

AltStreet Risk Assessment Scorecard

Alternative Investment Due Diligence Framework

Purpose

This scorecard provides a structured, point-based framework for evaluating alternative investment opportunities across three critical risk dimensions. Score investments on a 100-point scale to identify walk-away signals before capital commitment.

Three-Pillar Framework

Pillar	Points	Focus Area
I. Manager & Personnel Risk	35	Integrity, experience, alignment, regulatory history
II. Operational & Infrastructure Risk	35	Custody, valuation, reporting, insurance, controls
III. Legal & Financial Structure Risk	30	Fees, governance, liquidity terms, jurisdiction
Total Possible Score	100	

Scoring Interpretation Guide

Score Range	Assessment	Recommended Action
85-100	Proceed	Strong across all pillars. Acceptable for investment with standard monitoring.
70-84	Yellow Flags	Weaknesses in 1-2 areas. Requires enhanced due diligence and side letters.
50-69	High Risk	Significant deficiencies. Consider only if risk is mitigatable and return compensates.
Below 50	Walk Away	Fatal flaws. Structural problems cannot be remediated through monitoring.

How to Use This Scorecard

1. Score each criterion independently using the point values provided (maximum points per question).
2. Award partial credit for criteria partially met (e.g., 3 points instead of 5 if mostly satisfied).
3. Total your score for each pillar, then sum for overall investment score (maximum 100 points).
4. Review W.A.S. flags — Any Walk-Away Signal triggers immediate rejection regardless of total score.
5. Document findings — Note specific concerns and remediation requirements for yellow flags.

CRITICAL: This scorecard evaluates manager risk, operational risk, and structural risk—NOT investment or market risk. A score of 100 indicates the sponsor follows best practices but does not guarantee profitable returns. Combine with strategy assessment, market analysis, and return expectations.

Pillar I: Manager & Personnel Risk (35 Points)

Track Record Verification (Max: 10 points)

Performance history audited and verified by independent third-party firm

- 10 pts: Audited by Big Four or recognized firm, spanning 10+ years
- 7 pts: Audited by regional firm, 5-10 year history
- 4 pts: Audited but less than 5 years
- 0 pts: Unverified or self-reported performance (W.A.S.)

Your Score: _____ pts

GP Skin in the Game (Max: 10 points)

General Partner co-investment amount and alignment of capital

- 10 pts: 5%+ of AUM, funded from personal capital
- 7 pts: 3-5% of AUM, personal capital
- 4 pts: 1-3% of AUM, personal capital
- 0 pts: Below 1% or borrowed capital (W.A.S.)

Your Score: _____ pts

Personnel Stability (Max: 8 points)

Team tenure and continuity of key investment professionals

- 8 pts: Average tenure 7+ years, no key departures in past 24 months
- 5 pts: Average tenure 4-7 years, minimal turnover
- 2 pts: Average tenure under 4 years or recent key departures
- 0 pts: Multiple key departures within 12 months

Your Score: _____ pts

Regulatory History (Max: 7 points)

SEC, FINRA, or state securities regulatory compliance record

- 7 pts: Clean record, proactive disclosure
- 4 pts: Minor violations over 5 years ago, properly disclosed
- 0 pts: Recent violations or undisclosed actions (W.A.S.)

Your Score:

_____ pts

Pillar I Subtotal:

_____ / 35

Pillar II: Operational & Infrastructure Risk (35 Points)

Custody & Administration (Max: 12 points)

Independent third-party custody and fund administration arrangements

- 12 pts: Institutional third-party (BNY Mellon, State Street, etc.)
- 8 pts: Recognized regional custodian
- 4 pts: Smaller custodian with adequate insurance
- 0 pts: Self-custody or related-party (W.A.S.)

Your Score:

_____ pts

Valuation Transparency (Max: 10 points)

Independent valuation methodology and third-party verification

- 10 pts: Quarterly third-party valuations with methodology disclosure
- 7 pts: Annual independent valuations
- 4 pts: Internal valuations with external oversight
- 0 pts: Internal only, no third-party review

Your Score:

_____ pts

Insurance Coverage (Max: 6 points)

Errors & Omissions, Directors & Officers, and cyber liability insurance

- 6 pts: E&O; \$5M+, D&O; \$10M+, cyber insurance
- 4 pts: Adequate E&O; and D&O; no cyber
- 2 pts: Minimal insurance below recommended
- 0 pts: No proof of E&O; or D&O; insurance

Your Score:

_____ pts

Reporting Quality (Max: 7 points)

Timeliness and transparency of quarterly and annual reporting

- 7 pts: Quarterly within 45 days, annual audit within 90
- 5 pts: Quarterly within 60 days, standards compliant
- 2 pts: Occasional delays or non-standard metrics
- 0 pts: Delays 60+ days or non-GAAP without reconciliation (W.A.S.)

Your Score:

_____ pts

Pillar II Subtotal:

_____ / 35

Pillar III: Legal & Financial Structure Risk (30 Points)

Hurdle Rate & Carried Interest (Max: 10 points)

Preferred return structure and performance fee alignment

- 10 pts: 5-8% hurdle, high-water mark, 20% carry
- 7 pts: Hurdle present but below 5%
- 4 pts: No hurdle but high-water mark present
- 0 pts: No hurdle or high-water mark (W.A.S.)

Your Score: _____ pts

Fee Transparency (Max: 8 points)

Clarity and disclosure of all fees, waterfalls, and catch-up provisions

- 8 pts: Clear waterfall, all fees disclosed in dollars
- 5 pts: Disclosed but some calculation ambiguity
- 2 pts: Vague language or catch-up above 100%
- 0 pts: Opaque structure or refuses fee examples

Your Score: _____ pts

Liquidity Match (Max: 8 points)

Alignment between redemption terms and underlying asset liquidity

- 8 pts: Terms match asset duration (closed-end for PE, long lock-ups)
- 5 pts: Annual redemptions with gates and adequate reserves
- 2 pts: Quarterly redemptions for semi-liquid assets
- 0 pts: Daily/monthly redemptions for illiquid assets (W.A.S.)

Your Score: _____ pts

Jurisdiction & Governance (Max: 4 points)

Fund domicile and LP governance/voting rights

- 4 pts: Established jurisdiction, strong LP rights (Delaware, Luxembourg)
- 3 pts: Standard jurisdiction, adequate governance
- 1 pt: Offshore with limited rationale
- 0 pts: Unfamiliar jurisdiction without clear LP protections

Your Score:

_____ pts

Pillar III Subtotal:

_____ / 30

Investment Scoring Summary

Investment Name: _____

Manager/Sponsor: _____

Evaluation Date: _____

Risk Pillar	Your Score	Maximum
I. Manager & Personnel Risk	_____	35
II. Operational & Infrastructure Risk	_____	35
III. Legal & Financial Structure Risk	_____	30
TOTAL SCORE	_____	100

Walk-Away Signals Identified? Yes No

If YES, specify: _____

Final Recommendation: Proceed Enhanced DD Walk Away

AltStreet Risk Assessment Framework

This scorecard is educational and does not constitute investment advice. Consult qualified professionals for guidance on specific situations.

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