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UBS GWM CIO Global Investment Management – UBS Wealth Way Solutions

Why not just own the S&P 500?

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Introduction

The S&P 500 Index of US large-cap stocks has delivered solid returns for decades. Outside of a few years since the Global Financial Crisis, the S&P 500 has outperformed international peers (and smaller US stocks).

Historically, the S&P 500 has also been a relatively well-diversified index, allowing it to be more resilient than other less-diversified markets. In recent years, however, a handful of "mega-cap" stocks—particularly in the technology and communications sectors—have grown to make up a large and growing share of the S&P 500. The index is also trading at historically expense valuations, which could be a headwind to future returns.

Against this backdrop, many investors are asking the question: **"Why not just own the S&P 500?"**

To answer this question, we will look at historical and forward-looking analytics to answer a few key questions:

- What are the benefits and limitations of owning the S&P 500?
- How can diversification add value?
- Have smaller and cheaper companies outperformed larger and expensive companies historically?
- Do international stocks add value?
- What are the benefits of asset class diversification?

Advantages of investing in the S&P 500

- **Simplicity:** The S&P 500 is a market capitalization-weighted index of the 500 largest publicly traded companies in the US.

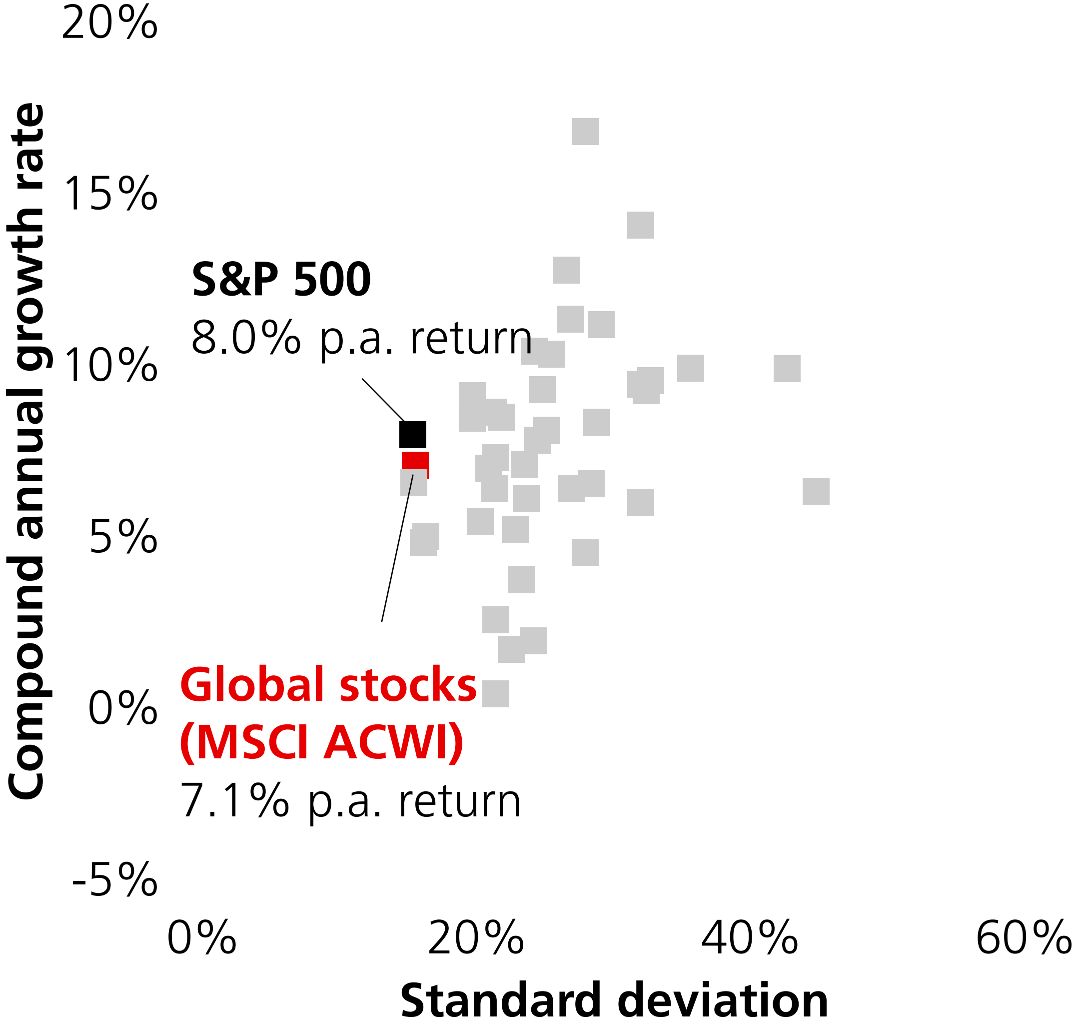
- **Diversification:** Historically, the S&P 500 was a generally well-diversified index, often with less than 25% of market capitalization in any single sector. Now, over 40% of the S&P 500 is comprised of 10 stocks.

- **Geographic diversification:** Even though the S&P 500 only tracks companies traded in the US, it derives about 30% of its revenue from international markets.

- **Cost and liquidity:** Index funds tracking the S&P 500 index tend to charge lower expense ratios than most other indexes.* S&P 500 stocks are also highly liquid, which allows for easier trading without incurring transaction costs.

- **Historical risk and return:** The S&P 500 is one of the only major stock market indexes to have delivered a higher average return **and** lower realized risk (realized standard deviation) than the global stock market index (MSCI All Country World Index) since its December 1998 inception (see chart on the right).

Performance of select country stock markets (net returns in USD), since December 1998



*Perlman, D. (2026, January 18). Highlighted ETFs. UBS Chief Investment Office.

Source: Bloomberg, UBS, as of 31 January 2026.

Disadvantages of investing in the S&P 500

- **Allocation drift:** Market capitalization indexes like the S&P 500 can become overconcentrated in certain stocks or sectors that have performed well recently, increasing the risk of bubbles and crashes when compared to more diversified portfolios and actively managed strategies.

- **Size and style diversification:** The S&P 500 only includes 500 large-cap stocks. This excludes thousands of smaller stocks of public companies that may have more growth potential and face fewer regulatory burdens. Recently, the S&P 500 has become increasingly concentrated in a handful of expensive mega-capitalization growth stocks in few sectors.

- **Geographic diversification:** The S&P 500 gets 70% of its revenue from the US, but the US economy only makes up about 16% of global growth, as measured by gross domestic product adjusted for purchasing power parity.

- **Valuations and return expectations:** The S&P 500 currently trades at 23.0x forward earnings per share, higher than 93% of its history. High valuations tend to be a headwind to future returns.

- **Historical risk and return:** The S&P 500 has experienced risk episodes—such as the Tech Bubble—where it lost more than most other markets and took longer to recover.

Cumulative growth (non-annualized), select indexes and time periods

	Tech bubble 1999-2003	**1999-2007**
US large-cap stocks (S&P 500)	-32%	38%
US mid-cap stocks (Russell Mid Cap)	-8%	103%
US small-cap stocks (Russell 2000)	-10%	134%
Developed ex-US (MSCI EAFE)	-27%	91%
Emerging markets (MSCI EM)	11%	408%
Global stocks (MSCI ACWI)	**-30%**	**70%**

Source: International Monetary Fund, GDP based on PPP, share of world, Available at https://www.imf.org/external/datamapper/PPPSH@WEO/EU/CHN/USA

Source: Bloomberg, UBS, as of 7 February 2024

Diversification is critical to managing risk and opportunity cost

Quilt chart of annual returns, select stock market indexes

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Full period (1999-2026) Annual return	Full period (1999-2026) Annual std. dev.
Highest return	66%	8%	2%	-6%	56%	26%	34%	32%	39%	-29%	79%	27%	3%	20%	39%	14%	10%	21%	37%	-2%	36%	38%	29%	-5%	43%	33%	35%	12%	9.8%	18.4%
	62%	7%	-3%	-10%	47%	20%	26%	31%	12%	-30%	43%	25%	2%	18%	35%	13%	6%	17%	30%	-4%	32%	20%	28%	-8%	26%	25%	34%	10%	8.9%	21.4%
	33%	6%	-6%	-10%	40%	20%	16%	27%	**12%**	-34%	40%	19%	0%	18%	33%	13%	1%	14%	25%	-8%	31%	18%	25%	-14%	**22%**	**17%**	33%	8%	8.8%	30.6%
	27%	-3%	-6%	-15%	39%	20%	14%	26%	11%	-37%	37%	17%	-2%	17%	33%	13%	0%	12%	24%	-9%	31%	18%	23%	-17%	20%	15%	31%	8%	8.6%	17.3%
	26%	-9%	-12%	-16%	36%	18%	13%	22%	8%	-37%	**35%**	16%	-3%	17%	32%	5%	-1%	11%	**24%**	-9%	**27%**	17%	19%	-17%	18%	14%	25%	7%	8.5%	18.3%
	21%	-12%	-14%	-16%	34%	16%	**11%**	**21%**	6%	-38%	32%	15%	-4%	16%	27%	**4%**	**-2%**	**8%**	23%	**-9%**	27%	**16%**	**19%**	-18%	17%	12%	**22%**	7%	7.9%	15.8%
	21%	-14%	**-16%**	-16%	**34%**	16%	7%	18%	5%	-41%	27%	15%	-7%	**16%**	27%	0%	-2%	7%	22%	-11%	26%	14%	18%	-18%	17%	8%	19%	6%	**7.0%**	**18.7%**
	18%	**-14%**	-20%	**-19%**	32%	**15%**	7%	16%	5%	**-42%**	26%	**13%**	**-7%**	16%	**23%**	-2%	-4%	2%	22%	-13%	22%	12%	15%	**-18%**	16%	8%	18%	6%	6.6%	17.0%
	12%	-22%	-21%	-20%	30%	15%	5%	15%	0%	-43%	25%	12%	-12%	15%	23%	-4%	-4%	1%	19%	-14%	21%	8%	11%	-20%	14%	8%	16%	**4%**	5.6%	19.7%
	7%	-28%	-21%	-22%	30%	11%	5%	9%	-2%	-48%	20%	9%	-14%	15%	21%	-5%	-8%	0%	15%	-14%	20%	3%	2%	-20%	11%	4%	13%	2%	5.0%	19.9%
Lowest return	-7%	-31%	-29%	-28%	29%	6%	5%	6%	-4%	-53%	6%	8%	-18%	8%	-3%	-5%	-15%	-5%	14%	-15%	18%	-10%	-3%	-29%	10%	-2%	11%	-3%	5.0%	21.4%

Japan	Switz-erland	United Kingdom	**Global stocks** (MSCI ACWI)	Emerging markets	Developed ex-US	US (S&P 500)	US Large Cap Growth	US Large Cap Value	US Mid Cap	US Small Cap

UBS Source: Bloomberg, UBS, as of 31 January 2026.

