

P-Cubed. What is it?

The Pathstone Portfolio Platform (P-Cubed) is a proprietary investment execution methodology that provides the ability for investors to hold diverse investments with customization in a single account. The primary goal is to increase efficiencies and lower overall portfolio expenses. We continue to innovate our platform, regularly making significant enhancements. Today P-Cubed not only provides meaningful expense and operating efficiencies, but also delivers investors the power to customize and control their portfolios in ways we believe not before possible.



Investments held in P-Cubed may consist of both passive and active separately managed accounts (SMAs), mutual funds, exchange traded funds (ETFs) or single stock positions across a variety of asset classes. Our platform consists of over 50 strategies utilizing both active and passive strategies across all asset classes. Our in-house research team strives to consistently identify new attractive opportunities to add to our platform. The large array of strategies on our platform allows for deep customization and value alignment of portfolios.

One of the critical elements of P-Cubed is that it separates the trading and implementation from the security selection process. Typically, asset managers are tasked with both, but under the P-Cubed method, managers focus exclusively on security selection and are not burdened with the administrative duties of trades and implementation. This allows managers to focus on what they do best—research and select what they believe to be the best opportunities for investors.

See the diagram that follows for an illustration of the separation of the security selection and implementation/trade process under P-Cubed.

OVERVIEW

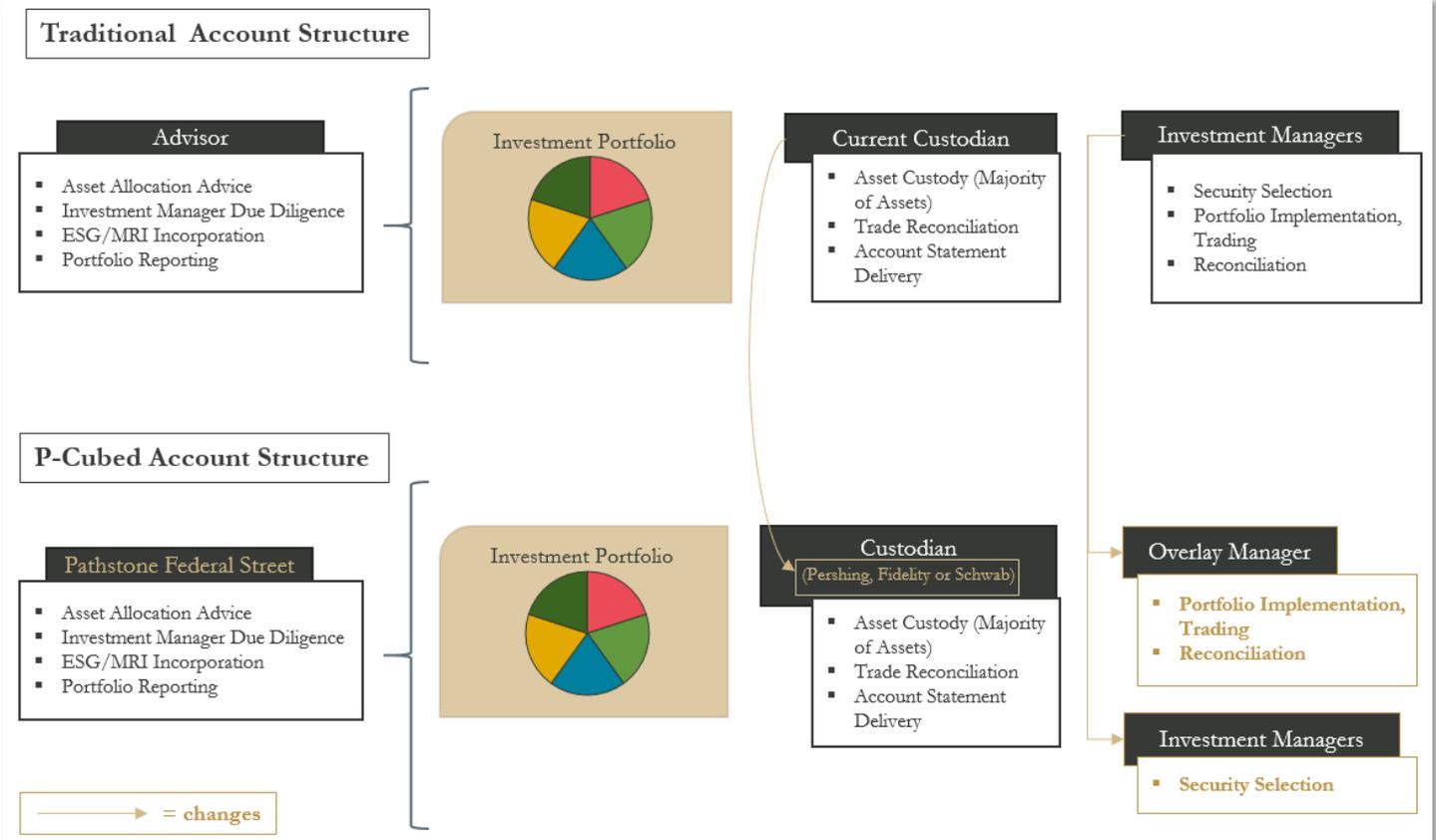
I. P-Cubed: What is it?

