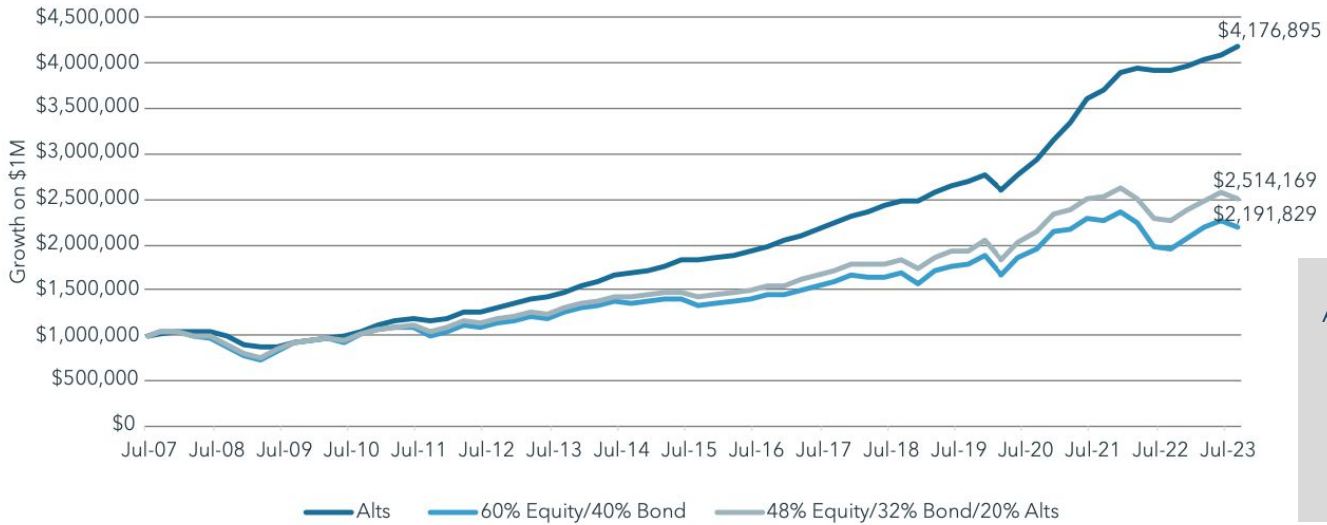


# MAPPING THE IMPACT OF ALTS IN A TRADITIONAL PORTFOLIO

**Exhibit 1:** An allocation to alts would have improved outcomes for a 60/40 portfolio since 2007  
Growth of \$1 million from different portfolio allocations, Q3 2007 to Q3 2023

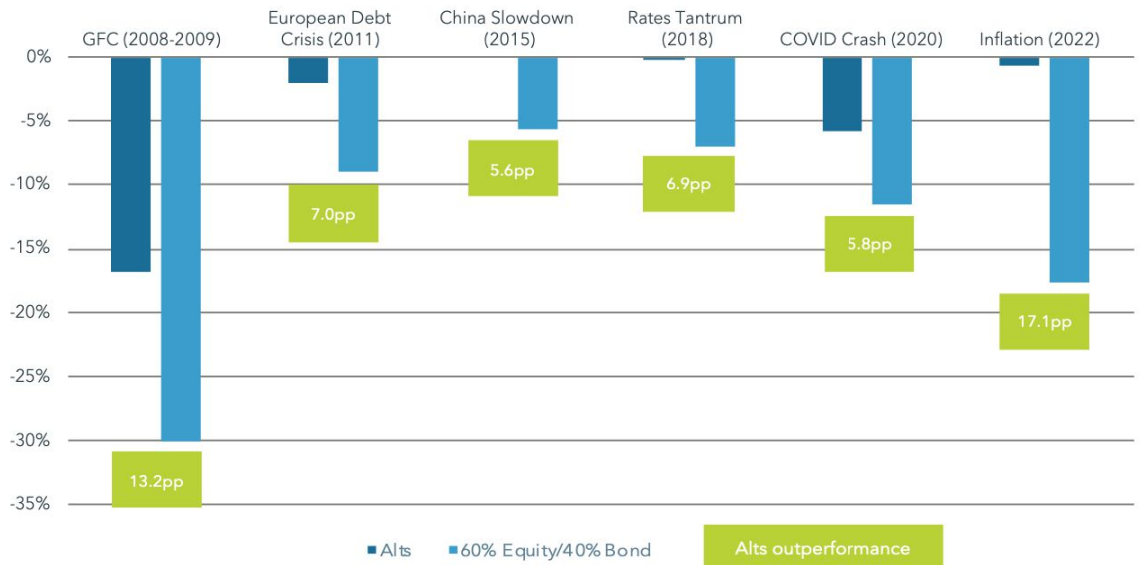


ADDING 20% ALTS TO A 60/40 PORTFOLIO RESULTED IN ALMOST A 1.0% ANNUAL RETURN INCREASE.

Source: iCapital, based on quarterly index data from Preqin, Cliffwater, MSCI, Bloomberg, NCREIF and HFRI, as of Sept. 30, 2023. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

EXHIBIT 1 shows that an investment of \$1 million in the third quarter of 2007 would have returned nearly \$2.5 million with a 20% allocation to alts – over \$320,000 more than a traditional 60/40 approach. Notably, the alts allocation would have returned more than \$4.1 million, or nearly double the return from the traditional portfolio. Put another way, adding alts to a traditional 60/40 portfolio increased the total return by almost 15%, translating to annualized returns almost a whole percentage point higher.