Chasing performance and failing to diversify can be dangerous

Compounded growth (non-annualized), select stock markets and time horizons, December 1998 to present

US stocks struggled after the tech bubble burst…

… but thrived as inflation, interest rates dropped to record-low levels

	1999-2007	2008-2026	1999-2026
US (S&P 500)	38%	570%	825%
Developed ex-US (MSCI EAFE)	91%	122%	293%
Emerging markets (MSCI EM)	408%	89%	861%
Global stocks (MSCI ACWI)	**70%**	**268%**	**523%**

Emerging market stocks benefited from unprecedented economic growth and a commodity boom…

…but then struggled to recover from the drop in growth following the global financial crisis

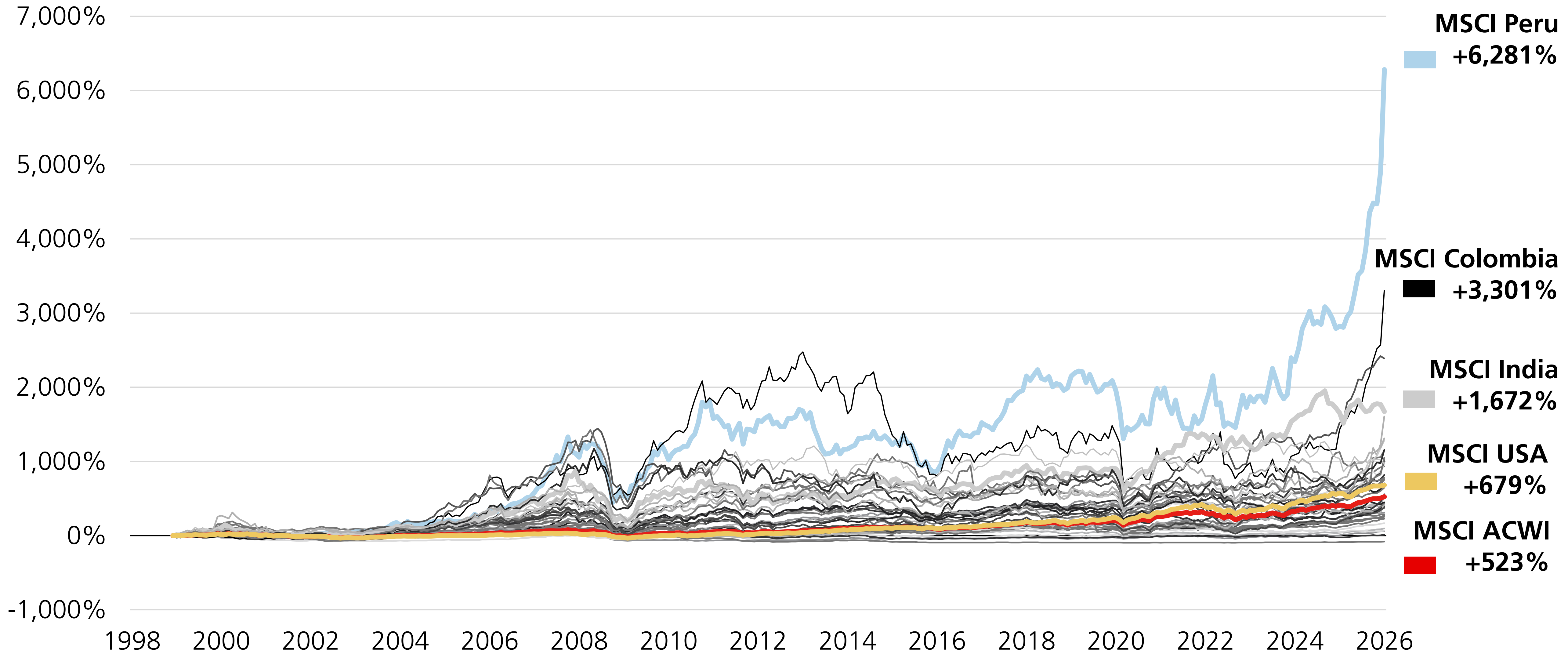
Which market will outperform next?

Don't put all your eggs in one basket. Diversify!

Source: Bloomberg, UBS, as of 31 January 2026.

US stocks have performed in the middle of the pack relative to other countries

Cumulative growth of select country stock markets since December 1998, net total returns in USD

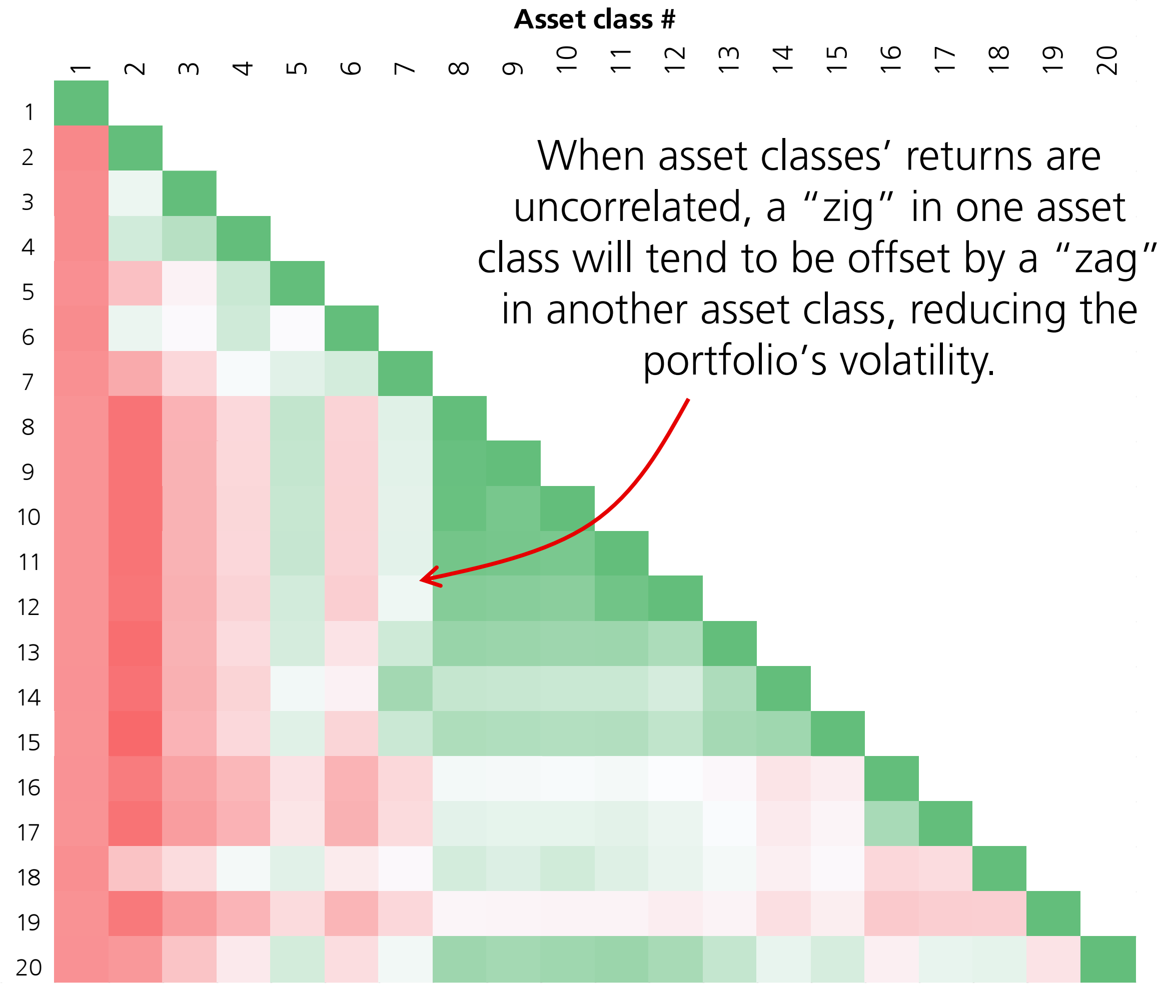


UBS Source: Bloomberg, UBS, as of 31 January 2026

Diversification may help to reduce risk and enhance return potential

- By owning a variety of investments that are driven by different factors, portfolios may—on average—yield a better risk-adjusted return than any individual investment found within a portfolio.
- Diversifying beyond the S&P 500 may help to reduce the risk that portfolios will suffer owing to the US economic cycle, monetary policy, political dysfunction, and US-specific geopolitical risks.
- A globally diversified portfolio that includes smaller companies may have a higher opportunity set—and, CIO research expects, a higher return potential—than the S&P 500 index, which only owns US large-cap stocks.*
- In addition to global diversification within stocks, investors may wish to consider asset class diversification, incorporating bonds, private markets, hedge funds, and other investments. Adding assets with a low correlation to an existing portfolio, and attractive return expectations, may help to boost a portfolio's expected return and risk-adjusted return potential.

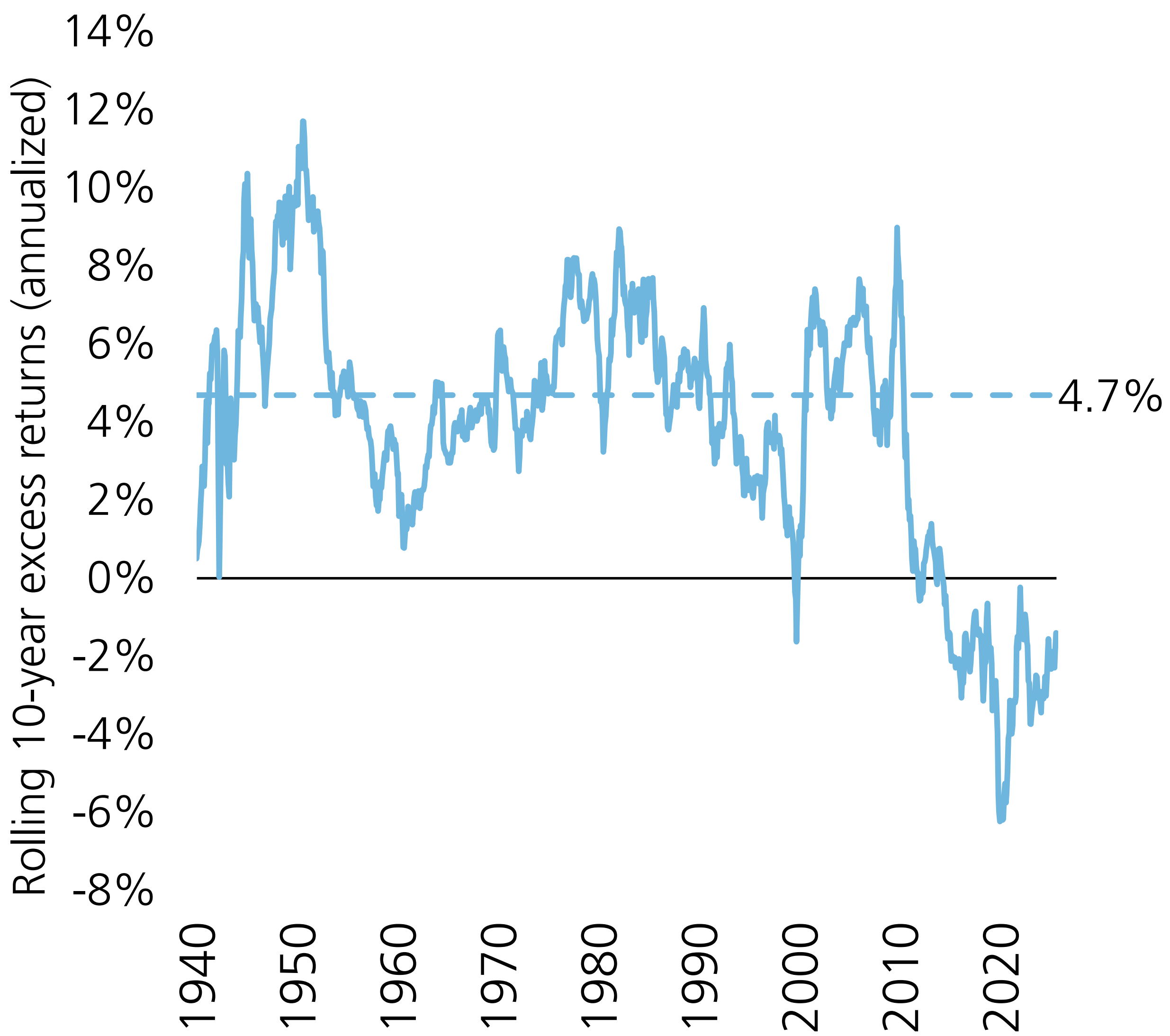
Cross-asset class correlations, based on UBS Capital Market Assumptions. High correlations are green, Medium correlations are white, Low correlations are red.