II. What are the benefits?

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- ◆ Fee Savings
- ◆ Tax Savings
- ◆ Dynamic Rebalancing & Cash Management
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- ◆ ESG Management & Value Alignment
- ◆ ESG Directed Proxy Voting
- ◆ Shareholder Engagement
- ◆ Multi-Tiered & All-Encompassing Reporting



What are the Primary Benefits of P-Cubed?

- ◆ **Fee Savings** – Relieving active managers of the administrative duties presents an opportunity to reduce management fees. This is possible as managers accept our bid for lower fees in exchange for the administrative relief we offer. Pathstone clients have experienced a 0.10% to 1.00% reduction in active manager fees. The chart below demonstrates the potential fee savings under P-Cubed.

Hypothetical Case Study Conclusions

- With P-Cubed implementation, our clients can expect between a 0.10% -1.00% reduction in active manager fees. Under the P-Cubed, you get active management at the cost of passive management.
- In this case study, the P-Cubed overlay manager advisory and administrative fee is ~ 0.22%
- Estimated investment fee savings with P-Cubed implementation is ~0.22%

Hypothetical Case Study¹: P-Cubed Investment Fees

SEPARATE ACCOUNT GROWTH INVESTMENTS	Sample Allocation		Fees Without P-Cubed		Fees With P-Cubed	
	%	\$	%	\$	%	\$
U.S. Large Cap Equity	47.0%	\$11,750,000				
U.S. Large Cap Core Passive	23.5%	\$5,875,000	0.35%	\$20,563	0.05%	\$2,938
U.S. Large Cap Sustainable Growth	11.8%	\$2,937,500	1.00%	\$29,375	0.30%	\$8,813
U.S. Large Cap Value	11.8%	\$2,937,500	1.00%	\$29,375	0.25%	\$7,344
U.S. Small Cap Equity	20.0%	\$5,000,000				
U.S. Small/Mid Value	10.0%	\$2,500,000	1.00%	\$25,000	0.30%	\$7,500
U.S. Small/Mid Cap Core	10.0%	\$2,500,000	1.00%	\$25,000	0.60%	\$15,000
Developed International Equity	33.0%	\$8,250,000				
Developed International Core ADR Passive	16.5%	\$4,125,000	0.40%	\$16,500	0.35%	\$14,438
Developed International Growth ADR	16.5%	\$4,125,000	1.00%	\$41,250	0.50%	\$20,625
Total Market Value / Investment Mgr Fees	100.0%	\$25,000,000	0.75%	\$187,063	0.31%	\$76,656
Estimated Overlay Manager Fee			0.00%	\$0	0.22%	\$55,000
TOTAL INVESTMENT FEES			0.75%	\$187,063	0.53%	\$131,656
			ESTIMATED FEE SAVINGS VIA P-CUBED		-0.22%	-\$55,406

¹ The information provided is a hypothetical study compiled by Pathstone for illustrative purposes and is not representative of any client portfolio. The above-noted positions are examples of the strategies currently available; however, there is no guarantee that they will continue to be available to be held in clients' portfolios.

Manager fee reduction will vary based on asset allocations, manager selections, and other factors.

- ◆ **Tax Savings: Active Tax-Loss Harvesting & Tax Sensitive Management**– In addition to fee savings, the construct of holding all investments in one account presents the opportunity to efficiently manage taxes. P-Cubed portfolios are designed for investors who want flexible, tax-efficient implementation. Portfolios are reviewed on a daily basis for tax loss harvesting opportunities. The goal of a tax-managed strategy is twofold: first; we construct a portfolio of managers of a desired exposure, or benchmark, on a pre-tax basis. Next, we work to outperform the benchmark on an after-tax basis by providing a source of realized capital losses, which can be used to offset realized capital gains through a continual, active tax-management process. “Tax alpha” is how we quantify the value of this active tax-management.

