

Welcome to the World of Alternative Investments



The LIFFE Trading Floor

James (Jim) Cone is a financial services executive and investment professional with extensive experience in trading, investment management, alternative investments, and capital markets. Passionate about investor education, he is committed to sharing resources and helping financial professionals and their clients understand the opportunities, risks, and role of private market investments within diversified portfolios.

His career has spanned many of the world's leading financial centers, including Chicago, New York, London, and The Bahamas, where he has worked across both institutional and private wealth environments. He is a former member of the New York Futures exchange (NYFE), the Chicago Board of Trade (CBOT) and the London International Financial Futures Exchange (LIFFE), experiences that have provided him with a unique global perspective on the evolution of financial markets and investment strategies.

Jim currently holds the FINRA Series 7 and Series 63 licenses, as well as the NFA Series 3 license. Through his writing and research, he seeks to make the often-complex world of alternative investments more accessible, enabling advisors and investors alike to make more informed and confident investment decisions.

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This is an electronic guide (e-guide) with interactive hyperlinks. To download a free copy of this e-guide, please visit www.panoramafinancialgroup.com.

CONE / RAMIREZ The World of Alternative Investments: A Collection of Research & Resources

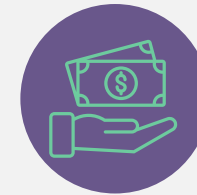
THE WORLD OF ALTERNATIVE INVESTMENTS

A Collection of Research & Resources
Volume II



Private Equity

Growth
Venture Capital
Secondaries



Private Credit

Direct Lending
Distressed Debt
Special Situations



Real Assets

Real Estate
Infrastructure
Agriculture

Jim Cone
Angela I. Ramírez



THE WORLD OF ALTERNATIVE INVESTMENTS

A Collection of Research & Resources
Volume II

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Welcome

The investment landscape is evolving. For decades, most investors built portfolios centered on publicly traded stocks, bonds, and mutual funds. Today, however, an increasing number of investors, financial advisors, family offices, and institutional asset managers are looking beyond traditional markets to explore opportunities within the private markets. Private equity, private credit, private real estate, infrastructure, venture capital, and other alternative investments have become an increasingly important component of diversified portfolio construction. As access to private markets has expanded, investors now have opportunities that were once largely limited to institutions and large family offices.

With that opportunity comes complexity. Alternative investments often involve different structures, unique risk and return characteristics, varying liquidity profiles, and specialized tax and regulatory considerations. For many investors—and even experienced financial professionals—the breadth of the alternative investment universe can seem both exciting and complex. Understanding how these investments work, how they differ from traditional assets, and how they may fit within a diversified portfolio requires thoughtful education and clear perspective.

"The World of Alternative Investments: A Collection of Research & Resources" was created to help bridge that knowledge gap. This guide is designed to bridge institutional-level insight with practical, accessible education, bringing together curated research and resources from a range of credible sources. Rather than advocating for any single investment strategy or product, it provides a broad overview of the private markets, introduces many of the major alternative asset classes, and offers readers a

framework for understanding how these investments may complement a thoughtfully diversified portfolio.

Investor interest in alternatives continues to grow, particularly among younger generations seeking exposure to innovation-driven and private market opportunities. At the same time, many investors and advisors are exploring alternatives as part of a broader effort to build more resilient portfolios in a changing market environment. These trends highlight the importance of education, context, and disciplined evaluation when considering alternative investments.

This guide serves as an educational reference for individual accredited investors, family offices, RIAs, and independent financial advisors—whether managing personal wealth, advising clients, or expanding investment knowledge. It helps advisors facilitate informed discussions on diversification and risk, while helping investors build familiarity with private market concepts and terminology. No single solution suits every investor; alternative investments carry unique risks and warrant careful evaluation alongside professional advice. The Research & Resources section beginning on page 33 offers a practical framework for exploring this space.

Important Thank Yous and Recognition of Resources

- [Fidelity Investments](#)
- [J.P. Morgan Alternatives](#)
- [RBC WM](#)
- [Preqin Academy](#)

Introduction

As investment markets continue to evolve, investors and advisors are increasingly looking beyond traditional stocks, bonds, and cash to support long-term portfolio objectives. Alternative investments, often referred to as “alternatives,” have become a more visible part of portfolio construction discussions as investors seek broader diversification and additional sources of risk and return.

Alternative investments are sometimes viewed as complex or narrowly defined. In reality, they encompass a wide range of asset types, strategies, and structures. When used appropriately, alternatives are not intended to replace traditional investments, but rather to complement them within a diversified portfolio.

Executive Summary

Alternative investments are generally defined as investments that differ from traditional, publicly-traded assets such as stocks, bonds, and cash. They may include private market investments and non-traditional strategies across asset classes such as real estate, private equity, private credit, hedge fund strategies, and other specialized or opportunistic approaches.

One reason alternatives have gained increased attention is that traditional portfolio frameworks—such as a balanced allocation between equities and fixed income—may not always address diversification, volatility, or income objectives in every market environment. Alternative investments may offer exposure to return drivers that are less directly tied to public market movements.

While alternative investments may provide diversification benefits, they also involve additional considerations, including liquidity constraints, longer investment horizons, and increased complexity. For this reason, alternatives are typically used as a complementary

allocation within a broader investment strategy and should be evaluated carefully based on an investor’s financial situation, objectives, risk tolerance, and time horizon.

Alternative Investments Explained: Video

Alternative investments—or “alts”—investment strategies tend to be less liquid than their public market counterparts and require a longer investment horizon.

Note: Recent changes to U.S. tax law under the [One Big Beautiful Bill \(OBBB\)](#) has materially reshaped the after-tax profile of real estate investing. The reinstatement of 100% first-year bonus depreciation for qualifying assets combined with the preservation of established real estate provisions like cost segregation represents one of the most consequential tax developments for the asset class in years. These changes may improve early-period cash flow, enhance flexibility around refinancing and exit decisions, and strengthen real estate’s relative attractiveness compared to many traditional asset classes.

