The Alts Institute Alternative Investing Survey

Key Findings and Profiles: North America Investors

Brookfield

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North America Investors: Key Findings

The Alts Institute Alternative Investing Survey probed the views of advisors and high-net-worth investors to more deeply understand advisor and client perceptions of alternative investing, the attending conversations, and best practices for advisors. Below, we have captured the key findings from the investor survey, which illuminated investors' strong enthusiasm for alternative investments and for the growing opportunity among alts users and non-users to increase their alternative investment allocations in their portfolios. Eager to learn more about alts, investors are counting on their advisors for education, access and guidance.

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1

Deemed an "essential" part of their portfolio strategy, nearly all alts users are satisfied with their alternative investments.

93%
are very satisfied or satisfied with the performance of their alts investments.

85%
believe alternatives are essential to a successful portfolio strategy.

81%
believe that having an alternatives allocation will drive stronger long-term outcomes than a traditional portfolio.

2

Alts users say they appreciate the potential benefits of alternative investments and are focused on the long term.

95%
say that when it comes to investing, they are focused on the long term.

79%
agree that the outcomes alternative investments generate are worth the fees.

74%
believe that the outcomes semi-liquid/illiquid alternative investments generate are worth the liquidity trade-off.

~50%
say they are comfortable sacrificing liquidity for growth.

Alts users and non-users cite growth, income, capital preservation and diversification—all of which can be provided by various types of alternatives—as top goals/attributes when evaluating investment opportunities.

Alts users
Alts users and non-users

3

Alts users are ready to expand their alternative investments footprint and want to continue to learn more about alts.

- >50% would be comfortable with a 20%+ allocation to alts if their advisor recommended it.
- 34% would go to a 25%+ allocation if their advisor recommended it.
- 62% plan to increase their alts allocation over the next 1-2 years.
- 88% agree that they are open to investing more into alternatives.
- 89% would increase their investment in alternatives after demonstrated success.
- 87% are interested in learning more about alternatives.

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Even as alts users look to grow their allocations, knowledge gaps remain, pointing to the opportunity for greater education.

- 67% report being "very" or "fairly" knowledgeable about alternative investments.
- ~50% believe their investment time horizon isn't long enough for semi-liquid and private alts, despite over 80% indicating short-term cash needs are unlikely.
- Alts users cite risk, illiquidity and return expectations as biggest factors limiting interest in alts investment.
- A vast majority of alts users and non-users believe the industry could do better in explaining alts fees/expenses.
- Many investors (including most alts users) think alts are exclusively private market investments, signaling a gap in understanding of the full array of alternative investment offerings.

Alts users

Alts users and non-users

5

Advisors get high marks on alternatives knowledge and expertise, but they need to continue leading the way.

95%

82%

trust their advisor to make the right decisions on alts, but investors still want to understand what they are invested in.

Advisors get high marks from alts users on their ability to share education on assets classes or investment opportunities that closely align with their interests, explain alternatives asset classes and investment opportunities in ways that they understand, and provide sufficiently detailed information.

90%

67%

want their advisor to stay ahead of the curve when it comes to new investment opportunities in alts.

