

Fidelity Institutional Insights

A Study of Allocations to Alternative Investments by Institutions and Financial Advisors

Proprietary research from Fidelity explores emerging trends by segment, and strategies where investors may be under- or over-allocated to alternatives.

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KEY TAKEAWAYS

- Many institutions and advisors have acknowledged that alternative investments, including hedge fund strategies, private equity, private credit, and real assets, may help enhance returns, manage risk, or improve diversification, among other potential benefits.
- Institutions have historically held higher average allocations to alternatives than advisors (23% vs. 6%),¹ given barriers to entry such as manager access, perceived costs, liquidity considerations, and high investment minimums. Such hurdles reflect long-standing transactional frictions that have likely hindered investor implementation in the past.
- Based on surveys conducted on behalf of Fidelity, we have compiled insights into the portfolio allocations of institutions and financial advisors to better understand how they are using alternative investments within their multi-asset portfolios.
- We also employed quantitative techniques to learn more about the return assumptions implied by these allocations, and what those holdings might suggest about possible under- or over-allocations when compared to the investment expectations of the broader institutional investment universe.²
- Lower allocations and lower corresponding implied real returns for private assets (by the broader market relative to institutions) suggest investments could flow from developed equity and bond markets into private markets, as investors gain a better understanding of perceived and real hurdles.
- Relative to stated return expectations, institutions across the board demonstrated under-allocation to private credit, but over-allocation to real estate and commodity strategies. Years of low interest rates may have influenced return expectations for private credit relative to private equity, and tilted allocations in the direction of private equity; the focus on real assets is likely due to inflation concerns.
- The reduction of legacy transactional frictions and emergence of new vehicles and platform technology could help encourage optimal allocations along the efficient frontier and thereby help improve overall client outcomes.

Introduction

Alternative investments can be generally defined as investments that are distinct from traditional portfolio holdings, such as stocks, bonds, and cash. A broad and diverse range of asset types and investment strategies falls within the “alternatives” classification, including hedge fund strategies, private equity, private credit, and real assets.

Given the heterogeneous nature of investment types that fall under the “alternatives” moniker, how investors define them can vary. Investor perceptions of liquid versus illiquid alternatives may also differ based on their specific liquidity needs. For example, some institutions may view hedge fund strategies as liquid and tend to invest in them through limited partnerships (LPs) or other legal structures, which sometimes have long notice periods and lockups. But advisors view hedge fund strategies as illiquid and tend to invest in them via liquid vehicles such as mutual funds that are priced daily and trade on an exchange.

Investors have generally allocated to alternatives when seeking to enhance returns, manage risk, or improve diversification. They may also look to alternatives as potential sources of income or inflation hedging,

and allocations may vary based on their investment objective, time horizon, liquidity constraints, and other factors. Many of our clients—both institutions and financial advisors—are looking for guidance about incorporating alternatives into a portfolio given the complexities of these strategies, including challenges with manager selection, costs, transparency, and liquidity considerations. More investors may also be considering new or increasing allocations to alternatives given the current market environment with the potential for more muted returns in traditional asset classes. The potential for increased market volatility, which can present opportunities for certain types of alternative strategies, may also be a factor.

Based on Fidelity and industry surveys, we have compiled insights into the portfolio allocations of institutions and financial advisors to better understand how they are using alternative investments within their multi-asset portfolios. Exhibit 1 outlines overall investments to alternatives and allocations by segment, including private assets and hedge fund strategies, relative to a total market portfolio that seeks to estimate the holdings of all investors (based on the total assets in each category) to demonstrate the broader investment backdrop for alternative investing.

EXHIBIT 1: A broad view of investing in alternatives today.

