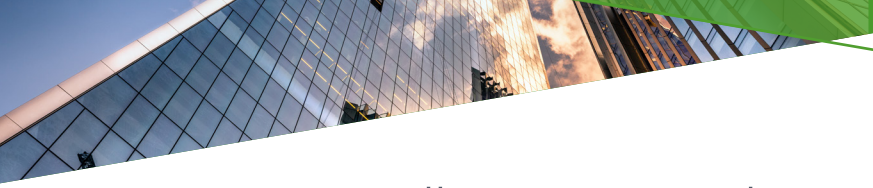

Allocations to Alternative Investments

Proprietary Fidelity research explores alternatives through a financial advisor lens

Alternatives are generally defined as investments that are distinct from traditional portfolio holdings, such as stocks, bonds, and cash. Historically, alternatives were largely accessible only to institutions, which is no longer the case. Asset managers have accelerated their efforts to offer new investment vehicle structures that enable broader access to private markets.

Growth in the Alternatives Market

Liquid alternatives totaled **$1.1 trillion** as of March 2024, **up from $743 billion** at the start of 2020.

Semi-liquid vehicles reached **$299 billion** by the end of 2023.

Source: The Cerulli Report—U.S. Alternative Investments 2024: Projecting Retail Alternative Investments Growth.

A broad view of investing in alternatives today:[1]

Institutions	Advisors	Total Market
92% invest in alternatives, with most exposure in private assets	31% invest in private assets, while a higher percentage gain exposure through liquid mutual funds and ETFs	
25% average allocation size	5% average allocation size (both liquid and illiquid strategies)	10% average allocation size
Public/private pensions, insurers, family offices, and endowments and foundations	Representing varied assets under management and client types	Global institutions, advisors, and retail investors

As the data shows, advisor portfolios have a much lower exposure to alternatives than their institutional peers, and advisor portfolio allocations tend to be lower than that of the overall market.

In a recent Fidelity survey,[2] we asked advisors why they weren't investing in alternatives. Top three answers:

53% Illiquidity of many strategies

32% High fees

23% Historical performance relative to public markets

Many of these barriers, such as manager access, perceived costs, illiquidity, and high investment minimums, are starting to lessen.

With market declines and generally less-constructive outlooks for public markets, advisors may benefit from re-examining the potential of alternatives when seeking to expand an investment universe, enhance returns and income, or improve diversification in clients' multi-asset portfolios.

Fidelity INVESTMENTS

To learn more about the rapidly growing opportunity in the alternatives space, reach out your Fidelity representative.

1. 2023 Fidelity Institutional Investor Study, May and June 2023 (institutions); and The Cerulli Report—U.S. Alternative Investments 2024: Projecting Retail Alternative Investments Growth (advisors). Market based on total assets and related metrics compiled in global indices, January 2025. Note: The summary above features data from different surveys; liquid and illiquid data usage do not sum. This analysis does not include digital assets, which Fidelity views as a type of alternative investment, given their shorter track records.

2. The April 2021 Fidelity Advisor Alternative Investment Survey was an online blind survey of 204 advisors who manage or advise at least $30 million in assets; the 2021 Fidelity Advisor Insights Survey, an online blind survey fielded in October and November 2021, included 2,759 advisors who are registered advisors.

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Stock markets are volatile and can fluctuate significantly in response to company, industry, political, regulatory, market, or economic developments. Foreign markets can be more volatile than U.S. markets due to increased risks of adverse issuer, political, market, or economic developments, all of which are magnified in emerging markets. These risks are particularly significant for investments that focus on a single country or region.

Investing involves risk, including risk of loss.

Alternative investment strategies may not be suitable for all investors and are not intended to be a complete investment program. Alternatives may be relatively illiquid; it may be difficult to determine the current market value of the asset; and there may be limited historical risk and return data. Costs of purchase and sale may be relatively high. A high degree of investment analysis may be required before investing.

Past performance and dividend rates are historical and do not guarantee future results.

Diversification and asset allocation do not ensure a profit or guarantee against loss.

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