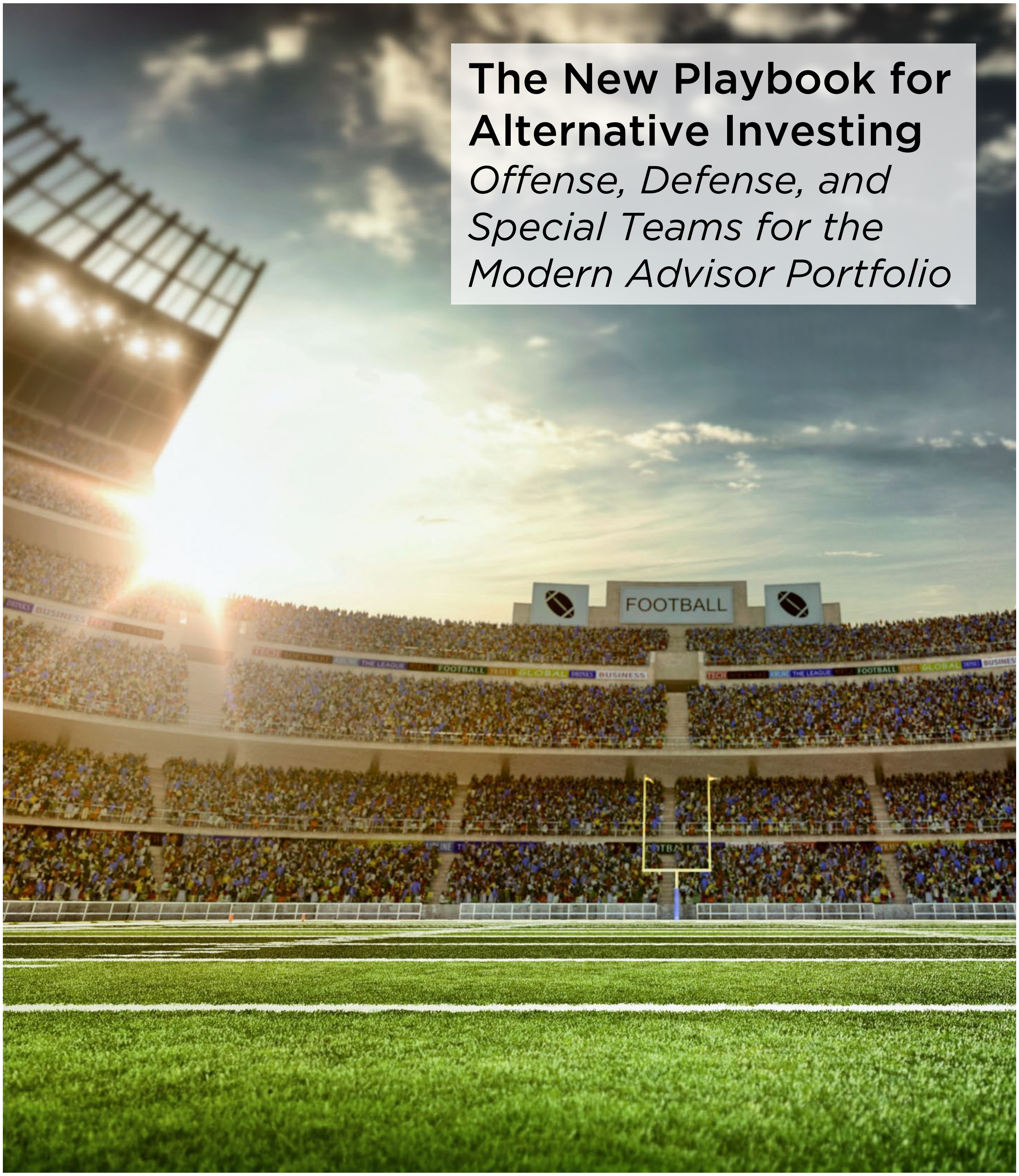
The New Playbook for Alternative Investing

Offense, Defense, and Special Teams for the Modern Advisor Portfolio



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The Vince Lombardi Trophy

Alternative investments have moved from the sidelines to the mainstream of portfolio construction—and for good reason. Recent policy developments, including the White House Executive Order expanding access to alternatives in retirement plans, reflect recognition that modern portfolios need more than stocks and bonds to deliver diversification, manage risk, and capture new return opportunities.

For decades, a traditional 60/40 mix of stocks and bonds served many clients well. But today's environment—greater dispersion, episodic volatility, stubborn inflation, and shifting correlations—has challenged the reliability of that simple playbook. As a result, many advisors are evaluating whether, and how, alternatives can play a more deliberate role in diversified portfolios.

This short guide introduces **The New Playbook for Alternative Investing**, a practical, client-friendly framework for discussing portfolio construction using the familiar game of football:

- **Offense**: Growth-oriented exposures designed to advance the ball over time
- **Defense**: Stabilizers intended to generate income and help cushion drawdowns
- **Special Teams**: Diversifiers that seek differentiated sources of return and risk mitigation

Use this framework to explain *why* alternatives may be worth evaluating, *how* they might complement traditional allocations, and *what* role they may play in building more resilient portfolios—always with prudent sizing, clear expectations, and an eye on implementation.

How to Use This Guide

This is not investment advice. Rather, it's a practical vocabulary and mental model for understanding how alternatives integrate throughout a portfolio—not as a separate sleeve, but as versatile players across positions.

If you'd like to discuss how this framework might support client conversations or how alternative strategies may fit alongside existing allocations, please reach out.

