Portfolio Insights

Every angle.
One point of view.

Alternatives
2025 Outlook

J.P.Morgan
ASSET MANAGEMENT

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The investment landscape entering 2025 faces seismic shifts in global governance. Major policy shifts are poised to reshape global markets, as approximately half the world's population participated in elections in 2024. The resulting changes in fiscal, trade and monetary policies could fundamentally alter how capital flows across borders and how investors build portfolios.

Amid these changes, we see three broad themes emerging that could reshape the alternatives landscape:

- **Pro-growth policies and return enhancement**
- **Trade tensions and inflation**
- **Divergent monetary policy**

These policy shifts come at a time when traditional portfolios face significant headwinds. High valuations in public markets, combined with positive stock-bond correlations and persistent rate volatility, have made the case for alternatives increasingly compelling. Each segment of the alternatives market offers distinct advantages in this environment: Private equity offers potential for enhanced returns as policy changes create new opportunities. Real assets provide natural inflation protection as trade dynamics evolve. And hedge fund strategies can capture value from market dislocations as monetary policies diverge.

J.P. Morgan's broad perspective and global reach across the alternatives landscape enables us to examine opportunities from every angle, synthesizing diverse perspectives into one cohesive point of view. To help investors position their portfolios for 2025's dynamic environment, we've asked experienced investment leaders from across J.P. Morgan's $325 billion[1] Global Alternatives platform, in partnership with our global market strategists, to share their perspectives. Their insights into the trends, risks and opportunities influencing private equity, private credit, real estate, transportation, infrastructure, and hedge fund strategies are in the sections that follow.

We welcome the opportunity to discuss any of the ideas presented here in greater detail, or to connect you with our contributors for additional insights into specific strategies.

On behalf of J.P. Morgan Asset Management, thank you for your continued trust and confidence.

Jed Laskowitz
Head of Global Private Markets & Customized Solutions

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[1] Source: As of September 30, 2024. J.P. Morgan Asset Management.

Global policy shifts create opportunities in alternatives

J.P. Morgan Asset Management

The strategic importance of alternative investments is clearer than ever. With public equity markets richly valued and highly concentrated, interest rates volatile and stock-bond correlations positive, alternatives are essential for providing alpha, income, inflation protection, and diversification.

The current landscape is also marked by political crosscurrents, with a new U.S. administration and political uncertainty rippling across the globe. The resulting policy changes could underscore U.S. exceptionalism in global growth, boost global inflation and spark divergent monetary policy. In this dynamic environment, we explore three key themes that could shape portfolio strategies for alternative assets:

1. **Pro-growth policies and return-enhancing opportunities:** Proposed U.S. tax reform and deregulation, coupled with AI-driven productivity advancements, are expected to boost growth and confidence over the next few years. This stronger backdrop may reinvigorate IPOs, M&A and lending activity, creating supportive conditions for private equity and private credit. The favorable U.S. macro environment may also lift real estate, where a generational investment opportunity is emerging as valuations reach an inflection point.

2. **Tariffs, trade tensions and inflationary impacts:** Renewed trade tensions, higher tariffs and greater economic nationalism could prompt more stubborn global inflation. Allocations to infrastructure, real estate or transport can offer inflation protection. Transport assets may uniquely benefit from the reordering of global trade.

3. **High-for-longer interest rates:** Solid growth and stubborn inflation could result in higher policy rates and less easing than previously anticipated in some developed markets. For alternatives, rates play a crucial role in the cost of capital and the fundraising climate. Investors ought to be mindful of financing costs, valuations and the creditworthiness of borrowers.

In the following sections we discuss how the impact of these themes will vary across alternative asset classes, with vintage years and manager approaches further influencing the investment outcomes of strategic allocations.

Key Opportunities:
For investors seeking to capture near-term opportunities over the next 12 to 24 months arising from the shifting policy environment and the fundamental backdrop, our Alternatives Investment Strategies & Solutions (AISS) team highlights several liquid, core alternative options, including **real estate**, **global transport** and **private equity secondaries**.

Pro-growth policies and return-enhancing opportunities

Fiscal policy deployed around the world may help sustain economic growth, but proposed policies in the U.S. may extend the impressive run of U.S. exceptionalism.

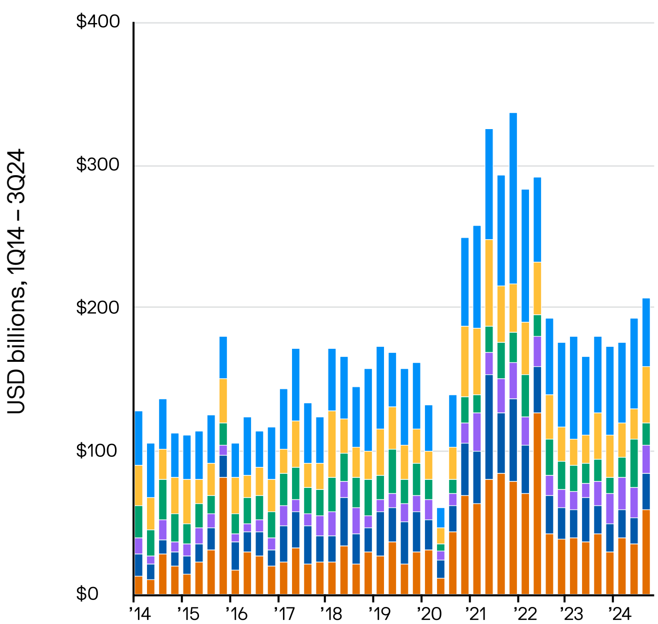
The Trump administration will attempt to enact meaningful tax reform, which could include a full extension of the 2017 Tax Cuts and Jobs Act, a further corporate tax cut from 21% to 15% on domestic production, and exempting tips, overtime and Social Security from taxation. While the full suite of proposals is unlikely to be passed, significant tax legislation could boost real GDP growth to 2.8% by the end of 2026[2]. In addition, the new U.S. administration has also proposed an aggressive deregulatory agenda, which could have some positive productivity impact.

[2] Source: J.P. Morgan Asset Management, "Year-Ahead Investment Outlook: Out of the Cyclical Storm and into the Policy Fog."