Source: UBS Wealth Management USA Asset Allocation Committee, as of 9 February 2026.
* UBS Chief Investment Office. (2026, 9 February). 2026 Capital Market Assumptions Update.

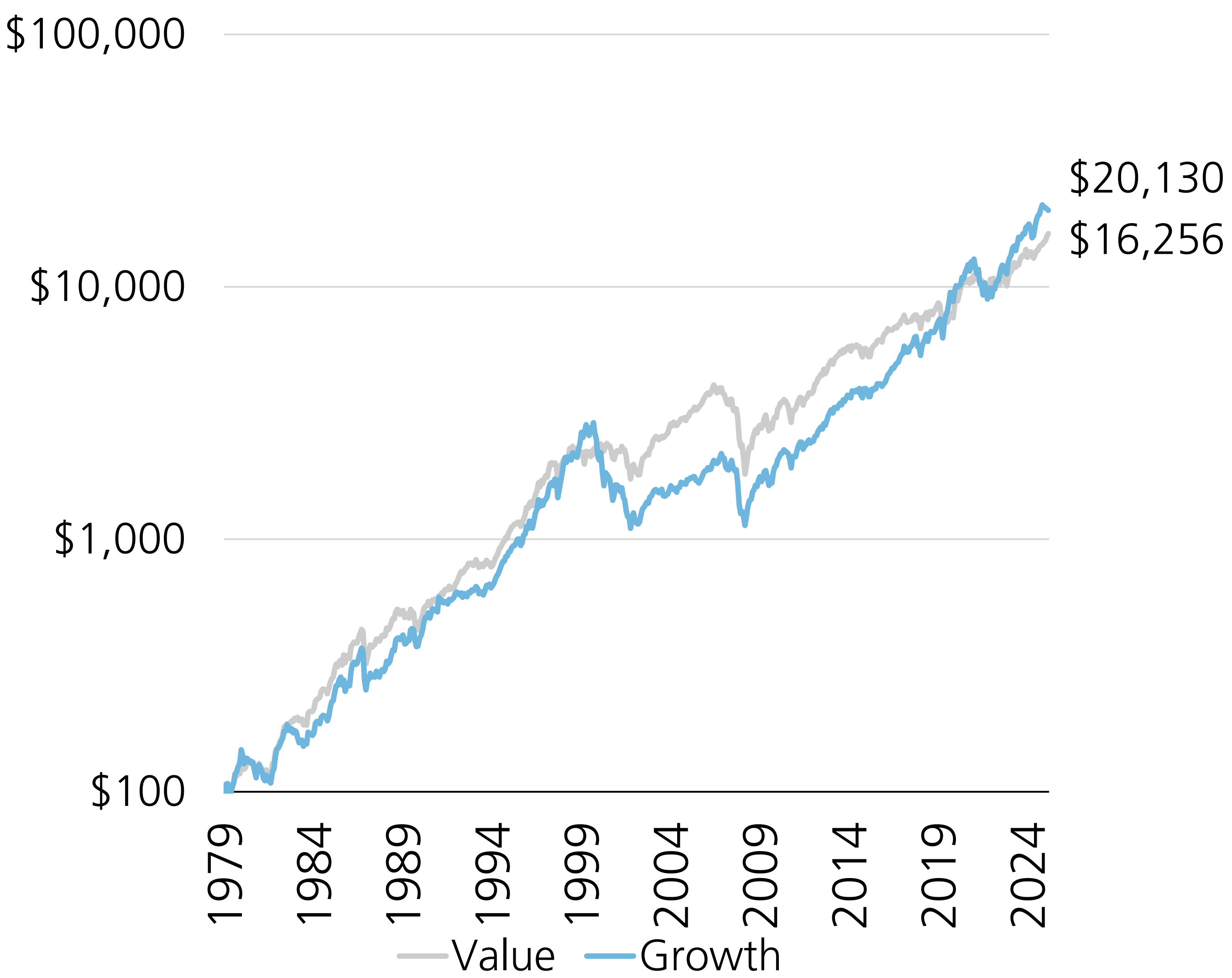
Cheaper companies have tended to outperform over the long term

Rolling 10-year annualized excess returns, value factor



Source: Kenneth French, Dartmouth College, UBS, as of 31 January 2026.

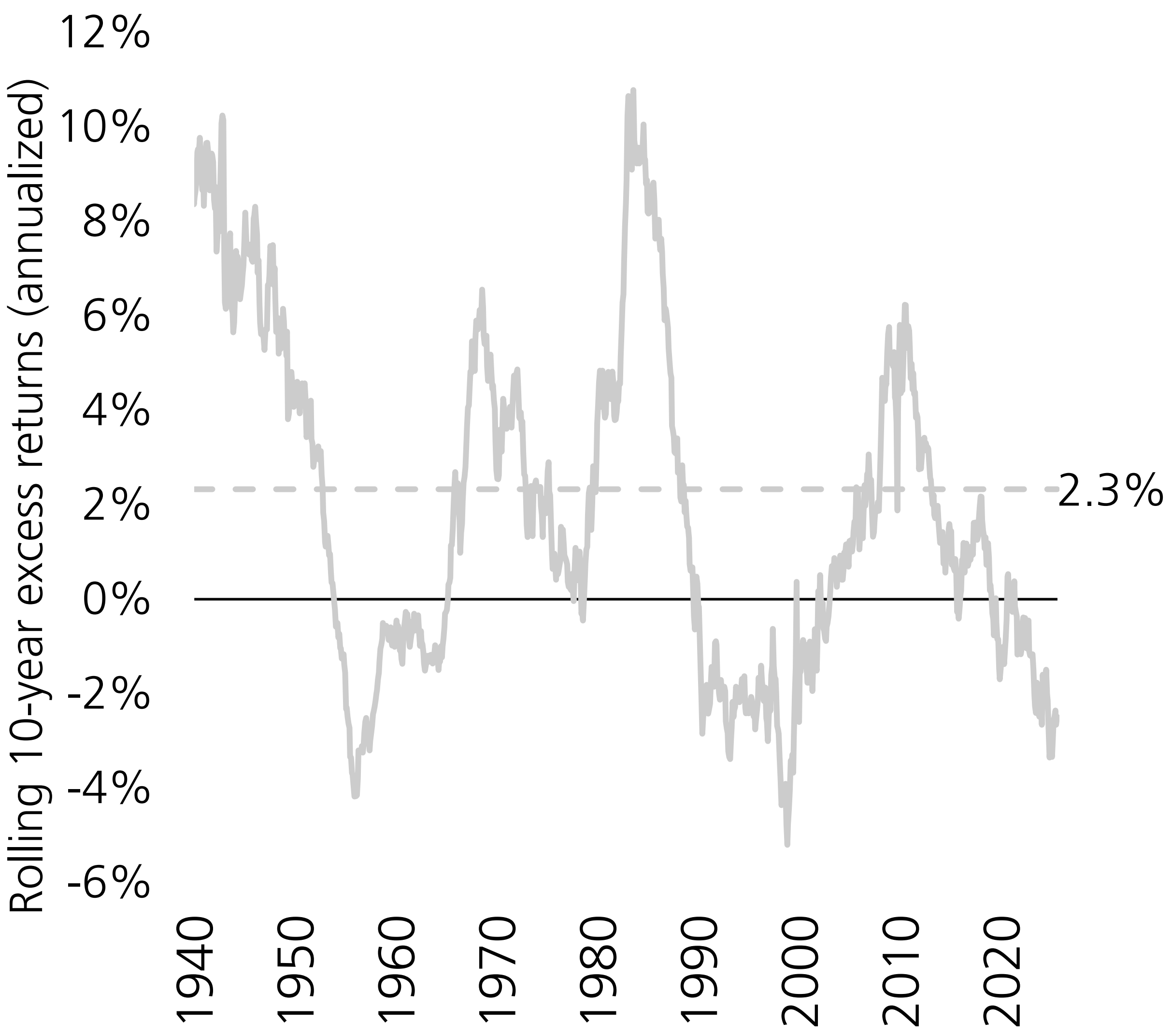
Growth of $100 invested in US large-cap value and US large-cap growth stocks in December 1979



Source: Bloomberg, UBS, as of 9 February 2026. Based on Russell 1000 Value and Russell 1000 Growth Indexes.

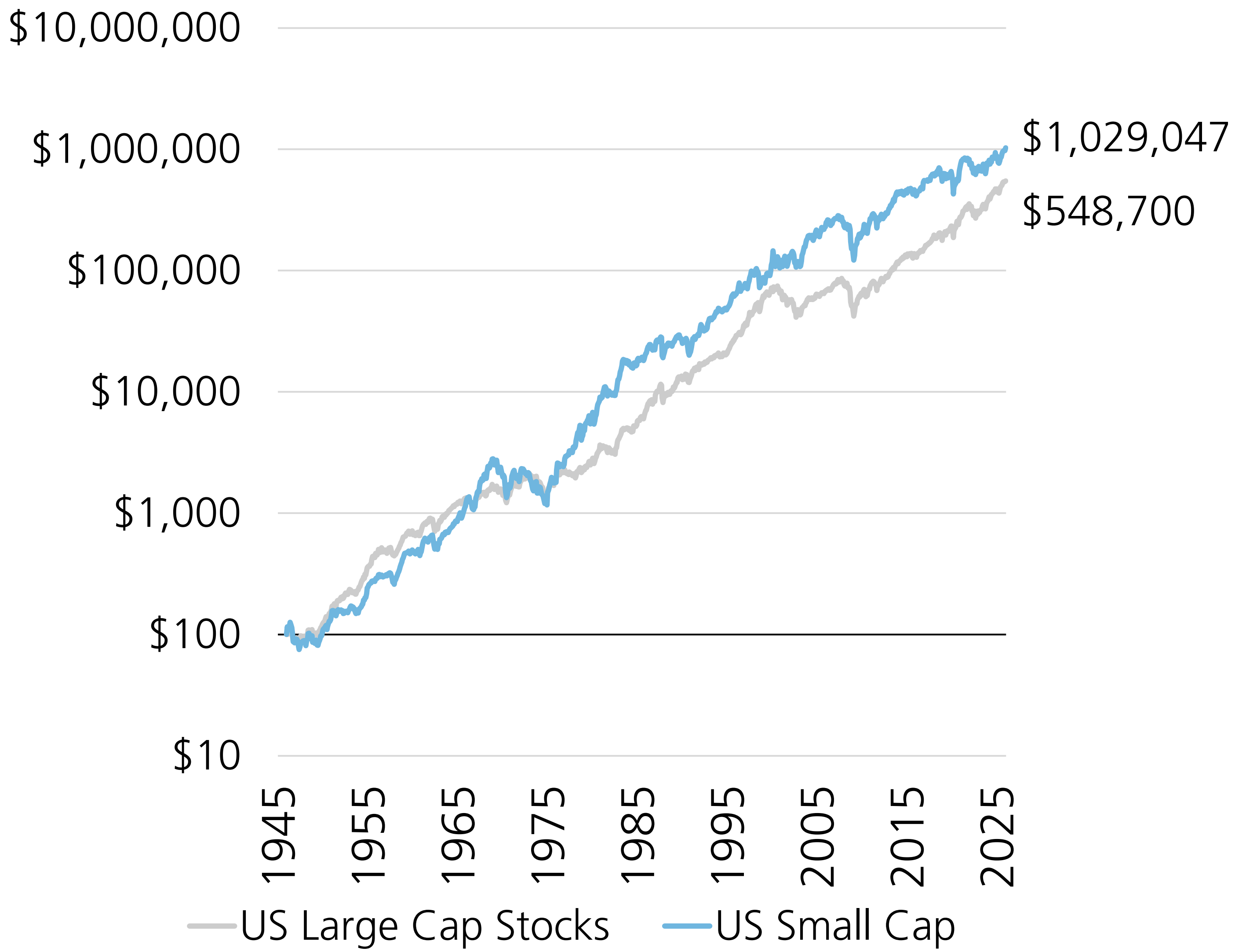
Smaller companies have tended to outperform over the long term

Rolling 10-year annualized excess returns, size factor



Source: Kenneth French, Dartmouth College, UBS, as of 31 January 2026.