Opportunity Zone Investing in 2027

- [The Hop Effect and New Basis Rules](#)
Trout CPA
- [Opportunity Zones Updates](#)
Comparison Chart of New Rules: OZ 1.0 versus OZ 2.0
U.S. Department of Housing
- [2026 Marks a Seismic Shift in RE Tax Rules](#)
Daniel Goodwin, Kiplinger
- [IRR, Yield, and MOIC: Which Metric Matters Most?](#)
Origin Investments

Asset Class Returns Across Eras (1990–2025)

Key Takeaways

- Private markets delivered the strongest long-term returns since 1990, but with the highest volatility. Over the past 35 years, risk assets have significantly outperformed safer alternatives.
- Since 2020, gold has been the best-performing asset with an 18.4% annualized return.
- The period following the Global Financial Crisis was marked by low interest rates and strong equity performance.
- Bonds have struggled in recent years as higher interest rates and inflation weigh on fixed-income returns.

Long-Term Returns by Asset Class: 1990–2025, 2010–2025

Asset Class	1990–2025 Return (per annum)	Volatility
Private markets	10.5%	21.3%
Global equities	8.1%	14.7%
Gold	6.7%	15.4%
Real estate	5.7%	15.1%
Corporate bonds	5.6%	5.3%
Global sovereign bonds	4.3%	5.8%

Asset Class	2010–2025 Return (per annum)	Volatility
Global equities	10.5%	14.4%
Private markets	9.4%	22.3%
Gold	8.6%	15.2%
Real estate	6.6%	14.0%
Corporate bonds	3.1%	5.1%
Global sovereign bonds	0.9%	5.2%

Asset Class Total Returns Since 2011

C CREATIVE PLANNING		Asset Class Total Returns Since 2011 (Data via YCharts as of 9/4/26)																	@CharlieBilello		
ETF	Asset Class	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026 YTD	2011-26 Cumulative	2011-26 Annualized		
DBC	Commodities	-2.6%	3.5%	-7.6%	-28.1%	-27.6%	18.6%	4.9%	-11.6%	11.8%	-7.8%	41.4%	19.3%	-6.2%	2.2%	8.1%	42.7%	37%	2.0%		
IWD	US Value	0.1%	17.5%	32.1%	13.2%	-4.0%	17.3%	13.5%	-8.5%	26.1%	2.7%	25.0%	-7.7%	11.4%	14.2%	15.7%	23.3%	457%	11.6%		
IWM	US Small Caps	-4.4%	16.7%	38.7%	5.0%	-4.5%	21.6%	14.6%	-11.1%	25.4%	20.0%	14.5%	-20.5%	16.8%	11.4%	12.7%	20.7%	366%	10.3%		
QQQ	US Nasdaq 100	3.4%	18.1%	36.6%	19.2%	9.5%	7.1%	32.7%	-0.1%	39.0%	48.6%	27.4%	-32.6%	54.9%	25.6%	20.8%	17.3%	1410%	18.9%		
CWB	Convertible Bonds	-7.7%	15.9%	20.5%	7.7%	-0.8%	10.6%	15.7%	-2.0%	22.4%	53.4%	2.2%	-20.8%	14.5%	10.1%	16.6%	16.6%	350%	10.1%		
MDY	US Mid Caps	-2.1%	17.8%	33.1%	9.4%	-2.5%	20.5%	15.9%	-11.3%	25.8%	13.5%	24.5%	-13.3%	16.1%	13.6%	7.2%	15.2%	409%	10.9%		
EFA	Developed International	-12.2%	18.8%	21.4%	-6.2%	-1.0%	1.4%	25.1%	-13.8%	22.0%	7.6%	11.5%	-14.4%	18.4%	3.5%	31.6%	14.6%	197%	7.2%		
VWO	Emerging Markets	-18.7%	19.2%	-4.9%	0.0%	-15.8%	12.2%	31.5%	-14.8%	20.8%	15.2%	1.3%	-18.0%	9.3%	10.6%	25.6%	14.4%	95%	4.4%		
SPY	US Large Caps	1.9%	16.0%	32.2%	13.5%	1.2%	12.0%	21.7%	-4.5%	31.2%	18.4%	28.7%	-18.2%	26.2%	24.9%	17.7%	13.5%	705%	14.2%		
VNQ	US REITs	8.6%	17.6%	2.3%	30.4%	2.4%	8.6%	4.9%	-6.0%	28.9%	-4.7%	40.5%	-26.2%	11.8%	4.8%	3.2%	10.6%	219%	7.7%		
IWF	US Growth	2.3%	15.2%	33.1%	12.8%	5.5%	7.0%	30.0%	-1.7%	35.9%	38.3%	27.4%	-29.3%	42.6%	33.1%	18.3%	4.5%	914%	15.9%		
GLD	Gold	9.6%	6.6%	-28.3%	-2.2%	-10.7%	8.0%	12.8%	-1.9%	17.9%	24.8%	-4.2%	-0.8%	12.7%	26.7%	63.7%	2.6%	193%	7.1%		
BIL	US Cash	0.0%	0.0%	-0.1%	-0.1%	0.1%	0.1%	0.7%	1.7%	2.2%	0.4%	-0.1%	1.4%	4.9%	5.2%	2.4%	2.4%	25%	1.4%		
HYG	High Yield Bonds	6.8%	11.7%	5.8%	1.9%	-5.0%	13.4%	6.1%	-2.0%	14.1%	4.5%	3.8%	-11.0%	11.5%	8.0%	8.6%	2.2%	112%	4.9%		
EMB	EM Bonds (USD)	7.7%	16.9%	-7.8%	6.1%	1.0%	9.3%	10.3%	-5.5%	15.5%	5.4%	-2.2%	-18.6%	10.6%	5.5%	13.9%	1.6%	85%	4.0%		
PFF	Preferred Stocks	-2.0%	17.8%	-1.0%	14.1%	4.3%	1.3%	8.1%	-4.7%	15.9%	7.9%	7.2%	-18.2%	9.2%	7.2%	4.9%	1.5%	94%	4.3%		
TIP	TIPS	13.3%	6.4%	-8.5%	3.6%	-1.8%	4.7%	2.9%	-1.4%	8.3%	10.8%	5.7%	-12.2%	3.8%	1.7%	6.8%	0.7%	51%	2.6%		
BND	US Total Bond Market	7.7%	3.9%	-2.1%	5.8%	0.6%	2.5%	3.6%	-0.1%	8.8%	7.7%	-1.9%	-13.1%	5.7%	1.4%	7.1%	-0.2%	41%	2.2%		
LQD	Investment Grade Bonds	9.7%	10.6%	-2.0%	8.2%	-1.3%	6.2%	7.1%	-3.8%	17.4%	11.0%	-1.8%	-17.9%	9.4%	0.9%	7.9%	-1.3%	71%	3.5%		
TLT	Long Duration Treasuries	34.0%	2.6%	-13.4%	27.3%	-1.8%	1.2%	9.2%	-1.6%	14.1%	18.2%	-4.6%	-31.2%	2.8%	-8.1%	4.3%	-2.8%	37%	2.0%		
NVA	Bitcoin (SBTC)	1473%	186%	5507%	-58%	35%	125%	1331%	-73%	95%	301%	66%	-65%	156%	121%	-6.3%	-8.9%	26564253%	121.9%		
Highest Return		BTC	BTC	BTC	VNQ	BTC	BTC	BTC	BIL	BTC	BTC	BTC	DBC	BTC	BTC	GLD	DBC	BTC	BTC		
Lowest Return		EEM	BIL	GLD	BTC	DBC	BIL	BIL	BTC	BIL	DBC	TLT	BTC	DBC	TLT	BTC	BTC	BIL	BIL		
% of Asset Classes Positive		62%	95%	52%	71%	38%	100%	100%	5%	100%	90%	71%	10%	95%	95%	95%	81%	100%	100%		