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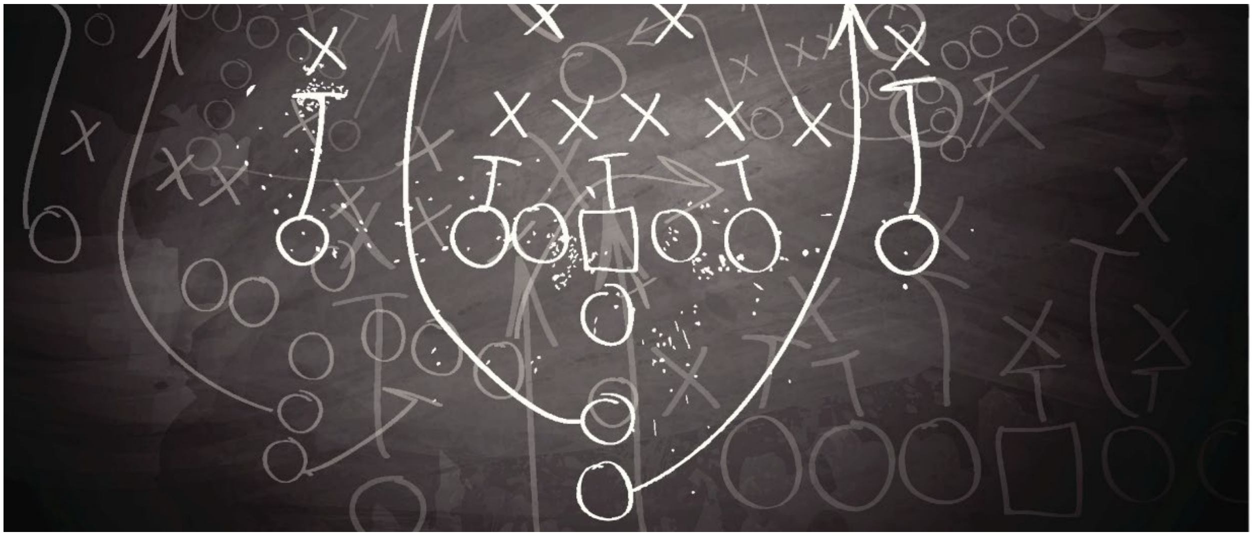


A New Playbook for Client Portfolios

Asset allocation has always been about balance—finding the right mix of investments to deliver returns, manage risk, and meet client goals. But as markets grow more complex and volatile, the old playbook is no longer enough.

Today's investors expect not just growth and income, but resilience, smarter diversification, and access to new opportunities. For advisors, that means building portfolios that can withstand uncertainty, unlock value, harness innovation, and demonstrate a forward-looking approach that sets them apart.

From Classic to Modern

The evolution of asset allocation reflects this shift: from the classic two-player game of stocks and bonds to a modern strategy where alternatives play offense, defense, and every role on the field.

In the pages that follow, we'll explore what's enduring and what's emerging in alternative investing—and how football yields vivid and unexpected metaphors that help us understand and explain this transformation.

> *"Today's investors expect not just growth and income, but resilience, smarter diversification, and access to new opportunities."*

"Football yields vivid and unexpected metaphors that help us understand..."

Simplicity vs. Complexity

Alternative investing can be both nuanced and complex. Advisors need a new, simpler way to think about alternatives in their client portfolios and practice—as well as a new, straightforward way to speak with clients and educate them as to the benefits and risks of alternatives.

We believe that the following pages provide a fresh vocabulary to understand alternatives and their role in asset allocation, based on the familiar language of football: offense, defense, and special teams.

With this updated framing, advisors have a new playbook to help them succeed on the gridiron of investing, with alternatives playing alongside traditional asset classes to compete more effectively in every phase of the game.

Framing the History of Alts and Asset Allocation Through Football

Through the lens of football, we can frame the evolution of asset allocation across three approaches:

Football, Alts & Asset Allocation		
1. Old-Fashioned Approach	**2. Alts as Special Teams**	**3. Today's Updated Playbook**
Only Offense and Defense	*Add an Alts Sleeve*	*Alts Play Alongside Every Role*
60/40 Portfolios	*50/30/20 Portfolios*	*Fully Integrated Portfolios*
		

The Old-Fashioned Approach: Only Offense and Defense

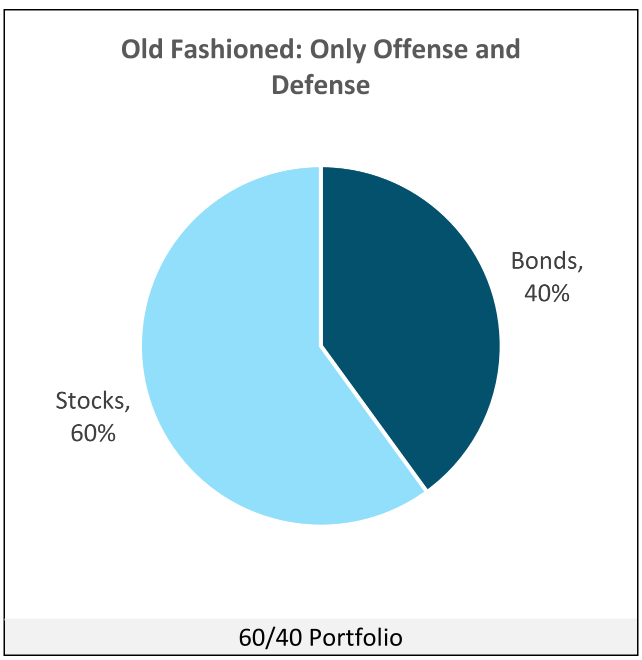
For decades, portfolios were built with just two squads on the field:

- **Offense** was stocks—driving growth and long-term compounding.
- **Defense** was bonds—providing income, lower volatility, and principal protection.

This 60/40 playbook worked well during eras of falling rates and reliably negative correlations between stocks and bonds. But the game has changed. Investors are concerned about stretched valuations in key asset classes. Interest rates have ratcheted higher. And inflation is unpredictable. As a result, stocks and bonds have become more correlated, meaning both assets may fall together, challenging portfolio diversification.

