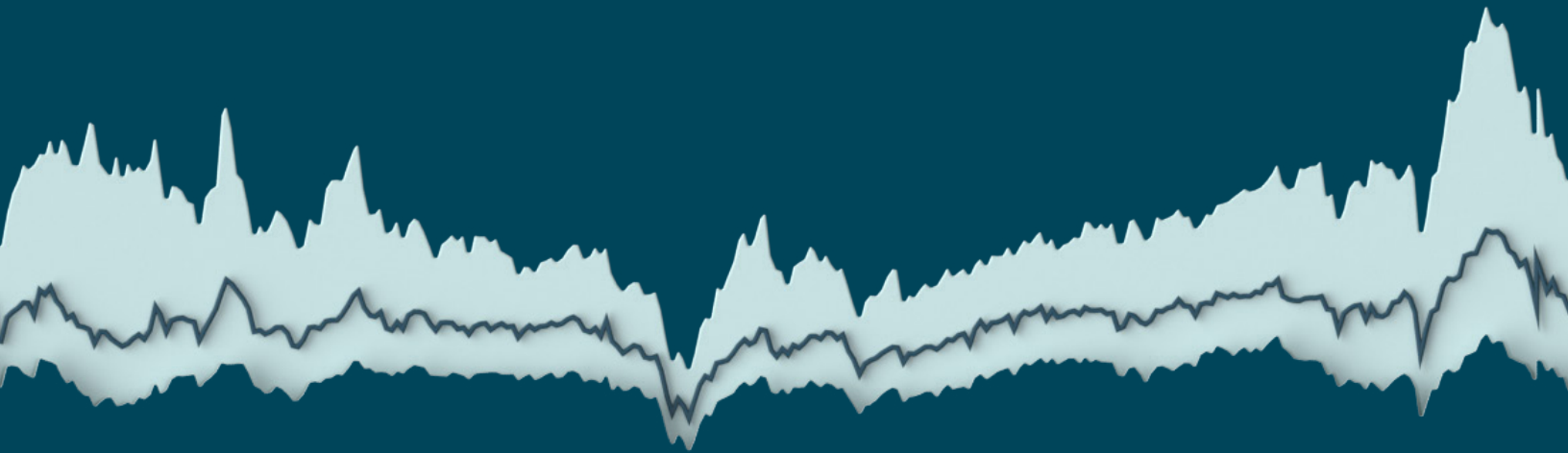


# ALTER YOUR TRAJECTORY

Eight themes changing the  
course of the 60/40 portfolio



**IN THIS REPORT:**

**CYCLICAL THEMES**

- Volatility and Dislocations p4
- Higher for Longer p6
- Recession Risks p8
- Diverging Growth p10

**SECULAR THEMES**

- Geopolitical Dynamics p11
- The Evolving Equity Market p13
- Investing for Impact p15
- Accelerating Innovation p17

**SUMMARY**

# Altering Your Trajectory

Think of your investment portfolio as consisting of 100 pieces.

The 60/40 portfolio strategy proposes that you invest 60 pieces into equity investments and 40 into fixed income investments. However, these traditional allocations suffered in 2022 as both stocks and bonds experienced correlated losses. In Alternative Investments 2023, alternatives are proposed as potential solutions to eight cyclical and secular themes.

Alternatives offer the potential for uncorrelated returns and also trade across a range of liquidity profiles.

**CHART A** Alternative Investment Solutions - Comprehensive Selection

Investment solutions across a broad range of asset class categories and liquidity profiles

**MORE LIQUID**

**LESS LIQUID**

Liquid Alternatives	Hedge Funds	Private Credit	Private Real Estate & Real Assets	Private Equity
Long/Short Equity	Long/Short Equity	Distressed Investing	Core, Core+ Real Estate	Private Equity Buyout
Hedge Fund Replication	Event Driven	Direct Lending and Asset-based Lending	Value Add Real Estate	Growth Equity
Event Driven	Relative Value	Special Situations	Opportunistic Real Estate	Venture Capital
Managed Futures	Global Macro		Commodity Strategies	Secondaries
Commodities	Opportunistic Credit		Infrastructure, Core, Value Add, Opportunistic	
Listed Real Estate	Multi-strategy			
Listed Infrastructure				

Source: BNY Mellon Alternative Investments. Data as of December 31, 2022.

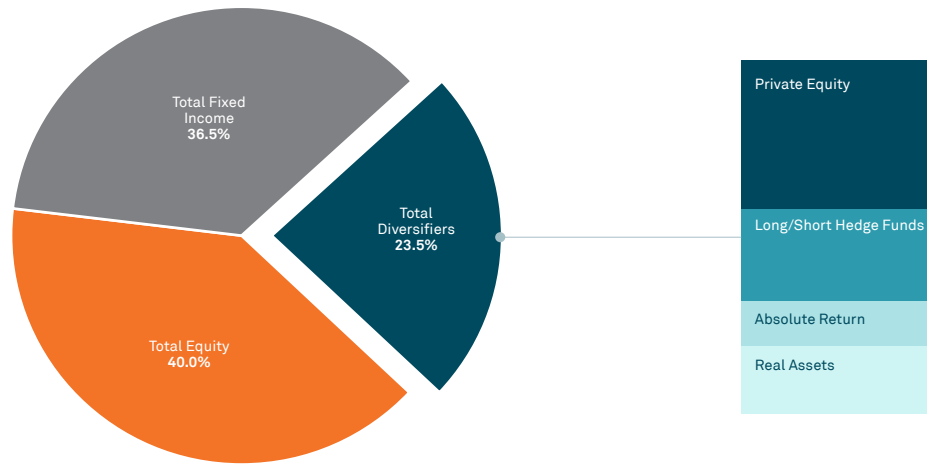
**Takeaway**

Liquid alternatives include strategies available through mutual funds regulated under the 1940 Investment Companies Act ("40 Act") while Private Equity offers investors a more illiquid option.

How might investors adapt their traditional portfolios?

In Chart B, the 60% and 40% are reduced to direct 23.5% of allocation into alternatives. The portfolio includes private equity, long/short hedge funds, absolute return funds and real assets.

**CHART B** A Model Portfolio Including 23.5% Alternatives Exposure



Source: Cambridge Associates and Bloomberg. Data as of December 31, 2022.

**Takeaway**

Portfolios can be adjusted to include alternative investment options to suit client needs.

Of course, a model portfolio is not a one-size-fits-all solution for high-net-worth investors. Nonetheless, adding some alternatives – across liquidity profiles – represents our best investment thinking as they both help buffer against volatility and provide the potential for enhanced returns.

Alternative Investments 2023 explores how alternatives can help you better meet your long-term goals.

**CHART C** Thematic Compass for Alternative Strategies and Selections

We believe markets will be driven by four factors, which individually or collectively determine the optimal use of alternatives for our eight key cyclical and secular investment themes.

**Policy**

Rising rates, tax policy and fiscal investments will expose headwinds and also provide tailwinds.