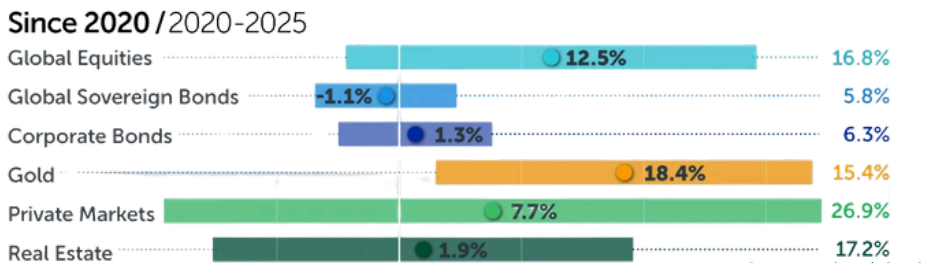
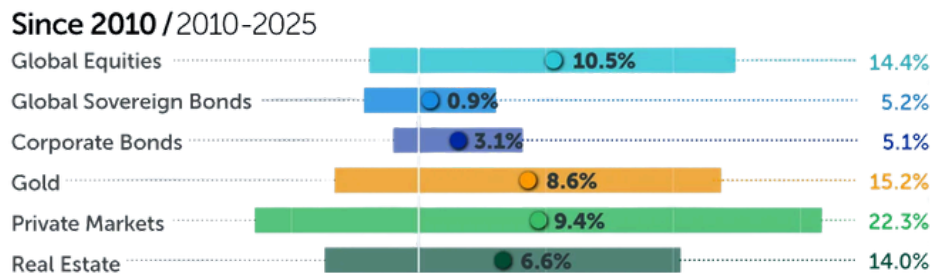
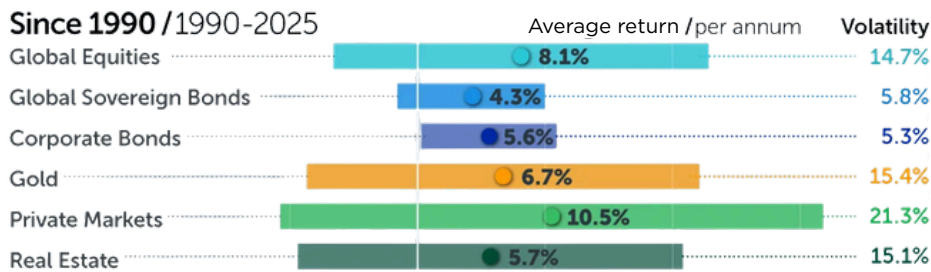
A Collection of Visuals

Alternatives are Required for a Changing World

There are four ways in which the world is changing that, in our view, challenge the risk-adjusted returns investors might achieve by allocating solely to public market assets. These changes are modestly higher unanticipated inflation, bouts of cost-push inflation, the changing structure of capital markets and the energy transition.



Returns Across Different Periods



Source: Visual Capitalist

Accredited Investor Summary

Are you an Accredited Investor? What is the Role of Accredited Investors?

As companies raise capital, the accredited investor distinction heavily influences their pool of potential investors. As investors, this distinction determines their eligibility to invest in many early-stage startups. A number of federal securities laws limit participation in offerings to accredited investors or contain restrictions on non-accredited investors' participation.

What are the Requirements to Become Accredited?

Accredited investors (i.e. natural persons) are determined based on their wealth, income, and other financial sophistication measurements.

Financial criteria

- An accredited investor is an individual with a net worth exceeding \$1 million (excluding the value of their primary residence).
- Individuals with an annual income of \$200k for two consecutive years and the expectation of continued earnings at that level are also considered accredited.
- Married couples earning \$300k annually, within the same parameters, also qualify as accredited investors.

What it means

A Qualified Purchaser is an individual that owns \$5mm+ in investable assets, an individual or entity which owns and invests \$25mm+ in private capital or a trust sponsored by Qualified Purchasers or entity owned by Qualified Purchasers.

What it means

A qualified client has investable assets of \$2.2mm+ or \$1.1mm+ invested with a specific Advisor.

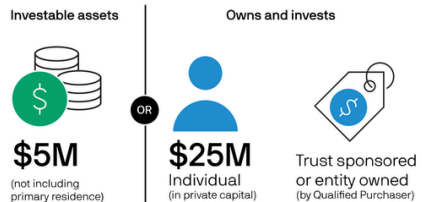
What it means

An accredited investor has an income of \$200k+ for each of the last two years (individual), income of \$300k+ for each of the last two years (couple) or investable assets of \$1mm+.

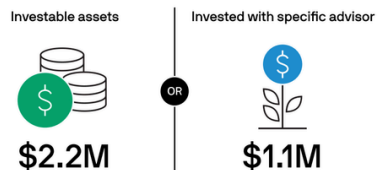
Professional criteria

- Investment professionals in good standing holding the general securities representative license (Series 7), the investment adviser representative license (Series 65), or the private securities offerings representative license (Series 82).
- Directors, executive officers, or general partners (GP) of the company selling the securities (or of a GP of that company).
- Any "family client" of a "family office" that qualifies as an accredited investor.
- For investments in a private fund, "knowledgeable employees" of the fund.