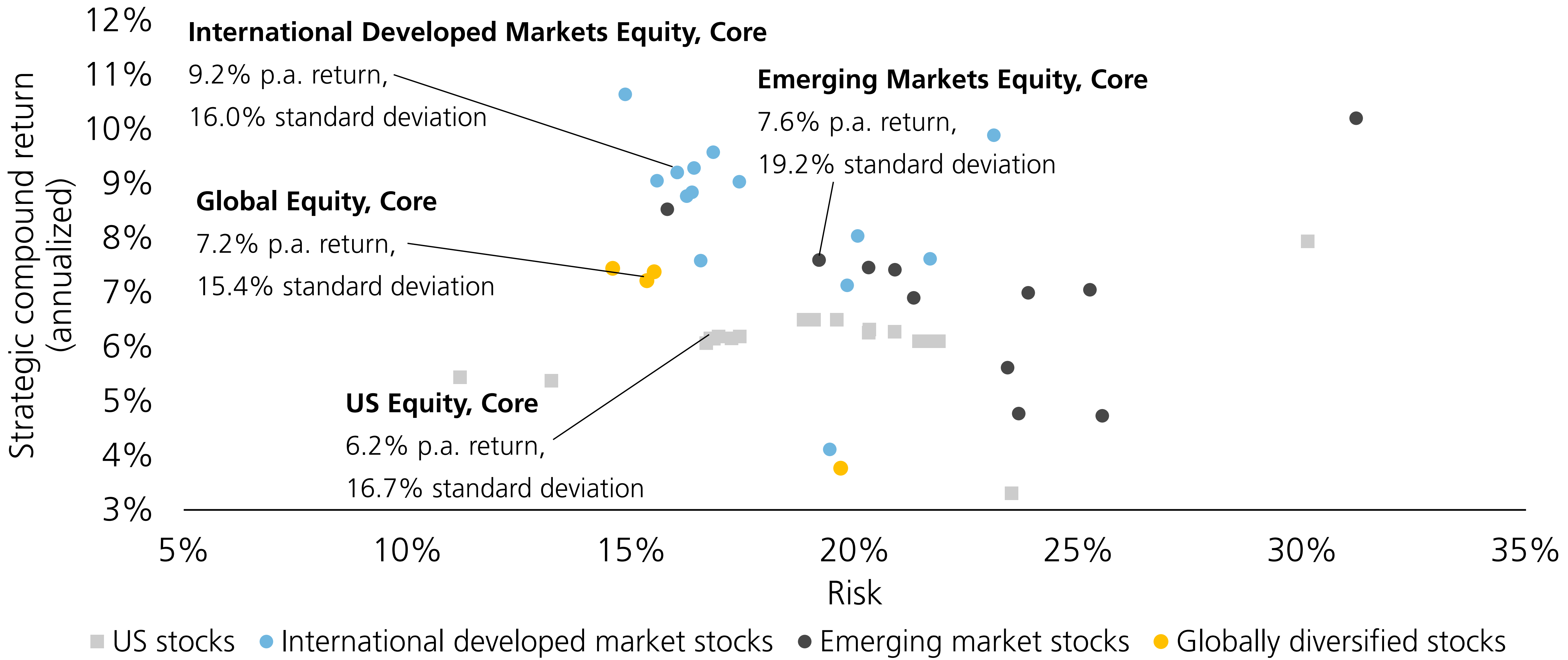
Growth of $100 invested in US large-cap and US small-cap stocks in December 1945



Source: Morningstar Direct, Bloomberg, UBS, as of 31 January 2026.

Geographic diversification may help improve risk-adjusted return potential

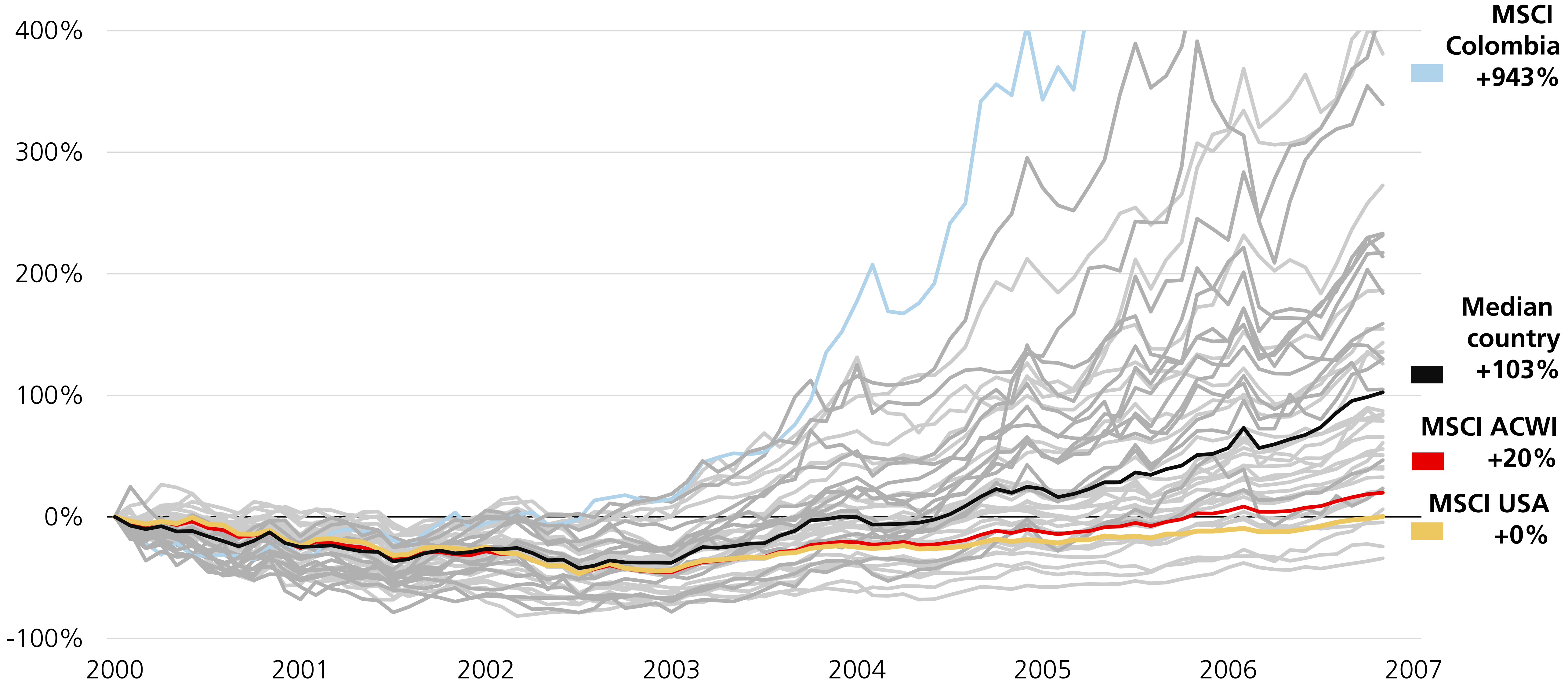
2026 Capital Market Assumptions: Expected risk and returns (compound strategic risk and return) for different stock asset classes



Source: UBS Wealth Management USA Asset Allocation Committee, as of 9 February 2026.

Diversification may help reduce risk when one market stumbles

Select country stock market total returns during the US-led “Dot-Com Crash” (March 2000-January 2007), in USD



Source: Bloomberg, UBS, as of 31 January 2026

Global diversification may help to guard against a country-level "lost decade"

Worst 10-year return by country compared to the global market return over the same period (cumulative return, non-annualized)

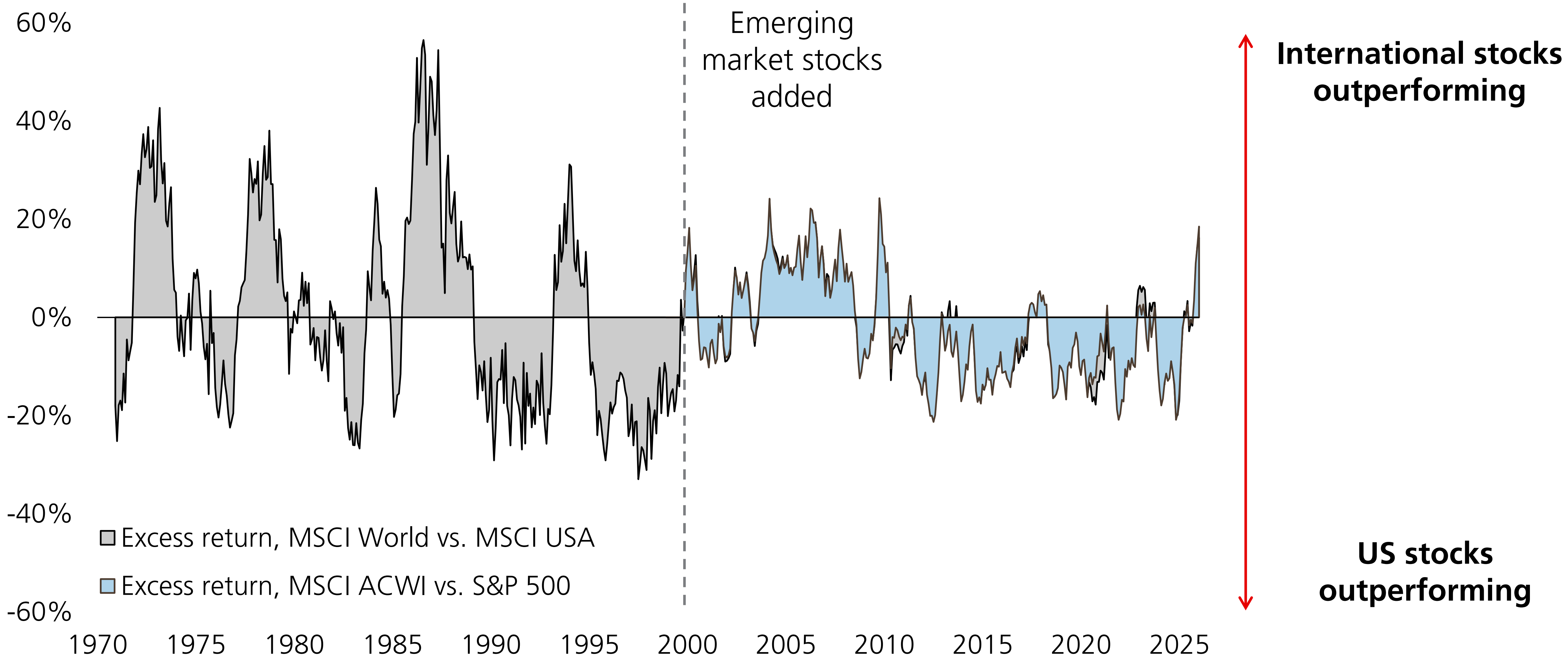
Country	Country's worst 10-year return period	Country return	Global stock market return	Country	Country's worst 10-year return period	Country return	Global stock market return
USA	Feb 1999 to 2009	-35%	-19%	Finland	Jun 2000 to 2010	-58%	-3%
Canada	Mar 2010 to 2020	-3%	77%	Belgium	Feb 1999 to 2009	-51%	-19%
UK	Feb 1999 to 2009	-24%	-19%	Norway	Jun 2007 to 2017	-26%	44%
Switzerland	Feb 1999 to 2009	-4%	-19%	Philippines	Apr 1999 to 2009	-56%	-10%
France	Jun 2000 to 2010	-11%	-3%	Argentina	Jan 2011 to 2021	-46%	135%
Germany	Feb 1999 to 2009	-15%	-19%	Austria	Jun 2006 to 2016	-63%	52%
Netherlands	Feb 1999 to 2009	-26%	-19%	Portugal	Jun 2007 to 2017	-62%	44%
Spain	Oct 2010 to 2020	-30%	114%	Hungary	Feb 2005 to 2015	-46%	85%
Italy	Nov 2006 to 2016	-56%	42%	Greece	Oct 2007 to 2017	-97%	44%
Sweden	Feb 2000 to 2010	-5%	7%	Peru	Oct 2010 to 2020	-16%	114%
Japan	Dec 1999 to 2009	-31%	4%	Colombia	Feb 2013 to 2023	-63%	114%
Australia	Mar 2010 to 2020	5%	77%	Czech Republic	Mar 2010 to 2020	-48%	77%
Hong Kong	Jul 2014 to 2024	-1%	131%	Egypt	Jan 2015 to 2025	-49%	154%
Singapore	Oct 2013 to 2023	-1%	93%	Korea	Sep 2012 to 2022	2%	102%
New Zealand	Feb 1999 to 2009	-4%	-19%	India	Mar 2010 to 2020	-4%	77%
China	Oct 2012 to 2022	-1%	116%	Indonesia	Jul 2011 to 2021	-19%	163%
Taiwan	Feb 1999 to 2009	-27%	-19%	South Africa	Mar 2010 to 2020	-24%	77%
Malaysia	Jun 2013 to 2023	-35%	131%	Turkey	Oct 2010 to 2020	-72%	114%
Russia	Mar 2012 to 2022	-53%	159%	Brazil	Mar 2010 to 2020	-53%	77%
Chile	Oct 2010 to 2020	-60%	114%	Mexico	Mar 2010 to 2020	-33%	77%
Ireland	Feb 1999 to 2009	-71%	-19%	Thailand	Mar 2015 to 2025	-6%	133%
				Poland	Sep 2012 to 2022	-56%	102%

