GNH CAPITAL GROUP
of Wells Fargo Advisors

# DOES YOUR PORTFOLIO NEED 'ALTERNATIVE' INVESTMENTS?!

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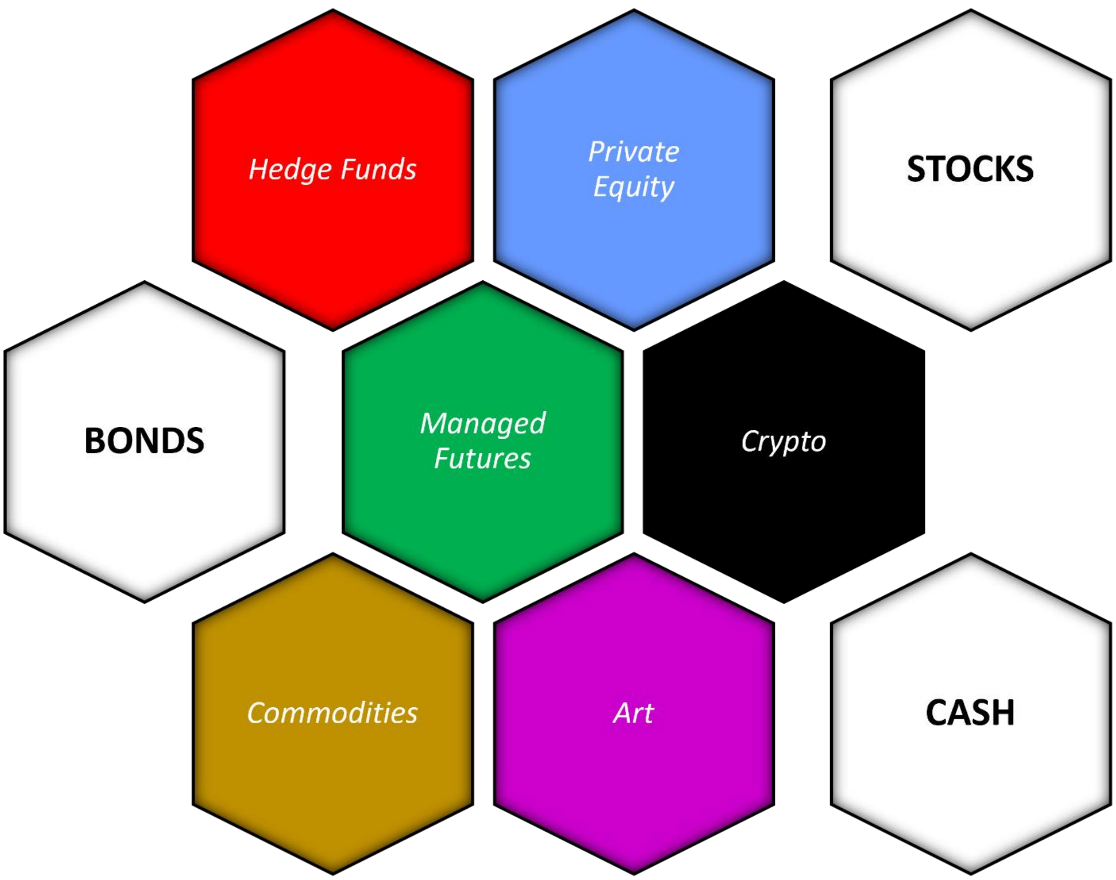
## Spoiler alert: In general, 'NOT AT ALL' but 'YES,' in an unexpected sense!

Wall Street's latest fascination is flooding the wealth management space—'Alternative Investments' (hedge funds, private equity, real estate, managed futures, commodities, cryptocurrencies, art…). They promise to boost returns and reduce portfolio risk, but they also have higher fees and lucrative margins.

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Skeptical investors can arrive at the truth by examining the fortunes of the prestigious Ivy League+ endowments. Despite their substantial allocations (40% - 80%) to best-of-breed Alternative funds, largely inaccessible to individual investors, the Ivies have struggled over the years to meet conventional index-tracking portfolio benchmarks (like the 60/40 or 70/30 stocks/bonds) [1].

Regarding risk, Alternatives-heavy endowments exhibit a higher risk profile than conventional benchmarks. Counterproductively, Alternatives correlate highly with each other and with traditional assets during crises (like the CoViD crash). Moreover, with volatility and drawdowns only emerging as peripheral measures of risk, far downstream from the cardinal risk of shortfall (cf. our Manifesto [2]), their notorious illiquidity and lack of transparency further reduce the Alternatives' allure. Those objections intensify as we move from the Ivies' top-tier Alternatives to lower-quartile offerings.

Our answer is a resounding 'NO'—we do not recommend investors incorporate Alternatives into their portfolios.

But there is a twist!

While investors may not need Alternatives, we believe their PORTFOLIOS NEED TO BE ALTERNATIVE, breaking away from conventional 20th-century portfolio ideas and incorporating the latest advances in Finance. Our research indicates benefits from scrapping 'strategic' asset allocation for the active navigation of market regime shifts, upgrading from Asset to Factor allocation, and focusing on the cardinal risk of shortfall. At GNH Capital Group, we craft strategies embodying the principles of the 4th-Generation in Factor Investing. We invite you to explore the potential advantages of this innovative approach.

[1] Ivy League Endowments Fail To Make The Grade In Fiscal 2019 | Markov Processes and University endowments fail when compared with the stock market. Here's one reason. | Morningstar
[2] GNH Capital Group - Our Offering