Institutions	Advisors	Total Market
<p>86% invest in alternatives, with most exposure in private assets</p> <p>23% average allocation size</p> <p>Public/private pensions, insurers, family offices, and endowments and foundations</p>	<p>26% invest in private assets, while a higher percentage gain exposure through liquid mutual funds and ETFs</p> <p>6% average allocation size (both liquid and illiquid strategies)</p> <p>Representing varied assets under management and client types</p>	<p>9% average allocation size</p> <p>Global institutions, advisors, and retail investors</p>

Sources: 2022 Fidelity Institutional Investor Innovation Study, May 2022 (institutions); October/November 2021 Fidelity Advisor Insights Survey; and The Cerulli Report—U.S. Alternative Investments 2022: Delivering Alternative Capabilities to Retail Investors (advisors). Market based on total assets and related metrics compiled in global indices, November 2022. Note: The summary above features data from several 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. See Appendix for full details.

Our research sought to provide a comprehensive picture of alternative allocations across asset classes, investor segments, and vehicles, despite widespread implementation differences and data complexities. Exhibit 2 outlines an overview of asset class allocations by investor segment, showing investor weights in public equities, public fixed income, alternatives overall, and cash. Of note, in this research we did not include digital assets—which we view as a type of alternative—given their shorter track record. We also considered the Family Office segment separately given their unique

objectives based on individual family needs; see the sidebar on page 4 for more.

Exhibit 3 outlines some high-level takeaways on alternative investing by strategy type: hedge fund strategies, private equity, private credit, and real assets including real estate, commodities, and infrastructure. The strategy landscape is a challenging snapshot given widespread differences in how investors today are accessing alternatives—illustrating emerging trends, challenges, and opportunities for institutions and advisors that we will explore in the following sections.

EXHIBIT 2: Asset class weights by investor type across the major investment categories—public equities, public fixed income, alternatives, and cash.

	Market	Advisors	All Institutions	Pensions	Insurers	Endowments & Foundations
Public Equities	38%	62%	43%	45%	28%	45%
Public Fixed Income	51%	27%	31%	29%	51%	20%
Alternatives	9%	6%	23%	23%	17%	32%
Cash	2%	5%	2%	2%	3%	3%

Source: 2022 Fidelity Institutional Investor Innovation Study; Cerulli 2022 Intermediary Distribution Report, October 2022. Market capitalization weights are based on total assets; see Appendix for full details.

EXHIBIT 3: Alternative investing by strategy (based on allocations relative to market capitalization weights).

	Hedge Fund Strategies	Private Equity	Private Credit	Real Assets
	Equity hedge Relative value Event driven Macro	Buyouts Venture capital Growth equity Secondaries	Direct lending Distressed debt Collateralized loan obligations Mezzanine debt Opportunistic credit	Real estate Commodities Infrastructure
Institutions	Endowments and foundations have higher allocations than the market weight; generally view them as liquid	Allocations higher than the market weight; endowments and foundations have highest weights	Allocations generally lower than the market weight	Allocations generally higher than the market weight
	Vehicles include single manager LPs or multi manager LPs (fund of funds)	Single manager LPs, multi manager LPs (fund of funds), co-investments, and direct investments		
Advisors	Generally achieve exposure through mutual funds or ETFs as traditional hedge funds may not be as accessible	Lower overall utilization of private assets relative to institutions and the market		Generally invest in mutual funds and ETFs for exposure because private vehicles may not be as accessible
		Innovation of semi-liquid and lower minimum vehicles should enable higher usage		

Source: Fidelity Investments. This analysis does not include digital assets, which Fidelity views as a type of alternative investment, given their shorter track records.

How institutions are allocating to alternatives

Institutional investors have sought exposure to nontraditional asset categories for decades, and as expected, we found that they tend to allocate to alternatives to a greater degree than other types of investors. Exhibit 4 illustrates the differences in average institutional portfolio allocations relative to overall invested assets in the market. Allocations by all institutions and institution type (public and private pensions, insurers, and endowments and foundations) are based on responses to the 2022 Fidelity Institutional Investor Innovation Study.³

Varied portfolio objectives, investment horizons, and portfolio constraints play a significant role in strategic asset allocation decisions and therefore are likely important drivers of the varied allocations we observed. At the broadest level, based on our analysis, the total market portfolio is heavily weighted toward global fixed income, with significant allocations to U.S. equity and U.S. fixed income. Alternatives comprise only a small proportion, at approximately 9% of total invested assets, with most exposure to private equity (4%).