Tax Alpha Defined

- The additional performance benefit gained from investments through tax savings
- As calculated, the portfolio’s after-tax return relative to an after-tax benchmark, adjusted for any excess pre-tax returns

P-Cubed vs. Diversified Equity ETF Performance (net of fees and taxes)											
Year	PATHSTONE P-Cubed ¹								ETF ²	Difference	
	Client 1	Client 2	Client 3	Client 4	Client 5	Client 6	Client 7	Client Average	VTI		
2011	1.73%	1.11%	1.34%	ND	ND	1.34%	ND	1.38%	-0.73%	2.11%	
2012	1.78%	2.12%	1.83%	ND	ND	2.22%	ND	1.99%	-0.88%	2.87%	
2013	1.92%	3.67%	2.04%	0.68%	0.13%	-0.97%	ND	1.25%	-0.76%	2.00%	
2014	0.94%	1.01%	1.31%	0.64%	1.07%	1.64%	3.81%	1.49%	-0.74%	2.23%	
2015	-0.29%	0.40%	-0.02%	0.91%	-0.10%	-0.07%	2.78%	0.52%	-0.75%	1.27%	
2016	-0.22%	-0.03%	0.38%	0.35%	0.20%	0.09%	0.35%	0.16%	-0.53%	0.69%	
TOTAL AVERAGE									1.13%	-0.73%	1.86%

You can expect to see a 0% to 4% increase in after-tax results on the equity portion of your portfolio, but the amount of tax reduced will vary based on market volatility and direction, among many other factors.

ND= no data available

Highest 2017 federal brackets assumed for all tax calculations

¹ We calculated the average tax alpha using data for seven randomly selected clients. The data used to make this calculation was provided by the overlay manager and is based on actual client experiences.

² Vanguard Total Stock Market ETF (VTI). Vanguard tax calculations are based on actual distribution and mid year price.

- ◆ **Single Account & Simplified Tax Reporting** – P-Cubed allows each client to custody assets in their own distinct account. Multiple structures including individual securities, mutual funds, separate accounts and ETFs can be held. Holding all underlying securities in a single account results in a series of meaningful benefits for clients. One in particular is the significant reduction of annual tax filings. Instead of receiving multiple 1099s, P-Cubed single account structure simplifies this annual hassle into one 1099.
- ◆ **Dynamic Rebalancing & Cash Management** – By allowing clients to hold everything in a single account, assets can be viewed and considered simultaneously, enhancing our ability to manage the overall asset allocation across multiple managers and asset classes. Housing multiple investment vehicles in one convenient custodian account also means that rebalancing between the separate account managers and mutual funds does not require any transfers of cash between accounts. Contributions or withdrawals are used to efficiently rebalance portfolios by taking from the holdings that are most out of weight. Rebalancing the investments held within the P-Cubed structure takes place within the single account. This results in less paperwork and a faster implementation.
- ◆ **Customized Portfolio Construction** – P-Cubed provides access across strategic asset classes, offering both active and passive solutions and presents the flexibility for multiple investment structures. This comprehensive solution set enables clients to fully customize their portfolios based on goals, objectives, liquidity needs and preferences.

Impact: The Added Benefits of P-Cubed.

For families or foundations with an interest in aligning their investment portfolios with their values, Pathstone has created a cutting edge solution to helping not only align your investments with your values, but also measure its impact in a way that it has not been done before.

Pathstone (inclusive of our legacy firms) has been actively involved in sustainable and socially responsible investing for over fourteen years. Evidence of our long-term commitment and growth in this area can be seen in our track record of work with a number of families and foundations that are at the forefront of ESG investing.

As part of our commitment, we have helped families and foundations expand their options, providing them with exposure to private alternative investments that provide impact and are aligned with their values. We have also helped clients create negative screens of their portfolios, helping them identify and exclude companies that conflict with their mission.

