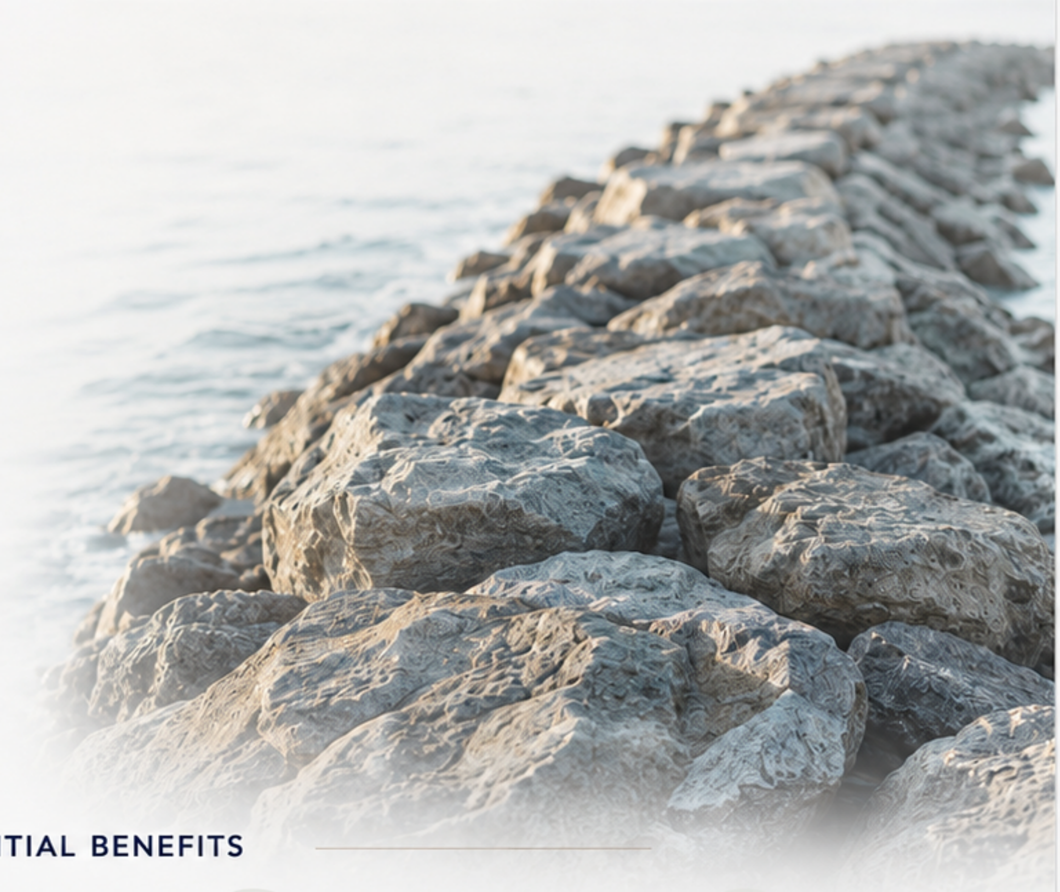
ALTERNATIVE INVESTMENTS

Alternative Investments in Context

Expanding opportunities beyond traditional stocks and bonds.



Alternative investments can play an important role in a well-diversified portfolio by providing access to asset classes that often behave differently than publicly traded markets.

While every investment carries risk, alternatives may offer unique opportunities for income generation, diversification, tax efficiency, inflation protection, and long-term growth. When thoughtfully integrated into an overall strategy, they can help investors pursue financial objectives that may be difficult to achieve through traditional investments alone.

The objective is not to replace stocks, bonds, or other core holdings. Rather, it is to broaden the opportunity set and create a portfolio designed to perform across a variety of market environments.

THE POTENTIAL BENEFITS

DIVERSIFICATION

Access asset classes that may respond differently to changing economic and market conditions than traditional investments.

INCOME POTENTIAL

Many alternative investments are designed to generate recurring cash flow through real estate, infrastructure, private credit, or other income-producing assets.

GROWTH OPPORTUNITIES

Certain alternatives provide access to sectors, markets, and strategies that may offer long-term appreciation potential beyond traditional investments.

PORTFOLIO RESILIENCE

A diversified mix of investments may help reduce concentration risk and create a portfolio better positioned to navigate different market environments.

Benefits and Considerations

Understanding Both the Opportunities and Trade-Offs

Alternative investments can provide access to opportunities that may not be available through traditional public markets. They can offer diversification, income potential, tax advantages, and exposure to institutional-quality assets.

