

GRADIENT INVESTMENTS PRIVATE WEALTH SERIES

ALTERNATIVE STRATEGIES FOR DIVERSIFICATION, GROWTH, AND INCOME

The Gradient Investments Private Wealth Series is a sophisticated, actively managed investment strategy designed to deliver long-term returns uncorrelated with traditional public market investments through exclusive exposure to private alternative assets. Designed for investors seeking enhanced growth or consistent income over extended horizons, the series offers two specialized portfolios – **Horizon** and **Income Edge**.

Managed by Gradient Investments and supported by CAIS, this series provides seamless access to private markets, professional management, and simplified 1099 tax reporting for client convenience. Additionally, the Gradient Investments Private Wealth Series is structured to deliver **long-term growth or steady income**, robust **diversification**, and **streamlined tax reporting** with 1099 forms.

INVESTMENT APPROACH

The Gradient Investments Private Wealth Series employs a disciplined, fully private investment strategy, focusing solely on alternative assets to capture illiquidity premiums and diversify risk over long-term horizons relative to public market investments. The series features two portfolio models; each tailored to specific goals –

HORIZON

The Horizon model is designed to maximize long-term growth for Qualified Clients. The portfolio prioritizes private equity, allocating to high-growth companies in sectors like technology, industrials, and healthcare. An allocation to private infrastructure enhances resilience, with investments in critical assets such as energy facilities, transportation systems, and data centers that historically deliver steady cash flows and appreciation potential over time. The portfolio includes a smaller focus on private credit, targeting senior secured, floating-rate loans to stable middle-market firms for yield and downside protection, and a limited allocation to private real estate. Tailored for investors comfortable with illiquidity, this strategy strives to balance diversification and efficiency, supported by streamlined 1099 tax reporting.

INCOME EDGE

Designed for enduring cash flow reliability, the Income Edge model harnesses private markets with the goal of producing consistent long-term income, with a core emphasis on private real estate for tangible asset-backed returns. The portfolio is allocated to private real estate, investing in diversified, yield-focused properties such as multifamily units, industrial facilities, and commercial buildings that have a history of generating steady rental income and moderate capital appreciation. A key supporting allocation to private credit centers on senior secured, floating-rate loans to middle-market firms in resilient sectors like industrials and financial services, providing high yields and capital preservation via collateralized structures. The strategy also incorporates private real estate in targeted income properties, such as hospitality and retail venues, complemented by private credit through business development debt solutions for reliable distributions. Ideal for investors accepting illiquidity in exchange for superior income over extended periods, this portfolio's goal is to optimize income through active management and offers streamlined 1099 tax reporting for ease.

Each portfolio is built around:

- Private Equity, Private Credit, Infrastructure, Real Estate, and other alternatives for long-term value
- Active management to optimize returns from illiquid assets
- Uncorrelated, diverse sources of return relative to public markets
- 1099 tax reporting for client convenience

SUMMARY

The Gradient Investments Private Wealth Series redefines long-term wealth creation by offering exclusive access to private alternative assets, capturing the illiquidity premium for enhanced returns. The Horizon model targets growth-oriented investors, while the Income Edge model prioritizes steady cash flows, both designed for patient capital committed to extended horizons. With no traditional investments and simplified 1099 tax reporting, the series strives to provide diversification, efficiency, and ease of administration. Supported by Gradient Investments' expertise, and dedicated advisor support, the Gradient Investments Private Wealth Series empowers investors to work towards achieving enduring financial success.

Please consult your independent investment advisor before making any investment decisions. The information herein is for informational purposes only and should not be used as the sole basis for making an investment decision. Investing involves risk including the potential loss of principal. For more information, please request a copy of Gradient Investments' ADV Part 2A. Gradient Investments, LLC is an SEC Registered Investment Advisor.