We view ESG investing and Impact as a core focus of our firm's business, and we are deeply invested in ensuring its success. We believe that incorporating environmental, social and governance (ESG) criteria and Impact considerations into an investment process is additive, and we do not expect an adverse tradeoff between values and performance—the two are not mutually exclusive. In fact, there is enough evidence¹ to suggest that over the long-term, companies benefit when they:

- treat their stakeholders (customers, suppliers, shareholders and employees) in a fair and sustainable manner
- utilize their resources in a more efficient manner
- operate in such a way that limits the emission of pollution and toxins

By seeking strategies that offer positive impact in areas of interest and focusing on companies that are competitive along ESG standards, investors are able to better align their investments with their values and achieve their objectives more effectively.

For this reason, we have put tremendous resources into this space, as evidenced by the innovative ESG tools we've built inside P-Cubed. Not only does P-Cubed offer lower overall cost and greater efficiencies for clients, but it also provides the ability for proxy voting, shareholder engagement, and a comprehensive ESG rating framework.

P-Cubed leverages Pathstone's rigorous manager selection capability coupled with opportunities to generate meaningful impact and differentiated ESG transparency and measurements. Below we outline the benefits P-Cubed has for families and foundations that have an interest in aligning their investments with their social or environmental values, and who seek to gain measurable impact.

¹ Recent studies support our observations:

- Assets in sustainable investing strategies globally grew by 25% between 2014 and 2016 to reach \$22.89 trillion, according to a new report from the Global Sustainable Investing Alliance (GSIA). Europe and the US represent the largest portion with 53% and 38%, respectively, of the total assets in sustainable investing strategies. While this is no surprise (given the size and development of sustainable investing in European and the US markets), the most growth in this period came from Japanese and Australian/New Zealand markets where SRI appears to be taking hold in recent years.
- Results of a new Dimensional Fund Advisors study show that across the U.S., International, and Emerging Markets, expected returns tend to be driven by market capitalization and valuation ratios, instead of sector exposure.
- A performance study by Bank of America highlighted that ESG metrics provided useful information with regard to future volatility, earnings risk, price declines and bankruptcies. BoA's study also noted that the ESG space is becoming one of the most attractive investment areas, with trends suggesting the sector could receive trillions of dollars over the next few decades.

- ◆ **ESG Management & Value Alignment:** P-Cubed includes specific ESG managers spanning across multiple asset classes that have been identified by our in-house research team following a robust research and due diligence process. The ESG space has seen explosive growth over the last several years, and as it further evolves and new managers and strategies surface, accurately capturing opportunities becomes a challenge. For example, one dataset provider tags various funds as being socially responsible, but may leave out funds that don't identify as such but that indeed have a strong ESG process. A number of other dataset providers also track ESG strategies; however, they do not necessarily take all the factors we deem important for ESG into consideration. At this juncture, having experienced talent makes all of the difference. Our research team's deep and long experience in this space gives us the resources to identify managers that are active in ESG/impact, but may not advertise or label their strategies as such, and therefore are not captured in the collected data by Morningstar, GIIN or others. Our in-depth manager research approach has led us to find opportunities in unlikely places—looking beyond labels to find some of our best thinking managers.
- ◆ **ESG Directed Proxy Voting:** Active ownership is an essential tool for investors who are focused on using their investment in publicly traded stocks to improve environmental and social outcomes, as well as maximize the value of their investment. P-Cubed is especially well-positioned to practice active ownership because it tends to have long-term holdings in a wide range of companies. P-Cubed offers a responsible investing voting policy. The policy follows corporate-governance best practices to safeguard shareholder capital and consider relevant environmental and social implications of management and shareholder proposals. Votes utilize company research provided by dedicated corporate-governance research providers, as well as other company-level environmental, social and governance data.
- ◆ **Shareholder Engagement:** P-Cubed can help promote environmental and social corporate responsibility through shareholder advocacy, coalition building, and innovative strategies. Through a number of shareholder advocacy partners, we can help align your personal and investment goals.
- ◆ **Multi-Tiered All-Encompassing Reporting:** Clients with diversified portfolios are currently unable to obtain a comprehensive, “apples-to-apples” perspective on how their investments rank from an environmental, social & governance perspective across asset classes, relative to the benchmarks. Each ESG manager may use a different calculation methodology, which prevents a sensible review.

Pathstone's sophisticated reporting system incorporates ESG scoring at the manager and benchmark levels, and does so across the entire portfolio in order to help clients understand how their holdings are measured. Our proprietary ESG scoring methodology accounts for equities, fixed income, hedge funds and private equity. We've developed a way to analyze the underlying holdings to obtain an overall manager score ranging from 0-100.