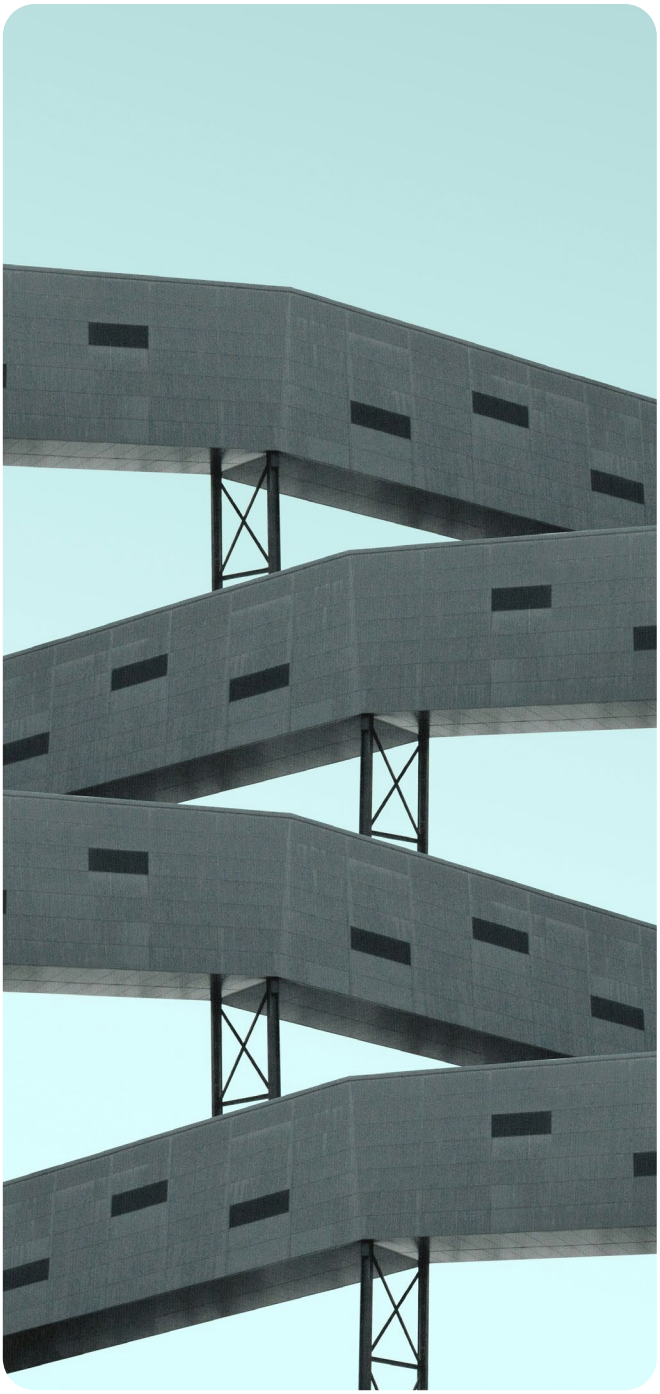
78%

57%

want their advisor to speak to them more about alts.

41%

have either switched or considered switching advisors in order to access better-quality alternatives.



Alts users

Non-users

Alts users and non-users

6

Most investors who are not currently using alts are ready to invest, and they share many of the same core investing beliefs as alts users.

- >50% are open to investing in alternatives and want to learn more about alternatives.
- 86% agree that they are willing to ride out an investment's volatility in order to achieve their investment goals over the longer term.
- 91% believe diversification is critical to managing risk.
- 82% say they are comfortable with investments that limit their ability to redeem in order to protect outcomes.

7

However, they are looking for advisors to proactively guide them as they build out their alts allocation.

- 70% said they would begin investing in alternatives if their advisor recommended it.
- 72% would begin investing in alternatives if they better understood the available options.
- 70% agree that they are not really sure what is considered an alternative investment.
- 69% don't know the right questions to ask about alternatives.

Non-users

The top reason non-users don't own alts is because their advisor hasn't discussed it with them.

Three Investor Profiles

Alts Champions **Emerging Adopters** **Traditionalists**

The Alts Institute Alternative Investing Survey revealed three distinct high-net-worth investor cohorts in North America. As alternatives become increasingly important to investors' portfolios, this investor segmentation can help provide financial professionals with a deeper understanding of investors' attitudes, beliefs and motivations around alternative investments.

Encouragingly, all three investor types are receptive to discussing alternative investment opportunities with their advisors—and our research indicates that investors are interested in more detailed discussions about how alternative investment opportunities can address their specific investing concerns, desired outcomes and overall portfolio strategy.

Alts Champions

Alts Champions tend to have a relatively higher risk tolerance and focus more on the upside potential than downside risk. They strongly believe that alternative investments are essential to a successful portfolio strategy.

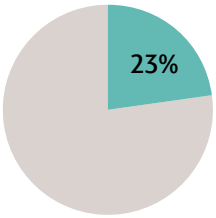
$5M+ 59% of Alts Champions have at least $5 million in household investable assets.

$10M+ 25% of Alts Champions report having $10 million or more in household investable assets.

<55 85% of Alts Champions are younger than 55 years old.

Nearly all investors in this cohort want a greater variety beyond their current holdings. As the group most inclined to want to take action when an investment drops, the reduced volatility and diversification alts provide can minimize the impact to overall portfolios.

Alts Exposure



On average, these investors have allocated 23% of their portfolios to alternatives.

8 out of 10

Plan to increase their allocation within the next two years, with increased private markets access the top driver of new investment.