GLOSSARY

COMMON TERMS AND DEFINITIONS

MINIMUM NET WORTH – Alternative investments often have minimum net worth or income qualification requirements that are established by the SEC. These qualifications may vary depending on the structure of the Fund in which you're investing. In order to remain an investor in that Fund you are required to maintain those minimum qualification standards. Qualification levels are as follows:

- **Non-Accredited Investor:** Any investor not meeting accredited investor thresholds, typically with annual income below \$200,000 (\$300,000 jointly with spouse or spousal equivalent), net worth under \$1 million (excluding primary residence), and lacking specified professional licenses or qualifying entity status.
- **Accredited Investor:** Individuals with income exceeding \$200,000 (\$300,000 jointly) for the past two years and expected currently, or net worth over \$1 million (excluding primary residence); holders of Series 7, 65, or 82 licenses; knowledgeable employees; or entities such as banks, registered advisers, or those with over \$5 million in investments not formed solely for the offering.
- **Qualified Client:** Clients with at least \$1.1 million in assets under management with the adviser immediately after contract, or net worth over \$2.2 million (excluding primary residence) prior to contract; also includes qualified purchasers or knowledgeable employees of the adviser.
- **Qualified Purchaser:** Individuals owning at least \$5 million in investments (alone or jointly with qualified spouse); family-owned companies with over \$5 million in investments; trusts with qualified settlors/beneficiaries and \$5 million in investments; or institutional investors managing at least \$25 million or qualified institutional buyers with \$100 million in securities.

LIMITED LIQUIDITY – You may have limited liquidity when invested in alternative investment products. The terms of liquidation are specified in the offering memorandum, or prospectus, and may include limitations on frequency of withdrawals, minimum holding period requirements, advance notice required by the fund, and minimum account capital requirements. Redemption fees may apply depending on the share class and Fund in which you're investing.

VOLATILITY AND LEVERAGE – Alternative investments can be volatile investments and are not suitable for all investors. The use of leverage by alternative investments can increase the volatility of the investment and may lead to potentially significant loss of principal. Investors should consider their ability to hold investments through volatile market conditions, especially given the limited liquidity of alternative investments.

RETURN SMOOTHING – Certain illiquid investments such as equity ownership in private companies or real estate do not mark to market so the pricing of those holdings is typically done through periodic appraisals. As a result, reported returns of a Fund holding illiquid investments may become a smoothed version of its true realized returns, which could bias the evaluation of performance by appearing less volatile than actual results.

NON-CORRELATING ASSET CLASS – Alternative investments may have low or no correlation to equity and fixed income markets and generally do not follow the market trends of equities or bonds; however, during periods of market disruption they may become correlated. These investments should not be considered a substitute for equity or fixed income investments.

SOFT LOCK-UP – A provision in certain alternative investment funds that restricts investors from redeeming their capital for an initial period (typically 6–24 months) after investment, but allows limited withdrawals thereafter subject to notice periods, fees, or other conditions. Unlike a hard lock-up, which prohibits all redemptions, a soft lock-up provides partial flexibility while still aligning investor commitments with the fund's longer-term strategy.

GATING – A protective mechanism that allows a fund manager to temporarily limit or cap the total amount of investor redemptions in a given period (e.g., 10–25% of net asset value per quarter), even if individual requests exceed that threshold. Gates are typically triggered during periods of high redemption demand or market stress to preserve liquidity, prevent forced asset sales at depressed prices, and protect remaining investors.

REDEMPTION FEE – A charge imposed on investors who withdraw capital before a specified holding period or outside designated redemption windows. Fees typically range from 1–5% of the redeemed amount and decline over time (e.g., 3% in year 1, 2% in year 2, 0% thereafter). The fee compensates the fund for transaction costs and discourages short-term capital movement in illiquid strategies.

CAPITAL CALL (ie. DRAWDOWN) – The process by which a fund manager requires committed investors to transfer a portion of their pledged capital into the fund to finance a specific investment, cover expenses, or meet other obligations. Calls are issued on an as-needed basis over the investment period (typically 3–5 years) and must be fulfilled within a short window (e.g., 10 business days). Failure to meet a capital call can result in penalties, forfeiture of prior contributions, or dilution of ownership.

HURDLE RATE – A minimum annual return threshold (commonly 6–8%) that a fund must achieve before the manager can collect performance-based incentive fees (carried interest). The hurdle ensures alignment of interests by requiring the manager to generate meaningful profits for investors first. Some structures include a “catch-up” provision allowing the manager to receive a portion of profits above the hurdle until the agreed profit split is restored.

CARRIED INTEREST (ie. CARRY) – The share of profits (typically 20%) that the fund manager receives as compensation once the hurdle rate is met and investors have received their initial capital plus preferred return. Carried interest aligns manager and investor incentives but is realized only upon successful exits or distributions; it is taxed as capital gains in many jurisdictions rather than ordinary income.