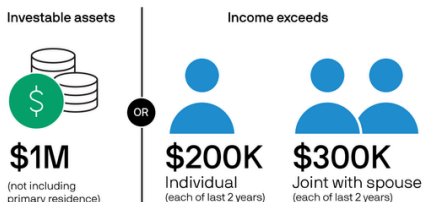
Qualified purchaser



Qualified client



Accredited investor



Source: J.P. Morgan Asset Management

The Bucket Strategy

The bucket strategy is an investment and retirement approach that organizes assets into separate "buckets" based on when the funds will be needed, and aims to reduce market volatility and diversify investment risks.

Short term buckets typically hold safe assets while long term buckets hold more risky assets.

→ [Advisor's Guide to the Bucketing Investment Approach](#)
What, Why, and How?

Sample Portfolio Allocations

Investor Type	Traditional Investments	Alternatives	Examples of Alts Mix
Conservative	80%	20%	Real estate, listed alternatives
Balanced	60%	40%	Private equity, private credit/debt
Aggressive	40%	60%	Venture capital, structured transactions

A Three-Bucket Approach to Portfolio Allocation



Short Term

Conservative
(0-2 years)

Assets: Liquid lower risk investments

Ex. Cash and money market;

Goal: Fund living and short term expenses



Intermediate Term

Balanced
(3-7 years)

Assets: Stocks, bonds, mutual funds

Goal: Produce a stream of income while giving exposure to growth opportunities



Long Term

Aggressive
(8-10 years >)

Assets: Private equity, real estate, private credit, limited partnerships

Goal: Long-term portfolio growth & capital appreciation

Three Taxable Buckets



Taxable Money

- Bank savings, money market/CDs
- Brokerage accounts
- Stocks/bonds/ETFs



Taxable When Accessed

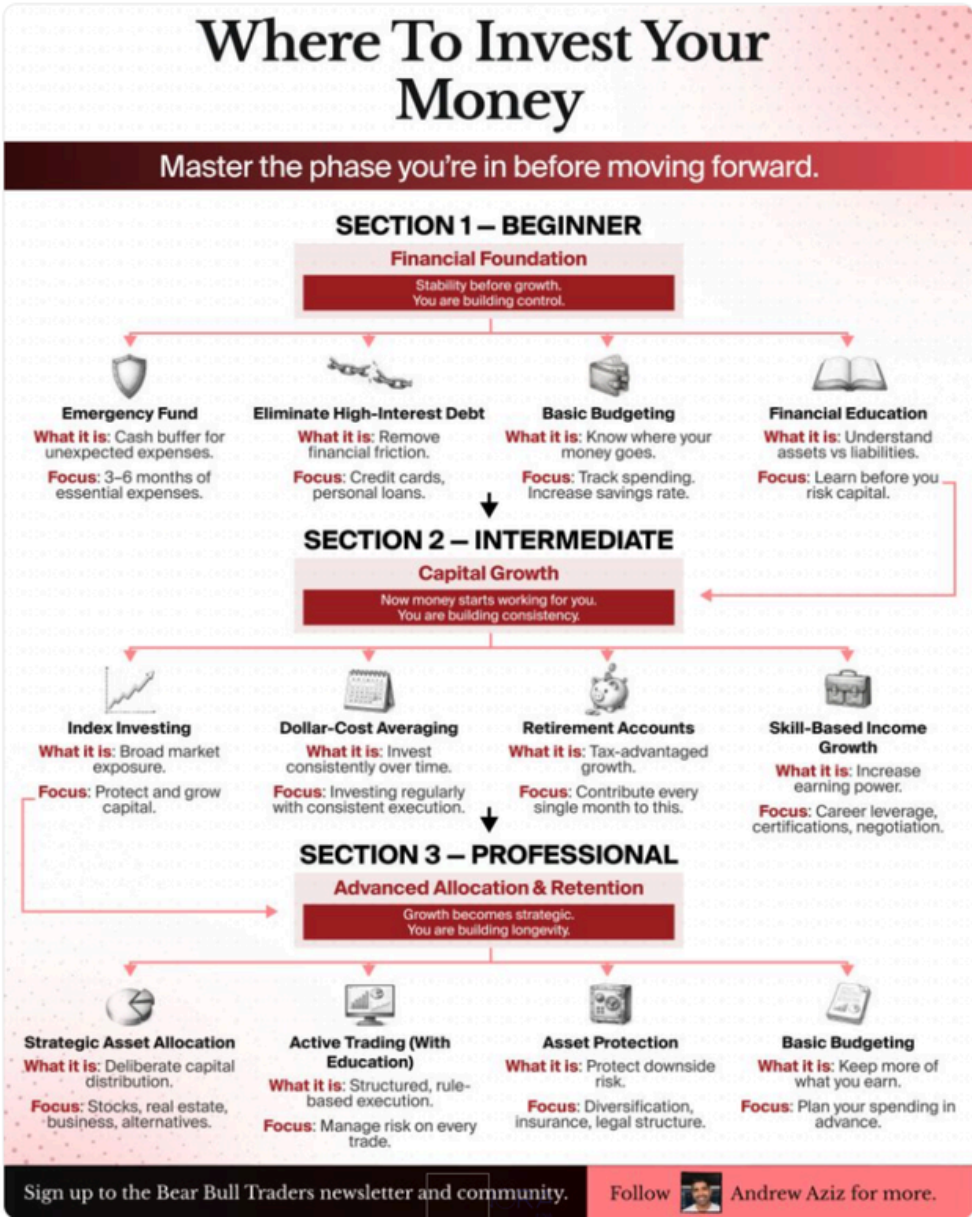
- Traditional IRAs
- 401(k)s and 403(b)s
- Pensions
- Annuities



Tax-free Growth and Use

- Roth IRA/Roth 401(k)
- Health savings account (HSAs)
- Cash value life insurance

Investing Your Money



The Endowment Portfolio Model: Explained

The [Endowment Model](#) was adopted by David Swensen when he was Chief Investment Officer at Yale University. The model relies on building a diversified portfolio of investments with low correlation to minimize risk and optimize returns, and an asset allocation that favors asset classes with high expected returns—avoiding those with low expected returns regardless of liquidity.

What Differentiates the Yale Endowment Model?

The Yale Endowment Model emphasizes diversification by allocating more to illiquid alternative assets, such as real estate, and less to traditional liquid assets, such as stocks and bonds. The Yale Model shows, over time, that alternative assets increase returns and reduce risk by not being correlated to the public markets.