**Valuation**

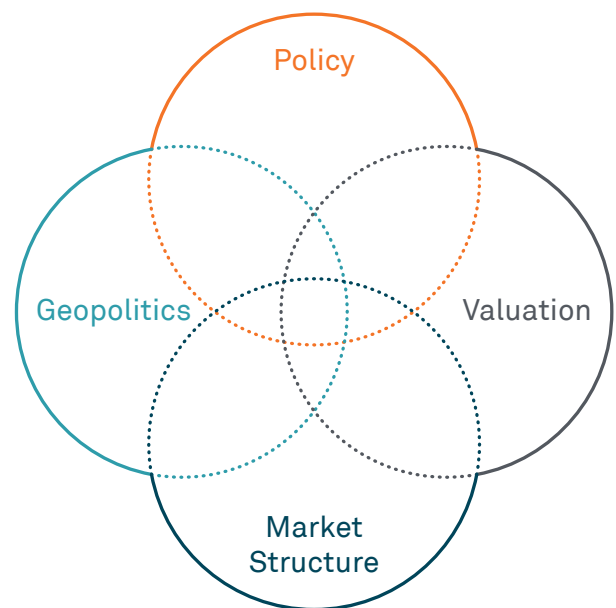
More relevant given recent drawdowns in some assets.

**Market Structure**

Dislocations, volatility and changes to long-term correlations provide opportunities.

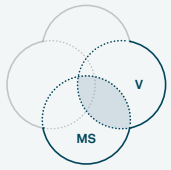
**Geopolitics**

Driven by international conflict, localization and competitive advantage.



Diagrams are for illustrative purposes only and do not represent actual investments.

COMPASS



- Valuation
- Market Structure

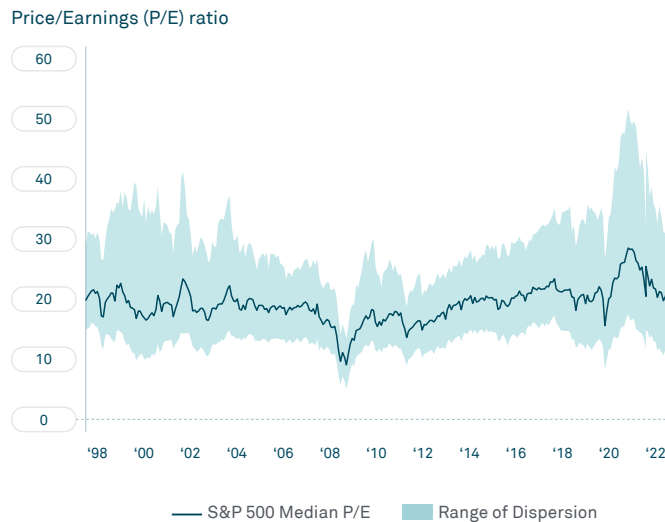
CYCLICAL THEMES

# Volatility and Market Dislocations

Volatility in public markets has increased and is expected to remain elevated. Periodic dislocations, often fueled by reduced liquidity in the public markets, are becoming more common. This increases the frequency of potential entry points for opportunistic investors.

Higher correlation between stocks and bonds during volatile periods is a significant headwind for 60/40 portfolios, as seen in 2022 when both equities and bonds delivered negative returns. This increases the importance of strategies with low correlation to public markets, which diversify portfolios, as well as opportunistic strategies that can take advantage of market dislocations.

**CHART 1.1** Dispersion Among S&P 500 Stocks Has Been on the Rise

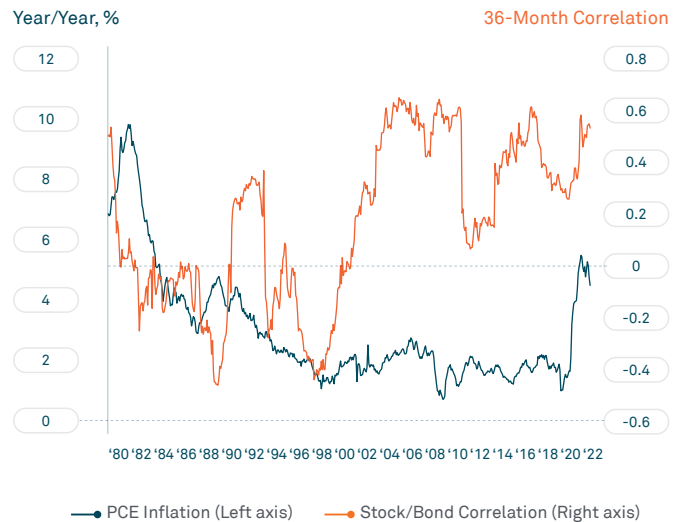


Source: Bloomberg. Data as of December 31, 2022. Shaded area represents 20th to 80th percentile.

**Takeaway**

Increased dispersion among securities creates more opportunities for alpha<sup>1</sup> generation.

**CHART 1.2** Long-term Trends in Inflation and Stock/Bond Correlation



Source: Personal Consumption Expenditures Index (PCE), Bloomberg. Data as of December 31, 2022.

**Takeaway**

The link between rising inflation expectations and stock/bond correlation underscores the added diversification benefits of alternatives.

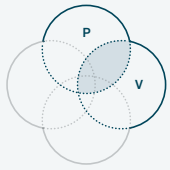
Solutions that dampen portfolio volatility through hedged market-neutral positioning include **equity market neutral**, **long/short equity** and **relative value**. Strategies such as **global macro**, **distressed investing** and **opportunistic real estate** are positioned to take advantage of dislocations by acquiring good assets or businesses at attractive valuations while potentially trading around dislocations.

<sup>1</sup> Alpha is a measure of active return on an investment, above the return of the market or benchmark. A positive alpha is the extra return awarded to the investor for taking a risk instead of accepting the market return.

STRATEGY	FEATURES
<b>Equity Market Neutral and Relative Value</b>	Market neutral and relative-value hedge fund strategies have historically delivered consistent returns, with significantly lower volatility than public markets over market cycles.
<b>Global Macro</b>	Utilizes equities, fixed income, currencies, commodities and derivatives to express views on macroeconomic and political trends while taking advantage of increased volatility and dislocations through long or short positions in a range of asset classes and instruments.
<b>Long/Short Equity</b>	Increased dispersion among assets bodes well for security selection and active management, growing the opportunity set for long/short equity investors who are well positioned to distinguish between winners and losers. Hedged positioning offers the potential to reduce volatility and mitigate drawdowns.
<b>Opportunistic Real Estate</b>	Opportunistic real estate funds, which can invest in distressed real estate with turnaround/transitional investment potential, can identify complex opportunities at attractive valuations.
<b>Opportunistic/ Distressed Investing</b>	Investing in stressed or distressed companies that have good businesses with bad balance sheets. Opportunities can be in the secondary debt markets (debt market selloff), primary debt markets (rescue lending, debtor-in-possession) and deep value private equity (equity stakes in stressed companies, turnarounds). Distressed investors opportunistically step in as liquidity providers when market liquidity dries up.