There are numerous datasets available that score public securities around ESG metrics. This may be a good starting point, but to score the entirety of the portfolio, Pathstone has developed a more comprehensive methodology. Combining public, private and proprietary information, we have created an approach to measure impact at the company level across investment strategies and structures. This level of underwriting and the resulting tool inside P-Cubed will provide our clients with information and control we believe was not previously available in the industry.

Benchmarks are scored at the security level and are compared to the managers at the portfolio, super class, asset class and asset style levels. We will use the data to establish Pathstone ratings on appropriate investable proxies for common benchmarks, such as the S&P 500 index, Russell 2000 index, MSCI EAFE Index, MSCI World Index, MSCI ACWI index, and the MSCI Emerging Markets index. Comparisons can then be made directly between strategies we recommend and broad benchmarks. Below is a sample view of our portfolio performance report:

INVESTMENT PERFORMANCE- ESG													
PATHSTONE FEDERAL STREET		Sample Client Quarter Ending September 30, 2017											
Investment Name	Percent	Market Value	Latest Month	Latest Quarter	Year To Date	Trailing Returns		Manager / Fund Inception			ESG Score		
						3 Years	5 Years	Date	vestme	Index	Inv.	Index	
Total	100.0%	\$46,058,503	1.2	2.1	7.6	5.1	6.9	12/31/09	6.9	6.2	58.2	47.8	
Total Weighted			0.6	2.0	7.7	4.7	6.0						
Asset Class 1	11.1%	\$5,111,044	2.6	3.8	13.1	8.9	13.8	12/31/09	13.0	13.5	59.5	51.0	
Benchmark 1			2.1	4.5	14.2	10.8	14.2						
Manager Name Redacted	0.7%	\$337,743	2.8	3.5	8.1	-	-	12/18/14	7.2	7.4	56.1	42.4	
Benchmark 2			3.0	3.1	7.9	8.5	13.2						
Manager Name Redacted	0.5%	\$245,013	-	-	-	-	-	09/20/17	0.5	0.5	51.3	51.1	
Manager Name Redacted	2.8%	\$1,309,310	3.3	3.6	16.5	-	-	03/16/16	19.1	17.5	61.4	51.1	
Manager Name Redacted	1.8%	\$817,200	2.6	2.1	-	-	-	06/30/17	2.1	4.5	63.8	51.1	
Manager Name Redacted	0.8%	\$365,043	-	-	-	-	-	09/20/17	0.5	0.5	58.4	51.1	
Benchmark 3			2.1	4.5	14.2	10.8	14.2						
Manager Name Redacted	2.5%	\$1,154,106	2.7	5.0	12.5	10.5	14.6	07/08/11	13.2	12.8	56.9	51.1	
Benchmark 4			2.1	4.5	14.2	10.6	14.3						
Manager Name Redacted	0.8%	\$349,231	-	-	-	-	-	09/20/17	0.3	0.3	61.1	53.6	
Manager Name Redacted	1.2%	\$533,399	1.4	4.1	14.7	9.6	13.7	12/31/09	13.4	14.4	58.9	53.6	
Benchmark 5			1.3	5.9	20.7	12.7	15.3						
Asset Class 2	5.5%	\$2,512,811	5.0	4.7	13.4	12.9	16.3	03/31/10	13.3	12.6	58.3	49.1	
Benchmark 1			6.2	5.7	10.9	12.2	13.8						
Manager Name Redacted	0.9%	\$411,371	-	-	-	-	-	09/20/17	2.1	2.1	51.8	48.6	
Manager Name Redacted	1.9%	\$865,021	7.6	5.1	13.8	-	-	10/21/16	26.3	17.6	59.4	48.6	
Benchmark 2			4.8	3.8	5.9	9.9	13.3						
Manager Name Redacted	0.9%	\$404,237	-	-	-	-	-	09/20/17	2.0	2.0	63.8	49.2	
Benchmark 3			4.5	4.7	11.0	10.6	13.9						
Manager Name Redacted	1.8%	\$832,182	3.3	4.9	15.4	15.8	16.5	09/10/12	16.6	14.0	57.5	49.8	
Benchmark 4			5.4	6.2	16.8	12.2	14.3						
Asset Class 3	7.3%	\$3,374,738	3.1	3.6	19.5	5.1	9.2	12/31/09	7.0	5.9	56.1	48.7	
Benchmark 1			2.5	5.4	20.0	5.0	8.4						
Manager Name Redacted	1.2%	\$545,135	3.5	6.3	21.3	4.5	8.7	07/25/11	6.6	4.9	57.1	46.2	
Benchmark 2			3.1	5.9	17.6	3.5	7.8						
Manager Name Redacted	0.1%	\$64,502	-	-	-	-	-	09/20/17	(0.3)	(0.2)	58.5	49.8	