MARK-TO-MARKET vs. MARK-TO-MODEL – Mark-to-market reflects daily pricing based on observable exchange or broker quotes; mark-to-model uses valuation models, appraisals, or discounted cash flow analyses when no active market exists (common for Level 3 private assets). Model-based valuations introduce subjectivity and can contribute to return smoothing, as changes in value are recognized gradually rather than immediately.

J-CURVE EFFECT – The typical early negative return pattern in private equity or real estate funds caused by upfront fees, organizational costs, and initial investments made before portfolio companies generate cash flow or appreciate. Performance often appears weakest in years 1–3, then improves as investments mature and successful exits occur, eventually producing positive returns.

VINTAGE YEAR – The calendar year in which a private investment fund makes its first capital call or closes its initial investment. Vintage year is used to compare performance across funds raised in the same market cycle, as economic conditions, valuations, and exit opportunities can vary significantly year to year.

DRY POWDER – Uncommitted capital that has been raised by alternative investment funds but not yet deployed into investments. High levels of dry powder indicate available capital for new opportunities but can pressure managers to invest quickly, potentially at elevated valuations.

PATIENT CAPITAL – Patient capital is long-term investment funding that accepts illiquidity and delayed returns – often over 5-15+ years – to support sustained growth in ventures or assets without pressure for short-term gains.

TAX REPORTING (1099 vs. K-1 vs. K-3) – Alternative investments issue different tax forms depending on structure, asset location, and investor type; forms are typically delivered by March 15 (K-1/K-3) or January 31 (1099) and report income, gains, deductions, credits, and withholding.

- **Form 1099** – Issued by publicly traded partnerships (PTPs), REITs, or certain registered funds (e.g., interval/tender-offer funds structured as corporations or RICs). Reports ordinary dividends (1099-DIV), interest (1099-INT), capital gains distributions (1099-DIV), or brokerage proceeds (1099-B). Income is generally portfolio-type (qualified dividends, long-term gains) with no pass-through deductions; investors self-report on Schedule D or B with no K-1 complexity.
- **Schedule K-1** – Issued by private partnerships, LLCs, or funds taxed as partnerships (most hedge, private equity, credit, real estate, infrastructure, and venture funds). Pass-through form details investor’s allocable share of ordinary income, capital gains, interest, dividends, §199A deductions, §163(j) interest limitations, and other items reportable on Schedule E (Page 2), Form 4797, or elsewhere. K-1s are often delayed, require tax software or professional preparation, and may trigger state filings in multiple jurisdictions.
- **Schedule K-3** – Supplemental to K-1, issued when a partnership has foreign source income, assets, or withholding (common in global macro, infrastructure, or funds with non-U.S. investments). Reports foreign tax credits (Form 1116), effectively connected income (ECI), or §986 currency gains; investors use K-3 to claim credits and avoid double taxation. Not all investors receive K-3—only those with relevant international activity.

PRIVATE ALTERNATIVE ASSETS – Non-publicly traded investments that have low liquidity, require longer term investment, and are accessible primarily to institutional or accredited investors. Common investments can include:

- **Managed Futures** – are pooled investment vehicles that provide active trading in global markets using futures and forwards contracts as their investment medium. The professional money managers in this space are market speculators known as commodity trading advisors (CTAs). Though fundamentally based traders still exist, most managed futures funds today employ a systematic trading approach designed to take the human emotional element out of trading. In this regard, managed futures will normally use complex computerized algorithms to identify trading signals that indicate whether a long or short position should be taken (or reversed) within any particular market in which they participate. In general, managed futures funds can be highly diversified with some getting exposure in upwards of 150 different markets across the sectors of currencies, stock market indices, fixed income, energies, metals, and agricultural commodities.
- **Hedge Funds** – are generally unconstrained privately organized investment Funds that manage portfolios of public and private securities as well as derivative instruments. Hedge funds can invest both long and short and can apply leverage. These investments are not typically benchmarked to any index since their performance is normally a strict function of manager skill (alpha) rather than market returns (beta). Some of the broader strategies that can be employed by hedge funds include long/short equity, equity market neutral, event driven, relative value, as well as global macro & tactical trading.
- **Private Equity** – are mostly equity portfolios of privately held companies. As such, the Fund managers in this space may make equity, debt, and mezzanine investments in companies that do not trade publicly on any exchange. Similar to funds that invest in publicly traded securities, private equity funds can be diversified or focused on a geographic region, industry, or market cap. However, unlike traditional funds, private equity funds often structure complex investments that may require high levels of leverage and can severely limit a Funds' liquidity. Investors in these funds commit to contributing a pre-determined investment amount that is generally called into the Fund over a period of time (capital calls) as the Fund identifies investment opportunities to deploy those dollars. The life-cycle of a single private equity fund can be up to 12 to 15 years with returns and return of principal coming back to investors normally in the form of distributions as private companies are sold or taken public.
- **Private Credit** – invests primarily in loans or credit instruments issued by private companies, often including senior debt, mezzanine financing, or distressed debt. Funds may employ leverage at both the fund and borrower levels and typically rely on estimated (Level 3) valuations that can smooth reported returns. Many vehicles are structured as interval or tender-offer funds with limited, non-guaranteed repurchases and may impose gates or suspensions during stress periods. Distributions often include return of capital and are not assured; defaults, widening credit spreads, or lower-than-expected recoveries can materially reduce returns.
- **Private Real Estate** – are equity or debt investments in non-publicly traded real property, including office, retail, industrial, multifamily, or specialty assets. Fund managers source opportunities through direct acquisitions, developments, or joint ventures, often using leverage to enhance returns. Strategies can be core (stable, income-focused), value-add (improvement-driven), or opportunistic (higher-risk development or distressed). Capital is typically committed upfront and drawn via capital calls over an investment period; liquidity is severely restricted, with fund lives of 7–12 years and returns realized through property sales, refinancings, or recapitalizations.
- **Infrastructure** – are pooled vehicles that acquire or develop essential physical assets such as transportation (tolls, airports, ports), energy (pipelines, renewables), utilities (water, electricity), or social infrastructure (schools, hospitals). Investments are usually long-term, inflation-linked contracts with stable cash flows backed by regulated tariffs or availability payments. Funds may use project-level leverage and target core, core-plus, or value-add risk profiles. Capital commitments are called over several years; liquidity is limited, with typical fund terms of 10–15 years and returns delivered via dividends and asset sales.
- **Venture Capital** – are early- to growth-stage equity investments in privately held technology, life sciences, or innovative consumer companies with high growth potential but elevated failure risk. Fund managers provide capital across seed, Series A–D, or later rounds, often taking board seats and active operational roles. Portfolios are inherently concentrated and illiquid, with capital called as deals are sourced and a typical fund life of 10–12 years. Returns are realized through IPOs, acquisitions, or secondary sales; the majority of gains usually come from a small number of “home-run” outcomes.
- **Natural Resources** – are funds that invest in hard assets tied to commodities, including timberland, farmland, oil & gas reserves, or mining projects. Strategies range from upstream exploration and production to midstream infrastructure or downstream processing. Managers may use futures for hedging or leverage at the asset level. Capital is committed and called over an exploration or development phase; liquidity is limited, with fund lives of 8–15 years and returns generated through production cash flows, asset appreciation, or exits via sale or public listing.
- **Perpetual/Evergreen Fund** – An open-ended or semi-open structure with no fixed termination date, unlike traditional closed-end private equity or real estate funds. Capital is raised and deployed continuously, with periodic redemption opportunities (often quarterly or annually) subject to liquidity availability, notice periods, and potential gates or suspensions. Evergreen funds aim to provide ongoing access to a strategy while maintaining a stable capital base, though liquidity remains limited compared to public markets.

- **Interval Fund** – A type of closed-end fund that offers periodic liquidity (e.g., quarterly or semi-annually) by repurchasing a limited portion of outstanding shares (typically 5–25%) at net asset value. Unlike fully open-end mutual funds, interval funds are not required to meet daily redemptions and can invest heavily in illiquid assets. Repurchases are not guaranteed and may be reduced or suspended during stress periods.
- **Tender Offer Fund** – A closed-end structure that periodically makes discretionary tender offers to repurchase shares from investors at or near net asset value. Tender frequency, size, and conditions are set by the board and disclosed in advance; participation is optional and pro-rated if oversubscribed. This format provides more manager control over liquidity than interval funds while still allowing investment in less-liquid strategies.
- **Fund of Funds** – are a structure where a central Fund manager pools investor capital to invest in other managers' Funds. The structure is designed to provide diversification and professional oversight across different investment strategies that individual investors may not have been able to access otherwise. Fund of Funds can invest in any combination of strategies listed above. Fund of Funds Investments carry their own layer of fees on top of what the underlying Funds charge for investing.