At the same time, alternative investments often involve longer holding periods, reduced liquidity, and unique risks that require careful evaluation. Understanding both the benefits and the considerations can help investors determine whether a particular strategy is appropriate for their portfolio and objectives.

THE POTENTIAL BENEFITS

DIVERSIFICATION

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INCOME POTENTIAL

Many alternatives are designed to generate recurring cash flow from real estate, private credit, or other income-producing assets.

TAX EFFICIENCY

Certain structures may offer tax-deferral opportunities, depreciation benefits, or other tax-advantaged features.

INSTITUTIONAL ACCESS

Participation in professionally managed opportunities that may not be available through public markets.

KEY CONSIDERATIONS

LIMITED LIQUIDITY

Many alternatives are designed to be held for multiple years and may not offer daily liquidity.

LONGER TIME HORIZON

Performance is often tied to long-term business plans and investment cycles.

LESS DIRECT CONTROL

Investors typically rely on sponsors, operators, and management teams to execute the strategy.

UNIQUE RISK FACTORS

Every investment has risks that should be evaluated alongside potential rewards.

Public Markets vs. Alternative Investments

TWO PATHS. DIFFERENT DYNAMICS. COMPLEMENTARY ROLES.

Public markets and alternative investments serve different purposes in a portfolio. Understanding their key differences helps investors make informed decisions and build a more balanced, resilient strategy.

PUBLIC MARKETS	COMPARISON	ALTERNATIVE INVESTMENTS (PRIVATE MARKETS)
Highly liquid	LIQUIDITY	Limited liquidity (capital is typically locked up)
Publicly traded on exchanges	VALUATION	Valued periodically (e.g., quarterly or annually)
High daily volatility	VOLATILITY	Lower volatility (smoother return profile)
Short-term focused	TIME HORIZON	Long-term oriented (multi-year investment horizon)
Broad market exposure	ASSET CONTROL	Tangible asset ownership and operational influence
Higher correlation to public markets	CORRELATION	Lower correlation to public markets
Market price driven	RETURN DRIVERS	Income, growth, and operational improvements
Lower income yield	INCOME POTENTIAL	Higher income potential (in some strategies)

COMPLEMENTARY, NOT COMPETING

Rather than choosing one path over the other, successful investors use both public and alternative investments strategically—aligning each with their goals, risk tolerance, and time horizon.

Alternative Investment Strategies

DIFFERENT STRATEGIES. DIFFERENT OBJECTIVES.

Alternative investments encompass a broad range of approaches designed to meet different investor goals.

Some strategies prioritize current income and stability. Others seek a balance between income and appreciation, while growth-oriented strategies focus on creating value through development, repositioning, or operational improvements.

The objective is not to identify a universally "best" strategy. The goal is to understand which approach best aligns with an investor's income needs, risk tolerance, liquidity preferences, and long-term financial objectives.

Income-Focused Strategies

Designed to prioritize cash flow, stability, and capital preservation.

TYPICAL CHARACTERISTICS

- Recurring income distributions
- Lower volatility
- Established assets
- Focus on current cash flow

Income & Growth Strategies

Designed to balance current income with long-term appreciation potential.

TYPICAL CHARACTERISTICS

- Diversification
- Income and growth
- Multiple asset types
- Moderate risk profile

Growth-Oriented Strategies

Designed to pursue appreciation through active management and business plan execution.

TYPICAL CHARACTERISTICS

- Appreciation focus
- Active asset management
- Longer investment horizon
- Higher risk / return potential

Alternative Investment Risk & Return Spectrum

The Right Strategy Depends on the Investor

There is no universally "best" alternative investment strategy.

The appropriate allocation depends on an investor's objectives, income needs, liquidity requirements, risk tolerance, and time horizon. A diversified portfolio may include multiple strategies across the spectrum to balance income generation, stability, and growth potential.

LOWER RISK → HIGHER RISK

CORE

Income & Stability Focus

Typically emphasizes cash flow, established assets, and lower operational risk.

EXAMPLES

- Stabilized income-producing real estate
- Debt-free net lease investments
- Diversified income-focused strategies

CORE PLUS

Income with Moderate Growth Potential

Combines current income with opportunities for modest appreciation and operational improvements.

EXAMPLES

- Tenant repositioning
- Light renovation programs
- Cash flow enhancement strategies

VALUE-ADD

Growth Through Active Management

Focuses on increasing value through renovations, redevelopment, leasing initiatives, or operational improvements.