A more robust U.S. growth environment supported by tax reform and deregulation could enhance corporate profitability and boost corporate balance sheets, reviving deals, exits and lending. This sets the stage for a resurgence in **private equity** dealmaking, which has been slow since 2022 (**Exhibit 1a**). Improved earnings and revenue growth for target companies could make them more attractive acquisition targets, potentially increasing deal flow. Greater clarity and confidence could spur M&A and IPO activity, providing more lucrative exit opportunities and more secondary opportunities as investors seek liquidity (**Exhibit 1b**).

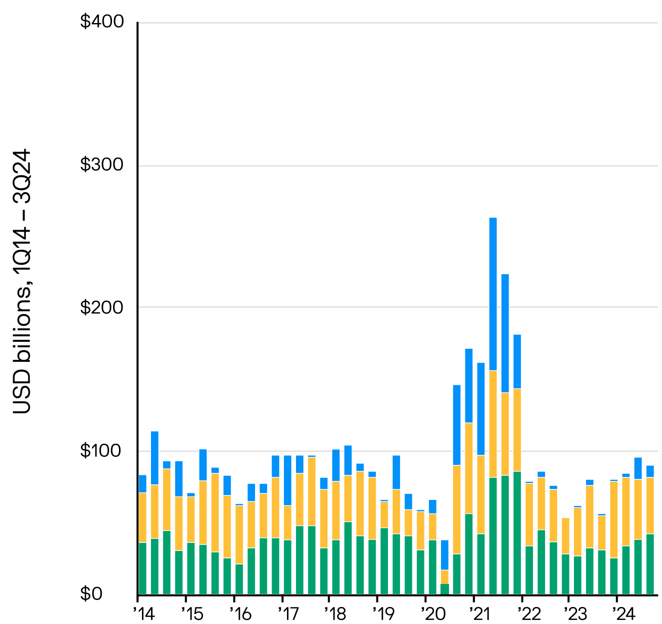
Pro-growth policies could spur dealmaking and exits

Exhibit 1a:
U.S. private equity investments by sector



	Avg. '14 – '23	2024*
Business to business	28.7%	29.4%
Business to consumer	16.8%	14.8%
Natural resources	11.7%	10.4%
Financial services	7.8%	11.4%
Healthcare	13.7%	11.1%
Technology	21.2%	23.0%

Exhibit 1b:
U.S. private equity exits by type



	Avg. '14 – '23	2024*
Public listing	28.7%	9.1%
Corporate acquisition	16.8%	49.1%
Secondary buyout	11.7%	41.8%

Source: PitchBook, J.P. Morgan Asset Management. (LHS) Natural resources = Materials & resources and energy. *Data for the year 2024 is through 3Q24. Data are based on availability as of November 30, 2024.

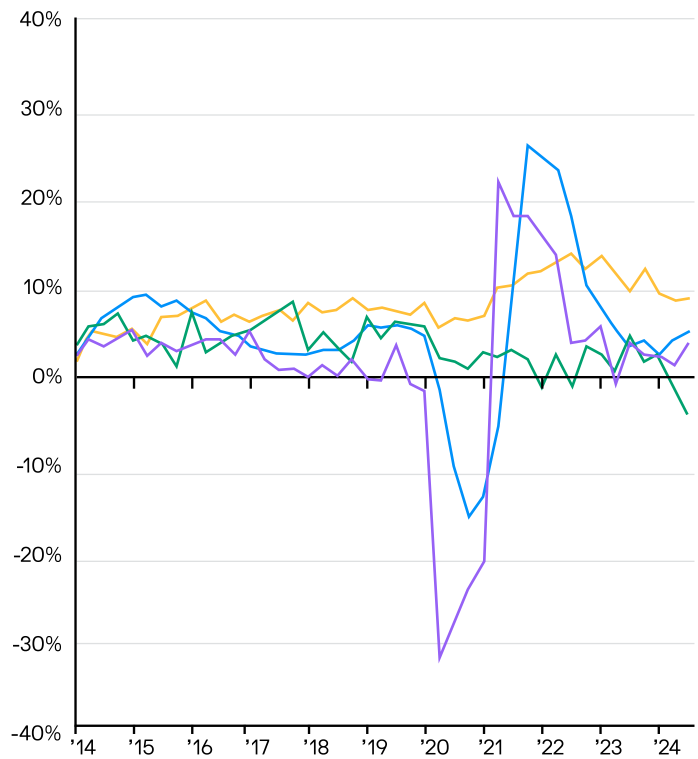
Stronger balance sheets and an uptick in economic activity could fuel more corporate direct lending, the largest strategy within **private credit**. In addition, an aggressive deregulatory agenda should also support public and **private lending**. Post-financial crisis regulation has made lending and due diligence expensive for banks, driving lending activity into **private credit** over recent years. Banks competed successfully in 2024 for refinancings and could regain some market share if the regulatory burden is reduced. However, private credit is unlikely to be deterred, especially as greater scrutiny of the private credit industry could be further postponed in a deregulatory environment.

In **U.S. real estate**, a pro-growth environment could bolster net operating income growth **(Exhibit 2)**. Solid profitability could encourage executives to plan for growth and sign longer-term leases, a welcome tailwind for the beleaguered office sector. The extension of the 2017 TCJA tax cuts for individuals should help consumer spending, which would help real estate performance across most sectors. If the state and local tax (SALT) cap is lifted as part of a broader tax reform package, outmigration of residents from higher tax, high cost-of-living coastal markets could ease.

Key Opportunities:
Pro-growth policies may not be universal across the world, but **private equity**, **private credit** and parts of **real estate** are poised to benefit from U.S. tax reform, deregulation and the associated boosts to economic growth. **Infrastructure** may also benefit from public and private spending around the world.

Economic growth should support real estate net operating income growth

Exhibit 2:
Net operating income growth by property type, year-on-year, 1Q14-3Q24



Annualised returns	1yr	3yr	5yr	10yr
Apartment	5.2%	8.8%	5.0%	5.0%
Industrial	9.1%	11.1%	10.1%	8.7%
Office	-4.5%	-0.3%	0.8%	2.9%
Retail	7.8%	3.9%	-1.1%	0.7%

Source: NCREIF, J.P. Morgan Asset Management. Annualized returns are calculated to 3Q24. Data are based on availability as of November 30, 2024.