No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

## COMPASS



- Policy
- Valuation

## CYCLICAL THEMES

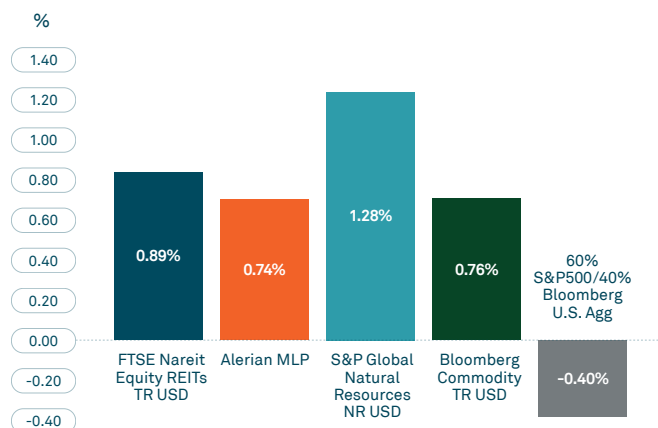
# Higher for Longer

Unprecedented government stimulus, supply-chain disruptions and tight labor markets have all put upward pressure on inflation over the past two years. While some of these pressures have moderated in recent months, there is a significant risk that inflation continues to run at higher rates than the world experienced during the past decade.

This means that the era of zero interest rate policies is almost certainly behind us. Investors will need to adapt to a new regime of higher rates and potentially much greater interest rate volatility. Alternative asset classes and strategies can provide opportunities to protect portfolios from the impact of inflation and to earn higher yields from the higher-rate environment.

Investments in **traditional infrastructure** (such as toll roads and utilities) and **non-traditional infrastructure** (such as cell towers and renewable energy) often have built-in inflation hedges, providing explicit protection. Other real assets such as **real estate** and **natural resources** have substantially outperformed 60/40 portfolios in past periods of higher inflation.

**CHART 2.1** Real Asset Performance During Inflationary Periods  
Average Monthly Return During Periods of 4%+ Headline Inflation

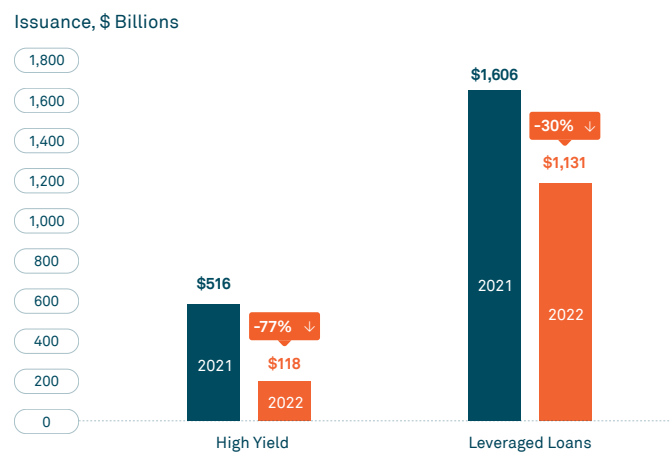


Past performance is no guarantee of future results.  
Source: Bloomberg. Data as of November 2022. Data includes periods of headline inflation of 4% and above, which are the periods: 9/1/05-10/31/05, 1/1/06-1/31/06, 6/1/06-7/31/06, 11/1/07-2/29/08, 5/1/08-9/30/08, 4/1/21-10/31/22.

### Takeaway

Real assets have generally outperformed public equities and fixed income in periods of rising inflation.

**CHART 2.2** Decline in Public Credit Issuance



Source: JP Morgan, Year/Year decline in issuance as of December 31, 2022.

### Takeaway

The recent shortage of liquidity in credit markets and the dearth of traditional lending alternatives have created an attractive environment for private lenders.

Meanwhile, a rising rate environment will limit real returns for traditional fixed income. Investors should consider diversifying beyond government bonds into complementary credit strategies.

- **Private debt** is generally an all-weather strategy that can provide consistent, attractive risk-adjusted returns, in part due to the illiquidity premium. The negotiated nature of private loans results in stronger lender protections, which historically have led to higher recovery rates on defaulted debt. Private debt tends to be floating rate, making it attractive in a rising rate environment.

- **Asset-based lending** involves private loans that are backed by hard assets, such as equipment loans or real estate. The floating rate nature of this debt protects against rising rates, while the underlying value of the assets typically rises with inflation.

Conditions in private debt are presently favorable for investors, because banks are weighed down with public debt they committed to at lower rates last spring and they are having difficulties syndicating paper. This has resulted in decreased lending by banks and reduced liquidity in the markets, which opens opportunities for private lenders to step in. Meanwhile, a rising rate environment will limit real returns for traditional fixed income. Investors should consider diversifying beyond government bonds into complementary credit strategies.

## ASSET CLASS

## KEY FEATURES

**Real estate** includes both core real estate (low leverage, with a focus on income generation), as well as value-add and opportunistic real estate (capital appreciation and income).

Real estate generally performs well in inflationary periods. For example, long-term leases for industrial assets include annual adjustments generally linked to inflation. Multifamily leases are short term with rents that reset often and keep pace with inflation.

**Traditional infrastructure** (toll roads, rail, airports, ports, utilities networks). Includes core infrastructure (essential assets with stable cashflows) and value-add infrastructure (opportunities for growth).

Long-term revenue streams, often underpinned by economic regulation and tied to inflation indicators. These revenues are distributed to investors as regular income.

**Non-traditional infrastructure** (wind turbines, solar panels, cell towers, communications networks). Accessible through value-add strategies and dedicated renewables investments.

Provides opportunities to diversify beyond traditional infrastructure and find new sources of growth.

**Direct lending** private loans to middle market companies (senior or junior in the capital structure), predominantly at floating rates.

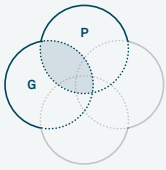
Provide current income as well as pass-through fees that provide additional return. Floating rates mean that income should keep pace with a higher-rate environment.

**Asset-based lending** private loans secured on hard assets, predominantly at floating rates.

Income that should rise in line with higher rates, secured against physical assets whose value should increase with inflation.