Institutional investors in general allocate 23% to alternatives, but by segment, E&Fs had the highest alternatives allocation (approximately 32% on average), followed by 23% for all pension funds.

Alternative Investing within Family Offices

Family offices typically reflect the unique investment objectives and goals of individual families, but they all generally seek to preserve family wealth for future generations and thus have long investment horizons. A 2021 Fidelity study of family offices found the average allocation to U.S. public equity, U.S. private equity, and private credit increased, while the average allocation to hedge fund strategies decreased. Nearly half of the respondents expect to increase new investments in illiquid assets, with private equity a priority. Three-quarters of family offices said they would be likely to dedicate any additional hires to illiquid investments.

Family Offices: Average Asset Allocation

U.S. equities (public)	31%
U.S. and international private equity	15%
International developed- and emerging-market equities (public)	11%
Direct real estate	10%
Fixed income (municipal)	6%
Hedge fund strategies	6%
Fixed income (taxable)	4%

Source: Past, Present, and Future: An Examination of Family Office Investment Programs. Overview of the 2021 Family Office Investment Study. May 2021. See Appendix for more details of the study.

EXHIBIT 4: Institutions tend to allocate to alternatives in a more meaningful way than other types of investors.

Estimated Total Market Portfolio and Average Institutional Portfolios—Asset Class Weights (%)

	Market	All Institutions	Pensions	Insurers	Endowments & Foundations
Public Equities	38%	43%	45%	28%	45%
Public Fixed Income	51%	31%	29%	51%	20%
Hedge Fund Strategies	2%	4%	4%	1%	9%
Private Equity	4%	7%	7%	3%	13%
Private Credit	1%	2%	2%	4%	1%
Real Estate	1%	5%	6%	4%	4%
Commodities	1%	2%	1%	1%	4%
Infrastructure	1%	3%	3%	4%	2%
Cash	2%	2%	2%	3%	3%

Source: Fidelity Investments. Market capitalization weights are based on total assets; alternative weights do not sum to 9% due to rounding. This analysis does not include digital assets, which Fidelity views as a type of alternative investment, given their shorter track records. See Appendix for full details.

Endowments and foundations represent a widely diverse cohort of tax-exempt educational and charitable organizations with varied assets under management, investment mandates, and annual spending needs. The smallest organizations may be single-grant, closed foundations with under \$50 million in assets, and limited or no exposure to alternatives. But the largest endowments may have billions in assets under management and have been innovators for decades investing in alternatives, with the largest weightings. These largest organizations often have absolute return mandates and set annual spending rate targets that can be offset by donations, making their liquidity needs even lower. Thus many of these organizations, in theory, have infinite time horizons given they are not saving for a specific goal, such as retirement, and instead plan to operate in perpetuity. As a result, the category overall tends to avoid lower-yielding fixed-income categories in favor of equities and illiquid alternatives, especially private equity (13%) and hedge fund strategies (9%).

Public-sector pension funds, many of which have been challenged by underfunding, often seek higher returns to meet their liabilities. As a result, public pensions tend to hold higher allocations to illiquid alternatives and equities. Many private-sector pensions, on the other hand, are focused on freezing or closing plans in favor of defined contribution plans, due to rising costs and poor funding levels, among other factors. From an asset allocation standpoint, private pensions tend to favor longer-term bonds to match their asset duration with their liabilities.