Tariffs, trade tensions and inflationary impacts

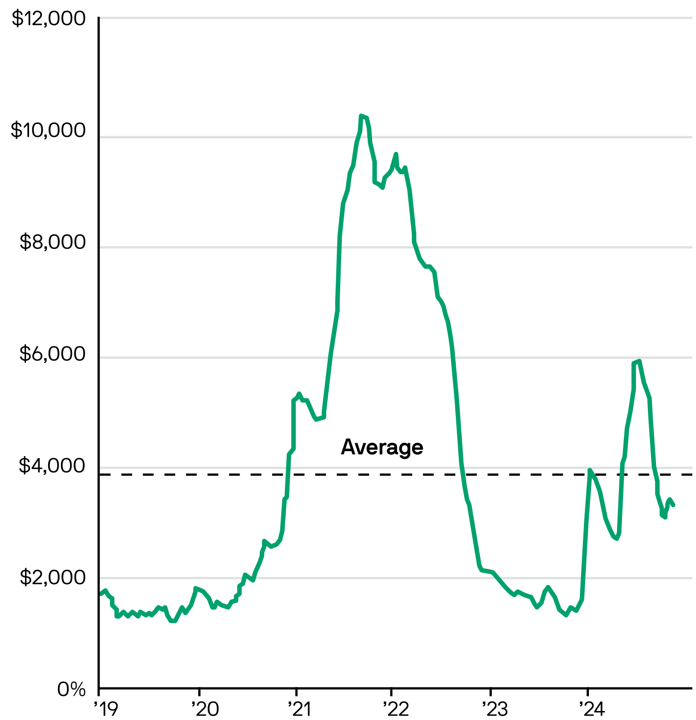
Trade tensions during the first Trump administration, along with supply chain issues during the pandemic, reversed the decades-long trend toward greater globalization. A second Trump administration could result in greater protectionism and new trade dynamics across the globe.

The incoming U.S. administration has proposed many new tariffs, notably 60% tariffs on Chinese goods and a 10% universal tariff on all imported goods. If even half of these are achieved, the average price of imported goods, which account for 17% of U.S. consumer spending, could rise. Headline personal consumption expenditure (PCE) inflation, currently at 2.4%, could rise to 2.7% year over year (YoY) by 4Q 2025 in a one-time boost from tariffs and then drift down to 2.1% YoY by the end of 2026. These inflationary impacts would not be restricted to the U.S., but would likely reverberate across numerous countries, due to higher costs for consumers and producers and renewed supply chain disruptions.

Many alternatives, however, may not only survive but thrive in this environment, benefiting from tariff-related disruptions or providing inflation protection to investors. The prospect of higher future prices and supply chain disruptions could result in inventory stockpiling in the near-term, benefiting **industrial real estate and transportation**. Companies focused on building resilient supply chains are likely to place greater emphasis on last-mile delivery, logistics and domestic warehousing in order to be positioned closer to end consumers, to store goods for longer periods and to ensure that products can reach consumers even in the face of global uncertainties. As supply chains reconfigure in response to tariffs, **transport assets** may also benefit from more complex trade routes, higher shipping rates, and increased demand for domestic rail and trucking services (**Exhibit 3**).

Global transport may benefit from changes or disruption to trade routes

Exhibit 3:
Global shipping costs (USD per 40-foot container, weekly)



Source: Bloomberg, J.P. Morgan Asset Management. Data are based on availability as of November 30, 2024.

Should trade tensions and tariffs prove to be inflationary, real assets can also provide critical inflation protection. Although new-build **infrastructure** could suffer higher costs, operating regulated utilities have the contractual ability to raise end-user prices in response to input cost increases (**Exhibit 4a**). Similarly, in **real estate**, operating costs are typically passed through to renters via rent increases (**Exhibit 4b**). In addition, the same economic growth that pushes up interest rates also increases property revenue, offsetting the negative effects. Lastly, **transport** lease rates and asset values have historically followed higher rates and inflation.

Trade tensions could create risks to corporate profits and offset some of the deregulatory and tax reform benefits. Within private equity, larger portfolio companies with significant international exposure may be confronted with greater uncertainty regarding supply chains but could more deftly absorb higher costs that may be difficult to pass onto consumers at this point. Smaller companies, while insulated from the direct impacts of a rising U.S. dollar and supply chain woes, may be less equipped to navigate any increase in inflation against the backdrop of already elevated costs. In both cases, this creates profit and valuation headwinds for private equity portfolio companies.

Key Opportunities:
Investors seeking to capitalize on trade shifts can consider **transport** assets. To protect against potential inflation shocks, **infrastructure**, **real estate** and **transport** are particularly well positioned.

Utilities and real estate can provide protection against inflation by passing on costs

Exhibit 4a:
Gas and electric utilities, allowed returns vs. inflation (average allowed return on equity 1970-2023)

