. Think long-term because, ultimately, your business plan as an individual, I tell our team that you are all the CEO of yourself. You all run your own business as individuals, think long term, what's your plan for your career. And being in an organization that has a high-quality team, thoughtful business, prudent balance sheet. For example, at Star Mountain Capital, right now it doesn't have any leverage on its management company or any things of that but learn about some of those things that you can.

So, you look for a place that you can grow and create value for yourself and your potential family one day over the next 20, 30 years and come up with that long-term plan. I see too many people, well, call it chasing shiny coins and, every two years, they're bumping from one thing to another and you look back at a lot of those folks that are part of my generation now in my mid to late 40 and, unfortunately, it's tough because they're constantly still just looking for the next thing, they haven't built that family and community they work with.

And when you think about how much time we spend working, it's a very big percentage of our life. So, my bias is to say work with great people in a highly aligned fashion, in a smart business plan and that will often, I believe, outweigh any shorter term things. Whether it's a little bit more short-term cash compensation or whatever little thing it might be, think about the long-term plan because that's what's going to actually matter to you and your wealth creation and also your happiness and life.

Stewart: Very cool. All right, so the last one. Lunch table for four, you're one of them, you get to invite up to three guests alive or dead. Who are you going to have lunch with? I'm looking forward to this, I think you're going to have a good answer.

Brett: Yeah. So, I'll pick and this is off the cuff here so it's interesting. There are different types of people that I've really drawn interesting value from over time. One is I would pick Warren Buffett. He has created, over many decades, very persistent returns. Obviously, today, the business model they have is much more competitive as a marketplace but ultimately staying disciplined into what he's doing and I'm sure he had opportunities to chase shiny coins in what he's doing, the learnings and the development, I think, is a very fascinating person to make it a fun place, I would pair it. So, I think Richard Branson, on another end of a spectrum, is a really passionate, driven, little more volatility in his career but at times has built some incredibly impressive cultures, industries he's invested in, innovative thinking approach.

So, I would get them together in a room and then, to pick a third person, I'd probably throw Steve Schwarzman in there from Blackstone who has built the largest alternative asset management firm that works with a whole bunch of these ecosystems. And I think, collectively, that'd be a fun dinner.

Stewart: I think so too. I've learned a lot today, I really appreciate you being on. We've been joined today by Brett Hickey who's the founder and CEO of Star Mountain Capital. Brett, thanks for taking the time, thanks for coming in today.

Brett: Pleasure, Stewart. Wish everybody well.

Stewart: Thank you and thanks for listening. If you have ideas for a podcast, please shoot me a note, it's stewart@insuranceaum.com. Please rate us, like us and review us on Apple Podcast, Spotify and wherever you listen to your favorite shows. My name's Stewart Foley and We'll see you next time on the InsuranceAUM.com podcast.

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The returns of several market indices are provided in this Summary for comparison purposes only and the comparison does not mean that there necessarily will be a correlation between the returns of any Product, on the one hand, and any of these indices, on the other hand. The indices have not been selected to represent an appropriate benchmark against which to compare a Product’s performance; but, rather, are disclosed to allow for comparison of the Products’ performance to that of certain well-known and widely recognized indices. The returns of the Products differ from these various indices in that, among other reasons, the Products are actively managed and may use leverage. Such indices are unmanaged and are not subject to fees and expenses, including transaction costs, typically associated with private investment funds. In addition, the Products’ holdings may differ from the securities that comprise the indices and the differences may be material. Investments cannot be made directly in indices and such indices may re-invest dividends and income.

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Certain Risks of Investment
The Products are NOT subject to the same regulatory requirements as mutual funds, including mutual fund requirements to provide certain periodic and standardized pricing and valuation information to investors. An investment in any Product will involve significant risks due to, among other things, the illiquid, highly speculative nature of the investments. Investors must be able to withstand a total loss of their investment. There is no public market for the Products, and interests therein generally will not be transferrable. For more detailed information on the risks involved with an investment in a Product, please refer to the Risk Factors Section of the Product Offering Documentation.
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