Insurers overall have a low allocation to alternatives (17%), likely due to a more conservative risk profile and more regulatory scrutiny of their capital ratios and use of leverage. Their portfolio investment objectives typically seek to balance expected returns on assets with their expected liabilities, so they have among the highest allocations to fixed income (51%), the lowest allocations to public equities (28%) and generally lower exposure to risk assets.

What could allocation sizing tell us about institutional investors' views of alternatives?

Understanding the varied investment objectives among institution types, some of which are highlighted here, we sought to better understand the return assumptions institutional investors may have about the asset classes they choose to own. As part of this work, we used quantitative techniques that leverage portfolio weightings, volatilities, and correlations from the following sources:

1. We developed total market weightings based on assets in global indices, as well as actual institutional allocations reported by respondents in the 2022 Fidelity Institutional Investor Innovation Study; and
2. We utilized forward-looking volatility and correlation assumptions for traditional and alternative asset classes from Horizon Actuarial Services LLC, representing aggregated views of 40 large institutions. With these inputs, we calculated implied real returns suggested by the asset class weightings—that is, what their allocations may tell us about their beliefs about alternatives versus traditional asset classes (Exhibit 5).

EXHIBIT 5: Implied real returns by asset category for the total market and average portfolios of institutions by type.

	Implied Real Return					Horizon CMA Survey, 10-Year Real, Arithmetic
	Market	All Institutions	Pensions	Insurers	Endowments & Foundations	
Public Equities	5.4%	6.9%	7.1%	5.2%	7.7%	5.3%
Public Fixed Income	1.3%	1.1%	1.2%	1.2%	1.3%	0.4%
Alternatives	3.9%	5.1%	5.3%	3.7%	5.9%	5.6%
Cash	0.0%	0.0%	0.0%	0.0%	0.0%	-1.0%

Sources: Fidelity Investments, Horizon Actuarial Services LLC, MSCI, Bloomberg Finance LP, ICE, BIS, Preqin, HFR. Methodology: Implied returns calculated with a covariance matrix and risk aversion parameter. The implied returns are calculated at more granular asset-class levels and aggregated based on allocation weights. See Appendix for more on the asset classes used and the full methodology.

At the highest level, we can see that institutions generally expect higher returns for alternatives relative to the broader market (5.1% vs. 3.9%), but those implied returns are still lower than Horizon's forward-looking return expectations for alternatives (5.6%). Institutions are also over-allocated to public equities and public fixed income relative to Horizon's forward-looking expectations. For example, their implied real return for public equities is 6.9%, compared with Horizon's forward-looking expectation of 5.3%; for public fixed income, 1.1% vs. 0.4% for Horizon. This dynamic suggests more capital may flow from public market segments into alternatives by institutions and other types of investors.

By institution type, E&Fs have higher implied returns for alternatives than other segments, the market, or Horizon, likely due to their longer time horizons and fewer liquidity restraints. Insurers have the lowest implied returns for alternatives, slightly lower than the broader market, possibly because they focus more on hedging liabilities than on seeking higher returns. It could also be due to more conservative return assumptions given regulatory or peer comparison concerns.

Looking deeper by strategy type, we found that institutions across the board have lower implied returns for private credit relative to Horizon's return

expectations (Exhibit 6). Implied real returns by institution type ranged from 2.5% to 3.6%, compared with Horizon's 5.1%. Insurers were an outlier with an implied return for private credit of 2.5% (in line with the broader market's 2.4%). Private credit has grown in the past decade to about \$1.2 trillion in assets,⁴ but years of low interest rates may have influenced return expectations for private credit relative to private equity, and tilted allocations in the direction of private equity. In addition, there may have been fewer opportunities within the asset class for established managers in the past, but the emergence of direct lending and private senior debt may encourage more usage.

We also noted generally higher implied returns to private real estate and commodities relative to the Horizon survey; the focus on real assets is likely due to inflation concerns.

