



MACKENZIE
Investments

When adding liquid alternatives to a portfolio, where should the allocation come from?

Your level of risk tolerance is key to making allocation decisions.

A liquid alternatives fund may represent an effective addition to your existing traditional portfolio, given that liquid alternatives are designed to improve overall returns, generate enhanced yield and help manage portfolio risk.

Your level of risk tolerance is key to making allocation decisions. When contemplating how to fund a new allocation to liquid alternatives, consider whether the proposed alternatives fund is equally or less risky than the model portfolio it's being added to. If so, then funding the allocation proportionately from equity and fixed income will likely not add incremental risk to the portfolio.

If a proposed alternatives fund is riskier than the existing model portfolio and you want risk in your combined portfolio to remain similar to the existing model, consider funding the position more proportionately from your current equity allocation. If a proposed alternatives fund is designed to offset equity risk or has prominent traditional fixed income features, consider funding the position more proportionately from your current fixed income allocation.