No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

## COMPASS



- Geopolitics
- Policy

## CYCLICAL THEMES

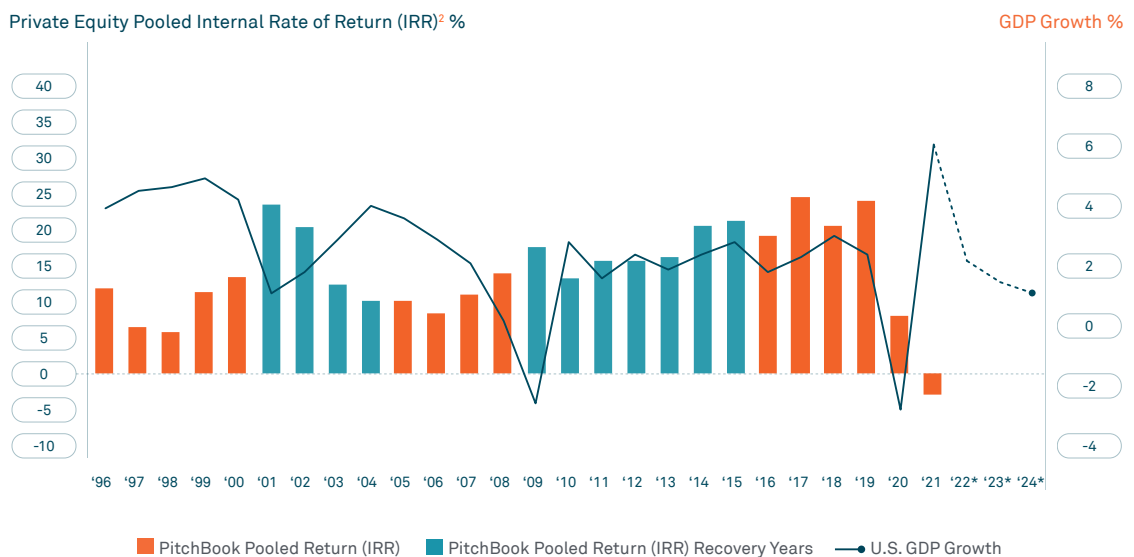
# Recession Risks

Rising interest rates, persistent inflation and slowing economic growth have increased the likelihood of a global recession. Aggressive monetary tightening with rates higher for longer, a tight U.S. labor market and the energy crisis in Europe make a global recession more likely in 2023. Certain investment strategies perform better in a weaker economic environment.

Skilled **global macro** managers can take advantage of increased volatility and dislocations that a recessionary environment will bring, through long or short positions in a range of asset classes and instruments.

Recessions and shocks can be timely launching points for **venture capital**-backed companies that attract new talent and innovate business models. Companies with disruptive business models, like distributed workforce, remote learning and direct-to-consumer, were able to accelerate their growth during the pandemic.

## CHART 3.1 Private Equity Performance During Recessions



Past performance is no guarantee of future results.

\*Projected Real GDP. Sources: Bureau of Economic Analysis, US Department of Commerce, The Conference Board, PitchBook. Private Equity Benchmark Statistics as of December 31, 2022.

<sup>2</sup> The internal rate of return (IRR) method accounts for the timing of cash flows into and out of a particular private investment fund. The IRR is a calculation that extracts a return from a cash flow stream composed of (1) the beginning net asset value (NAV) for the time horizon, which is treated as a cash inflow to the fund; (2) all quarterly inflows and outflows within the period; and (3) the final NAV, which is treated as an outflow from the fund to the investor (i.e., a distribution).

### Takeaway

The best vintages for private equity investments have been those made in recessionary and post-recessionary periods, shown in blue on the above chart.

During recessionary and post-recessionary periods, **private equity** managers acquire companies at lower valuations and employ a hands-on approach to driving growth and value creation. This was evident during the Global Financial Crisis, when distressed firms needed private capital and turnaround expertise. A weaker economic environment also tends to coincide with less competition for deals.



**CHART 3.2** Asset Class Returns by Quartile  
20-Year Period Ending December 31, 2022



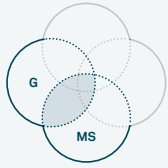
Past performance is no guarantee of future results.

Source: PitchBook, Preqin and Morningstar. Asset class returns over 20-year period ending December 31, 2022.

**Takeaway**

The high dispersion of returns between private market funds highlights the importance of manager selection and access.

COMPASS



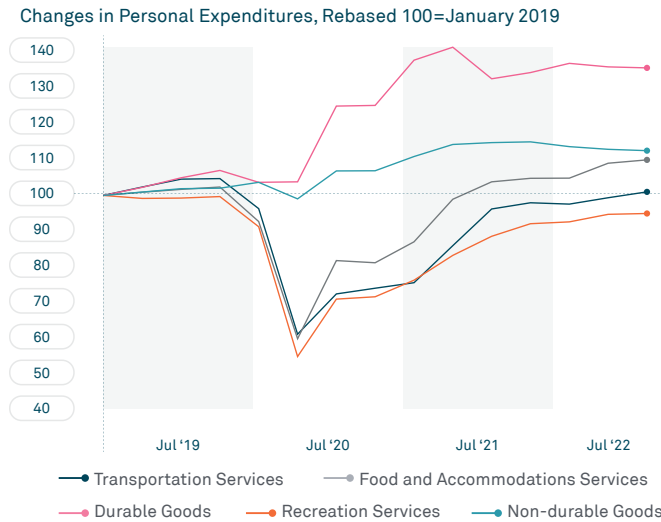
- Geopolitics
- Market Structure

CYCLICAL THEMES

# Diverging Growth

Uneven post-pandemic recoveries, higher inflation and tight monetary policy continue to affect the performance of some businesses (especially small to mid-sized), industries, real estate sectors and countries.

**CHART 4.1** Some Changes in What We Consume May Be Permanent  
Changes in Personal Expenditures

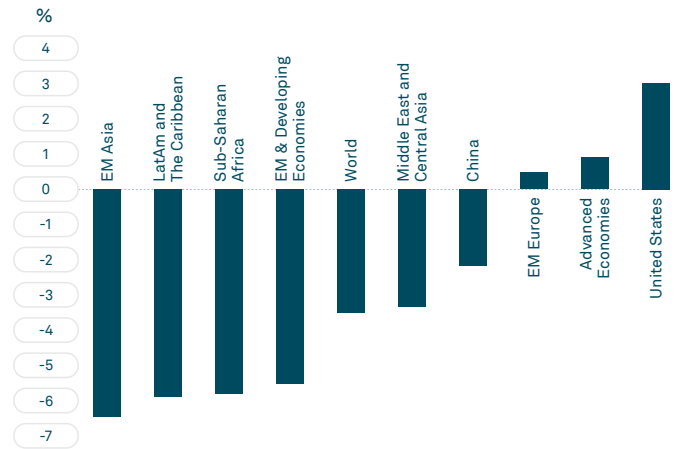


Source: Bureau of Economic Analysis. Data as of July 2022.

**Takeaway**

The pandemic has led to major changes in consumer preferences and some of these changes are expected to be permanent.

**CHART 4.2** Differentials in Medium-term GDP Projections Relative to Pre-Covid Trends, by Region



Source: IMF. Data as of October 2022. IMF 2024 GDP projections: Pre-Covid (Oct 2019) and post-Covid (Oct 2022).

**Takeaway**

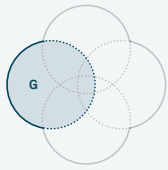
Advanced economies have no projected medium-term declines in growth on average, while emerging and developing economies are projected to have lower output.

China's reopening is likely to have a global impact in sectors from trade to tourism, leading to higher growth and inflationary pressures from increased demand for commodities.

A variety of hedge fund strategies can be deployed to capitalize on these changes. **Long/short equity** can distinguish between leader and laggard companies that emerge from the pandemic. **Merger arbitrage** benefits from investment opportunities in strong businesses seeking acquisitions and weak businesses looking for a lifeline through mergers and acquisitions (M&A). **Long/short credit** invests in the debt of healthy companies impacted by the pandemic, while shorting those with unsustainable business models. **Global macro** can apply a similar approach to profiting from winners and losers between countries and regions.