Responses to the 2022 Fidelity Institutional Investor Innovation Study suggest more institutions plan to increase, rather than decrease, their allocations to alternatives in the next few years. When asked, "What direction of change do you expect with each allocation by 2025?" across the board more respondents said they expect to hold higher allocations to alternatives relative to those who expect their weightings in

EXHIBIT 6: Implied real returns by traditional and alternative sub-asset-classes, compared with Horizon's forward-looking expectations.

	Implied Real Return					Horizon CMA Survey, 10-Year Real, Arithmetic
	Market	All Institutions	Pensions	Insurers	Endowments & Foundations	
Public Equities	5.4%	6.9%	7.1%	5.2%	7.7%	5.3%
Public Fixed Income	1.3%	1.1%	1.2%	1.2%	1.3%	0.4%
Hedge Fund Strategies	2.0%	2.6%	2.7%	1.9%	2.9%	2.7%
Private Equity	5.8%	7.7%	7.9%	5.4%	9.0%	9.1%
Private Credit	2.4%	3.2%	3.3%	2.5%	3.6%	5.1%
Real Estate	3.6%	4.8%	5.0%	3.7%	5.2%	4.3%
Commodities	2.7%	3.4%	3.4%	2.7%	3.9%	2.8%
Infrastructure	4.1%	5.2%	5.3%	4.1%	5.7%	5.4%
Cash	0.0%	0.0%	0.0%	0.0%	0.0%	-1.0%

Sources: Fidelity Investments, Horizon Actuarial Services LLC, MSCI, Bloomberg Finance LP, ICE, BIS, Preqin, HFR. Methodology: Implied returns calculated with a covariance matrix and risk aversion parameter. The implied returns are calculated at more granular asset-class levels and aggregated based on allocation weights. The Horizon survey categories in some cases were slightly different; in those cases Fidelity selected the closest proxy. See Appendix for more on the asset classes used and the full methodology.

alternatives to be lower.⁵ For example, 41% expected their allocation to private equity to increase, versus 7% who expected their allocation to decrease.

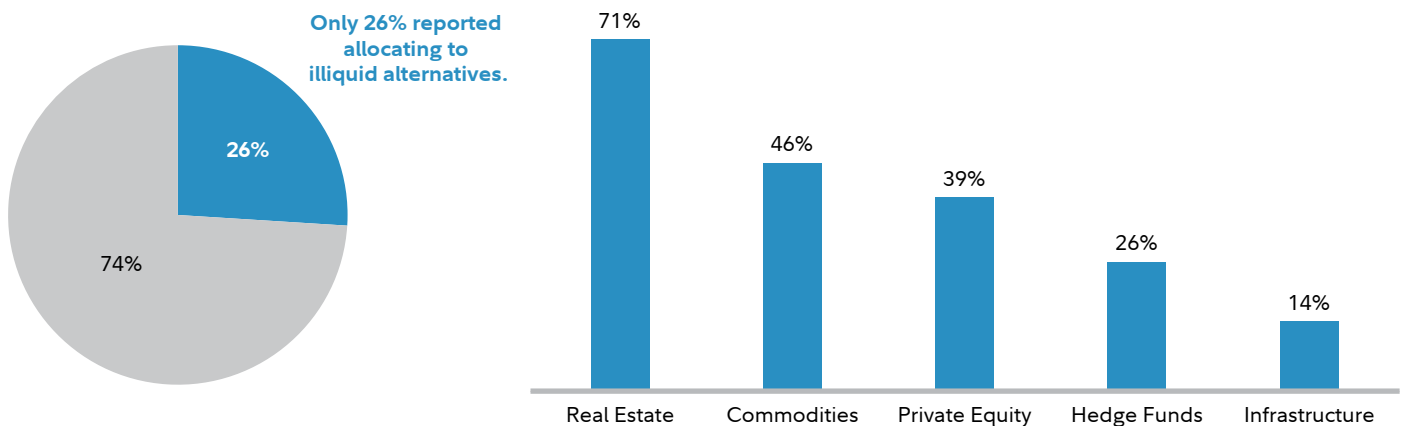
Allocations to alternatives by financial advisors

