

# The Role of Alternative Assets in Portfolio Construction

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## **Abstract**

This article discusses the role of non-traditional assets in constructing a portfolio for long-term investors. Alternative investments can provide novel patterns of returns and increase diversification benefits. In turn, investors can apply leverage in conjunction with wide diversification to improve their risk-adjusted performance. The concepts are illustrated via popular categories of alternative investments. We focus on long-term investors who are able to rebalance their portfolios on a regular basis. Careful risk management is critical in this domain.