Challenges to 60/40 Today

- **High Correlations**: Recently, correlations between stocks and bonds have been consistently positive and have spiked during periods of stress.
- **Uncertain Yields**: Income on conventional fixed income has not always been adequate to cushion significant drawdowns.
- **Elevated Valuations**: Equity valuations, historically lofty with the Shiller P/E approaching dot-com era levels, may leave portfolios exposed.
- **Elevated Debt Levels**: Total debt, servicing costs, and future borrowing needs are looming headwinds for governments, businesses, and consumers.



"Stocks and bonds have become more correlated, meaning both assets may fall together, challenging portfolio diversification."

The once-reliable 60/40 mix has become more vulnerable. In addition, public markets have shrunk relative to private markets, with the number of listed stocks cut in half in recent years. Combined, the vulnerability of traditional assets and shrinking public markets have forced advisors to look for new ways to balance risk, generate returns, and deliver the outcomes clients expect.

"The once-reliable 60/40 mix has become more vulnerable."

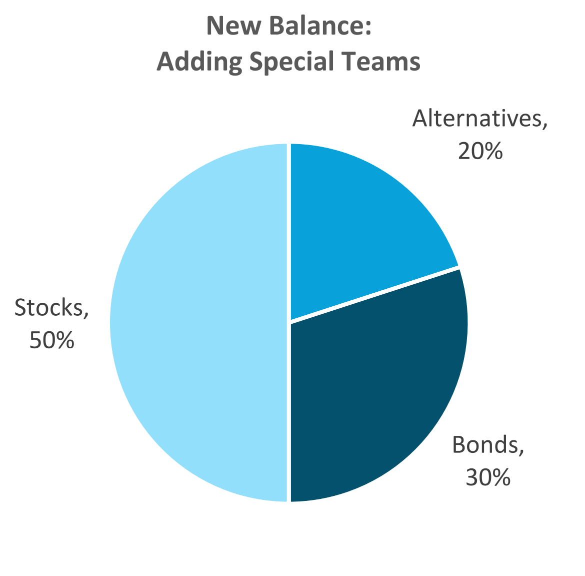
At a Glance

- **Offense = Stocks** → Growth engine, equity beta, "risk-on"
- **Defense = Bonds** → Income, stability, lower volatility, "risk-off"
- **Limitation**: When both fall together, as in 2022, portfolios take a bigger hit

The Alternative Formation: Adding Special Teams

As markets evolved, investors recognized that offense and defense alone weren't always enough. Just as in football, special teams can change the outcome of the game.

In portfolios, **alternatives became the special teams**—offering potential diversification, uncorrelated returns, inflation protection, and fresh sources of returns. 50/30/20 became the new mantra of diversification and the successor to 60/40.



50/30/20 Portfolio

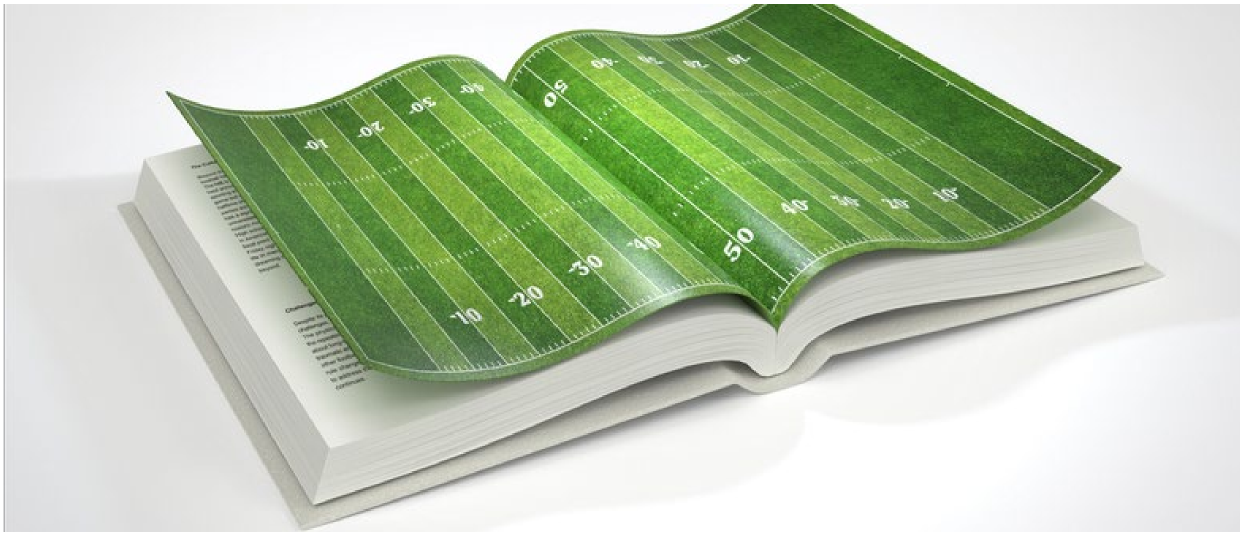
This expanded toolkit gave advisors more potential ways to defend against shocks and capture opportunities when stocks and bonds struggled. Strategies such as private markets, hedge funds, managed futures, real assets, or direct real estate offered return drivers that could move independently of traditional markets.

At a Glance

- **Special Teams = Alternatives** → Seeking diversification and resilience
- **Examples**: Managed futures, private markets, hedge funds, real assets
- **Benefit**: May help cushion drawdowns or deliver returns when traditional assets struggle

