

# Alternative Investments



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## INVESTMENT STRATEGY

Investors have improved access to alternative investments today, and studies show that they can enhance portfolio performance. This piece reviews the growing asset class and provides guidance for portfolio construction.



## Size and Growth of Alternatives

Alternative investments (Alts) as an asset class, encompassing strategies that fall outside traditional equity and fixed-income solutions, continue to gain importance for investor portfolios. This is driven by the potential for improved portfolio performance and better access to the asset class.

The demonstrated success of alternatives has led to significant growth, with estimates showing over \$17 trillion in assets under management today compared to \$7 trillion a decade ago. Projections show alternatives growing by about 11% per year to a size of over \$29 trillion by 2029.

Greater access to the asset class for investors is an important feature today, with asset managers focused on “democratizing” alternatives to expand the pool of potential investors. There has been meaningful growth in offerings with smaller minimum investments, greater transparency, and lower fees, which allow investors to capture more of the value added, along with the illiquidity premium inherent in private vehicles. Another attraction today is the availability of funds that are not partnerships, providing 1099s instead of K-1s (simplifying tax reporting).

These newer offerings often allow investors to access markets typically reserved for illiquid funds, such as private equity or direct lending, but in vehicles that offer the potential for liquidity on a quarterly basis.

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