Average excess return (global market minus home country return) **+95%** (6.9% p.a.)

UBS Source: Bloomberg, UBS, as of 2 February 2026

International stocks significantly outperformed US stocks in 2025

Rolling one-year excess returns, international stocks versus US stocks



Source: Bloomberg, UBS, as of 31 January 2026

What could drive international outperformance? We see five key headwinds

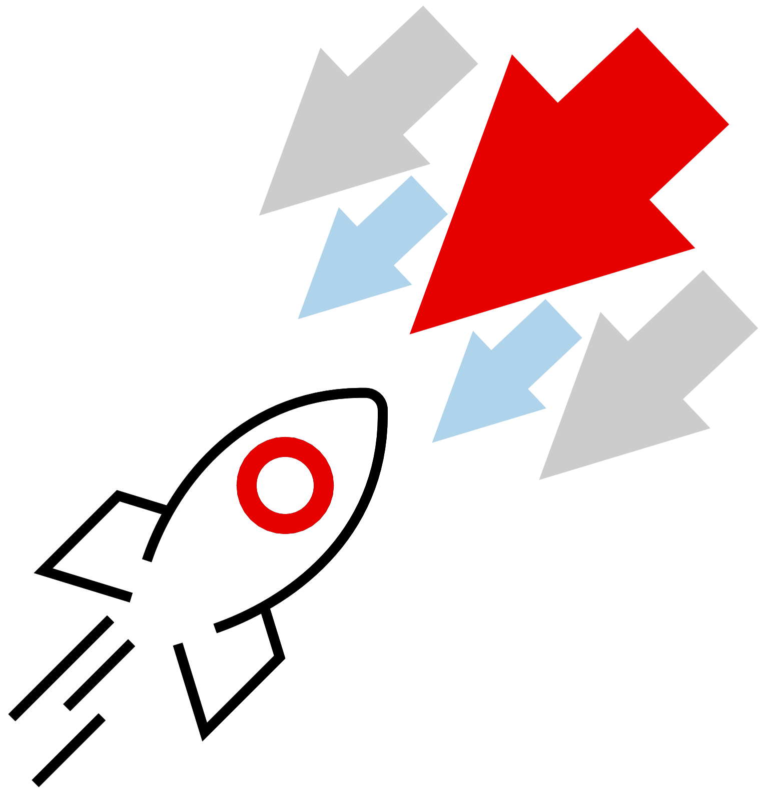
1. **Valuations.** US stocks—especially large-cap stocks, as measured by the S&P 500—are historically expensive, and expensive versus other markets.

2. **Profitability.** It will be difficult to keep growing US profit margins, especially with rising interest rates, taxes, and regulation.

3. **Growth.** The rest of the globe is growing faster than the US, and the US share of the global stock market is already at 63%.

4. **Currency.** A weakening US dollar can boost international investment returns. The US dollar is ~20% overvalued versus its trading partners' currencies on a fundamental basis.*

5. **Interest rate risk.** The growth-oriented US market benefited from low interest rates following the Global Financial Crisis. Normalized interest rates may provide a tailwind for international markets, which are more heavily weighted in value-oriented sectors and stocks.



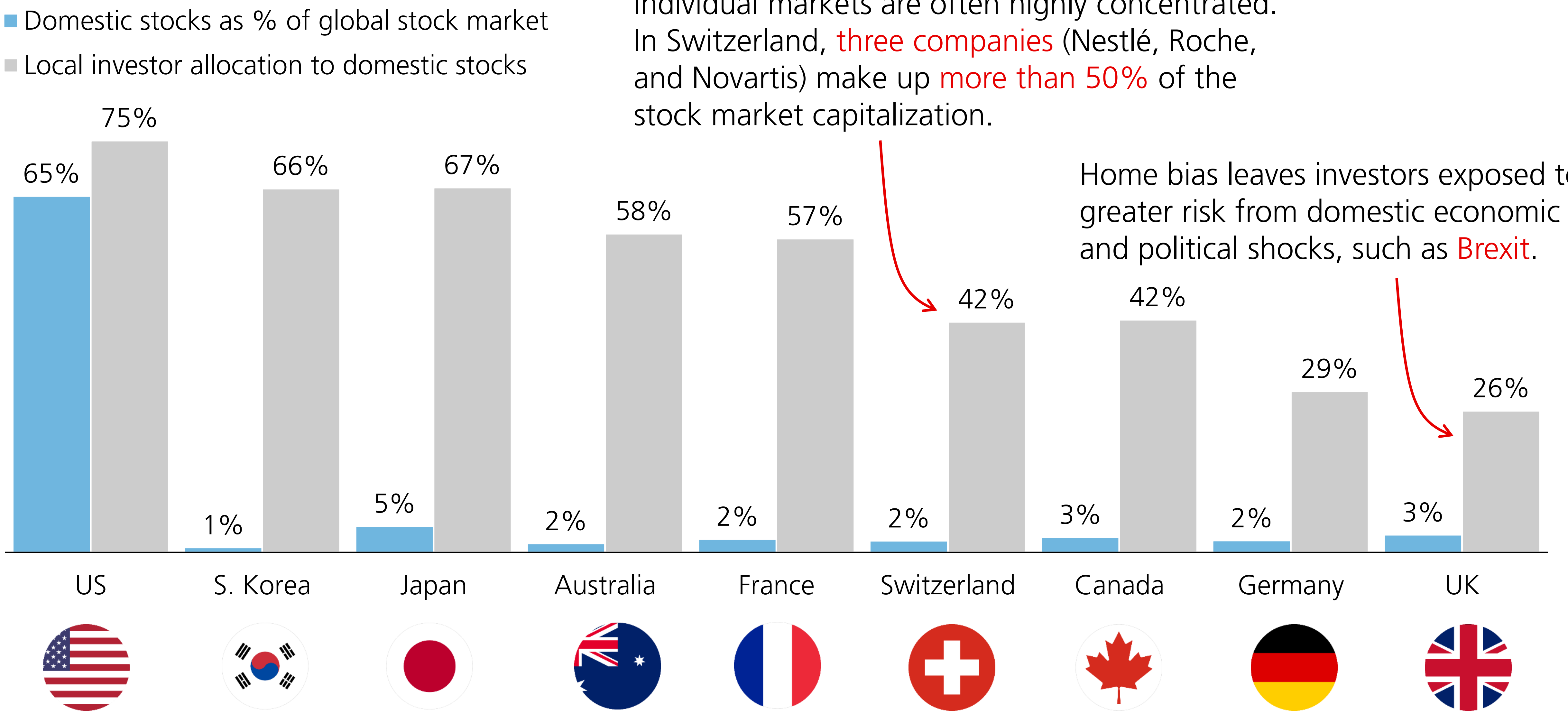
UBS Source: UBS, as of 31 January 2026.
*See CIO research report, "PPP and TEEER Chart Book for 1Q26" (published 13 January 2026).

The average investor tends to have a "home bias" that leaves them undiversified

Stock market "home bias" by country

Individual markets are often highly concentrated. In Switzerland, three companies (Nestlé, Roche, and Novartis) make up more than 50% of the stock market capitalization.