Research and Resources

- [Investing like the Harvard and Yale Endowment Funds](#)
- [The Art and Science of Endowment Investing](#)
- [Live Endowment Portfolio](#)

Calculators

- [Portfolios Lab](#) - A collection of best-in-class portfolios
- [Portfolio Visualizer](#) - “Top 10 Constructed Portfolios”
- [Portfolio Charts](#) - Tracking the most common and popular portfolios
- [The Alts Allocator](#) - Brookfield Beyond the 60/40 portfolio



What is Endowment Model of Investing? Benefits of Endowment Model & more!

Many Ivy League universities invest their endowments using a strategy that protects their principal against inflation & market risk. Click to learn about the endowment model & its benefits!

The Family Office / Nov 15, 2025

Source: The Family Office

Endowment Portfolio Summary

Endowments Invest Differently by Design

Harvard, Yale, Notre Dame and leading institutions emphasize diversified, alternatives-heavy portfolios rather than traditional stock and bond allocations. The Endowment Model’s approach has historically delivered superior long-term, risk adjusted returns compared with traditional 60/40 equity/bond portfolios.

Strategic Asset Allocation is the Dominant Return Driver

Academic research shows that the Endowment Model’s allocation across multiple uncorrelated asset classes and strategies explain most of the variability in long-term performance.

Alternative Investments Are Central

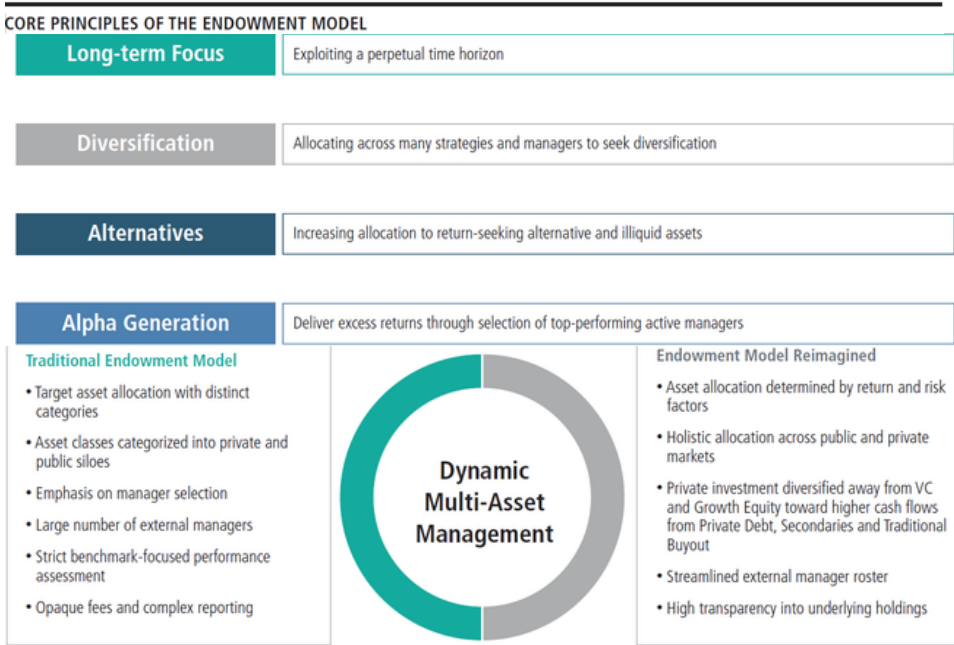
Heavy allocations to private markets (such as private equity and private credit) and real assets (such as real estate and venture capital) are core differentiators of endowment portfolios due to diversification benefits and return potential.

Illiquidity is Intentional

Endowments accept reduced liquidity to capture long-term return premiums unavailable in public markets. Investors intentionally accept illiquidity for higher expected returns, leveraging long investment horizons and illiquidity premiums.

Manager Selection and Implementation Matter

The Endowment Model emphasizes top-tier manager access and specialization in alternative asset classes, which can materially affect outcomes. While individuals cannot replicate endowments perfectly, the principles can inform more resilient portfolio construction.



Key Due Diligence Considerations

For financial advisors bound by a fiduciary duty, acting in the client's best interest goes beyond avoiding conflicts of interest—it also requires the duty of care. This means prudently evaluating whether an investment is suitable and fully understanding what is recommended. As alternative investments have become more accessible to retail investors—and more aggressively marketed to financial advisors—cutting through the marketing noise to evaluate each potential investment on its own merits has also become more difficult.

When conducting due diligence on alternative investments, there are several key considerations to keep in mind.

Manager Considerations: Strategy, Operations, Costs

At the manager level, the aim of the due diligence process is to decide whether a particular manager or fund is best suited to meet the client's investment goals. There are essentially three main prongs of the process:

1. The manager's investment strategy (both the underlying investment thesis and the manager's adherence to their stated strategy in practice)
2. The manager's operations (both of the fund itself and the overarching asset manager)
3. The costs (management fees, performance incentive fees, and any internal expenses such as borrowing and operational costs)

Investment Strategy

Understand and reflect on alignment with your investment goals and risk tolerance.

Track Record

Evaluate the track record of the investment manager or firm. Have they demonstrated consistent performance and expertise in the specific alternative investment?

Fees and Expenses

Assess the fees and expenses associated with the alternative investment. Are they reasonable and transparent?

Investment Structure

Examine the investment structure and terms. Is it fair and beneficial to investors?

- **Valuation:** Understand how the alternative investment is valued. Are the valuation methods robust and transparent?
- **Risk Management:** Evaluate the risk management practices of the investment manager or firm. How do they identify and mitigate risks?
- **Liquidity Exit Strategy:** Assess the exit strategy for the alternative investment. Is there a clear plan for exiting the investment and realizing returns?
- **Legal and Regulatory Compliance:** Ensure that the alternative investment complies with relevant laws and regulations. Are there any potential legal or regulatory risks?

Due Diligence Checklist

- ☒ Strategy and Asset Class Understanding
- ☒ Manager Track Record
- ☒ Risk Management Approach
- ☒ Fee Structure
- ☒ Liquidity Terms
- ☒ Transparency and Reporting

IRR, Yield, & MOIC

Which Metric Matters Most?

