WELLS FARGO
Investment Institute

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Alternative thinking

Investment and Insurance Products: ➤ NOT FDIC Insured ➤ NO Bank Guarantee ➤ MAY Lose Value

Diversification, including different asset classes, generally has been an effective strategy to help manage risk or volatility in a portfolio.

But there are ways to enhance diversification of your portfolio beyond the traditional mix of stocks, bonds, and cash.

The missing piece for qualified investors could be alternative investments.

Alternative investments is a label for investments that are not traditional investments like publicly traded stocks, bonds, and cash. They include non-traditional vehicles like hedge funds, private capital, and real assets.

Since alternative investments, ordinarily, do not solely track with stock and bond markets, incorporating them in your portfolio may provide benefits, such as, reduced volatility, reduced exposure to down markets, and exposure to new growth opportunities.

Adding alternative investments to a traditional portfolio can enhance diversification and potentially provide improved risk-adjusted returns.

To learn about the potential benefits of alternative investments, read our Wells Fargo Investment Institute report “Alternative thinking,” or talk to a Wells Fargo financial professional.

Risk considerations

Diversification does not guarantee profit or protect against loss in declining markets.

All investments are subject to market risk which means their value may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors due to numerous factors some of which may be unpredictable. Be sure your clients understand and are able to bear the associated market, liquidity, credit, yield fluctuation and other risks involved in an investment in a particular strategy.

Equity securities are subject to market risk which means their value may fluctuate in response to general economic and market conditions and the perception of individual issuers. Investments in equity securities are generally more volatile than other types of securities. Investments in fixed-income securities are subject to interest rate, credit/default, liquidity, inflation and other risks. Bond prices fluctuate inversely to changes in interest rates.

Alternative investments, such as hedge funds, private capital/private debt funds and private real estate funds, are not suitable for all investors and are only open to "accredited" or "qualified" investors within the meaning of the U.S. securities laws. They are speculative, highly illiquid, and are designed for long-term investment, and not as trading vehicles. There is no assurance that any investment strategy pursued by the Master Fund (and thus the Feeder Fund) will be successful or that the fund will achieve its intended objective. Investments in these funds entail significant risks, volatility and capital loss including the loss of the entire amount invested. They are intended for qualified, financially sophisticated investors who can bear the risks associated with these investments. Investors should read the fund's offering documents prior to investing.

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