Next Step Needed

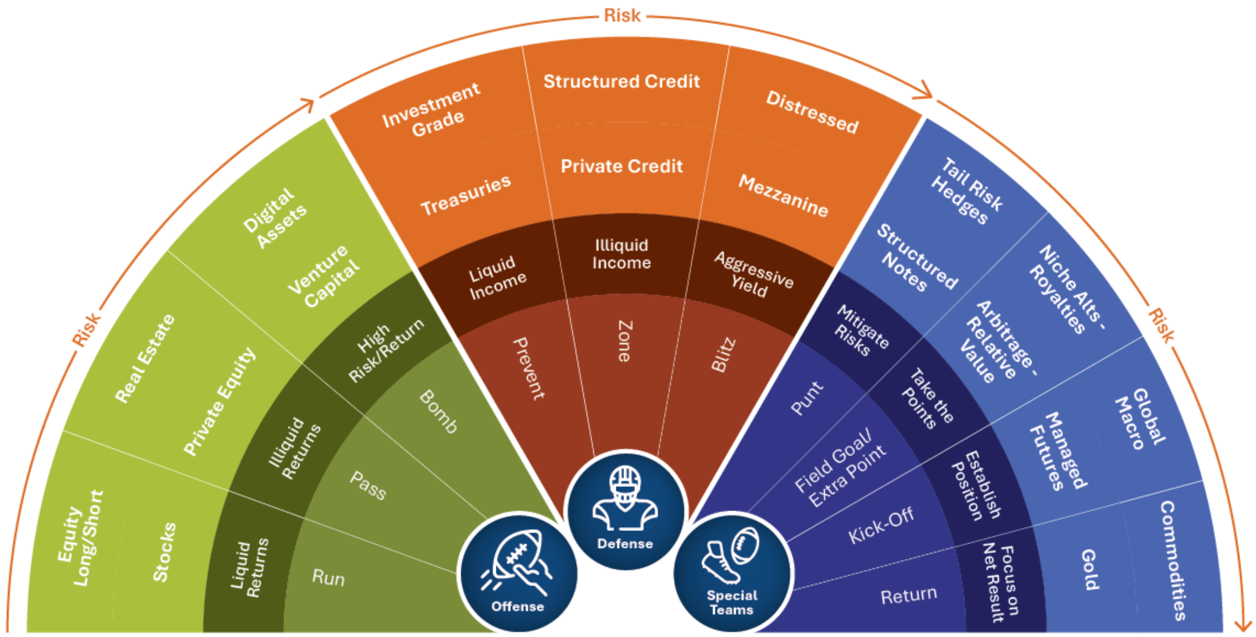
Offense, defense, and special teams all joined the investment huddle. But this approach has a major drawback. The risk/return profiles of alternative investments vary widely, from long or short, to liquid or illiquid, to hedged or unhedged, and easy to implement or operationally complex. Combining alts in one sleeve clouded risk/return profiles and diminished advisors' ability to achieve precision in portfolio construction.



Today's Updated Playbook: Alts Playing Alongside Their Stock and Bond Teammates

Today's markets demand more than a 60/40 or 50/30/20 playbook. Advisors need portfolios that can go beyond stocks and bonds with a few alts tacked on, to respond to market shocks and inflation spikes, navigate geopolitical uncertainty, capture private market opportunities, and deliver income when bond yields disappoint.

The modern playbook recognizes that alternatives are no longer a separate asset class sitting on the sidelines. They're integrated throughout the portfolio—some are designed to play offense when growth is the goal, defense when income and stability matter, and special teams when diversification and uncorrelated returns can change the outcome.



Think of portfolio construction like coaching a football team. You draft your players, develop your playbook, and set your game plan. When the game starts, your whole team is prepared. As the game develops, you adjust based on field position, score, and game conditions. You strategically and thoughtfully move players on and off the field. You call different plays for different situations to create opportunities and reduce risks.

"Alternatives are no longer a separate asset class sitting on the sidelines. They're integrated throughout the portfolio."

The same principle applies to client portfolios. With alternatives now able to contribute at nearly every position, advisors have the flexibility to construct allocations that match client goals, market conditions, and risk tolerance—while maintaining the discipline and structure that clients expect.

Let's walk through how this works, one position at a time.

"Think of portfolio construction like coaching a football team. You don't run the same play every down."

Offense: Growth Assets and Strategies

Offense is about growth.

Offense is about moving the ball downfield—driving growth, building wealth, and capturing appreciation over time. In portfolios, offensive strategies target capital gains, whether through public equities, private markets, or emerging opportunities in digital assets.

But not all offensive plays carry the same risk. Just as a football team alternates run plays, passes, and deep throws strategically, advisors may deploy growth assets with varying levels of aggression depending on client circumstances and market conditions.

Notably, many alternative strategies are about growth. At right is how offense works across three distinct plays: run, pass, and the bomb.

Offense: Growth-oriented exposures designed to advance the ball over time.

The Run: Add Returns with Equity Exposure

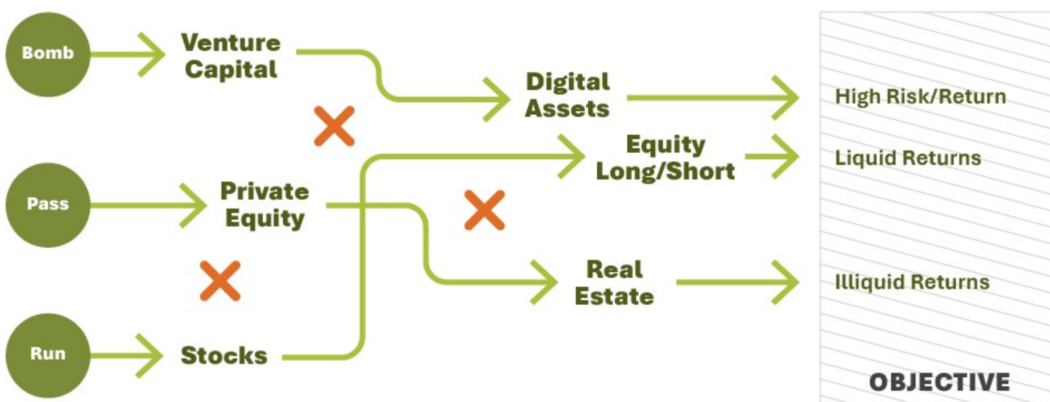
Play:	*Run*	The run is the foundation of offense—steady, reliable, and designed to gain yards consistently without excessive risk. It's the play you call when you need to control the clock and maintain possession.
Objective:	*Liquid Returns*	In portfolios, the run represents core equity exposure—stocks and equity hedge strategies that provide growth through equity beta or with some measure of active risk management.
Strategies:	*Stocks*	Traditional long-only equity exposure provides exposure to economic growth and corporate earnings. It's the most familiar and comfortable offensive tool for advisors and clients alike.
	Equity Long/Short	Long/short and hedged equity strategies add a layer of risk management, seeking to capture equity upside while hedging downside exposure. These strategies may smooth the ride while maintaining the growth objective.