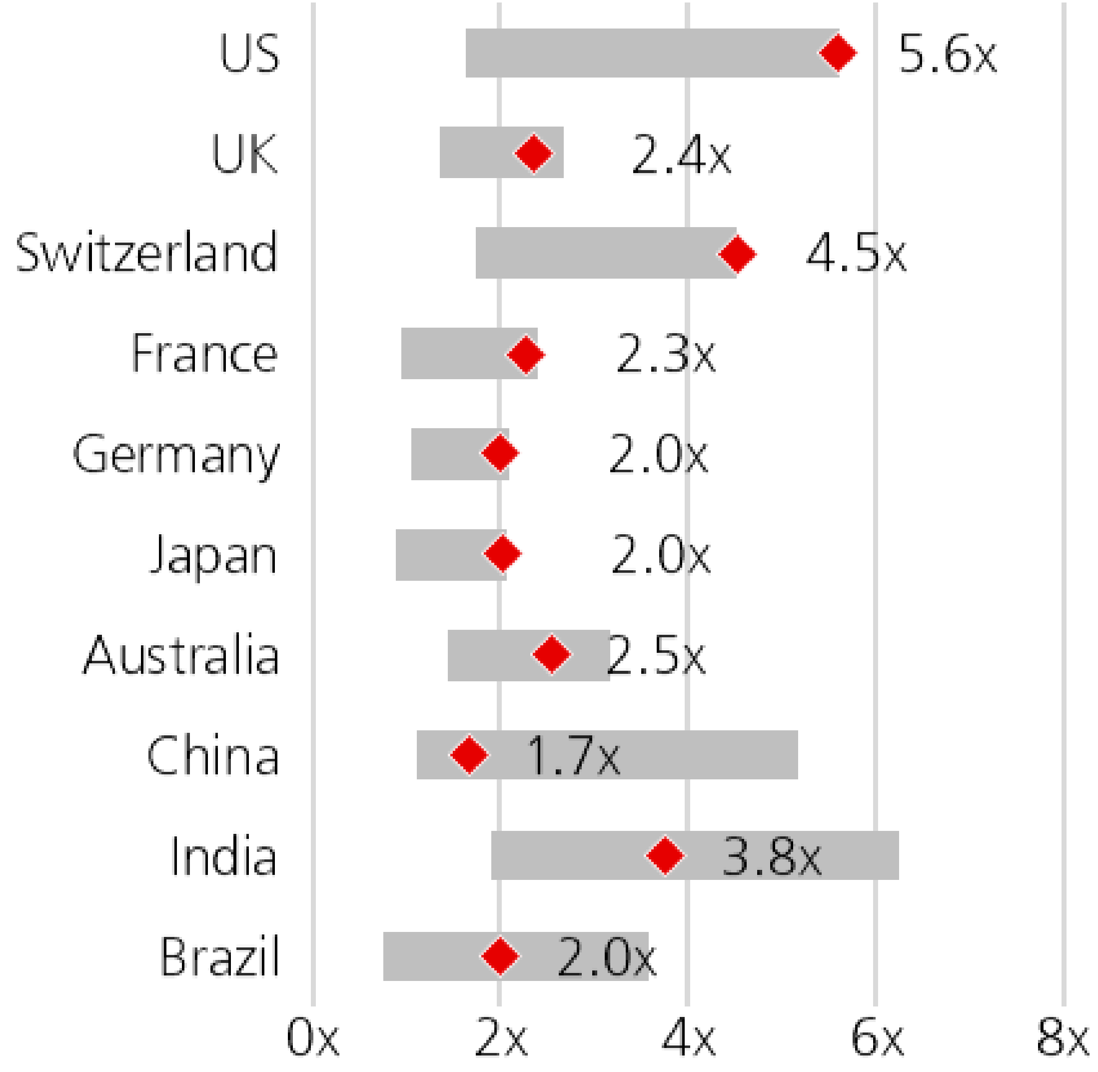
Home bias leaves investors exposed to greater risk from domestic economic and political shocks, such as Brexit.



UBS Source: Bloomberg, IMF Coordinated Portfolio Investment Survey (December 2022), UBS, as of 31 January 2026. Domestic investment for each country is calculated by subtracting total foreign investment from the domestic stock market's total market capitalization. Local investor allocation is expressed as a share of their overall stock allocation.

The US stock market is expensive—versus peers *and* its own history

Current price-to-book ratios, select regional stock markets, relative to each market's valuation range over the last 15 years

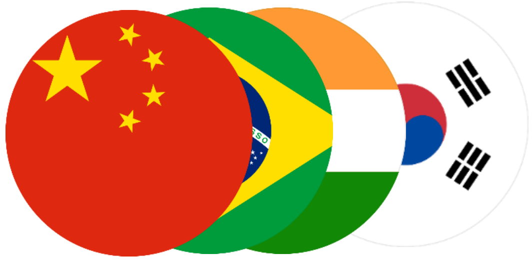


Price-to-earnings ratios, S&P 500, MSCI Europe, and MSCI Emerging Markets, based on 2026 consensus earnings

22.3x

16.6x

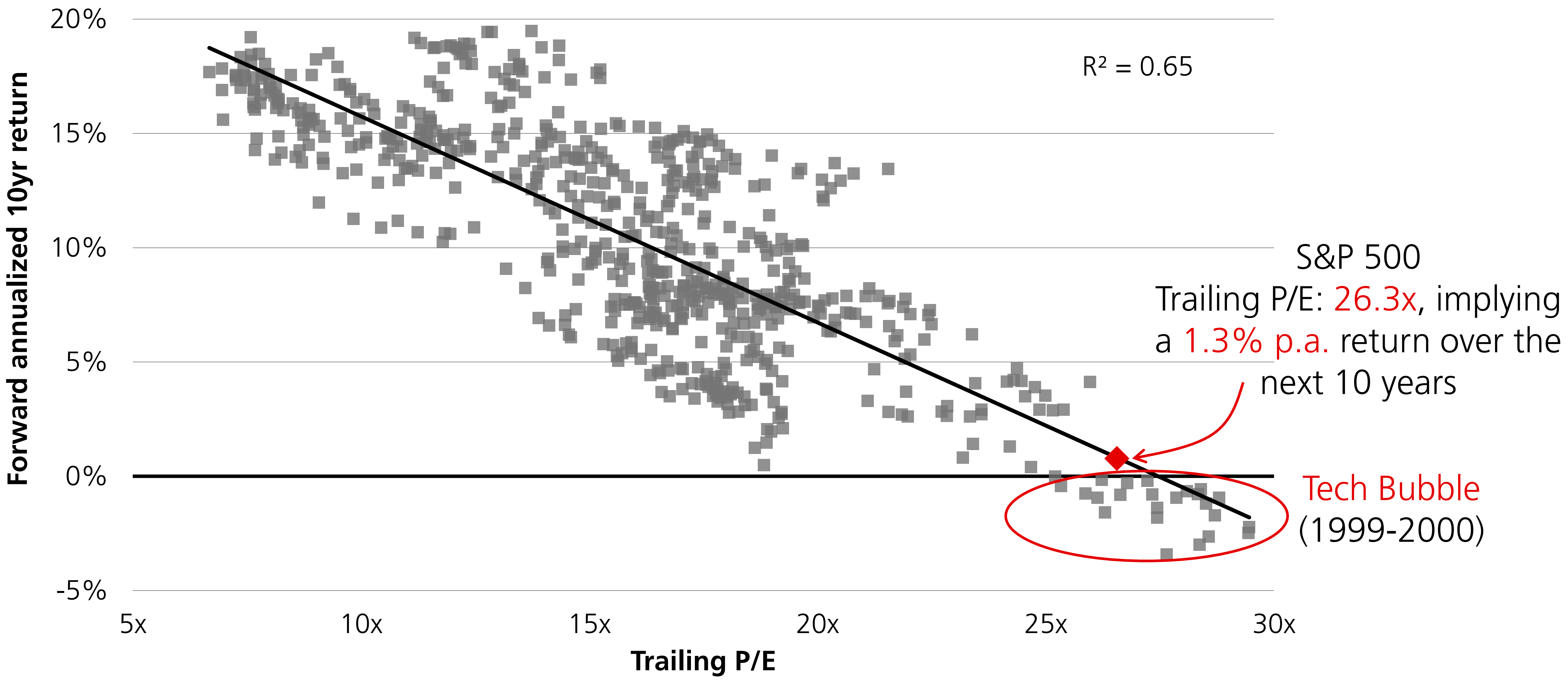
13.0x



Source: Bloomberg, UBS, as of 9 February 2026

Historically, high valuations have been a headwind to returns

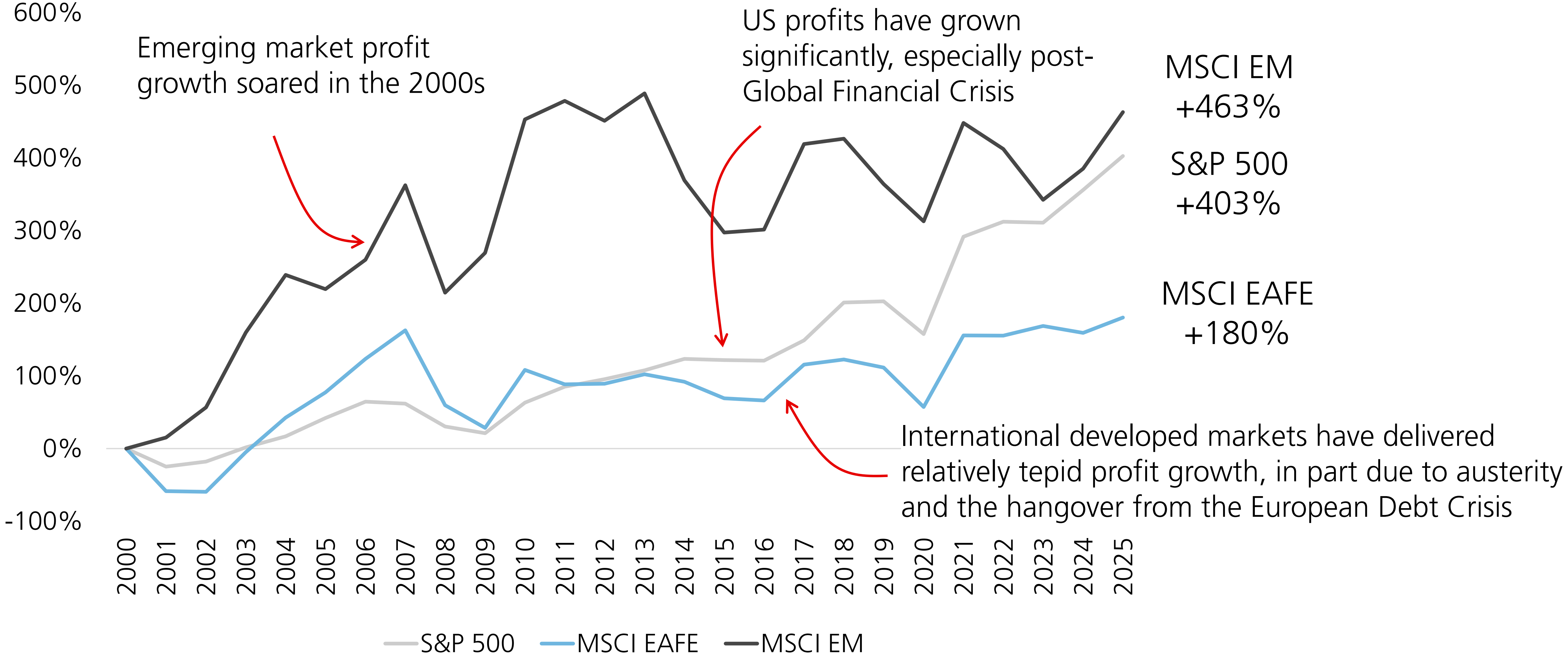
S&P 500 trailing 12-month price-to-earnings ratio and subsequent 10-year total return, all periods since 1960



UBS Source: Bloomberg, UBS, as of 9 February 2026

The US has enjoyed relatively outsized earnings growth. Is it sustainable?