Private markets can also capitalize on new opportunities. **Private equity** and **growth equity** identify businesses with products or services that benefit from greater demand. Investment themes in real estate include sectors and geographies poised to emerge as winners due to economic growth, demographic drivers and shifting life/work trends.

COMPASS



• Geopolitics

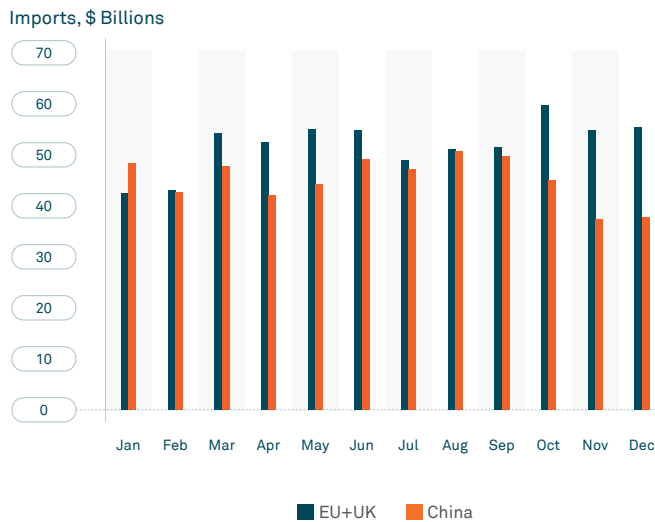
SECULAR THEMES

# Changing Geopolitical Dynamics

Geopolitical tensions and the war in Ukraine are paving the way for the emergence of new strategic alliances. There is now greater emphasis on the Transatlantic relationship, with the U.S. importing more goods from Europe than from China, while becoming one of Europe's largest energy suppliers.

World economies are refocusing on the strategic importance of energy and supply chains. Raw material dependencies are rising to the top of agendas around the world. Governments will use their influence to make supply chains more secure and reduce risks to their economies (e.g., the U.S. Chips and Science Act to boost domestic semiconductor manufacturing).

**CHART 5.1** U.S. Goods Imports in 2022

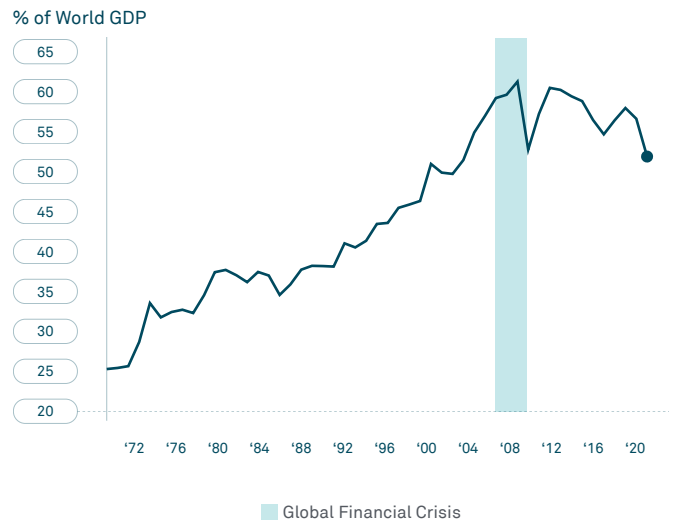


Source: U.S. Census Bureau. Data as of December 2022.

**Takeaway**

The U.S. imported more goods from Europe than from China in 2022, reflecting a trend towards reshoring and supply chain resilience.

**CHART 5.2** Sum of World Exports and Imports (% World GDP)



Source: OurWorldinData.org. Data as of November 2022.

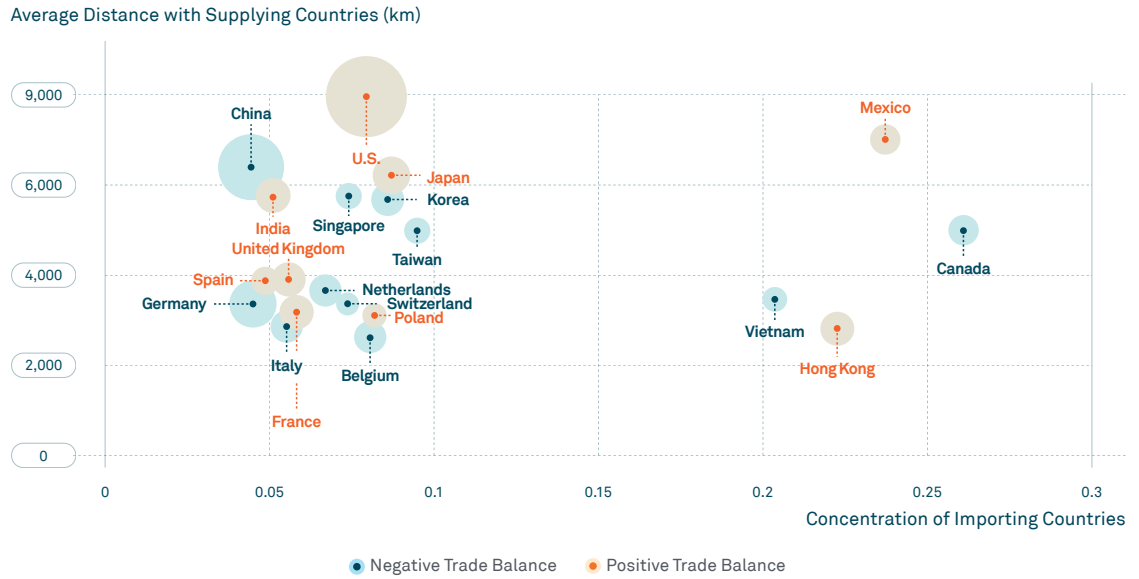
**Takeaway**

Similar to the fallout following the Global Financial Crisis, trade has suffered a drop off that the Centre for Economic Policy Research describes as the "Covid concussion" since 2020.

The world economy has passed the peak of trade openness. New business models will emerge as a result of these changes, highlighting the importance of a local manufacturing presence.

Clear winners and losers will likely emerge from this geopolitical reset, and both hedge fund and private markets are well positioned to navigate the long-term risks and opportunities. For example, **global macro** strategies are well placed to take advantage of shifting macroeconomic trends, while **long/short equity** can identify companies that are likely winners and bet against those that are not. **Venture capital** can fund businesses that will profit from the changes, while **private equity** can help companies adapt to the challenges.

**CHART 5.3** Concentration of Importing Countries and Average Distance With Their Supplying Countries



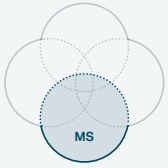
Bubble size is proportional to the imported value of the countries.

Source: International Trade Centre. Data as of December 31, 2021.

**Takeaway**

Some countries appear more susceptible to potential shifts in trade and production trends from global to local, shown in blue on the above chart.

