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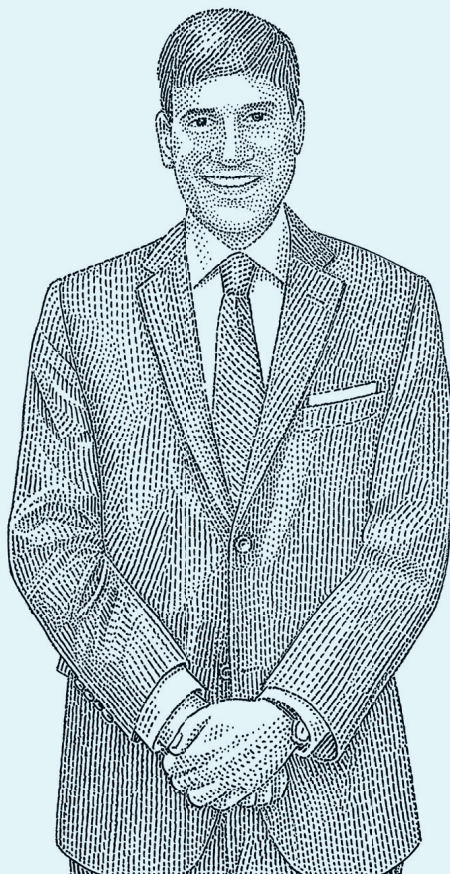
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Are alternative investments right for my portfolio?

BY STEVE CONDOS



THE APOLLO GROUP AT MORGAN STANLEY PRIVATE WEALTH MANAGEMENT

1290 Avenue of the Americas, 13th Floor, New York, NY 10104

212.492.6335

FEATURED ADVISOR

Steve Condos, CIMC®, Managing Director—Wealth Management, Private Wealth Advisor, Sports and Entertainment Director, International Client Advisor

COMPENSATION METHOD

Asset-based fees or transactional fees

PRIMARY CUSTODIAN FOR INVESTOR ASSETS

Morgan Stanley Smith Barney LLC

PROFESSIONAL SERVICES PROVIDED

Financial planning, investment management, risk management, family office services

ASSETS UNDER MANAGEMENT

Available on request

MINIMUM NET WORTH REQUIREMENT

\$10 million*

FINANCIAL SERVICES EXPERIENCE

27 years

LARGEST CLIENT NET WORTH

Confidential

MINIMUM FEE FOR INITIAL MEETING

None required

ASSOCIATION MEMBERSHIP

Investment Management
Consultants Association

EMAIL

steve.condos@morganstanleypwm.com

WEBSITE

www.morganstanleypwa.com/apollogroup

*Figures above are as of 3/1/2017

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here is a certain mystique that surrounds alternative investments, a term used to describe the broad range of vehicles available that are designed primarily to mitigate risk and manage volatility. They are often considered as investment tools for the ultra-wealthy—too exotic or volatile for the average investor.

However, a closer look at this increasingly popular asset class reveals a truth that may be surprising.

While many investors believe alternative investments to be a recent phenomenon, the first “hedge fund,” or limited partnership of investors constructed to take advantage of perceived market opportunities, was actually formed by Alfred Winslow Jones in 1949. In the decades since, a dizzying array of funds and vehicles have come and gone, and in their wake a rich history of alternative investing has been fostered.

Investors are often cautioned about the excessive risk posed by investing in alternatives. While these investments certainly have their own unique and sometimes considerable risks, the same can be said for many, if not all, traditional long-term-only investments, as well.

It is our belief that alternatives can be utilized to decrease overall risk if they

are implemented properly within a diversified portfolio. Their historically low-to-moderate correlation with traditional investments often allows investors to increase their return potential while actually reducing volatility.

So, while the unique methods alternatives employ, including leverage and short-selling, may appear risky as stand-alone strategies, it is important to remember that they introduce factors and exposures that may not be available through long-term-only investing.