The Pass: Extra Gains from Private Markets

Play:	*Pass*	The pass opens up the field. It's more aggressive than the run, with higher potential reward—but it requires precision targeting, timing, and a willingness to take calculated risk.
Objective:	*Illiquid Returns*	Private markets and real estate offer the potential for outsized gains by accessing opportunities beyond traditional assets: real estate development, corporate buyouts, growth capital, etc. The trade-off is illiquidity in the underlying assets and longer holding periods.
Strategies:	*Private Equity*	Buyouts, growth capital, and middle-market investments target value creation through operational improvements, strategic repositioning, and long-term enterprise growth. The illiquidity premium may compensate patient capital.
	Real Estate	Real estate investments, whether in private or listed vehicles or in equity or debt structures, provide growth potential tied to property appreciation, rental income, and development or turnaround opportunities.

The Bomb: Maximize Results with High-Octane Growth

Play:	*Bomb*	The deep throw—the bomb—is the highest-risk, highest-reward play. It's designed to change the game quickly, but it requires conviction, timing, an appetite for risk, and a strong arm.
Objective:	*High Risk/Return*	At the outer edge of offensive strategies sit venture capital and digital assets—investments with the potential for exponential returns but accompanied by significant volatility, concentration risk, and the real possibility of loss.
Strategies:	*Venture Capital*	Early-stage and growth-stage investments in private companies offer exposure to innovation and disruption. These bets may deliver multi-baggers—or flame out entirely.
	Digital Assets	Bitcoin, Ethereum, and blockchain infrastructure represent a new frontier. These assets provide exposure to technological transformation and decentralized finance, but advisors must navigate speculative fervor, regulatory uncertainty, and extreme price swings.



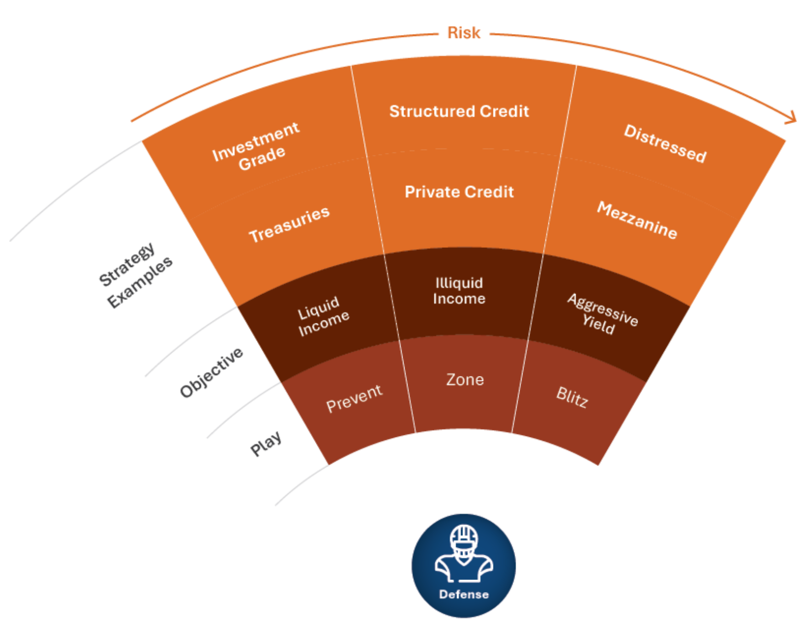
Defense: Income Generating Assets and Strategies

Defense starts with income.

Defense in football isn't passive—it's about controlling the opponent, protecting your field position, and setting up the next opportunity. In portfolios, defensive strategies start with income, then seek to preserve capital and provide stability when equity markets struggle.

Just as defensive coordinators call different schemes based on the situation—prevent, zone, or blitz—advisors may deploy income strategies with varying levels of conservatism or aggressiveness depending on client yield requirements and risk tolerance.

At right is how defense works across three primary approaches: prevent, zone, and blitz.



Defense: Stabilizers intended to generate income and help cushion drawdowns.

Prevent Defense: Income and Stability from High-Quality Fixed Income

Play:	*Prevent Defense*	The prevent defense protects the lead. It's conservative, designed to avoid big mistakes and run out the clock. You sacrifice some upside to ensure you don't lose ground.
Objective:	*Liquid Income*	Core fixed income provides the ballast in a portfolio—contractual income, principal preservation, and lower volatility. It's the defensive anchor to offset equity market uncertainty.
Strategies:	*Treasuries*	U.S. government bonds offer maximum safety and liquidity. They're the ultimate "prevent" strategy—relatively low yield, but little credit risk. Long-duration treasuries may also hedge equity risk, but caution is required when rates rise.
	Investment Grade	Corporate bonds from high-quality issuers offer incremental yield while maintaining strong creditworthiness and broad diversification.