KITCES: A Framework for Due Diligence

Due Diligence Area	Considerations To Review
 Client Considerations	Liquidity – Do the client's liquidity needs align with the requirements of the investment? Risk Capacity – Could the client afford a 100% loss in a worst-case scenario? Investment Goals – Would the client be able to achieve their goals using comparable public-market investments?
 Investment Strategy	Strategy Clarity – Does the fund have clear investment objectives, an investment thesis or philosophy it believes will allow it to achieve its objectives, and a strategy to put its investment philosophy in practice? Manager Experience – Does the fund's manager have prior history managing other funds? Did those funds reliably achieve their investment objectives? Are there any red flags, such as regulatory enforcement actions, in the manager's history? Transparency – Will the fund manager provide position-level holdings and transaction data to allow for verification of the fund's NAV and stated performance? Performance Integrity – If the fund has prior performance history, does that history align with its stated investment strategy? Are there any signs of manipulated performance, such as few or no periods of negative returns?
 Operations	Third-Party Administration – Does the fund use an independent third party for administrative services like accounting, NAV calculation, reconciliation, and performance reporting? Are those parties experienced and qualified to do the work they're engaged to do? Are there any red flags, such as affiliated business interests with the fund or its employees, or frequent changes of third-party administrators? Background Checks – Are there any regulatory or legal red flags in the background of the fund manager or its employees? Is the fund willing to provide the results of any SEC or FINRA examinations? On-site Interviews – Is the fund manager willing to accommodate an on-site visit to interview the manager and key personnel? Does the visit reveal any red flags, such as disorganization or commingling of investment and operations staff?
 Fees/Costs	Total Fees and Costs – What is the fund's fee structure, including management and performance fees? Are management fees charged on committed or invested capital? If the fund uses leverage, are fees charged on gross assets (i.e., including borrowed funds) or only on assets contributed by investors? Incentive Fees – How are performance incentive fees structured? Is there a hurdle rate over which the incentive must kick in? Are there catch-up provisions that subject the entire return to the incentive fees after reaching the hurdle rate? Is the hurdle rate set at a level that will require real skill to achieve? Additional Costs – What additional costs could the client incur, such as feeder-fund fees, borrowing costs, or pass-through fees?

[KITCES](#) - 70,673 financial advisers stay up to date with the latest from the Nerd's Eye View.

The Alternative View

Benefits of alternative investments



1. Return enhancement

Investors can often be paid to take on illiquidity as well as access **less efficient parts of the market** through alternatives, which may drive higher returns than traditional investments.

2. Portfolio diversification

Alternatives can often access **asset classes that are not available through traditional markets**, increasing portfolio diversification.

3. Current yield

Alternatives such as **alternative credit** and **real assets** have the potential to deliver higher yields with lower volatility than their publicly traded counterparts.

4. Volatility mitigation

Alternatives often rely less on broad market trends and more on the **strength of each specific investment**. This **low correlation** to broad markets may decrease portfolio volatility.

5. Inflation protection

Some alternatives, including **real estate** and **agriculture**, have inflation hedging properties stemming from an ability to benefit from increasing prices.

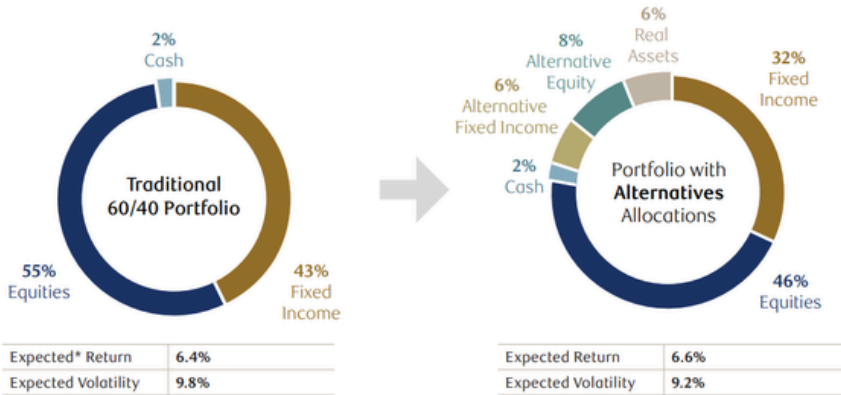
6. Tax benefits

Some structures used in alternatives strategies may offer **tax benefits**, including REITs and BDCs, as can certain **government programs**.

Portfolio objective	Private equity	Private debt	Real assets	Hedge funds
1 Return enhancement	X	X		
2 Portfolio diversification	X	X	X	X
3 Current yield		X	X	
4 Volatility mitigation			X	X
5 Inflation protection			X	
6 Tax benefits	X		X	X

Adding alternatives to a portfolio has the potential to increase returns while lowering volatility. Actual allocations can be tailored to the specific objectives of each portfolio.

Long-term returns forecast (5 to 10 year horizon from 2024, before fees)



The charts above are considered hypothetical, it is not based on actual client performance. This is for illustrative purposes only. Forecast returns is not a guarantee of future results.

Current asset class weights by investor type*

While private wealth investors have different liquidity needs and time horizons than institutions, investors in both groups have options available to them that can be appropriate and provide a number of benefits. Many of these products are newer, leaving some private wealth investors unaware of their options and therefore potentially under-allocated to this important part of the market.

Institutions

Private Wealth

■ Public Equities ■ Public Fixed Income & Cash ■ Alternatives

Figures do not sum to 100% due to available detailed numerical data and rounding.

Source: RBC Wealth Management

Real Estate

A tax-deferred approach to selling your real estate investments - Cantor Fitzgerald [1031 Exchanges and Delaware Statutory Trusts](#)

[1031 Exchange Topics and Reference Guide](#) - IPX

How Savvy Investors [Use A 1031 Exchange](#) To Defer Capital Gains and Build Wealth

[Comparing Tax-Deferral Real Estate Investment Strategies](#) - S2K

The presentation above explores three popular tax-deferral strategies. 1031 Exchange, Delaware Statutory Trust (DST), and [Qualified Opportunity Zone Fund \(QOZ\)](#).

By choosing the right strategy and understanding the nuances of each, you can make an informed decision for your real estate portfolio. [Delaware Statutory Trusts \(DSTs\)](#) - S2K

Cap Rates 101: [Why They Matter in Real Estate Investments](#)

Capitalization rates are one of the most important metrics for evaluating the potential return on investment in real estate. Cap rates represent the relationship between a property's net operating income (NOI) and its market value. By calculating the cap rate, investors can quickly assess the profitability of a potential investment and compare it to other properties in the same market.