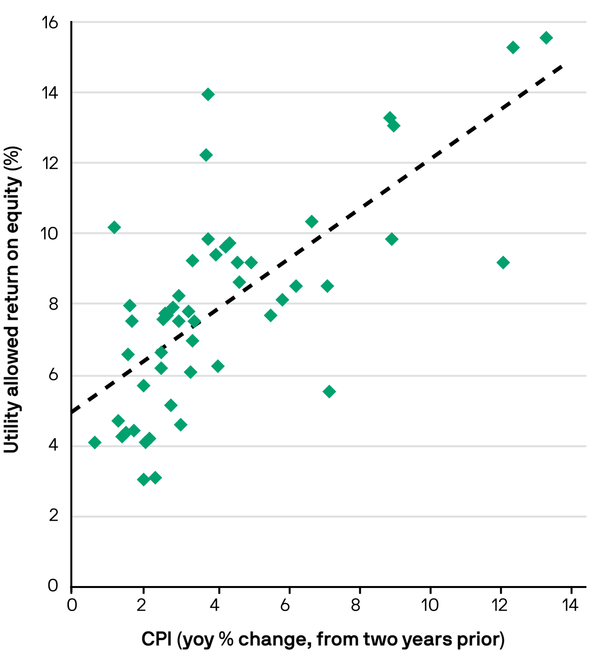
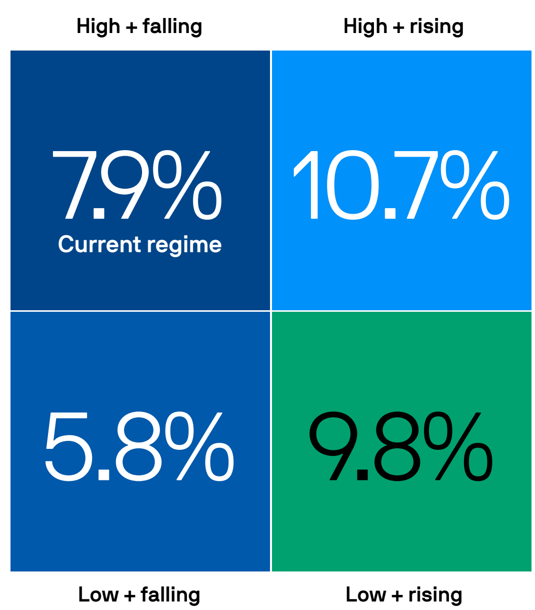


Exhibit 4b:
Private real estate returns in different inflationary regimes (4Q78-4Q24, headline CPI, NCREIF ODCE)



Source: Bloomberg, Bureau of Economic Analysis, Bureau of Labor Statistics, NCREIF, SNL, AEU, J.P. Morgan Asset Management. (Left) Data represent average allowed return on equities (RoEs) for Electricity and Natural Gas Utilities and annual inflation from December 1970 through December 2023. *Return on equity is lagged by 2 years. (Right) NFI-ODCE is short for NCREIF Fund Index - Open End Diversified Core Equity Fund Index. It is a capitalization-weighted, gross of fee, time-weighted return index. Real estate performance is measured using total returns. "High" inflation is defined as any year-over-year headline CPI reading above the historical median, while "low" inflation is defined as any year-over-year headline CPI reading below the historical median. The median y/y headline CPI for period between 4Q78–4Q24 is 2.84%. Data are based on availability as of November 30, 2024.

Divergent monetary policy and high-for-longer interest rates

After a period of global synchronized rate cuts followed by synchronized rate hikes, 2025 could be a year of divergent monetary policy.

The Federal Reserve is expected to conclude its rate-cutting cycle earlier than anticipated due to healthy growth and sticky inflation, while a stagflationary environment in the UK could keep rates higher. Weaker growth in Europe may compel the European Central Bank (ECB) to continue easing, possibly more swiftly and substantially than the market currently anticipates. In addition, U.S. tariffs could create uncertainty and growth challenges, further pressuring the ECB and select Asia-Pacific central banks to provide policy support. China and Japan are outliers on opposite ends of the spectrum; the ailing Chinese domestic economy will likely get further monetary support while Bank of Japan has embarked on a multi-year rate-hiking cycle.

Although there is a very wide spectrum of potential policy outcomes, higher terminal rates appear likely in many regions, with Europe and China being notable exceptions. High interest rates translate to more expensive leverage, a critical component of many **private equity** deals. This should favor private equity operators that focus on operational improvements and organic growth rather than relying on financial engineering. In particular, **growth equity strategies** and **venture capital** rely less on debt financing, allowing these funds to be more active in a high-rate environment and capitalize on structural trends like health care innovation and cybersecurity. Still, at the portfolio company level, high interest costs can weigh on cash flow and valuations. Valuations on investments made at the nadir of interest rates post-pandemic may capitulate to a high-for-longer environment.

Headwinds may arise from higher financing costs and put pressure on lower-quality borrowers in **private credit** and **real estate (Exhibits 5a & 5b)**. A risk for private credit is lower quality loans that could buckle under prolonged high interest rates. Most private credit loans are floating rate, so while investors may enjoy generous yields, borrowers must be able to make those interest payments. Defaults are expected to be muted, but should pockets of stress form, it could create opportunities for distressed credit strategies that can act as the lender of last resort for companies in need.

Higher financing costs could put pressure on lower-quality borrowers in private credit

Exhibit 5a:
U.S. leveraged loans interest coverage (weighted average, EBITDA/Interest expense, 3Q19-3Q24)

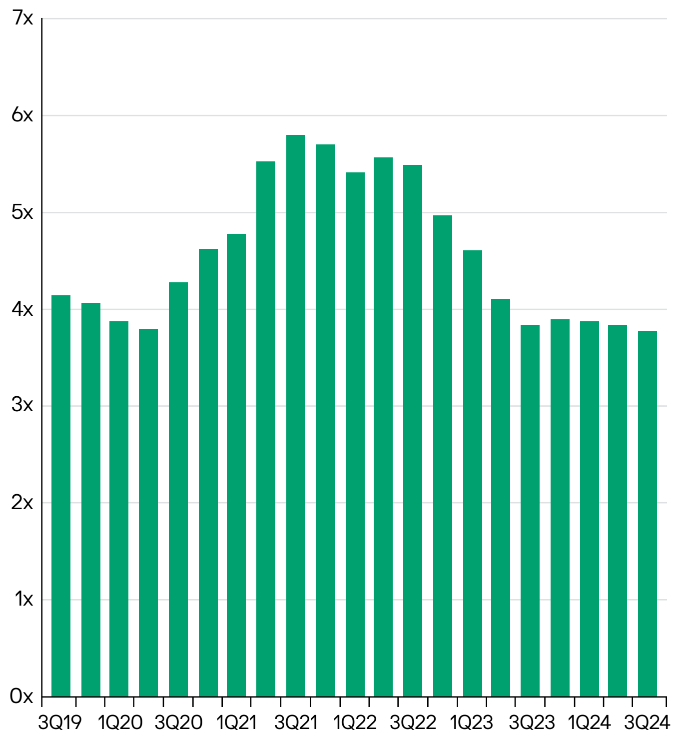
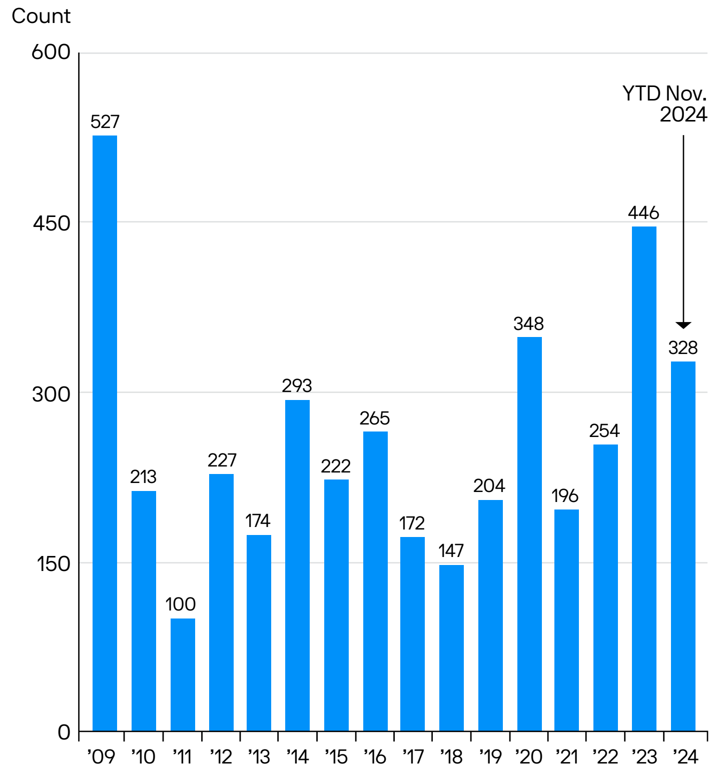


