



Alternative Thinking

What's the Worst That Should Happen?

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Expected returns on traditional assets are lower than their historical averages, yet the same is not true for risks. Setting expectations — for investors, boards, and other stakeholders — may be more important today than ever. This article does just that. We provide a framework to set expectations on downside risk, one that can be used for a range of assets, portfolios, and investment decisions. Among our findings, we show that diversification and liquidity may be even more valuable than conventional risk-return statistics suggest.

About the Portfolio Solutions Group

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

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