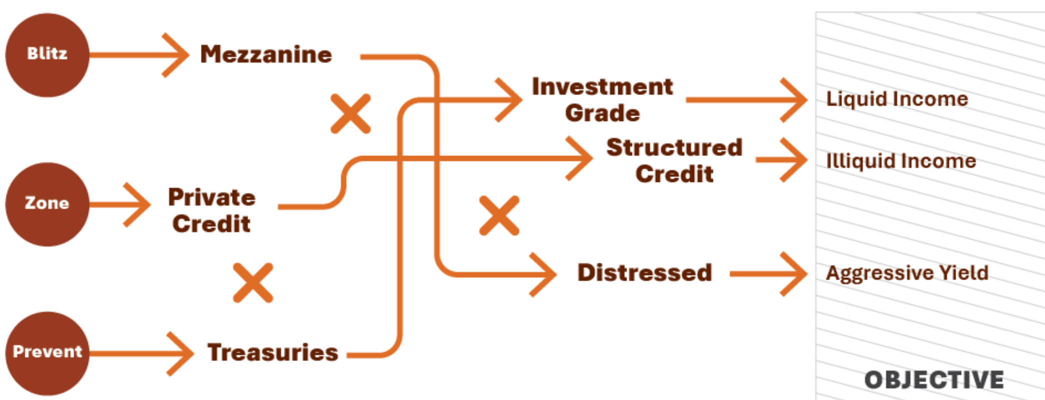
Zone Defense: High Income from Private Credit

Play:	*Zone Defense*	Zone defense is more flexible than prevent. It covers space rather than individual threats, allowing defenders to react and adjust. It's active, strategic, and designed to generate turnovers while still protecting the end zone.
Objective:	*Illiquid Income*	Structured credit and private credit sit between traditional fixed income and mezzanine or distressed opportunities. Structured credit provides access to a wide variety of diversifying income streams. Private credit strategies may deliver higher income by lending directly to middle-market companies, often with floating-rate structures that provide some inflation protection.
Strategies:	*Private Credit*	Direct lending, specialty finance, and senior secured loans offer attractive yields unavailable in public bond markets, often with contractual protections and first-lien positions.
	Structured Credit	Structured credit involves pooling income-generating assets (such as mortgages, loans, or leases) into Special Purpose Vehicles (SPVs). Structures like business development companies (BDCs) or opportunistic credit funds target even higher yields by moving down the capital structure or into less liquid positions.

Blitz Defense: Aggressive Yield from Mezzanine to Distressed

Play:	*Blitz Defense*	The blitz is all-out aggression. You apply extra pressure, take calculated risks, and aim to disrupt the opponent's game plan. It can lead to a quarterback sack for a loss—or leave you exposed.
Objective:	*Aggressive Yield*	At the aggressive end of defensive strategies sit mezzanine financing and distressed debt—high-yield opportunities that require deep credit analysis, tolerance for volatility, and acceptance of potential losses in exchange for double-digit income potential.
Strategies:	*Mezzanine*	Subordinated, unsecured loans that sit between senior debt and equity. Higher risk, higher yield, often with equity kickers or warrants.
	Distressed	Investments in troubled companies or securities trading at steep discounts. These strategies bet on turnarounds, restructurings, or asset recoveries, but they require expertise and a strong stomach.

Defense



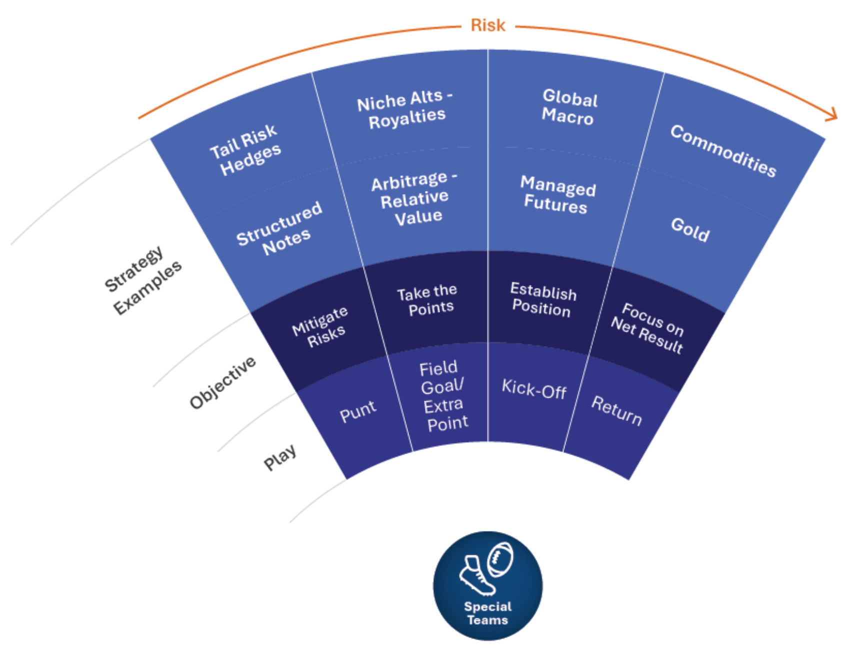
Special Teams: Uncorrelated and Tactical Strategies

Special teams have the potential to change outcomes.

In football, special teams don't play every down—but when they take the field, they can change the game. A well-executed kickoff pins the opponent deep. A clutch field goal leads to an overtime victory. A blocked punt shifts momentum entirely. Special teams have the potential to deliver results when the offense and defense falter.

In portfolios, special team strategies are the diversifiers and tactical tools that offer differentiated returns and may perform when traditional assets struggle. These are the uncorrelated return streams, the inflation hedges, the downside protection mechanisms, and the precision instruments that advisors deploy situationally to improve outcomes.[1]

Special teams' strategies often have low or variable correlation with stocks and bonds, making them valuable tools for true portfolio diversification. Here's how they work across four distinct plays:



Special Teams: Diversifiers that seek differentiated sources of return and risk mitigation.

[1] See our article, "Why Diversification Still Matters: Reassessing a Core Principle in Today's New Market Reality", June 10, 2025.

Risk Spectrum of Special Teams

Punt	Field Goal/Extra Points	Kickoff	Return
Mitigate Risks	*Take the Points*	*Establish Position*	*Focus on Net Results*
Most Protective	⟵	⟶	Most Opportunistic

In a crisis, correlations spike, and many assets fall together. During 2008, offensive strategies and many defensive strategies (particularly credit-related) suffered steep losses. Uncorrelated special teams' strategies, such as managed futures with its history of "crisis alpha," may provide protection. Building these strategies into portfolios in advance helps create resilience across market conditions.