COMPASS



• Market Structure

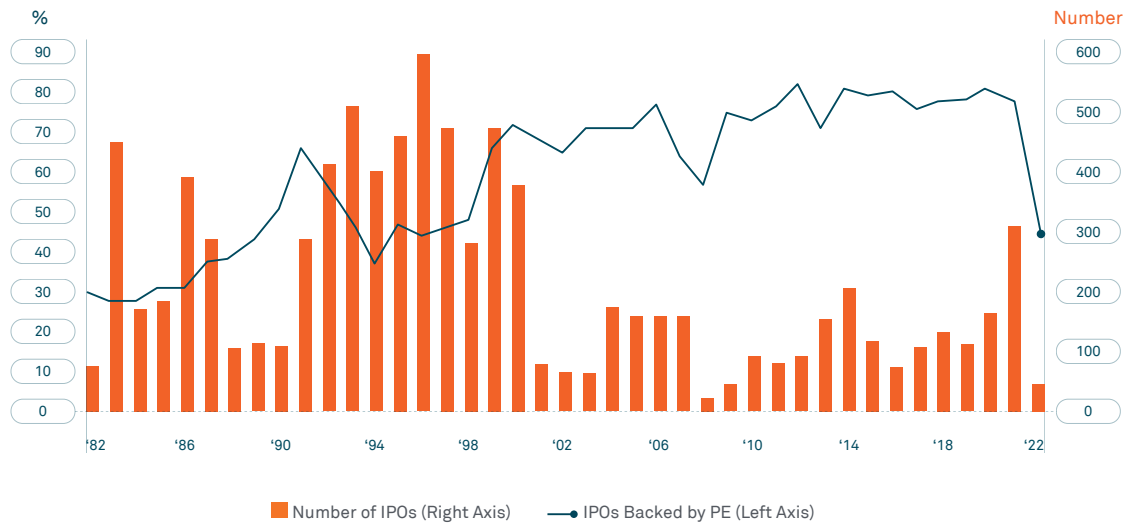
SECULAR THEMES

# The Evolving Equity Market

The structure of the equity market has been evolving for well over a decade. The number of U.S. private equity-owned companies surpassed that of public companies over a decade ago. The number of IPOs has declined, but the percentage backed by private equity has risen.

This results in companies remaining private for longer and a greater amount of value creation takes place during the private phases of a company’s life. Private equity funds have outperformed public equities in recent decades.

**CHART 6.1** U.S. IPOs – Total Number and Percentage Backed by Private Equity Firms



Source: Jay R. Ritter, Initial public offerings: updated statistics, University of Florida, Table 4c, 2022; company reports; author’s calculations. Data through December 2022.

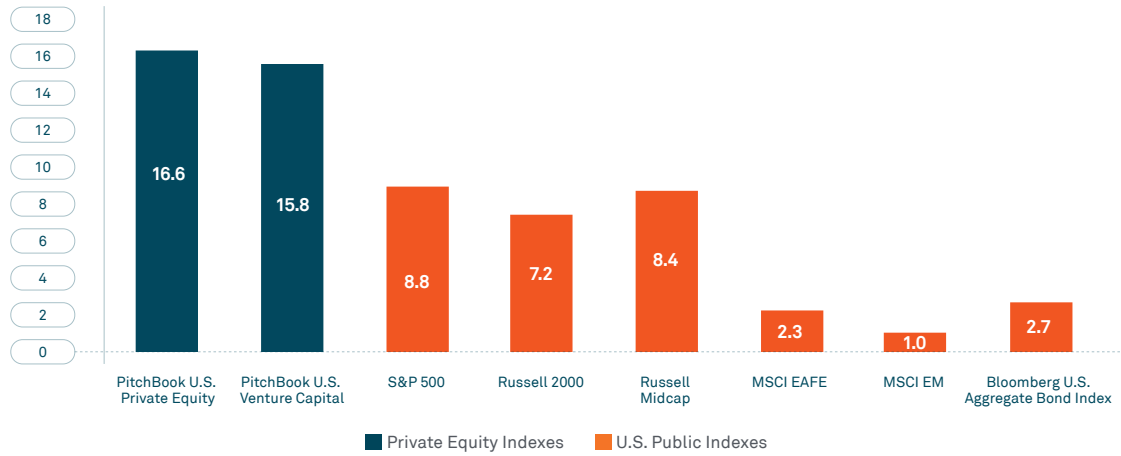
**Takeaway**

Private equity firms have grown their influence on early-stage equity financing, with a larger percentage of IPOs being from firms backed by venture capital or owned by buyout groups.

Companies are staying private for longer, which provides investment opportunities for venture capital managers across various stages of business life cycles. The ever-growing target market for buyouts, or acquiring stakes through growth equity, provides ample investment opportunities for private equity managers.

**CHART 6.2** Relative Performance of U.S. Private Equity and Public Equity

Annualized Returns % Q1 2008-Q4 2022



Past performance is no guarantee of future results.

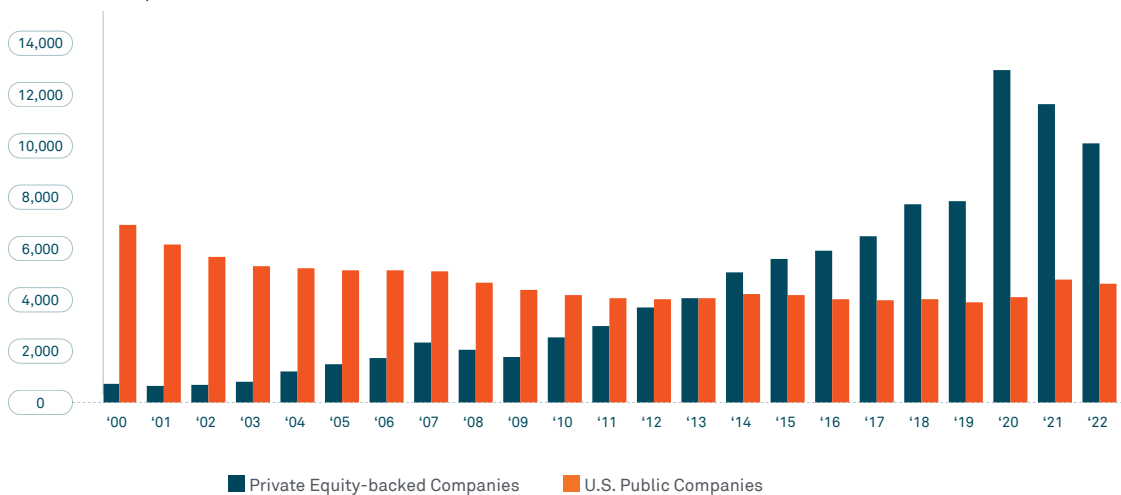
Source: PitchBook and Bloomberg. Data as of December 31, 2022.

**Takeaway**

On average, private equity funds have outperformed public markets in recent decades, delivering the illiquidity premium associated with this asset class.

**CHART 6.3** Number of U.S. Private Equity-backed Companies Has Surpassed Public Companies

Number of Companies

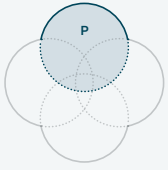


Source: World Federation of Exchanges and PitchBook. Data as of December 31, 2022.

**Takeaway**

The number of U.S. private equity-backed companies has surpassed public companies and continues to grow, expanding investment opportunities for private equity investors.