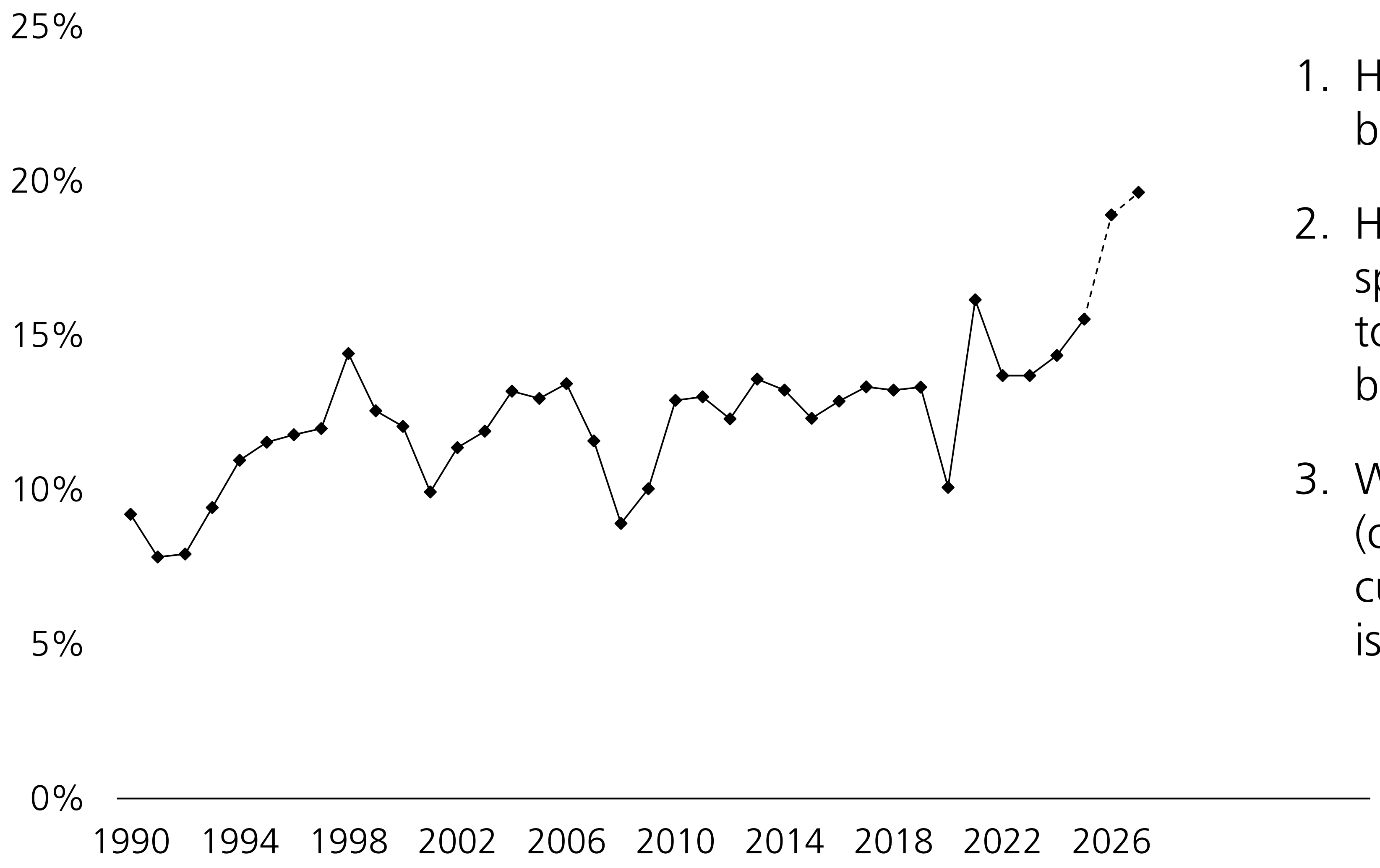
Cumulative earnings per share growth (non-annualized) from 2000



Source: Bloomberg, UBS, as of 31 December 2025

Will US stocks be able to expand margins even further?

S&P 500 trailing 12-month operating margin, with consensus forecasts for 2026 and 2027

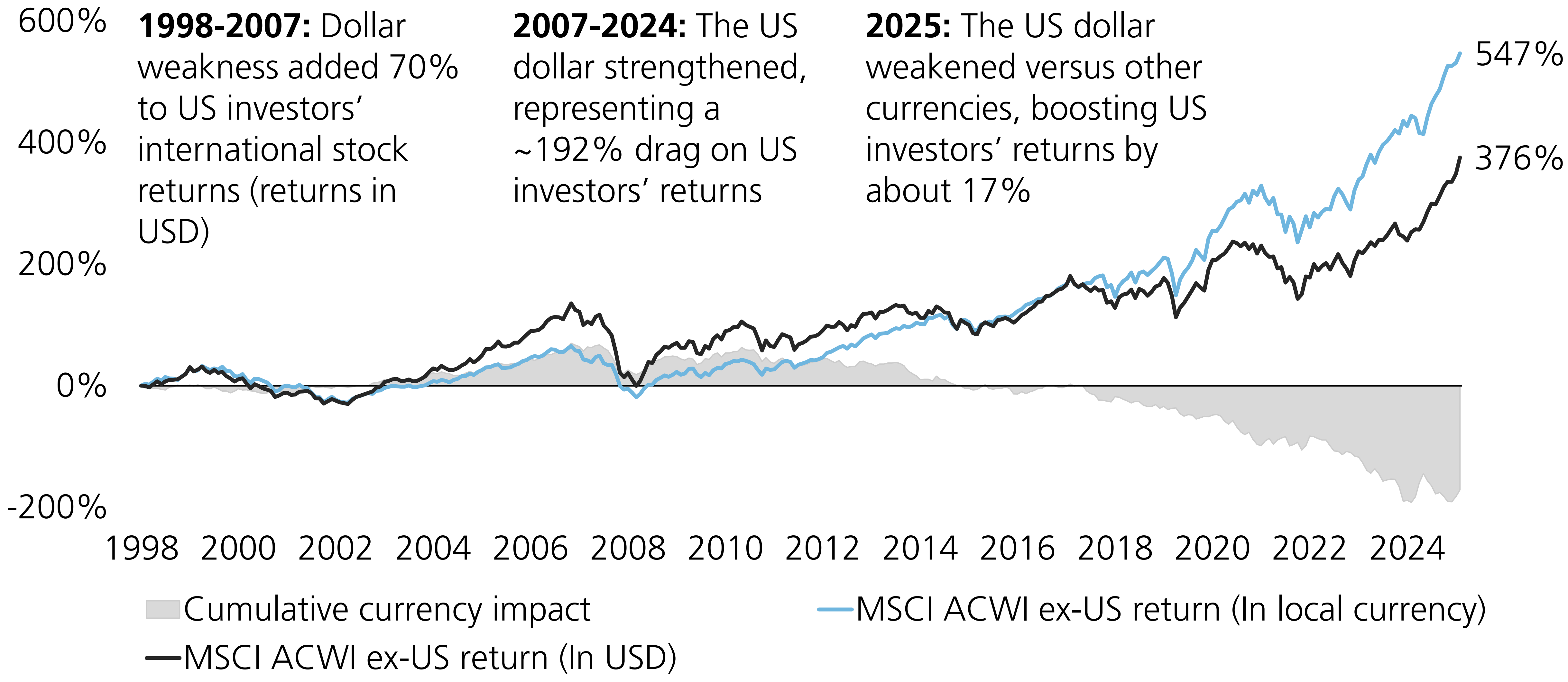


1. Higher interest rates have increased borrowing costs.
2. Higher taxes and/or lower fiscal spending may be a part of the solution to the US government's high debt burden and an aging US population.
3. We may see more regulation (or, at least, less deregulation) from current levels. For example, trade policy is also becoming more restrictive.

Source: Bloomberg, UBS, as of 9 February 2026. Operating margin measures the profit a company makes on a dollar of sales after paying for variable costs of production, but before paying interest or tax.

A weaker US dollar may bolster international stock returns

Cumulative growth of MSCI All Country World ex-US Index, net total returns in local currency and in US dollars (non-annualized)

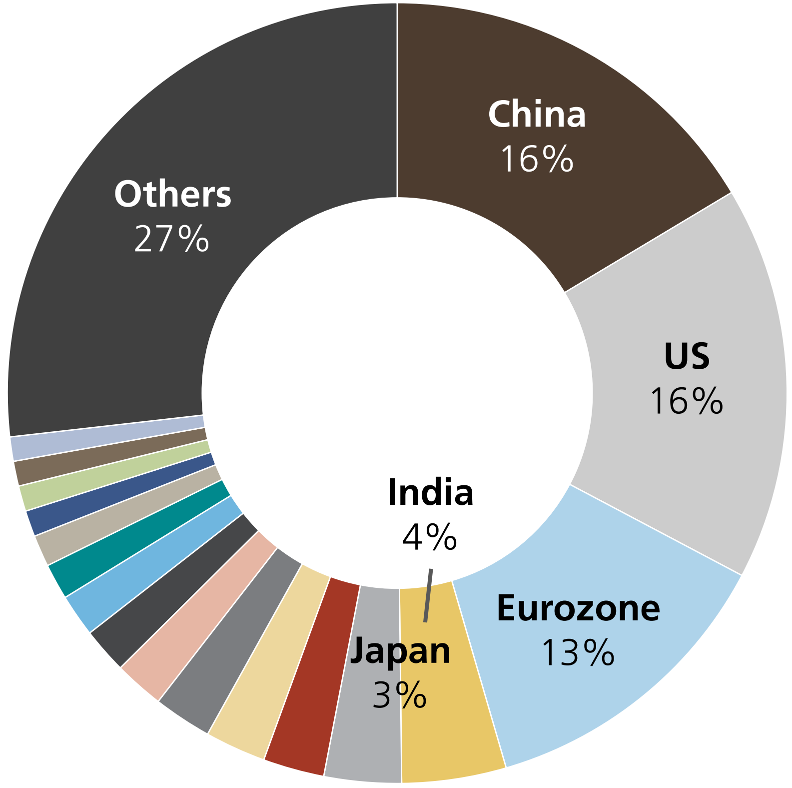


Source: Bloomberg, UBS, as of 31 January 2026.

Faster international growth should shrink the size of the US's "pie slice"

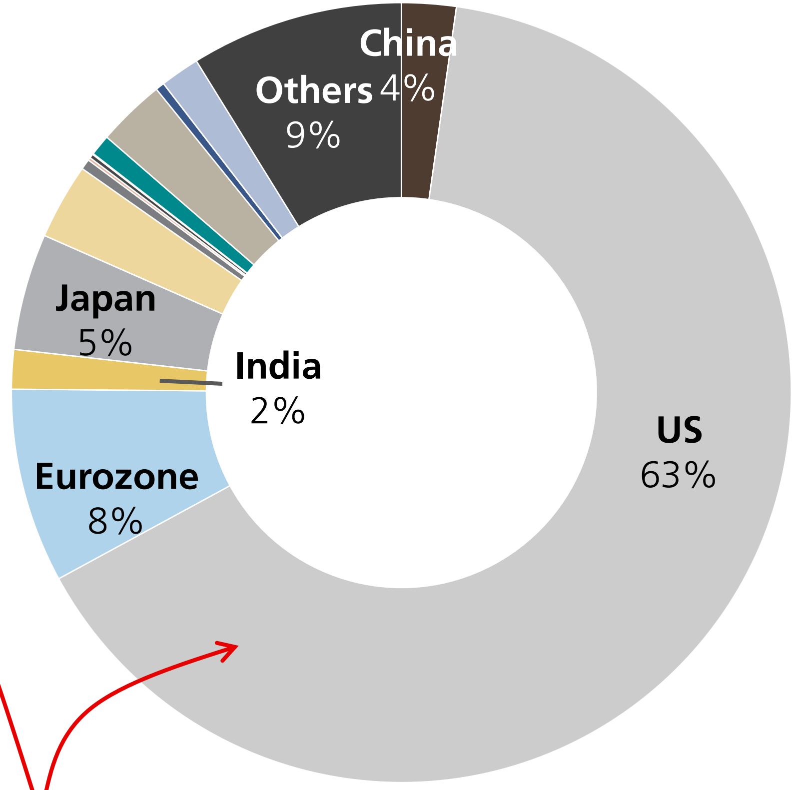
% of the global economy

(GDP purchasing power parity)



% of the global stock market

(MSCI All Country World Index)



