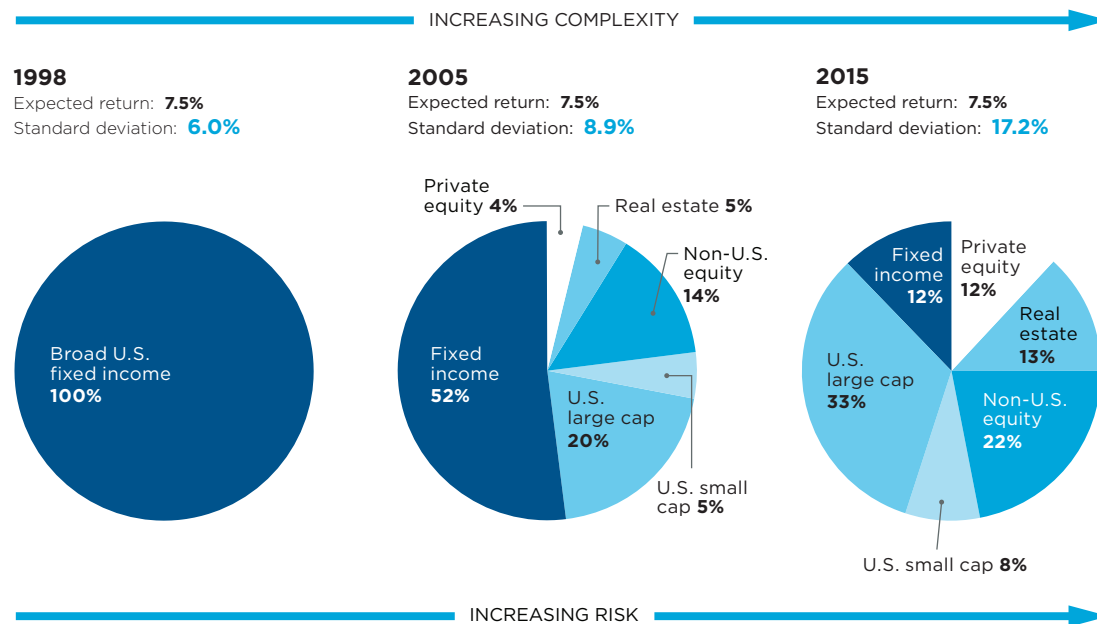


# Portfolio construction with alternative investments

## The increased complexity of risk and return

The reality of portfolio management has changed. In 1995, one could purchase a portfolio of U.S. bonds and receive an expected return of 7.5% with a standard deviation of 6.0%. Today's low interest rate environment has made that risk/return scenario impossible; in order to receive the same return, investors must alter not only their investment mix, but also their risk appetite.

## More risk for the same return



Source: Callan Capital Market Projections

## Where do alternatives fit in the portfolio construction process?

Alternative investments generally fall into one of three broad categories:

- **Alternative assets**, such as commodities, real estate, infrastructure or currencies
- **Alternative strategies**, such as long/short, event-driven, market-neutral, and global macro
- **Investments such as** private credit, private equity, or direct real estate

Adding alternatives to a portfolio can provide potential for enhanced returns and downside protection, as they have low correlation to traditional assets like stocks and bonds. Alternative strategies can provide greater flexibility within a portfolio and help set specific performance objectives that traditional investments cannot offer.

## Things to consider before adding alternatives to a portfolio

- What are the potential results of the portfolio once alternative investments are included?
- How has the risk profile changed?
- How will the potential return of the portfolio change?

# Portfolio construction process with alternative investments

## Steps for adding alternatives to a portfolio

Taking a methodical approach to incorporating alternative investments into your clients' portfolios can simplify the process and help your clients meet their financial goals.



## Ask your Dynamic Funds sales representative for more information on alternative funds.

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