## COMPASS



• Policy

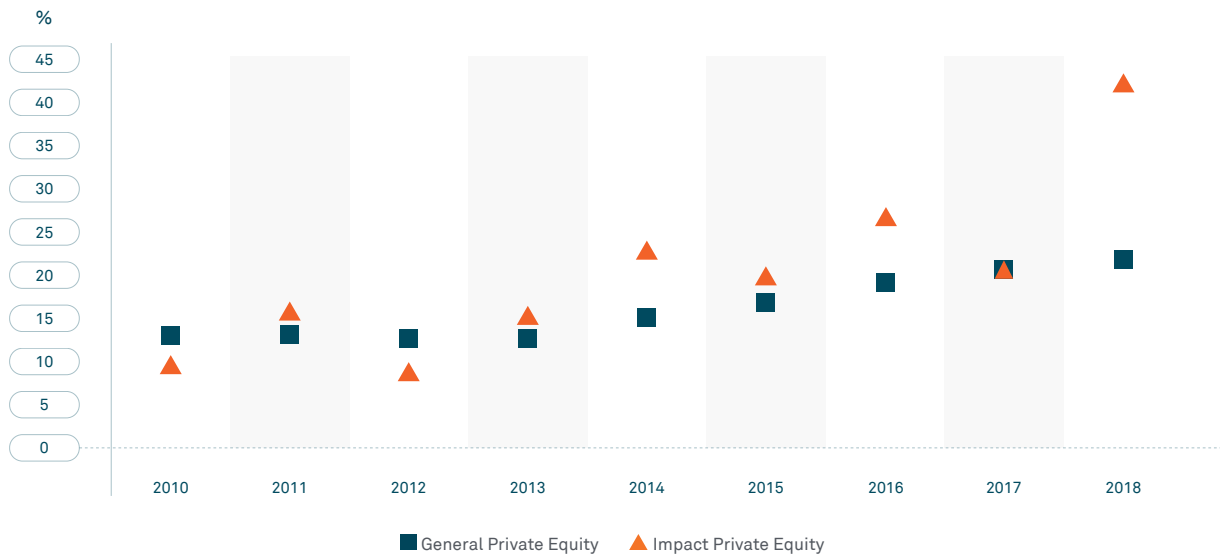
## SECULAR THEMES

# Investing for Impact

Impact investing assets are globally estimated to be around \$1.16 trillion as of December 2021. The UN Sustainable Development Goals, Paris Climate Agreement and global efforts to combat climate risk have likely contributed to this growth over the past several years. More recently, an unprecedented pandemic, heightened social inequity issues and a global geopolitical crisis have arguably increased investor interest in employing some of their capital to find solutions for global sustainability challenges. Private markets provide a significant opportunity to meet global sustainability needs:

- **Needs:** environmental sustainability; climate change mitigation and adaptation; support un-banked and under-served individuals and communities; foster inclusive economic growth and development; drive increased social equality and welfare.
- **Opportunities:** resource efficiency, smart technology, waste reduction, sustainable infrastructure, protecting diversity, microfinance, microinsurance, affordable housing, financial and credit education, affordable healthcare and medicine, food and nutrition, education technology and materials.

**CHART 7.1** Impact Private Equity Returns By Vintage Year



Past performance is no guarantee of future results.

Source: PitchBook. Data as of June 30, 2022.

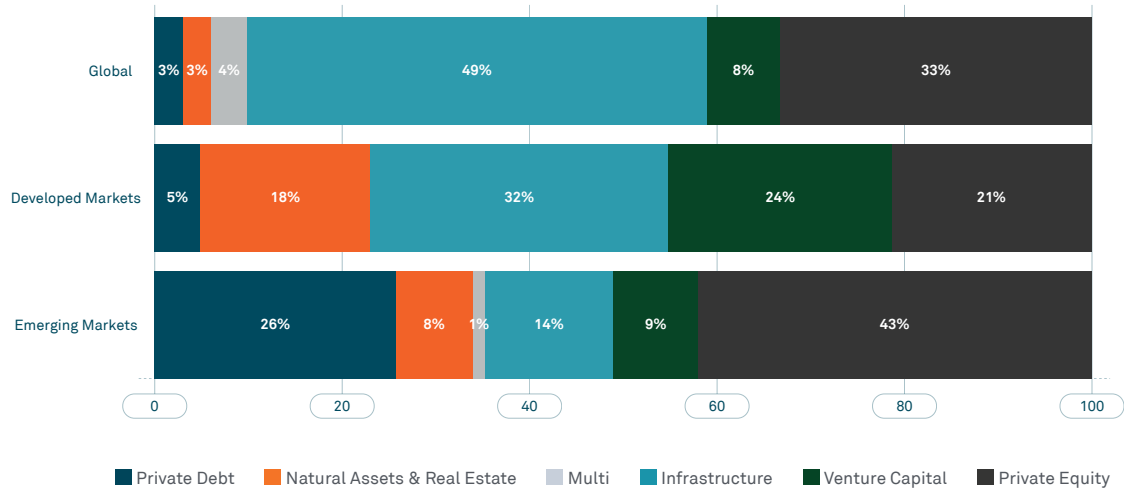
### Takeaway

Impact investing in private markets does not sacrifice financial return.

The European Union's Green Deal, launched in 2019, includes policies for reducing emissions, preserving biodiversity and investing in innovative solutions to mitigate climate change. Almost one-third of the EU's seven-year budget is expected to finance the Green Deal.

Impact-focused **private equity** strategies have generally performed in line with traditional private equity strategies, offering the double bottom line to investors of generating impact alongside market rate financial returns.

**CHART 7.2** Geographical Breakdown of Asset Classes Implementing Impact Investing in the Private Markets



Source: International Finance Corporation (IFC), "Investing for Impact, the Global Investing Market in 2020." Note: the above denote mutually exclusive data categories.

**Takeaway**

There is a greater focus on private equity and venture capital for funds investing only in emerging markets, as opposed to impact funds that invest in developed markets or globally.

**STRATEGY**

**FEATURES**

**Private Equity, Venture Capital and Growth Equity**

Invest in companies where financial returns are directly tied to social or environmental impact and returns are not sacrificed. Impact must be intentional, additional and measurable.

**Private Real Estate**

Address social inequality through investments such as private real estate funds focused on workforce and affordable housing.

**Infrastructure**

Generally focused on resilient energy infrastructure solutions.

**Natural Assets**

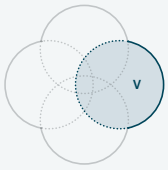
Private capital focused on strategies such as land and marine preservation.

**Private Debt**

Lending to businesses focused on building products and services with an aim to deliver both financial returns and a positive social or environmental impact.