[The role of cap rates in real estate](#)
J.P. Morgan

[Capitalization Rate: Cap Rate Defined With Formula and Examples](#)

[A Compelling Case for Why Property Investing Reigns Supreme](#)

Many decades of investment data show real estate's superior risk-adjusted returns and unprecedented tax advantages through strategies like 1031 exchanges and opportunity zones.

[Five Strategies to Defer Capital Gains in Real Estate Investing](#)

These powerful strategies, from timing your sales during low-income years to leveraging qualified opportunity zones, can defer capital gains taxes on your real estate investments.

[Internal rate of return](#) is a useful metric for assessing real estate properties' returns over time and comparing investment opportunities.



What's a Good Cap Rate for CRE Properties?

Cap rates typically fall within the range of **3%-10%**. A "good" cap rate **depends on a variety of factors and the risk tolerance** for the specific investment. As a general rule:

- Higher cap rates suggests a higher risk investment with potential for greater returns, but also greater volatility
- A lower cap rate indicates a lower risk investment with stable, long-term cash flows

It's important to **evaluate each property on a **case-by-case basis** and consider a range of **factors** beyond just the cap rate or property class when making **investment decisions**.*

Cap Rate Ranges

- Low Cap Rate: 3% to 5%
- Medium Cap Rate: 6% to 8%
- High Cap Rate: 9% or higher

Class Ranges

- Class A: Low cap rates - 4% to 6%
- Class B: Medium cap rates - 6% to 8%
- Class C: High cap rates - 8% or higher



10 Key Questions Private Real Estate Investors Should Ask

A practical due diligence checklist for evaluating managers and opportunities

Every private real estate investment starts with a promise of high returns. But it's rare for an investment to follow the perfect path of its pro forma. [Here are 10 questions](#) to help you understand a real estate manager's approach and potential performance.

QUESTION
01

Are the model assumptions accurate?

What are the projected internal rate of return (IRR), MOIC and their exit [Cap Rate assumption](#)?

What has been their past record in meeting prior deal returns and assumptions?

See: [Cap Rates 101: Why They Matter in CRE Investments](#).

QUESTION
02

How much of your money are you, the manager, investing?

Alignment is everything. Your manager should be investing a significant amount of his or her own capital. They should have their own "skin in the game," right along with you.

QUESTION
03

What is your competitive advantage or edge in the market?

What does the manager believe his or her team does better than anyone else in the market? It should be quantifiable, and can they succinctly describe it?

QUESTION
04

How do you ensure that my capital is protected in a down market?

Have they consistently beaten their own projections?

- Do they take into account a [rising interest rate market](#) and a [rising cap rate environment](#)?
- Do they cross-collateralize assets? In a fund structure, assets should not be cross-collateralized because it destroys diversification and magnifies risk.
- How much [leverage](#) do they use? Beware of deals financially engineered with mezzanine debt and [preferred equity](#). Do they, as GP, personally guarantee loans?

QUESTION
05

How can the deal lose money?

Generally, one won't find this question addressed in the materials the sponsor provides. Listen for a sincere, well-reasoned answer.

Ask them for a stress test model to better understand the "what if" scenarios.

QUESTION
06

What was your worst deal and what did you learn from it?

Every manager has a bad deal in their past. What was the cause, how did they address it and did they communicate to investors during this period? Review past client communications for that period.

QUESTION
07

Can I speak with one of your current and past investors?

What has been their experience?

QUESTION
08

How is your company funded? What does the balance sheet look like?

What long-term financing do you have in place and what third-party borrowing facilities do you have access to, if and when needed?

If the project runs out of money, who will they lean on for funding?

QUESTION
09

How is your team incentivized?

Is it based on raising capital or meeting performance objectives? Do they have exposure to deal outcomes? Teams win the long game.

QUESTION
10

What is included in all your fees?

Make sure you ask about every fee throughout the structure and with associated LLCs.

Ask for an organizational chart and then inquire about fees and reporting in each and every entity.

Unfortunately, too many deals get funded with nothing more than great marketing materials.

Advisor - Client Guide to Private Markets

Advisor Talking Points:

How to talk to your clients

1. Alternatives are designed to complement—not replace—stocks and bonds.
2. Diversification does not ensure a profit or protect against loss.
3. Many alternative investments are illiquid and require longer holding periods.
4. Allocations should be sized appropriately based on client objectives, risk tolerance and future liquidity requirements.
5. Alternative investments may not be suitable for all investors.

Why Investors Consider Alternatives as Diversification

- May reduce reliance on public stock and bond markets.
- Different return drivers than traditional investments.
- Alternatives can potentially contribute to reducing portfolio volatility.

Access

- Exposure to opportunities not available in public markets.
- Participation in private companies, assets, or unique diversifying income strategies.

Portfolio Balance

- Some alternatives emphasize long-term growth, income, or asset backing.
- Can complement traditional growth and income allocations.
- Can introduce beneficial tax-mitigation strategies.

Institutional Approach

- Long used by pensions, endowments, and family offices.
- Increasingly available to individual investors through advisors.

Client FAQs on Alternative Investments:

How to talk to your advisor

What are Alternative Investments?

- Alternative investments are investments outside of traditional stocks and bonds. They may include private markets, real assets, or specialized investment strategies.

Why Might Alternatives Be Included in a Portfolio?

- Alternatives may help diversify portfolios and provide exposure to different return drivers than traditional investments.

Are Alternative Investments Risk-free?

- No. All investments involve risk, including the potential loss of principal.

Are Alternative Investments Liquid?

- Many alternatives have limited liquidity and may restrict withdrawals for extended periods.

Are Alternatives Appropriate for Every Investor?

- No. Suitability depends on factors such as financial situation, investment objectives, risk tolerance, and time horizons.