Exhibit 5b:
U.S. leveraged loans amendments and extensions by year



Source: LCD, PitchBook, J.P. Morgan Asset Management.
*Averages are weighted by outstanding loan amount. Data are based on availability as of November 30, 2024.

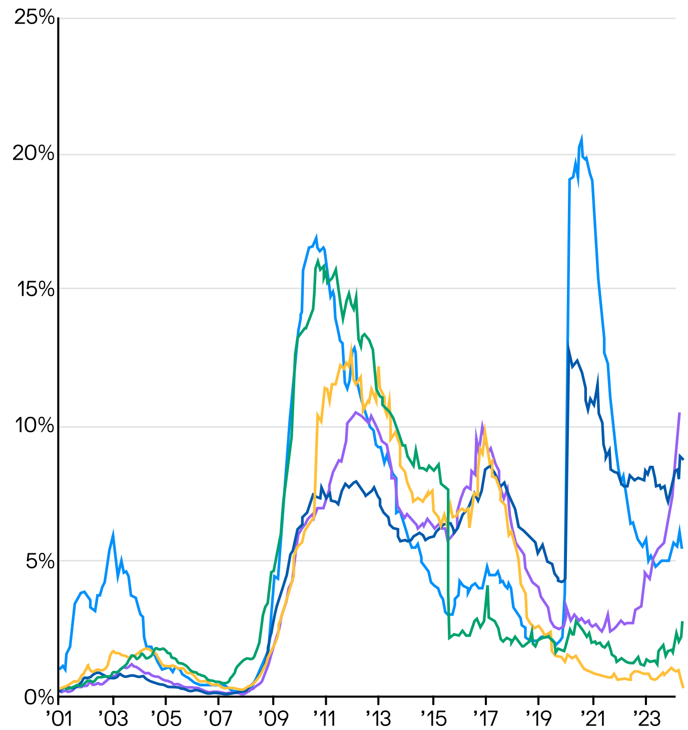
In **commercial real estate**, amend and extend activity has been employed to bridge outstanding loans to a lower-rate environment that may not arrive. Higher-than-expected rates could rekindle fears over office real estate, where delinquencies have already been elevated (**Exhibit 6**), or other loans originated at peak of market pricing in late 2021 through early 2022. More broadly, higher base rates influence capitalization rates that are used to value commercial real estate and acquisition financing costs, which could lead to lower transaction volumes and slow the recovery in property values.

Residential real estate, however, has more favorable fundamental dynamics, even in an environment of potentially higher rates. Housing supply remains constrained, bolstering valuations. In the rental market, elevated mortgage rates continue to divert would-be homebuyers into rentals, sustaining demand for existing multifamily and single-family rental assets.

Hedge funds are well positioned to navigate fiscal and monetary policy shifts, and volatility fomented in this environment may benefit select hedge fund strategies. These changes are likely to create diverse impacts across companies and sectors, offering fertile ground for hedge funds employing long/short strategies to exploit market inefficiencies. Varying interest rate regimes across the globe combined with trade uncertainty also increases the potential for higher currency and rate volatility and may provide macro hedge funds with opportunities for alpha generation (**Exhibits 7a & 7b**).

Delinquencies remain elevated in the office sector

Exhibit 6:
Commercial mortgage delinquencies by property type, monthly



Property type	Avg. '01 –'23	2024*
Hotel	5.9%	5.4%
Industrial	3.9%	0.3%
Multifamily	4.4%	2.8%
Office	3.9%	10.4%
Retail	4.8%	8.7%

Source: Moody's, J.P. Morgan Asset Management. Data are based on availability as of November 30, 2024.

