



Alternative Investing

Broad Strategic Asset Allocation

Sizing Allocations to Liquid and Illiquid Alternatives Alongside Traditional Assets

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Traditional strategic asset allocation (SAA) involves determining allocations to stocks, bonds, and cash that are appropriate to an investor's risk appetite and investment horizon. Where do alternatives fit into this framework? How should their risk and return characteristics be estimated, and how can realistic constraints be modelled? Which alternatives deliver the biggest incremental benefit, and what is an appropriate strategic allocation?

This paper presents one justifiable set of inputs and finds that alternatives earn themselves a sizable strategic allocation. Investors are encouraged to compare these results with their own assumptions, constraints, and allocations as they look to build a resilient portfolio for long-term investment success.

About the Portfolio Solutions Group

The Portfolio Solutions Group provides thought leadership to the broader investment community and custom analyses to help AQR clients achieve better portfolio outcomes.

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