The Advisor Opportunity

While Alts Champions appreciate the benefits of alternatives, they turn to their advisors for knowledge and education around different alts investing opportunities and expect them to "stay ahead of the curve." More than half have switched or considered switching to a new advisor for better access to alternatives investing opportunities. When asked what their advisor can do to help them move forward with an alts investment, Alts Champions said that focusing on the overall benefit to the portfolio and explaining products or strategies in depth would be most helpful.

Emerging Adopters

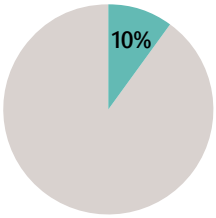
Liquidity is a common consideration for this group, regardless of an individual's actual cash needs. Emerging Adopters say they are comfortable with illiquid investments as long as they can redeem within a reasonable time frame.

$5M+ 31% of this investor cohort has at least $5 million in household investable assets.

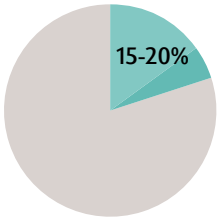
<65 70% of Emerging Adopters are under 65 years old.

67% Among non-users, 67% of Emerging Adopters say they would begin investing in alts if they had a longer time horizon, signaling an opportunity for conversations about liquidity needs and different alts vehicles across public and private markets.

Alts Exposure



Among those Emerging Adopters currently using alts, alternatives make up about 10% of their portfolios.



71% would be comfortable with an alts allocation as high as 15% while 29% would be comfortable with an allocation as high as 20%.

The Advisor Opportunity

Advisors play a crucial role in getting this group to use alternative investments. Our research suggests that the barriers to steering Emerging Adopters to greater alts allocations are relatively minor.

44%

44% of non-users in this cohort have yet to discuss alts with their advisor, highlighting the powerful opportunity for advisors to proactively guide this cohort through their alts journey.

74%

Nearly three-quarters of Emerging Adopters say they would begin investing in alts if their advisor demonstrated more in-depth knowledge about alts, underscoring the influence advisors can have on their clients' investment decisions and the importance of alts aptitude for advisors.

Emerging Adopters: The Advisor Opportunity (continued)

While addressing misconceptions around time frames and liquidity can help drive alts investment, our research also underscored additional key strategies to help investors move forward with alternative investment opportunities. Over half of Emerging Adopters say they want to take action when an investment drops significantly, signaling an opportunity for advisors to educate this cohort on the reduced volatility that alts can potentially provide. Additionally, Emerging Adopters are the most likely to say that bringing opportunities that align with their interests would be helpful in convincing them to invest in alts.

Almost two-thirds of non-users say they're likely to start using alternatives in one to two years.

Traditionalists

Traditionalists are relatively older and more disciplined investors. While they're more likely to be concerned about capital preservation, most are still primarily focused on the long term and growing their portfolio.

$5M+ 33% have at least $5 million in household investable assets.

≥65 Half of Traditionalists are 65 years of age or older.

While alts can be a good fit for Traditionalists' needs, our research found that this group also has a few misperceptions about alts. They are more likely to view alts as a diversification tool than as core to their portfolio. They are more likely to believe that alts come with higher risk, and fewer are convinced that the outcomes are worth the fees and liquidity constraints. That said, our research uncovered that there is appetite among these investors to learn about new alts investing opportunities and how they support their investment objectives.

Alts Exposure

While 24% of Traditionalists are invested in alternatives, 64% of non-users in this cohort would start investing if their advisor recommended alts and 65% say they would increase their investment in alternatives after demonstrated success.

The Advisor Opportunity

Advisors have a crucial role to play in educating Traditionalists on

- The potential benefits of alternatives
- The growing universe of alternative investment opportunities, including those that don't have long-term lock-ups.

Nearly half of Traditionalists want their advisor to talk about alternatives more, and when asked about effective strategies, Traditionalists said that showing how alts fit with personal goals/interests or starting with small initial allocations could be helpful in spurring investment in alternatives.

Survey Methodology

Brookfield commissioned CoreData Research to conduct separate online surveys of 300 financial professionals with an average practice AUM of $633 million in the U.S. and Canada and 625 high-net-worth investors at least $2.5 million in household investable assets in the U.S., Canada, Hong Kong, Singapore and Taiwan between April and June 2024.

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