Alternative investing has been more pervasive in institutional portfolios, and the advisor marketplace presents a much different picture, with fragmented allocations. Due to the diversity among advisors by assets under management and client type, it is difficult to draw exact “apples to apples” comparisons by advisor type or relative to other types of investors. To create a more complete picture, we leveraged insights from the April 2021 Fidelity Advisor Alternative Investment Survey and the October/November 2021 Fidelity Advisor Insights Survey.⁶ For example, 26% of the respondents in Fidelity’s Advisor Insights Survey reported that they invested in illiquid alternatives on behalf of their clients, with a majority reporting investments in private real estate (71%), as well as investments in commodities, private equity, hedge fund strategies, and infrastructure (Exhibit 7). Based on qualitative feedback, we have observed the highest adoption rates among advisors managing more assets, who may have more resources and access to better facilitate investment in private markets.

Alternative investments were at one time largely accessible only to institutions, due to the higher investment minimums of private alternatives in particular. This could explain, at least in part, why financial advisors and individual investors tend to invest in alternatives to a lesser degree. However, another key reason advisors may not have embraced alternatives to the same extent as institutions is because of the diverse investment objectives and time horizons of the clients they serve. Unlike institutions that have extremely long investment horizons, investing for education or retirement is time-bound, which has likely led advisors to favor investing in public markets. Furthermore, alternatives tend to be more complex than traditional asset classes, and surveyed advisors cited the need for more education and a better understanding of these categories in order to invest.

Other frictions associated with investing in alternatives reported by advisors include the illiquidity of many strategies (53%), higher fees (32%), and historical performance relative to public markets (23%), the Fidelity survey found.⁷ Some advisors have noted that the performance was so strong in public markets that they have not needed to dedicate as much time to learning about these nontraditional asset categories. However, recent equity market declines and generally

EXHIBIT 7: A Fidelity survey found only one-quarter of respondents are investing in illiquid alternatives on behalf of their clients, with a majority (71%) reporting investments in private real estate.



Source: October/November 2021 Fidelity Advisor Insights Survey, an online blind survey fielded in October and November 2021, which included 2,759 advisors who are registered advisors. Illiquid alternatives are defined as investments held outside ETFs and mutual funds (e.g., direct investments in private equity, REITs, hedge funds, etc). This analysis does not include digital assets, which Fidelity views as a type of alternative investment, given their shorter track records.

less-constructive outlooks for public markets, as illustrated by Horizon's industry CMAs highlighted here, may prompt more advisors to consider alternatives as potential building blocks for their multi-asset portfolios.

Additionally, asset managers have accelerated their efforts to develop and offer new investment vehicle structures that enable broader access to private markets. These include liquid and semi-liquid structures such as non-traded real estate investment trusts (REITs), business development companies (BDCs), and interval funds. Assets in liquid alternatives totaled \$1 trillion as of December 2021, up from \$743 billion at the start of 2020, according to Cerulli.⁸ Assets in semi-liquid vehicles reached \$345 billion by the end of 2021, up from \$198 billion at the start of 2020. Advancements in technology that have enabled acceleration in the accessibility of illiquid alternatives may also lead to increased adoption by advisors.

As seen with institutional peers, advisors have indicated plans to increase their exposure to alternatives. Fidelity surveys showed that advisors who hold alternatives expressed plans to increase allocations to infrastructure (90%), private equity (80%), and liquid alternatives (76%).⁹

Investment implications

Based on Fidelity survey data, we observed institutional investors and financial advisors seeking exposure to alternatives to varying degrees. While both the institutions and advisors we surveyed expressed plans to increase exposure to at least some categories of alternatives, advisors have lagged in the scope and level of their allocations. While the investment objective, time horizon, and portfolio constraints are critical factors in determining asset allocation decisions, the proliferation of innovative investment structures may continue to remove some of the reported frictions associated with advisors and individuals investing in alternatives.