**Exhibit 2:** Alts have performed well when 60/40 portfolios have fallen  
Maximum drawdown of a diversified alts portfolio and 60/40 portfolio, Q3 2007 to Q3 2023



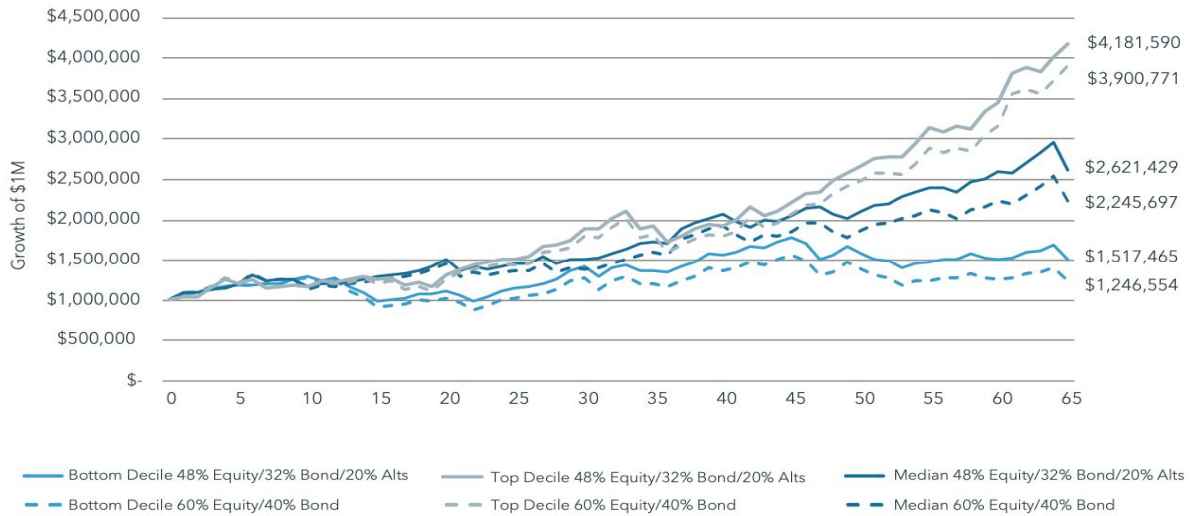
ADDING 20% ALTS TO A 60/40 PORTFOLIO RESULTED IN 80% FEWER LOSSES.

Source: iCapital, based on quarterly index data from Preqin, Cliffwater, MSCI, Bloomberg, NCREIF and HFRI, as of Sept. 30, 2023. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

EXHIBIT 2 highlights how, in isolation, the alts component of our modeled portfolio performed during drawdowns in a 60/40 portfolio. Alts' ability to provide downside protection is reflected in the fact that they have, on average, captured only 22% of declines of traditional stock and bond portfolios over the drawdown periods in Exhibit 2. Those benefits are notable when integrating a 20% alts allocation into a traditional portfolio.

**Exhibit 3:** A portfolio with alts outperformed a 60/40 in almost all simulated scenarios  
 Simulated growth of \$1 million in a 60/40 portfolio and a portfolio with 20% alts over 65 quarters

ADDING 20% ALTS TO A 60/40 PORTFOLIO RESULTED IN BETTER RETURNS IN BOTH POSITIVE AND NEGATIVE MARKETS



Source: iCapital, based on quarterly index data from Preqin, Cliffwater, MSCI, Bloomberg, NCREIF and HFRI, as of Sept. 30, 2023. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed

EXHIBIT 3 compares the simulated outcomes of the portfolio with a 20% allocation to alts and a traditional portfolio at several major percentile levels. Looking at these specific levels allows us to understand better the impact of alts in both bull and bear markets. The portfolio with a 20% allocation to alts would have cumulatively produced 7.2% higher returns after 65 quarters at the top decile level of the 60/40 portfolio returns, 16.7% higher returns at the median level, and 21.7% higher returns at the bottom decile level. While including alts was beneficial to a 60/40 portfolio across the board, the greater outperformance at the lower end of the outcome range underscores the protection alts can offer in more challenging environments.

**Exhibit 4:** Addition of alts to a traditional 60/40 improved metrics across the board in our simulation  
 Metrics from the simulated performance of a 60/40 portfolio and a portfolio with 20% alts over 65 quarters

		BOTTOM DECILE	BOTTOM QUARTILE	MEDIAN	TOP QUARTILE	TOP DECILE
Returns	60/40	1.37%	3.16%	5.10%	6.98%	8.74%
	With 20% Alts	2.60%	4.28%	6.11%	7.44%	9.20%
	Delta	1.23%	1.12%	1.01%	0.45%	0.47%
Volatility	60/40	11.08%	13.61%	9.03%	12.27%	10.21%
	With 20% Alts	9.73%	11.91%	7.95%	10.73%	9.11%
	Delta	-1.35%	-1.70%	-1.07%	-1.55%	-1.10%
Sharpe ratio*	60/40	0.06	0.18	0.49	0.51	0.79
	With 20% Alts	0.20	0.30	0.68	0.63	0.93
	Delta	0.14	0.12	0.19	0.12	0.15

ADDING 20% ALTS TO A 60/40 PORTFOLIO IMPROVED THE OVERALL VOLATILITY AND SHARPE RATIO.

Source: iCapital, based on quarterly index data from Preqin, Cliffwater, MSCI, Bloomberg, NCREIF and HFRI, as of Sep. 30, 2023. Totals may not correspond with the sum of the separate figures due to rounding. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed. See the Methodology section for more information. \*The Sharpe ratio is a measure of the risk-adjusted return (or return per unit of excess risk assumed) of a security or portfolio. It is calculated by looking at the standard deviation of returns relative to the performance of a "risk-free" asset.

EXHIBIT 4 summarizes what this means regarding annualized returns, volatility, and overall portfolio risk-return. Simply put, the 48/32/20 alts portfolio created improvements - "deltas" - on each of these metrics across the simulated performance levels.