EXAMPLES

- Property repositioning
- Redevelopment projects
- Operational turnarounds

OPPORTUNISTIC

Maximum Growth Potential

Typically involves the highest risk and seeks returns through development, distressed situations, or more complex business plans.

EXAMPLES

- Ground-up development
- Distressed assets
- Special situations

How We Evaluate Investment Opportunities

A DISCIPLINED FRAMEWORK FOR LONG-TERM DECISION MAKING

Every investment opportunity is different, but the principles used to evaluate them remain remarkably consistent.

Before recommending any investment, we assess the quality of the sponsor, the strength of the underlying asset, the structure of the investment, and the factors most likely to influence long-term performance.

Our objective is not simply to identify attractive opportunities. It is to help investors understand the potential benefits, evaluate the risks, and determine whether a strategy aligns with their broader financial goals.

Sponsor Quality

Experience, financial strength, track record, and operational capability.

Asset Quality

Location, demand drivers, competitive positioning, and long-term viability.

Capital structure

Debt levels, financing terms, reserves, liquidity, and alignment with objectives.

Risk management

Potential downside scenarios, market conditions, underwriting assumptions, and stress testing.

Alignment of interests

How the opportunity supports income needs, risk tolerance, liquidity preferences, and time horizon.

Exit strategy

Potential paths to liquidity, hold periods, appreciation drivers, and value realization.

CASE STUDY

Reducing Concentration Risk Through Diversification

When Success Creates a New Challenge

After more than two decades with a Fortune 500 company, a senior executive accumulated a substantial position in company stock through stock options, restricted shares, and retirement savings plans.

The investment had performed exceptionally well and represented a significant portion of her net worth. However, the concentration created a growing concern: too much of her financial future was dependent on the performance of a single company.

The Client Background

- Fortune 500 executive
- Significant company stock position
- Limited diversification
- Minimal real estate exposure
- Concerned about future retirement income

The Challenge

Concentrated stock ownership created exposure to a single company's future performance while limiting diversification opportunities.

The Strategy

We recommended a structured plan to gradually reduce the concentrated stock position while market conditions remained favorable. Rather than replacing one investment with another, the objective was to create a more balanced portfolio with multiple sources of return.

Portfolio Objectives

- ✓ Reduce dependence on a single company
- ✓ Increase diversification across asset classes
- ✓ Add income-producing real estate exposure
- ✓ Improve long-term portfolio resilience
- ✓ Create additional retirement income sources

CASE STUDY OUTCOME

The Outcome

- Reduced reliance on a single stock position
- Broader diversification across asset classes
- Gained exposure to real estate and income-producing investments
- Maintained a long-term growth orientation

The Result

- Transitioned from a concentrated equity position to a more balanced portfolio
- Improved portfolio flexibility
- Added multiple sources of income
- Reduced dependence on the future performance of a single company

Key Takeaway

Diversification is not about abandoning what has worked. It is about reducing dependence on any single investment, company, or asset class so that long-term success is not tied to a single outcome.

General Disclosure

All investing involves risk of loss of some or all principal invested. Past performance is not indicative of future performance. There can be no guarantee that any investment or strategy will achieve its stated objectives. Speak to your tax and/or financial professional prior to investing. Securities and advisory services through Emerson Equity LLC, member FINRA and SIPC and a registered investment adviser. Emerson is not affiliated with any other entity identified herein.

Real Estate / 1031 Risk Disclosure

- **There is no guarantee** that any strategy will be successful or achieve investment objectives.
- **Potential for property value loss** – All real estate investments have the potential to lose value during the life of the investments.
- **Change of tax status** – The income stream and depreciation schedule for any investment property may affect the property owner's income bracket and/or tax status. An unfavorable tax ruling may cancel deferral of capital gains and result in immediate tax liabilities.
- **Potential for foreclosure** – All financed real estate investments have potential for foreclosure.
- **Illiquidity** – These assets are commonly offered through private placement offerings and are illiquid securities. There is no secondary market for these investments.
- **Reduction or Elimination of Monthly Cash Flow Distributions** – Like any investment in real estate, if a property unexpectedly loses tenants or sustains substantial damage, there is potential for suspension of cash flow distributions.
- **Impact of fees/expenses** – Costs associated with the transaction may impact investors' returns and may outweigh the tax benefits.
- **Stated tax benefits** – Any stated tax benefits are not guaranteed and are subject to changes in the tax code. Speak to your tax professional prior to investing.