For more information about alternative investments,
please contact your Fidelity representative.

Appendix

Market Portfolio Methodology: Indexes and Proxies for Asset Class Weightings

We first identify major investable traditional and alternative asset classes. Traditional asset classes include public equities, public debt, commodities, and cash. Alternative asset classes include private equity, private credit, real assets (real estate, commodities, infrastructure), and hedging strategies.

We use representative investable index market capitalizations for public equities and public debt (except for International/Global Investment Grade Fixed Income, which is based on Bank for International Settlements (BIS) estimate), as outlined in the following table.

Asset Class	Index
U.S. Equity	MSCI USA
International/Global Equity	MSCI World ex U.S.
Emerging Markets Equity	MSCI Emerging Markets
U.S. Investment Grade Fixed Income	Barclays U.S. Agg
High Yield	ICE Global HY

For commodities, we use the notional value of outstanding contracts from BIS as its market capitalization. For cash, we used the outstanding U.S. Treasury-bill value from Securities Industry and Financial Markets Association (SIFMA) as its market capitalization. For alternative asset classes, we use their estimated global assets under management from Preqin. Assets for hedging strategies are from Hedge Fund Research (HFR).

Finally, we divided the asset class market capitalizations by the total market capitalization to arrive at the market portfolio weightings. This universe includes all types of investors—institutions, advisors, and retail investors.

Reverse Optimization Methodology

We use the Black-Litterman reverse optimization process to estimate assets expected returns based on allocation (for the market portfolio, estimated based on market cap, see methodology above; for institutions, based on Fidelity survey) and volatilities and correlations assumptions (from the Horizon survey). Black-Litterman reverse optimization assumes market participants collectively make a mean-variance optimal allocation decision given the expected returns and a covariance matrix of assets returns.

The implied returns (r) can be solved by multiplying the covariance matrix (Σ) with the market portfolio weights vector (w). A simpler version of an asset's implied expected return is that it's proportional to its market portfolio weight, and to its return variance if assets are uncorrelated to each other. Finally, the implied returns from the previous step need to be scaled by the risk aversion parameter (λ), putting together the formula, $r = \lambda \Sigma w$. We estimate the risk aversion parameter to be 4, based on a recent survey of institutional investors' allocation and required rate of return.

As with any quantitative analysis, the results may be sensitive to assumptions and it should also be noted that the implied returns should be interpreted as arithmetic average returns instead of compounded rates of return.

Full Table of Results

Below is a full table of our findings, including the weightings and implied real returns for the total market and by institutional segment, and Horizon's forward-looking real return assumptions.

	Market		All Institutions		Pensions		Insurers		Endowments & Foundations		Horizon CMA Survey, 10-Year Real, Arithmetic
	Weight	Implied Real Return	Weight	Implied Real Return	Weight	Implied Real Return	Weight	Implied Real Return	Weight	Implied Real Return	
U.S. Equity	23%	5.0%	24%	6.5%	26%	6.7%	13%	4.7%	26%	7.3%	4.7%
International/Global Equity	10%	5.6%	14%	7.0%	14%	7.2%	12%	5.3%	13%	7.8%	5.6%
Emerging Markets Equity	4%	6.6%	5%	8.4%	5%	8.6%	4%	6.3%	6%	9.4%	7.5%
U.S. Investment Grade Fixed Income	14%	0.8%	20%	0.8%	20%	0.8%	26%	0.8%	13%	0.7%	0.3%
International/Global Investment Grade Fixed Income	35%	1.4%	7%	1.1%	5%	1.1%	18%	1.2%	3%	1.0%	-0.4%
High Yield	1%	2.5%	3%	3.2%	3%	3.2%	6%	2.6%	3%	3.5%	2.0%
Emerging Market Debt	0%	2.5%	1%	2.9%	1%	3.0%	1%	2.5%	2%	3.1%	2.8%
Hedge Fund Strategies	2%	2.0%	4%	2.6%	4%	2.7%	1%	1.9%	9%	2.9%	2.7%
Private Equity	4%	5.8%	7%	7.7%	7%	7.9%	3%	5.4%	13%	9.0%	9.1%
Private Credit	1%	2.4%	2%	3.2%	2%	3.3%	4%	2.5%	1%	3.6%	5.1%
Real Estate	1%	3.6%	5%	4.8%	6%	5.0%	4%	3.7%	4%	5.2%	4.3%
Commodities	1%	2.7%	2%	3.4%	1%	3.4%	1%	2.7%	4%	3.9%	2.8%
Infrastructure	1%	4.1%	3%	5.2%	3%	5.3%	4%	4.1%	2%	5.7%	5.4%
Cash	2%	0.0%	2%	0.0%	2%	0.0%	3%	0.0%	3%	0.0%	-1.0%