Manager Name Redacted	1.4%	\$653,966	4.9	(2.4)	-	-	-	06/30/17	(2.4)	5.4	48.9	49.8	
Manager Name Redacted	0.9%	\$398,174	6.0	2.9	11.4	4.3	-	08/04/14	5.1	3.8	51.2	49.8	
Manager Name Redacted	1.8%	\$820,867	1.6	5.2	20.4	8.3	-	04/11/13	7.8	5.9	64.5	49.8	
Benchmark 3			2.5	5.4	20.0	5.0	8.4						
Manager Name Redacted	1.2%	\$562,872	1.7	5.1	27.0	-	-	05/10/16	16.5	14.3	53.8	47.9	
Benchmark 4			1.9	4.9	22.4	6.5	8.9						
Manager Name Redacted	0.7%	\$329,221	-	-	-	-	-	09/20/17	0.2	0.2	57.4	48.2	
Benchmark 5			2.9	7.5	25.4	11.1	12.8						
Asset Class 4	4.7%	\$2,163,662	0.6	9.1	30.1	3.9	-	01/30/13	3.4	2.8	58.2	41.4	
Benchmark 1			(0.4)	7.9	27.8	4.9	4.0						
Manager Name Redacted	1.5%	\$691,244	2.4	13.4	38.4	-	-	12/28/16	39.2	29.4	61.1	41.4	
Manager Name Redacted	3.2%	\$1,472,418	(0.2)	6.4	26.4	-	-	12/28/16	27.6	29.4	56.8	41.4	
Asset Style	4.7%	\$2,163,662	0.6	9.1	30.1	3.9	-	01/30/13	3.4	2.8	58.2	41.4	
Benchmark 2			(0.4)	7.9	27.8	4.9	4.0						
Asset Class 5	11.5%	\$5,274,410	0.5	2.2	4.9	3.1	5.9	12/31/09	4.8	4.9	58.3	46.0	
Benchmark 1			1.5	3.6	9.8	4.6	6.3						
Manager Name Redacted	2.8%	\$1,272,103	1.6	3.8	16.6	-	-	12/12/16	17.8	9.8	68.1	48.6	
Benchmark 2			1.5	3.6	9.8	4.6	6.3						
Manager Name Redacted	4.3%	\$1,967,211	0.6	2.8	3.3	0.9	4.9	12/31/09	5.4	2.9	53.5	45.1	
Manager Name Redacted	1.9%	\$881,316	(1.2)	(2.8)	(4.3)	(1.4)	-	04/30/14	(0.6)	2.9	53.7	45.1	
Manager Name Redacted	2.5%	\$1,153,780	0.4	3.4	5.2	8.1	9.0	09/30/12	9.0	4.0	58.9	45.1	
Benchmark 3			0.5	2.6	5.6	2.4	4.0						

Manager

Fund data is on a trade date basis and income is included in the fund returns on an accrual basis.
Returns for longer than one year are annualized and may include reinvestment of income.

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This is a sample report based on a hypothetical client, produced to illustrate the format of the integration of ESG scoring in our client reports. Production of this report is for illustrative purposes and it is not intended to show actual or anticipated performance of any current or future client. Performance numbers are not intended to represent the results of any Pathstone advice or investment strategy.

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Some investment funds are offered only in a private offering and are intended to be exempt from registration as an investment company under the Investment Company Act of 1940, as amended. Accordingly, interests in any such fund are available only to investors who are accredited investors and meet additional requirements under applicable securities laws. In addition, interests in a fund generally cannot be sold or otherwise disposed of without the general partners' or manager's consent and registration (or exemption from registration) under applicable securities laws, which is not expected. Consequently, investors should be prepared to hold such interests for an indefinite period.

Any tax advice contained herein, including charts, is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of (i) avoiding tax penalties that may be imposed on the taxpayer or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

The concept of 'tax alpha' referred to in this presentation is explained in detail in a publication of Parametric Portfolio Associates LLC, entitled Using Tax Alpha to Measure Tax Efficiency, which is available upon request.