

## What are Alternative Investments?



### DEFINING ALTERNATIVE INVESTMENTS

Alternative investments are generally defined as anything other than a traditional stock or bond. They are investments not traded on an exchange or in the public markets. You may have heard them referred to as the private markets.

### THE PRIMARY ASSET CLASSES

The primary asset classes are private equity, private credit, and real assets. These asset classes are separate from the actual investment structures, types, or vehicles and should be thought of as broader investment categories.



#### PRIVATE EQUITY

Private equity investments offer the potential for return and involve financing provided to non-public companies to facilitate positive change and/or maximize business growth.



#### PRIVATE CREDIT

Private credit investments offer the potential for income and involve fixed income instruments that are privately negotiated.



#### REAL ASSETS

Real assets offer the potential for diversification and inflation protection and involve tangible, physical assets whose value is derived from their physical use (e.g., real estate, natural resources, and infrastructure). They may also be a source of return or income generation.

### INVESTMENT STRATEGY EXAMPLE

#### HEDGE FUNDS



- Hedge funds represent a diverse group of strategies, each serving a different role in client portfolios.
- Hedge funds offer greater flexibility in the number of underlying investments (equity, fixed income, commodities, currencies, options, and futures), and the managers have the ability to be long and short segments of the market.



## BENEFITS

- Alternative sources of return, income, and diversification.
- Generally less correlated to traditional markets, which may mean they can experience less volatility and lower the overall risk profile of a portfolio.
- Historically only available to institutional investors, but now more accessible given product innovation and regulatory changes.



## KEY RISK CONSIDERATIONS

Key risk considerations may include, but are not limited to, the following:

- **Transparency:** Alternative investments may not offer the same level of transparency as traditional investments, which are required to provide frequent and full disclosures.
- **Liquidity:** Alternative investments should be considered longer term investments. Depending upon the strategy, investors may be subject to a lockup period which will prevent them from redeeming their capital for an extended time (e.g., 5–10 years).
- **Fees:** Alternative investment fees are generally higher than those associated with traditional investments.
- **Leverage:** Alternative investment strategies may use some form of leverage, which offers the potential for higher returns, but also increases the downside risk.
- **Concentration:** Alternative investment strategies may be highly concentrated in a few funds or holdings.

**Please contact your financial professional or a fund manager to learn more.**



### IMPORTANT INFORMATION

The material herein has been provided to you for informational purposes only by Institutional Capital Network, Inc. ("iCapital"). This material is the property of iCapital and may not be shared without the written permission of iCapital. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission of iCapital.

This material is provided for informational purposes only and is not intended as, and may not be relied on in any manner as legal, tax or investment advice, a recommendation, or as an offer to sell, a solicitation of an offer to purchase or a recommendation of any interest in any fund or security offered by iCapital. You should consult your personal accounting, tax and legal advisors to understand the implications of any investment specific to your personal financial situation. This material does not intend to address the financial objectives, situation or specific needs of any individual investor. Alternative investments are complex, speculative investment vehicles and are not suitable for all investors.

The manner of circulation and distribution of this document may be restricted by law or regulation in certain countries, including the U.S. This document is not directed to, or intended for distribution to or use by, any person or entity who is a

citizen or resident of or located in any locality, state, country or other jurisdiction, including the U.S., where such distribution, publication, availability or use would be contrary to law or regulation or which would subject iCapital to any registration or licensing requirement within such jurisdiction not currently met within such jurisdiction. Persons into whose possession this document may come are required to inform themselves of, and to observe, such restrictions. It is the responsibility of the recipient of this document to comply with all relevant laws and regulations.

Alternative investment products and services may be offered through iCapital Securities, LLC. Structured investment products and services may be offered through Axio Financial LLC and/or SIMON Markets LLC. iCapital Securities LLC, Axio Financial LLC, and SIMON Markets LLC are each a registered broker/dealer, member FINRA and SIPC, and an affiliate of Institutional Capital Network, Inc. ("iCapital"). These registrations and memberships in no way imply that the SEC, FINRA or SIPC have endorsed the entities, products or services discussed herein. iCapital and iCapital Network are registered trademarks of Institutional Capital Network, Inc. Additional information is available upon request.

© 2023 Institutional Capital Network, Inc. All Rights Reserved.