Surveys Used in this Research

We used a variety of Fidelity and industry research to build the fullest picture of alternative investing by institutions and advisors. They include:

The 2022 Fidelity Institutional Investor Innovation Study. The study, conducted in May 2022, surveyed senior decision-makers at 500 institutions with \$10 trillion in assets under management. Respondents included 318 pensions, 88 insurers, 35 family offices, and 59 endowments and foundations.

Survey of Capital Market Assumptions, 2022 Edition, Horizon Actuarial Services LLC. Annual survey of 40 investment advisors featuring expected 10-year forecasts for volatilities, correlations, and real returns. Note, some of the categories did not always match exactly, so in those cases Fidelity selected the closest proxy; for example, we used Non-U.S. Equity—Developed for International/Global Equity; U.S. Equity—Large Cap for U.S. Equity; and U.S. Corporate Bonds—Core for U.S. IG Fixed Income. We also used expected real returns in our analysis.

April 2021 Fidelity Advisor Alternative Investment Survey. An online blind survey of 204 advisors who manage or advise at least \$30 million in assets.

October/November 2021 Fidelity Advisor Insights Survey. An online blind survey fielded in October and November 2021, which included 2,759 advisors who are registered advisors; direct takeaways and related data.

The Cerulli Report—U.S. Alternative Investments 2022: Delivering Alternative Capabilities to Retail Investors. An annual report focused on the U.S. retail and institutional alternative investment product landscape, including development and distribution trends.

Past, Present, and Future: An Examination of Family Office Investment Programs. Overview of the 2021 Family Office Investment Study. May 2021. The 2021 Fidelity Family Office Investment Study is based on data from 127 Fidelity family office clients as well as members of the Forge community who completed the online survey constructed by Fidelity Investments. Includes 105 single-family offices and 22 multi-family offices. The study was fielded from February through May 2021.

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Thought Leadership Vice President Martine Costello Duffy provided editorial direction for this article.



Endnotes

¹ Source: Fidelity Investments. See Exhibit 1 and Appendix on page 9 for more details.

² Survey of Capital Market Assumptions, 2022 Edition, Horizon Actuarial Services LLC. Annual survey of 40 investment advisors featuring their expected return assumptions.

³ Fidelity's 2022 Institutional Investor Study, conducted in May, surveyed senior decision-makers at 500 institutions with \$10 trillion in assets under management. Respondents included 318 pensions, 88 insurers, 35 family offices, and 59 endowments and foundations.

⁴ Prequin, as of 12/31/21.

⁵ 2022 Institutional Investor Innovation Study.

⁶ 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.

⁷ 2021 Fidelity Advisor Insights Survey; see footnote 5 for details.

⁸ Cerulli, U.S. Alternative Investments 2022, "Capitalizing on Markets in Turmoil."

⁹ April 2021 Fidelity Advisor Alternative Investment Survey. See footnote 5 for details.

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