This becomes especially evident during periods of market turmoil, when strategies that can

Qualified clients who meet certain eligibility requirements can invest with some of the most talented minds in the industry, with a relatively reasonable initial investment. What was once the playground of the elites has now been opened to investors of all sizes.

The question whether alternative investments are right for your portfolio cannot be answered with a simple yes or no. The unique risks involved must be weighed against their potential to offer superior risk-adjusted returns, and they must be considered within the context of a well-diversified portfolio.

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Alternatives can be utilized to decrease overall risk.

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mitigate, or even capitalize on, volatility, act as an anchor, even as traditional long-term-only investments are falling precipitously in value.

Of course, access to alternative investments often comes with a cost, namely illiquidity. Many investors shy away from alternative investments because they are perceived to be too illiquid, with “lock-ups” that may extend for many years. However, there are some strategies that require far less of a commitment.

Furthermore, the funds with longer lock-up periods often compensate investors with improved returns. This “illiquidity premium” is illustrated smartly in the case of private equity, which offers long-term returns attractive relative to the public equity markets.

We believe that the most common misconception regarding alternative investments is that they are suitable only for the wealthiest of investors. Traditionally, high minimums and net worth requirements have reinforced this belief, but in recent years alternative investments have become far more accessible.

So, while alternatives may not be all that mysterious, they still need to be carefully vetted, ideally with the help of an investment professional, before becoming an integral part of your portfolio. ●

Alternative investments often are speculative and include a high degree of risk. Investors could lose all or a substantial amount of their investment. Alternative investments are suitable only for eligible, long-term investors who are willing to forgo liquidity and put capital at risk for an indefinite period of time. They may be highly illiquid and can engage in leverage and other speculative practices that may increase the volatility and risk of loss. Alternative Investments typically have higher fees than traditional investments. Investors should carefully review and consider potential risks before investing. Certain of these risks may include but are not limited to: loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices; lack of liquidity in that there may be no secondary market for a fund; volatility of returns; restrictions on transferring interests in a fund; potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized; absence of information regarding valuations and pricing; complex tax structures and delays in tax reporting; less regulation and higher fees than mutual funds; and risks associated with the operations, personnel, and processes of the manager.

Steve Condos is a Private Wealth Advisor with the Wealth Management division of Morgan Stanley in New York, NY. The views expressed herein are those of the author and may not necessarily reflect the views of Morgan Stanley Smith Barney LLC, Member SIPC (www.sipc.org). Morgan Stanley Private Wealth Advisors engaged Worth to feature this profile. Steve Condos may only transact business in states where he is registered or excluded or exempted from registration (www.morganstanleypwa.com/apollogroup). Transacting business, follow-up and individualized responses involving either effecting or attempting to effect transactions in securities, or the rendering of personalized investment advice for compensation, will not be made to persons in states where Steve Condos is not registered or excluded or exempt from registration. The strategies and/or investments referenced may not be suitable for all investors.

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ABOUT US

STEVE CONDOS IS A MANAGING DIRECTOR, PRIVATE WEALTH ADVISOR AND SPORTS AND ENTERTAINMENT DIRECTOR AT MORGAN STANLEY PRIVATE WEALTH MANAGEMENT (PWM) AND GLOBAL SPORTS AND ENTERTAINMENT (GSE)

DIVISION. As head of The Apollo Group at Morgan Stanley, Steve leads a team that is nationally recognized and deeply experienced team focuses exclusively on the complex wealth-management needs of highly affluent families and individuals, top professional athletes, renowned entertainers and prominent executives and family offices. The team’s focus is providing clients an exceptional wealth-management experience through comprehensive strategic and tactical investment and financial planning. Team members offer an unwavering commitment to objectivity, a dedication to transparency and high-touch personal service. ●



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*Managing Director—Wealth Management, Private Wealth Advisor, Sports and Entertainment Director,
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