



White Paper

Diversifying Alternatives and the Rearview Mirror

Understanding Return Expectations, Part 10

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Diversifying alternatives—investment strategies whose gains and losses occur at different times to those of major markets—are beloved by portfolio optimizers seeking to maximize risk-adjusted returns. But for human investors, it's more of a love/hate relationship. Stock markets go up most of the time, which means that diversifiers are often likely to feel like a drag on returns—even if they improve long-term wealth accumulation.

In Part 10 of the *Understanding Return Expectations* series, we explore how the very same investor biases that create opportunities for long/short strategies also make it hard for investors to reap the benefits—and how to overcome them.

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