Currency and interest rate volatility may provide macro hedge funds with opportunities for alpha generation

Exhibit 7a:
Equity, interest rate and foreign exchange volatility (z-score, four-week moving average)

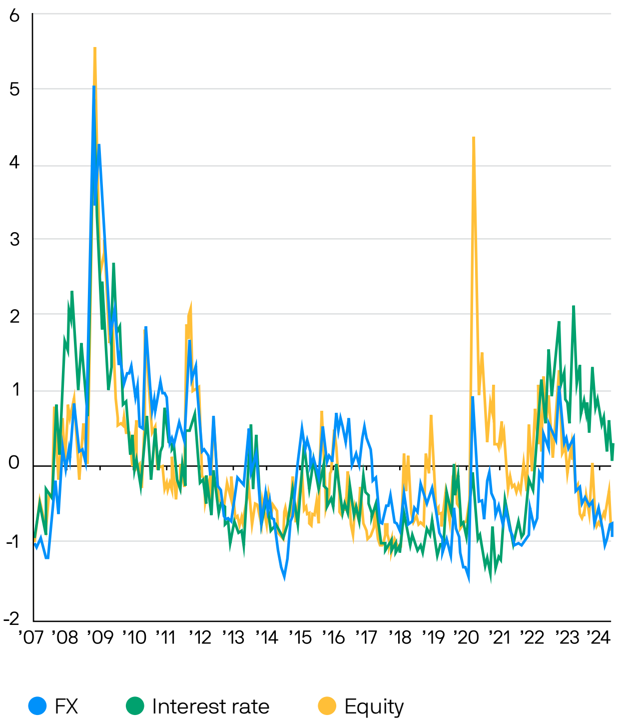
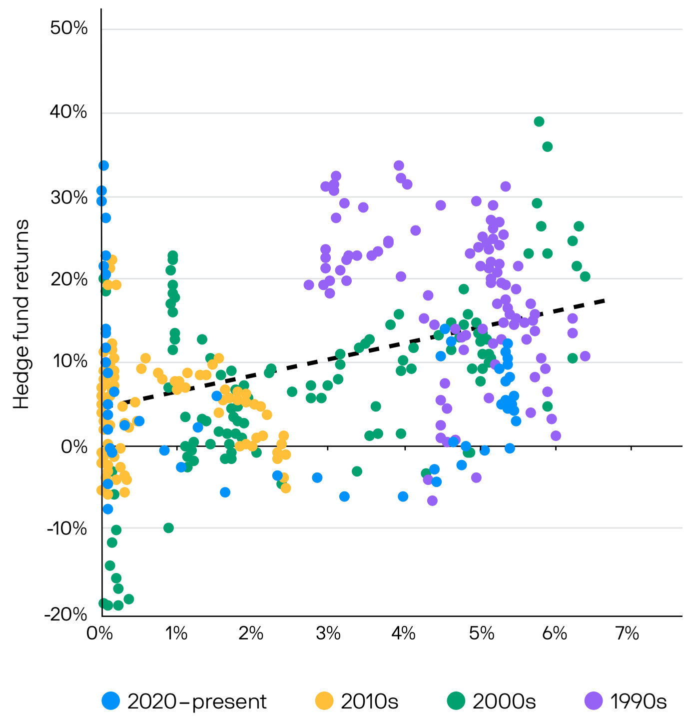


Exhibit 7b:
Hedge fund returns and short rates (December 1990 – November 2024, year-over-year, total return)



Source: CBOE, ICE BofA, HFRI, FactSet, J.P. Morgan Index Research, J.P. Morgan Asset Management. Equity volatility is represented by the VIX Index, interest rate volatility is represented by the MOVE Index and foreign exchange volatility is represented by the J.P. Morgan Global FX Volatility Index. Three-month Treasury Bill yield: Bloomberg U.S. Short Treasury (one to three months) Index. Hedge fund returns: HRFI Fund Weighted Composite (USD) Index. Data based on availability as of November 30, 2024.

Key Opportunities:
Monetary policy may create winners and losers in 2025, raising financing costs for **private equity** and exposing less creditworthy borrowers in **private credit** and **commercial real estate**, but generating volatility ripe for **hedge funds** to exploit.

Investment implications

As shifting government and monetary policy unfolds across the world in 2025, alternatives may aid investors in navigating portfolio opportunities and challenges that arise.

Against this backdrop, the Alternatives Investment Strategy & Solutions (AISS) team shares its **three high-conviction, near-term opportunities in income-oriented or semi-liquid alternatives**. While this outlook explores themes with a longer-term view, these relative value opportunities have attractive fundamentals and may be key beneficiaries of possible policy changes, offering the potential for resilient outcomes over the next 12 to 24 months. The AISS team updates these views quarterly.

1

Global transport assets are well-positioned for changes in global trade and inflation

Global transport is benefiting from a reordering of supply chains and trade routes and from traveling longer distances due to geopolitical risk. Transport assets also offer potential to protect against inflation. Investments in backbone assets with long-dated leases provide insulation from volumetric risk with inherent inflation protection through lease rate escalations and asset valuations. Furthermore, the potential for increased gas exports out of the U.S. under the Trump administration would be a tailwind for demand for LNG vessels over time.

2

Secondaries offer more efficient access to a potential pickup in private equity activity

Secondaries offer an opportunity for investors to capitalize on the strong economic backdrop through investments in growth-oriented companies, while efficiently deploying capital into strategies that have a portfolio of more mature assets and are further along in their investment cycle vs. primaries, thus reducing the impact of the j-curve and blind pool risk.

Private equity exit activity is showing initial signs of improvement and continuation vehicles continue to gain traction as an exit path for general partners to maintain ownership of trophy investments while providing liquidity.

The expansion of alternatives into the **private wealth market** has also led to a rise in semi-liquid structures, which typically rely on secondaries to source liquidity and invest. Although discounts have moderated, private equity secondaries still trade at **pricing** which is in line with pre-pandemic levels.

