

What are alternative assets?

Alternative assets are valuable because they display different return patterns than their traditional asset counterparts.

Alternative investments include alternative assets like commodities, real estate, private equity and debt, infrastructure and currency exposures.

Alternative assets are valuable because they display different return patterns than their traditional asset counterparts, such as developed market large-capitalization stocks and investment-grade bonds. The return pattern of certain assets relative to others is known as "correlation," and historically it's been shown that investing in assets with a low level of correlation improves a portfolio's risk-return profile.

Alternative assets are typically not a focus of traditional investment portfolios, so gaining exposure to these asset classes is generally more important to diversification-seeking investors than the actual security selection within the asset class itself. Better portfolio diversification – via holding asset classes with lower correlation – may lead to enhanced returns with the potential for lower risk and less volatility.

Examples of alternative assets:



Commodities

Crude oil, gold bullion, livestock and agricultural products



Currency exposures

United States dollar (USD), Euro (EUR), Pound sterling (GBP) and Japanese yen (JPY)



Infrastructure*

Airports, toll roads, small hydro-electric facilities



Real estate*

Commercial buildings, condominium rental units

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^{*}Typically held via publicly traded securities that trade in highly liquid markets