> *"Special teams have the potential to deliver results when the offense and defense falter."*

Punt: Reduce Risk with Structured Notes and Tail Hedges

Play: *Punt*		The punt is about risk management. When the offense stalls, the punt flips field position and limits the opponent's opportunity. It's a defensive tool that protects against catastrophic outcomes.
Objective:	*Mitigate Risks*	Structured notes and tail risk hedges are designed to protect portfolios during significant drawdowns. They're similar to insurance policies that may cost money in calm markets but deliver meaningful protection when volatility spikes or correlations break down.
Strategies:	*Structured Notes*	Options-based strategies that provide downside buffers to limit losses, but often with some surrender of upside. Accessible via structured notes or defined outcome funds, these strategies are useful for clients who want to know their maximum risk and return or who want to make tactical tilts based on volatility.
	Tail Risk Hedges	Strategies that are explicitly designed to profit from market dislocations or extreme volatility events. These may carry ongoing costs but may offset catastrophic equity losses.

Field Goal/Extra Point: Add Edge with Arbitrage, Niche, and Specialty Strategies

Play:	*Field Goal / Extra Point*	Field goals and extra points can boost the score when higher reward plays aren't worth the risk. While they may not win the game alone, they can make the difference in tight contests.
Objective:	*Take the Points*	This group of specialized strategies may provide uncorrelated returns or unique risk/reward profiles. Approaches include arbitrage, such as merger arbitrage and convertible arbitrage, as well as relative value. Also included are niche alternatives—royalties, litigation finance, and insurance-linked securities. They're not core holdings, but they may add meaningful diversification and incremental return when deployed thoughtfully.
Strategies:	*Arbitrage – Relative Value*	These classic strategies aspire to capture spreads or valuation anomalies between securities, in pursuit of consistent, incremental returns while maintaining hedged or offsetting positions.
	Niche Alts – Royalties	Catastrophe bonds, music royalties, litigation finance, life settlements—esoteric strategies with unique return drivers that sit outside traditional correlations. These strategies typically discount future return streams to present value in order to "take the points."

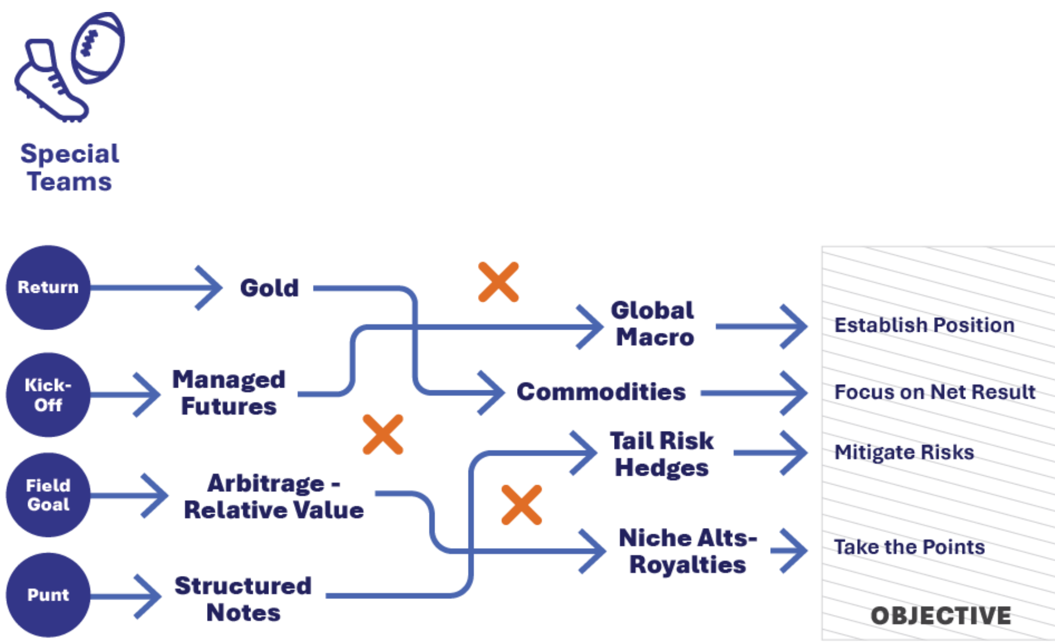
Kickoff: Shape the Start with Managed Futures and Global Macro

Play:	*Kick-Off*	The kickoff sets field position and tone for the entire drive. A strong kickoff has the potential to pin the opponent deep, creating defensive advantage before the offense even touches the ball.
Objective:	*Establish Position*	Managed futures and global macro strategies are designed to capture trends or changes across multiple asset classes: equities, bonds, commodities, and currencies.[2] These strategies seek positive returns in both rising and falling markets. They have the potential to reshape the risk/return profile of an overall portfolio with a wide variety of uncorrelated return sources.
Strategies:	*Managed Futures*	Primarily systematic trend-following strategies that have the potential to profit in up or down markets by detecting and exploiting price momentum or other factors across global futures markets.
	Global Macro	Discretionary or systematic strategies that take positions based on macroeconomic themes—interest rate shifts, currency movements, geopolitical developments—seeking returns uncorrelated to equity beta.

[2] See our article, "Why Global Macro Is a Top Allocation for Leading Investors in 2025", February 21, 2025.

Return Team: Respond to the Unexpected with Real Assets

Play:	*Return*	Return teams capitalize on sudden opportunities. When the opponent kicks, the return team is ready to respond—turning defense into offense in seconds to maximize field position.
Objective:	*Focus on Net Result*	Real assets—commodities, infrastructure, gold—often perform well during inflationary periods or market dislocations when traditional portfolios struggle. They provide tangible exposure that may appreciate when paper assets falter.
Strategies:	*Gold*	The classic store of value with a long history as a sought-after inflation hedge and "flight-to-safety" asset during parlous times.
	Commodities	Long-only or long/short exposure to energy, metals, and agriculture. May provide inflation protection or gains from supply constraints, geopolitical shocks, or shifting trade dynamics.