3

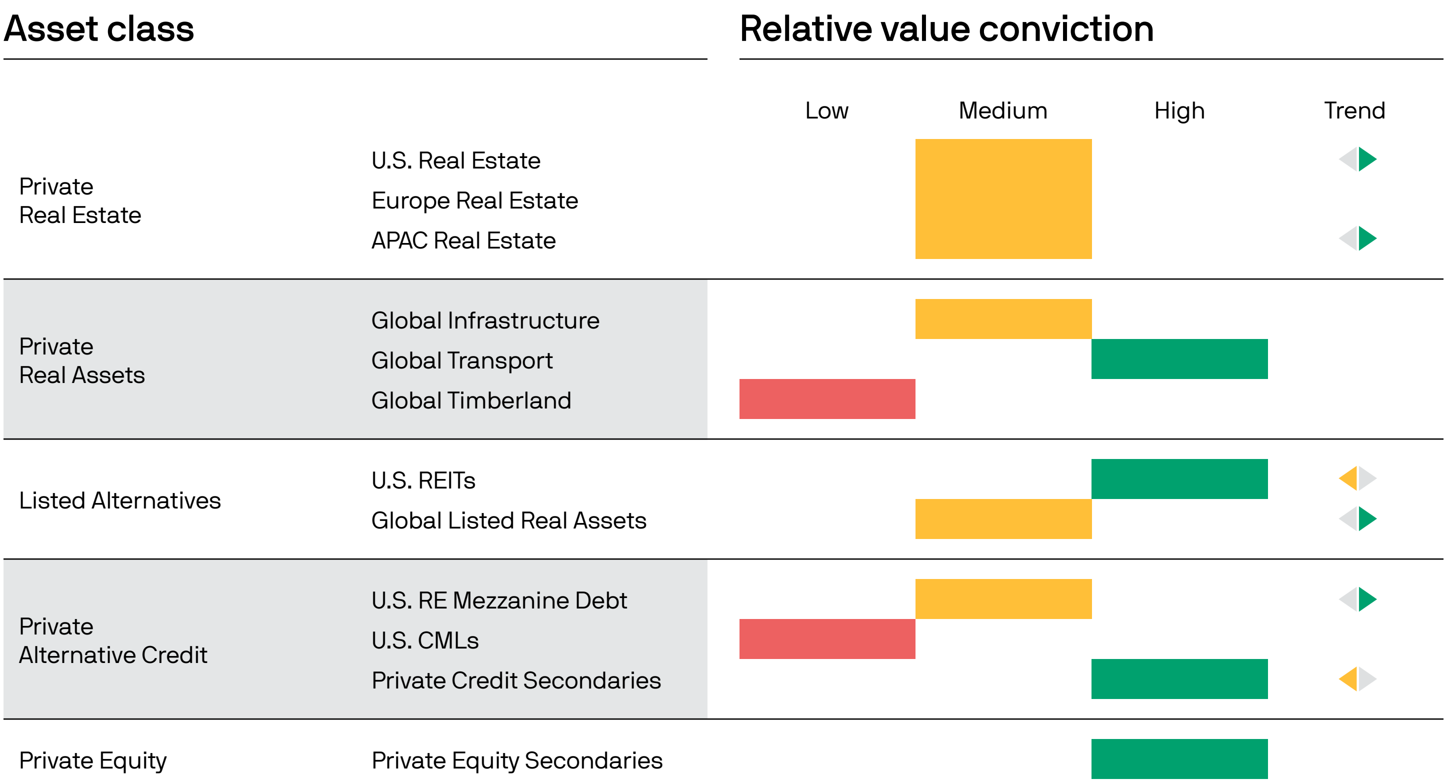
U.S. real estate offers compelling valuations, a growth tailwind and inflation protection

Real estate will benefit from a pro-growth environment that could bolster net operating income growth and many real estate investments will offer potential to hedge against inflation. In addition, a generational investment opportunity is emerging in U.S. real estate as valuations appear to be bottoming out across many of the sectors. Forward-looking pricing indicators, such as REITs (up 35% from trough[3]) and transaction pricing (up 6.4% from trough[4]) provide some insights into the near-term potential of private U.S. real estate, which has a more compelling entry valuation than public REITs alongside improving fundamentals.

[3] Source: NAREIT. As of Q4 2024.
[4] Source: Green Street Advisors. As of Q4 2024.

Near-term opportunities exist in global transport, private equity secondaries and U.S. real estate

Exhibit 8:
AISS Q4 2024 active alternatives investment views utilized for deployment of marginal capital



Source: J.P. Morgan Asset Management. Data as of December 31, 2024.

The Alternatives Investment Strategy & Solutions team (AISS) is responsible for insights-driven, multi-alternatives portfolio construction and portfolio management.

The team constructs a relative value heatmap across alternatives in the private and public markets, which is part of the team's investment process and is used to identify relative value convictions across alternatives during rebalancing, sourcing liquidity, deploying marginal capital and portfolio evolution in discretionary multi-alternatives portfolios.

The heatmap excludes alternatives that are typically accessed through illiquid closed-end vehicles, such as private equity primaries or opportunistic real estate, as outcomes are only realized during the harvest period, which is typically in the latter half of the fund's life (with a typical fund life being 7-10+ years)

The color coding in the heatmap does not indicate the absolute expected return levels—for example, red does not indicate negative returns—but is instead used to identify near-term relative value opportunities for marginal overweights/underweights in a portfolio.

The heatmap also does not consider risk-adjusted returns, which is an important consideration for investors constructing a portfolio of alternatives. The scores on the heatmap reflect views on asset classes and not specific managers or products.

Concluding thoughts on alternatives in 2025

Pro-growth policies in the U.S., from tax cuts to deregulation, could resurrect activity and transactions in private equity, private credit and real estate. Potential trade skirmishes and protectionism, however, may further entrench or reignite inflation, highlighting the value of some transportation, real estate and infrastructure assets. The potential for higher interest rates could keep financing costs elevated and strain less qualified borrowers in private credit and real estate. Investors in private equity and venture capital should be cognizant of valuations of investments initiated in the post-pandemic, zero-interest-rate environment that may not hold up against today's policy rate backdrop. An emphasis on quality across asset classes will be crucial.

Alternatives can offer compelling solutions to portfolio challenges while capitalizing on a shifting policy backdrop. Still, it is important to recognize that alternative investments should not be painted with a broad brush as individual manager objectives and approaches can vary widely, and different categories of alternatives can produce different investor experiences given differentiated drivers of return and risk. As such, manager and asset class selection are critical components to achieving desired outcomes.

A robust economy should provide a solid foundation for public and private markets in the year ahead. Uncertainty around global policy, coupled with complex challenges in public markets, including high concentration, elevated valuations and positive correlations, should present opportunities for alternative investments to provide differentiated sources of alpha, inflation protection and diversification to enhance portfolios.

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Investing in alternative assets involves higher risks than traditional investments and is suitable only for sophisticated investors. Alternative investments involve greater risks than traditional investments and should not be deemed a complete investment program. They are not tax efficient, and an investor should consult with their tax professional prior to investing. Alternative investments have higher fees than traditional investments and they may also be highly leveraged and engage in speculative investment techniques, which can magnify the potential for investment loss or gain. The value of the investment may fall as well as rise and investors may get back less than they invested.