COMPASS



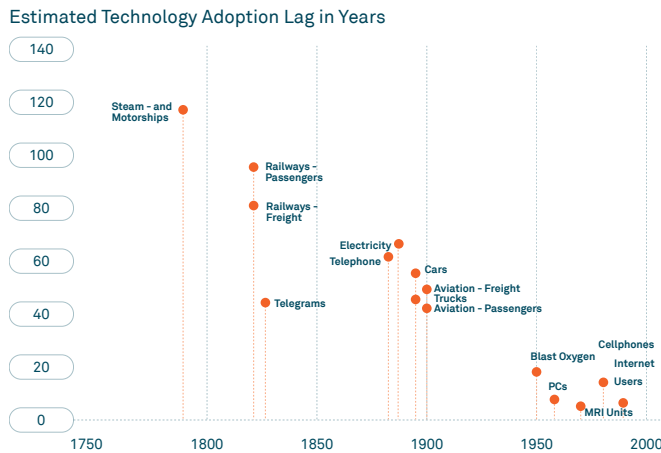
• Valuation

SECULAR THEMES

# Accelerating Innovation

The pandemic has accelerated trends in technology innovation, and the resulting shifts in consumer behavior are creating clear winners in the marketplace. Consumers are adopting new technologies faster, making such investments more attractive to investors.

**CHART 8.1** Technology Adoption Over Time

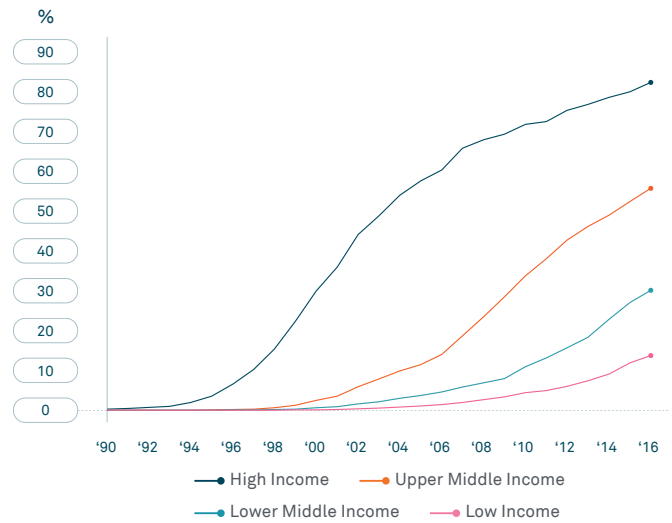


Source: Comin, D and Hobijn, B (2010), "An exploration of technology diffusion," American Economic Review, Vol. 100, No. 5, pp2031-59.

**Takeaway**

The lag between technological innovation and adoption has decreased over time, creating opportunities for managers who can identify companies early in their life cycles that are pursuing disruptive technologies in different industries.

**CHART 8.2** Share of Population Using the Internet



Source: OurWorldinData.org. Data as of 2020.

**Takeaway**

Even in mature technologies, such as the internet, there is still room for growth.

Sectors such as e-commerce and remote work and learning are undergoing rapid evolution. The rapid pace of innovation in healthcare has paved the way for a radical overhaul of the sector. The pandemic exposed inequalities in healthcare access and education, but technological innovation could be the solution.

Blockchain technology and Web3 infrastructure are poised to alter various established investment and operational processes, revolutionizing many aspects of the economy even before the digital age has reached its full global potential.

Artificial intelligence and digitization of data are also impacting financial markets. **Quantitative trading** strategies can capitalize on increased computing power, Big Data and new sources of information.

- **Venture capital** and **growth equity** invest in businesses that are innovators or early adopters, leaving them ideally positioned to profit from development of emerging technologies.
- **Long/short equity** operating in specific sectors such as tech and healthcare can identify companies that are positioned to profit and those that may come under pressure.

## APPENDIX I

# Alternative Theme Summary

In Alternative Investments 2023, we consider the relevance and integration of various alternatives strategies in portfolio construction. Adding more alternatives may increase portfolio returns at a time when long-term return expectations for traditional assets remain subdued.

However, it is not a one-size-fits-all approach. Investors should use alternatives within the context of what they are trying to achieve. Below, we summarize our eight themes, the challenges investors navigating the themes will face and solutions to consider.

THEME	CHALLENGES	SOLUTIONS
<b>Heightened Volatility and Market Dislocations</b>	Frequent volatility and greater stock/bond correlation reduces diversification of 60/40 portfolios	Dampen volatility ( <b>equity market neutral, long/short equity, relative value</b> ) and seize opportunities ( <b>global macro, distressed investing, opportunistic real estate</b> ).
<b>Higher for Longer</b>	Inflation and interest rates may remain elevated	Investments in <b>infrastructure</b> often have built-in inflation step ups, providing explicit inflation protection, while <b>real estate</b> provides inflation hedging through rent increases. <b>Private Debt</b> is characterized by floating rates, which move with rising interest rates.
<b>Recession Risks</b>	Higher rates and slower growth increase likelihood of global recession	Trade macro volatility ( <b>global macro</b> ) and capitalize on reduced competition for private-market deals ( <b>venture capital and private equity</b> ).
<b>Diverging Growth</b>	Permanent shifts in consumer behavior will bring greater growth differentials between countries, sectors and businesses	Trade divergence ( <b>long/short equity and credit, global macro, merger arbitrage</b> ) and invest in winners ( <b>private equity, growth equity, real estate</b> ).
<b>Changing Geopolitical Dynamics</b>	Trade openness has peaked and security of supply chains will become a priority	Trade macro and micro trends ( <b>global macro, long/short equity</b> ) and support businesses to respond to changes ( <b>venture capital, private equity</b> ).
<b>The Evolving Equity Market</b>	Listed companies and IPOs are declining and private markets play a greater role	Fund early stage companies ( <b>venture capital</b> ) and turnaround or improvement opportunities ( <b>private equity</b> ).
<b>Investing for Impact</b>	Raising funding to address global environmental, social and sustainability needs	Fund impact-focused companies ( <b>private equity, venture capital, growth equity, private debt</b> ) and invest in assets ( <b>infrastructure, real estate, natural assets</b> ).
<b>Accelerating Innovation</b>	New technologies are altering consumer behavior and operational processes	Invest in innovators ( <b>venture capital, growth equity</b> ) and trade breakthrough technological developments ( <b>long/short equity, quantitative trading</b> ).

## APPENDIX II

# Private and Public Investments Explained

Key investment aspects for consideration include looking at Liquidity, Transparency, Investor Type, Fees, Strategies, Regulation, Information and Advertising and Initial Public Offerings (IPOs), which will all have various factors attached to them according to whether it is a private or public vehicle.

ASPECTS	PRIVATE VEHICLES	PUBLIC VEHICLES
<b>Liquidity</b>	Monthly, quarterly, semiannual, annual	Daily
<b>Transparency</b>	At manager's discretion	Public disclosure of holdings
<b>Investor Type</b>	Qualified investors only	All investors
<b>Fees</b>	Management fee Performance fee (typical)	Management fee
<b>Strategies</b>	Long/short, absolute return (multi-strategy), global macro, event-driven and arbitrage	Long only and 130/30 equity, managed futures
<b>Regulation</b>	Private placements	SEC, NASD
<b>Information and Advertising</b>	Offered to known investors No public disclosure	Multiple sources and buying opportunities
<b>IPOs</b>	Participation limited if subject to new issues	Unlimited to all investors



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