Tax Mitigation Strategies



Tax Mitigation Strategies

	Tax Code Possible Benefit	Strategy	What This Means For You
	IRC SEC 408A(d)(3) IRA Roth Conversion	<u>Valuation Discounts</u> <u>Nine questions to answer</u>	Cut " <u>Roth conversion</u> " taxes by 50% > by investing in <u>real estate/energy</u> in your IRA.
	IRC SEC 263(c) Shelter Ordinary Income	<u>Intangible Drilling Costs</u>	<u>Invest in oil/gas</u> and get a ~85-90% deduction on income through IDC Tax Credits. \$100K investment = Approx. \$85K write-off.
	IRC SEC 401(a) Shelter Ordinary Income	<u>Cash Balance Plans</u>	Allows <u>business owners to make large, tax-deductible</u> contributions while creating their own pension plan. Possibly shelter \$100-\$300,000 of income from taxes.
	IRC SEC 453 Defer taxes	<u>Deferred Sales Trust</u>	Defer capital gains taxes when selling highly appreciated businesses and assets.
	IRC SEC 26 1400Z-1, -2 Shelter Capital Gains	<u>OZ's 2027 New Rules 1031 and DST's 1031 vs. OZ ?</u>	Offset major capital gains and create future tax-favored income. Can be done within 180 days of sale. <u>OZ's Old rules vs. New rules.</u>
	IRC SEC 167-168, 179 Business & Income Tax Shelter See <u>OBBB</u> .	<u>Cost Segregation</u> and <u>Bonus Depreciation</u>	Defer taxes, increase immediate cash flow, and accelerate depreciation on commercial real estate reducing current tax liability.
	IRC SEC 7702 LT Tax Free Estate Planning	<u>Private Placement Life Insurance (PPLI)</u>	<u>Tax-Free Growth & Inheritance Distributions.</u>
	IRC SEC 831(a) or 831(b) Shelter Income. Premiums paid are deductible.	<u>Captive Insurance</u>	Reduce taxes while creating a better risk management strategy <u>for business owners.</u>
	IRC SEC 170(h)(4)(A) Shelter Ordinary Income	<u>Fee Simple Conservation Easement (CE) Land Donation: Video</u>	<u>Invest in land</u> , and if donation option is chosen, there is potential for leveraged charitable deduction tax credits to shelter ordinary income. Limited to 30% AGI.
	IRC SEC 48E 13702	Solar Tax Credits Note: <u>2027 Changes</u>	Potential dollar-for-dollar reduction of your federal tax liability. Third party <u>intro video.</u>

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Gridline Education

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Pregin Academy

- Introduction to Alternative Assets
- Why Invest in Alternatives
- The Past, Present, and Future of the Industry

Ray Dalio

- [How the Economic Machine Works](#)
- [You Need to Pay Attention to the Bond Markets](#)

CAIS

- [An Introduction to Alternative Investments](#)

iCapital

- [What Are Alternative Investments?](#)
- [AltsEdge](#)
- [Fundamentals of Alternative Investments](#)

→ Practical and easily accessible training on alternative investments.

→ Earn up to 10 CE credits and a Certificate in Alternative Investments from iCapital and CAIA.

Blackstone University

- [Private Markets](#)

→ Learn how assets such as private equity, credit, real estate, and infrastructure can fit into investment portfolios.

- [Essentials of Private Markets](#)
Learn the basics of the major private asset classes.
- [Why Private Markets?](#)

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- [Private Equity Decoded:](#)

→ An Asset Class Playbook
Understanding the Private Equity Industry

Golub Capital

Get to know the fundamentals of direct lending and private credit by exploring this series.

The Private Credit Mosaic:

- [A Visual Guide to Private Credit](#)
- [A Superior Credit Allocation:](#)
Improved Returns, Risk & Income
- [Private Credit vs. Traditional Fixed Income:](#) Cutting through the Jargon

Chicago Atlantic

- [12 Specific Questions](#) for Evaluating Private Credit Funds

Your Guide to Roth Conversions

- [Why Should You Consider a Roth Conversion?](#) S2K
Understand how Roth IRA conversions work, potential advantages, and key factors to consider.
- [Should I Convert to a Roth IRA?](#) S2K
Use this checklist to better understand if a real estate Roth IRA conversion is a fit for your financial strategy
- [Learn How to Convert a Roth IRA](#) Charles Schwab
- [6 Tax Reasons to Convert Your IRA to a Roth](#) (and When You Shouldn't) Kiplinger

Calculators

- [Portfolios Lab](#)
A collection of best-in-class portfolios
- [Portfolio Visualizer](#)
Top 10 constructed portfolios
- [Portfolio Charts](#)
Tracking the most common portfolios
- [The Alts Allocator](#) - Brookfield
“Beyond the 60/40 Portfolio”

Research & Resources

Brookfield | Oaktree

- [The Alts Allocator](#)

Equity Trust Company

- [What Are Alternative Investments?](#)
The Ultimate Guide [Video]

KKR

- [Private Equity Decoded: An Asset Class Playbook](#)

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- [What Are Alternative Investments?](#)
- [Introduction to Alternative Investments](#) [PDF]

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- [Guide to Alternative Investments](#) [PDF]
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- [Alternative Investments and Their Roles in Multi-Asset Class Portfolios](#) [PDF]
- [A study of allocations to alternative investments by institutions and financial advisors](#) [PDF]

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- [Alternative Investment Due Diligence For RIAs: A Framework For Compliantly Evaluating Private Funds](#)

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- [Overview of Regulation D, Rule 506\(b\)](#)
- [Rule 506\(c\) and other Capital-Raising Exemptions](#)

Preqin Academy

- [What are alternative assets?](#)

J.P. Morgan Asset Management

- [Know Your Alternatives](#) [PDF]

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- [Investing like the Harvard and Yale Endowment Funds](#) [PDF]

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- [How Alternatives Could Inject Stability and Growth Into Your Portfolio](#)
Alison Nest, Morgan Stanley

Daniel Goodwin, Chief Investment Strategist [Provident 1031](#)

- [Live Smart, Retire Rich: Smarter Ways to Become Wealthy](#)

Brian Raleigh, President and Founder

- [Raleigh Wealth Solutions](#)
- [Rounding Third and Heading for Home: How to Hit a Home Run in Retirement Using Tax and Income Strategies of the Wealthy](#)

Cantor Fitzgerald

- [1031 Exchanges and Delaware Statutory Trusts](#) [PDF]

IPX 1031

- [1031 Exchange Topics](#) [PDF]
- [What Every Exchanger Needs to Know](#) [PDF]

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Alternative investment strategies may not be suitable for all investors and are not intended to be a complete investment program. Alternatives may be relatively illiquid; it may be difficult to determine the current market value of the asset; and there may be limited historical risk and return data. Costs of purchase may be relatively high. A high degree of investment analysis may be required before investing.

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