Investments in hedge funds involve a high degree of risk and are only appropriate for investors who fully understand and are willing to assume the risks involved. Hedge funds often engage in leveraging speculative investment practices that may increase the risk of investment loss. The regulatory environment for hedge funds is evolving and changes therein may adversely affect the ability of hedge funds to obtain leverage they might otherwise obtain or to pursue their investment strategies.

Investing in infrastructure assets or debt associated with infrastructure involve a variety of risks, not all of which can be foreseen or quantified, and which include, among others: the burdens of ownership of infrastructure; local, national and international economic conditions; the supply and demand for services from and access to infrastructure; the financial condition of users and suppliers of infrastructure assets; risks related to construction, regulatory requirements, labor actions, health and safety matters, government contracts, operating and technical needs, capital expenditures, demand and user conflicts, bypass attempts, strategic assets, changes in interest rates and the availability of assets which may render the purchase, sale or refinancing of infrastructure assets difficult or impracticable; changes in environmental laws and regulations, investments in other funds, troubled infrastructure assets and planning laws and other governmental rules; changes in energy prices; negative developments in the economy that may depress travel activity; force majeure acts, terrorist events, under-insured or uninsurable losses; and other factors which are beyond the reasonable control of the asset or the financial professional. Many of these factors could cause fluctuations in usage, expenses and revenues, causing the value of the Investments to decline and negatively affecting the assets returns.

Private credit securities may be illiquid, present significant risks, and may be sold or redeemed at more or less than the original amount invested. There may be a heightened risk that private credit issuers and counterparties will not make payments on securities, repurchase agreements or other investments held by the strategy. Such defaults could result in losses to the strategy. In addition, the credit quality of securities held by the strategy may be lowered if an issuer's financial condition changes. Lower credit quality may lead to greater volatility in the price of a security and in shares of the strategy. Lower credit quality also may affect liquidity and make it difficult for the strategy to sell the security. Private credit securities may be rated in the lowest investment grade category or not rated. Such securities are considered to have speculative characteristics similar to high yield securities, and issuers of such securities are more vulnerable to changes in economic conditions than issuers of higher-grade securities.

Private equity assets invest exclusively or almost entirely in financial instruments issued by companies that are not listed (or that takeover publicly listed companies with a view to delisting them). Investment in private equity assets is typically by way of commitment (i.e., whereby an investor agrees to commit to invest a certain amount in the fund and this amount is drawn down by the fund as and when it is needed to make private equity investments). Interest in an underling private equity asset will consist primarily of capital commitments to, and investments in private equity strategies and activities which involve a high level of risk and uncertainty. Except for certain secondary assets, private equity assets will have no operating history upon which to evaluate their likely performance. Historical performance of private equity assets is not a guarantee or prediction of their future performance. Investments in private equity are often illiquid and investors seeking to redeem their holdings can experience significant delays and fluctuations in value.

Real estate investing may be subject to increased market risk because of concentration in a specific industry, sector or geographical sector. These risks include, but are not limited to, declines in real estate value, risks related to general and economic conditions, changes in underlying value of property owned by the trust and defaults by borrower.

Investing in timberland involves a variety of risks, not all of which can be foreseen or quantified, and which include, among others: general economic conditions (including market and price factors, changes in consumption and production levels and prices for logs, pulp and paper, construction and remodeling activity, material declines in investment in lumber mills, pulp mills and paper mills, population growth and other demographic factors, consumer preferences, price and availability of substitute wood and non-wood products, currency fluctuations and global economic health); availability of funding for governmental agencies, developers, conservation organizations, individuals and others to purchase the timberlands for conservation, recreation, residential or other purposes; local real estate market conditions, such as oversupply of, or reduced demand for, timberland properties sharing the same or similar characteristics as those in the investment's portfolio; competition from other sellers of timberland and real estate developers; weather conditions, insect infestations, or natural disasters having an adverse effect on the properties; risk of uninsured loss; relative illiquidity of timberland investments; changes in interest rates and available financing; impact of land use and environmental protection laws; changes in laws, regulations or the regulatory environment affecting tax, real estate and zoning; the ability to obtain all permits necessary for its timberland activities; and/or macro-economic conditions, including inflation, deflation, recession, rising energy prices, etc.

An investment in the Strategy is subject to certain risks associated with the ownership of transportation assets and the transportation industry in general, including: the burdens of ownership of transportation-related assets; local, national and international economic conditions; the supply and demand for assets; the financial condition of operators, buyers and sellers of assets that include the market values of transportation assets (i.e., ships, aircraft, fleet vehicle and heavy equipment) and lease rates that include the price at which interests in said assets can be acquired, the future value of those assets (particularly at the time the Operating Leases expire), and the Lease Rates applicable to those assets; changes in interest rates and the availability of credit which may render the sale or refinancing of assets difficult or impracticable; changes in environmental laws and regulations, planning laws and other governmental rules and fiscal and monetary policies; oil and fuel price risks that include significant volatility in fuel prices which make up a material component of a transportation assets' cost base. Oil price volatility may have an impact on individual operators' ability to meet lease payments as well as demand for travel/shipping generally; Concentration risk in the short term whilst the Strategy is building its portfolio of assets, there is likely to be a concentration of asset type, lessee and/or region; An investment in the Strategy is illiquid. Whilst there is a secondary market for the assets, this will depend on prevailing market conditions; changes in taxation laws or Government taxation policy affecting domestic and international investments and depreciation; planning laws and other governmental rules and fiscal and monetary policies; environmental claims arising in respect of assets acquired with undisclosed or unknown defects or problems resulting in environmental liabilities or as to which inadequate reserves have been established; changes in tax rates; changes in energy prices; negative developments in the economy that depress commercial transportation activity; uninsured casualties; force majeure acts, terrorist and piracy events, under-insured or uninsurable losses; and other factors which are beyond the reasonable control of the Strategy and the Portfolio Manager. In addition, as recent experience has demonstrated, transportation assets are subject to long- term cyclical trends that give rise to significant volatility in values.

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