Coaching the Portfolio Through Changing Conditions

Football coaches don't call the same play every down; they start with a well-designed plan that allows for adjustments. They read the defense, assess field position, consider the clock, and adjust their strategy dynamically. They move players on and off the field based on matchups, fatigue, and game flow.

Advisors can now approach portfolio construction the same way.

Because alternatives can take on roles in offense, defense, and special teams, you have a deeper playbook to:

- **Run conservative equity strategies** when clients need steady growth from something familiar without excessive volatility.
- **Pass to private markets** when illiquidity premiums are attractive and clients have time horizons to match.
- **Throw the bomb** with venture capital or digital assets for clients with risk capacity and high-growth objectives.
- **Play prevent defense** with Treasuries when preservation matters most.
- **Blitz with distressed credit** when yield opportunities justify the risk.
- **Deploy special teams strategically,** using managed futures when trend environments favor momentum, real assets when inflation threatens, or tail hedges when valuations suggest elevated crash risk.

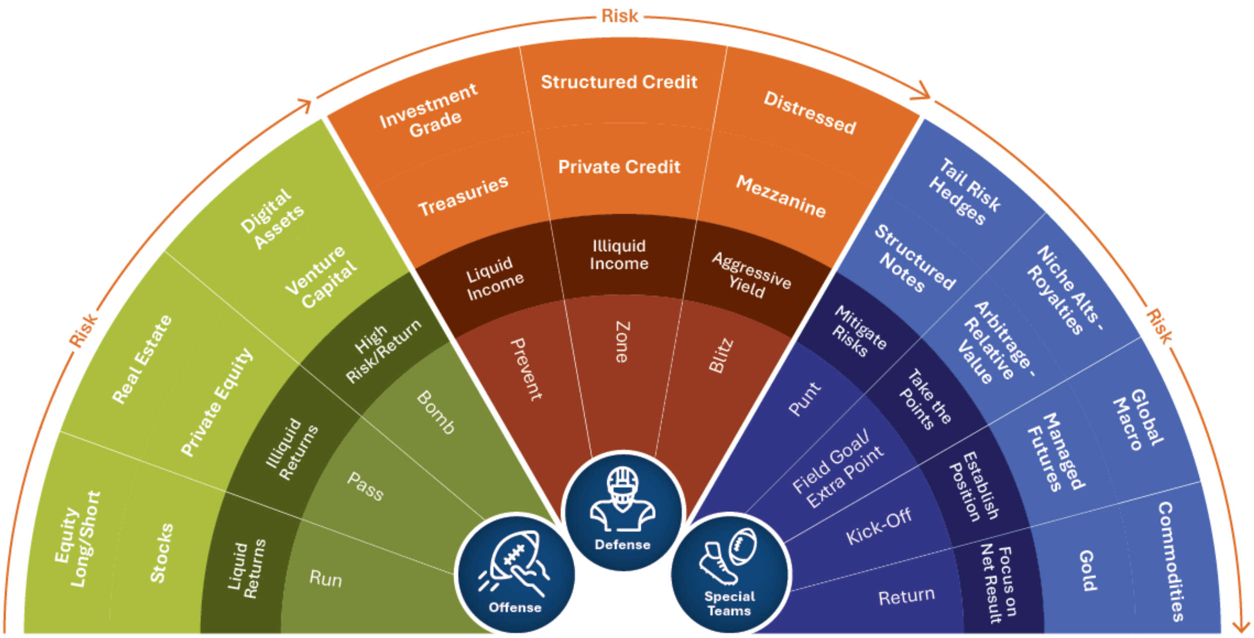
> *"The modern advisor isn't locked into a static 60/40 allocation. You're the coach."*

The key is recognizing that **no single play works in every situation**. Market conditions change. Client circumstances evolve. Risk environments shift.

The modern advisor isn't locked into a static 60/40 allocation. You're the coach—empowered to call the right play for the right moment, substituting strategies as conditions warrant, and building portfolios that have the potential to perform across different economic regimes.

Alternatives don't replace traditional assets. They expand your strategic options. They give you more ways to pursue growth, generate income, manage risk, and deliver the outcomes clients expect.

Your Turn: Complementary Football



By "complementary football," coaches mean offense, defense, and special teams work in sync, with each unit supporting the others to create a cohesive, winning effort. Rather than one side carrying the load, it's about synergy, efficient field position, and risk allocation. Good plays by one set up successes for the others.

Coaches often stress the importance of executing in "all three phases of the game." In portfolio construction, that means designing your asset allocation to take advantage of:

- times when growth opportunities on the **offense** are humming,
- adding some **defense** for income generation, and
- deploying **special teams** for scenarios and environments that require different skillsets.

"Complementary football… when offense, defense, and special teams work in sync."

The playbook is open, the field is yours…

How will you call the next play?

Endnotes

Alternative investments (e.g., hedge funds or private market investments) are complex instruments and may carry a very high degree of risk. Such risks include, among other things:

i. loss of all or a substantial portion of the investment due to the extensive use of short sales, derivatives, and debt capital,
ii. incentives to make investments that are riskier or more speculative due to performance-based compensation,
iii. lack of liquidity as there may be no secondary market for hedge fund and private market interests and none is expected to develop,
iv. volatility of returns,
v. restrictions on transfer,
vi. potential lack of diversification and resulting higher risk due to concentration,
vii. higher fees and expenses associated that may offset profits,
viii. no requirement to provide periodic pricing or valuation information to investors,
ix. complex tax structures and delays in distributing important tax information, and
x. fewer regulatory requirements than registered funds.

Alternative investments are intended only for investors who understand and accept the associated risks. These products may further include investments in futures and forwards markets, which are speculative, highly leveraged, and involve a high degree of risk. Volatility increases risk, particularly when trading with leverage. Futures and forward positions cannot always be liquidated at the desired price. Investments can be subject to low liquidity, meaning there may not be a seller or buyer available when the investor desires to invest or divest.

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