Legend

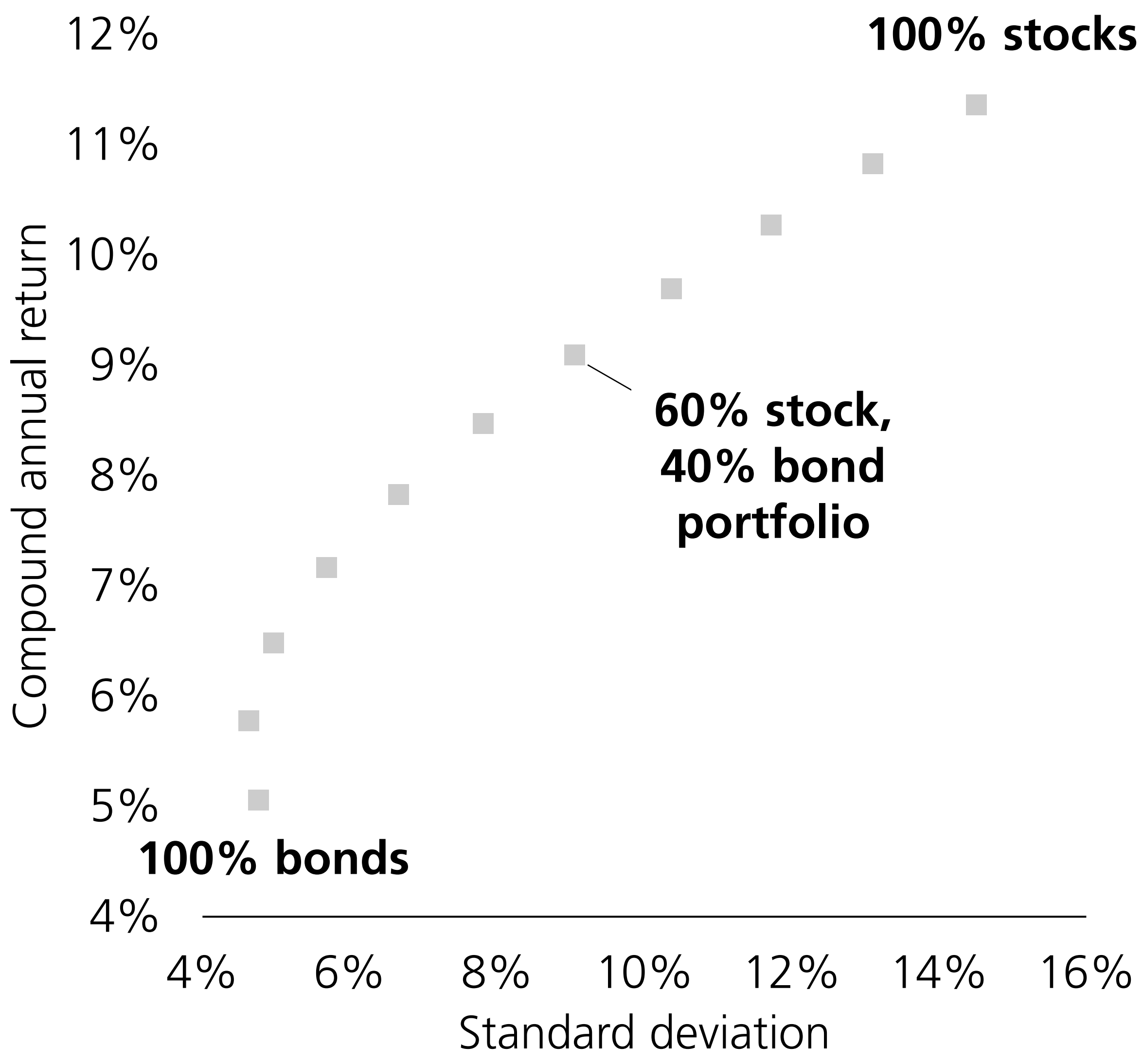
- China
- United States
- Eurozone
- India
- Japan
- Russia
- UK
- Brazil
- Indonesia
- Mexico
- Turkey
- South Korea
- Canada
- Saudi Arabia
- Iran
- Egypt
- Australia
- Others (<1% of global GDP)

The US makes up 16% of the global economy, but 63% of the global stock market

Source: Bloomberg, World Bank International Comparison Program (ICP), UBS

Asset class diversification may enhance risk-adjusted return potential

Historical risk and return statistics, US stock/bond portfolios, since December 1945



	Historical risk and return			Bear market statistics		
Asset allocation (stocks/bonds)	**Annual return** (compound)	**Annual risk** (standard deviation)	**Average drawdown**	**Average time under water** (months)	**Worst drawdown**	**Longest time under water** (months)
100% / 0%	11.4%	14.5%	-32%	34	-51%	74
90% / 10%	10.8%	13.1%	-29%	33	-46%	73
80% / 20%	10.3%	11.7%	-25%	31	-41%	65
70% / 30%	9.7%	10.4%	-22%	29	-36%	59
60% / 40%	9.1%	9.1%	-19%	27	-30%	50
50% / 50%	8.5%	7.8%	-15%	20	-24%	40
40% / 60%	7.8%	6.7%	-11%	15	-17%	30
30% / 70%	7.2%	5.7%	-8%	12	-16%	31
20% / 80%	6.5%	5.0%	-5%	11	-15%	33
10% / 90%	5.8%	4.6%	-3%	9	-14%	45
0% / 100%	5.1%	4.8%	-2%	7	-15%	54*

Source: Morningstar Direct, UBS as of as of 31 January 2026. Historical analysis based on monthly total return data for US large-cap stocks (SBBI US Large Stock Total Return Index) and intermediate US government bonds (SBBI US Intermediate-Term Government Bond Total Return Index) since December 1945. See ubs.com/bearmarketguidebook for details.

*Note: US government bonds are currently experiencing their longest ever drawdown, and haven't fully recovered their losses, so these figures represent estimates.

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What does a well-diversified portfolio look like?

Strategic Asset Allocation models for taxable investors with non-traditional assets

	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive
Cash	**2.0%**	**2.0%**	**2.0%**	**2.0%**	**2.0%**
Fixed Income	**75.0%**	**59.0%**	**37.0%**	**21.0%**	**8.0%**
US Fixed Income	**75.0%**	**59.0%**	**37.0%**	**21.0%**	**8.0%**
US Gov't FI (short)	2.0%	1.0%	0.0%	0.0%	0.0%
US Gov't FI (intermediate)	4.5%	3.0%	2.0%	1.0%	0.0%
US Gov't FI (long)	0.0%	1.0%	1.0%	1.0%	1.5%
US TIPS FI	1.5%	1.0%	0.0%	0.0%	0.0%
US Securitized FI - MBS	5.0%	3.0%	3.0%	1.5%	0.0%
US Municipal FI (short)	22.0%	10.0%	4.0%	1.0%	0.0%
US Municipal FI (intermediate)	40.0%	25.0%	14.0%	7.0%	1.5%
US Municipal FI (long)	0.0%	6.0%	8.0%	6.5%	5.0%
US IG Corp FI	0.0%	9.0%	5.0%	3.0%	0.0%
US HY Corp FI	0.0%	0.0%	0.0%	0.0%	0.0%
Int'l Fixed Income	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
EM FI (Hedged)	0.0%	0.0%	0.0%	0.0%	0.0%
EM FI (Local)	0.0%	0.0%	0.0%	0.0%	0.0%
Equity	**13.0%**	**27.0%**	**46.0%**	**65.0%**	**80.0%**
US Equity	**10.0%**	**18.0%**	**30.5%**	**43.0%**	**52.5%**
US Large cap growth	3.5%	6.0%	10.5%	15.0%	18.0%
US Large cap value	3.5%	6.0%	10.5%	15.0%	18.0%
US Mid cap	2.0%	4.0%	6.5%	8.0%	10.5%
US Small cap	1.0%	2.0%	3.0%	5.0%	6.0%
International Equity	**3.0%**	**9.0%**	**15.5%**	**22.0%**	**27.5%**
Int'l Developed Markets	3.0%	6.0%	11.0%	16.0%	20.0%
Emerging Markets	0.0%	3.0%	4.5%	6.0%	7.5%
Non-traditional	**10.0%**	**12.0%**	**15.0%**	**12.0%**	**10.0%**
Hedge Funds	**10.0%**	**12.0%**	**15.0%**	**12.0%**	**10.0%**
Hedge Funds - Multi-Strategy	1.5%	2.0%	1.0%	1.0%	0.0%
Hedge Funds - Global Macro	3.5%	3.0%	3.0%	2.0%	1.0%
Hedge Funds - Event Driven	1.0%	2.0%	3.0%	2.5%	3.0%
Hedge Funds - Relative Value	3.0%	3.0%	4.0%	2.5%	2.0%
Hedge Funds - Equity Long/Short	1.0%	2.0%	4.0%	4.0%	4.0%

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Source: UBS Wealth Management USA Asset Allocation Committee, as of 9 February 2026. Asset allocation does not assure profits or prevent against losses from an investment portfolio or accounts in a declining market. See Important Information section, Wealth Management USA Asset Allocation Committee and the UBS Capital Market Assumptions and Strategic Asset Allocation Models, for more information.

Conclusion: Five reasons for diversifying away from the S&P 500

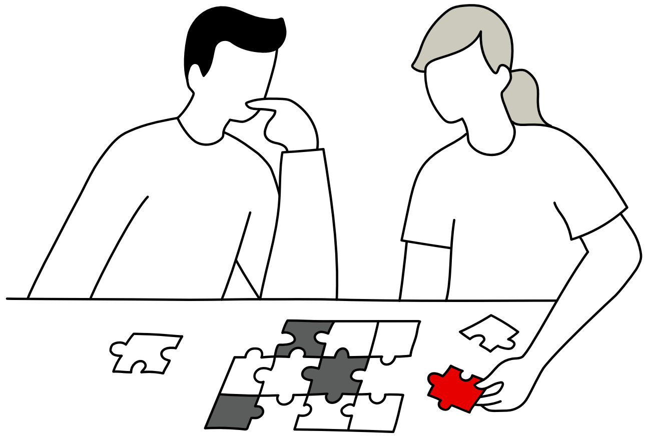
1. **"If you're happy with everything in your portfolio, it's a good sign that you're not diversified."** Diversified portfolios allow investors to own tomorrow's winners *and* limit their exposure to tomorrow's losers.

2. **Diversification can help unlock opportunities.** We studied the returns of 41 international markets going back to 1998. 19 countries' markets outperformed the US, with an average outperformance of 844% (approximately 8.6% per year).

3. **Diversification can help protect against risk.** Over-allocating to a single stock market results in greater volatility and increased risk of underperformance versus a globally diversified approach. Tapping into international economies and markets that aren't in lockstep with the US can help you to enhance your portfolio's risk-adjusted return potential.

4. **Other markets are likely to outperform the US going forward.** Based on the UBS Capital Market Assumptions, UBS expects international developed stocks to deliver a 9.2% annualized return over the next market cycle versus 7.6% for emerging market stocks and 6.2% for US stocks. A globally diversified stock portfolio, which includes a 63% allocation to US stocks, is expected to return 7.2% p.a.[1]

5. **The S&P 500 may not be the right benchmark for a family's goals.** With high starting valuations and heightened stock and sector concentration, a US-only portfolio may suffer larger losses and experience a longer to recover from losses. Families may benefit from using diversification to manage these risks.



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[1] Based on Compound Strategic Capital Market Assumptions. Source: UBS Wealth Management USA Asset Allocation Committee, as of 9 February 2026.

Important Information and Disclosures

Non-traditional asset classes are alternative investments that include hedge funds, private equity, real estate, and managed futures (collectively, alternative investments). Interests of alternative investment funds are sold only to qualified investors, and only by means of offering documents that include information about the risks, performance and expenses of alternative investment funds, and which clients are urged to read carefully before subscribing and retain. An investment in an alternative investment fund is speculative and involves significant risks.

Specifically, these investments (1) are not mutual funds and are not subject to the same regulatory requirements as mutual funds; (2) may have performance that is volatile, and investors may lose all or a substantial amount of their investment; (3) may engage in leverage and other speculative investment practices that may increase the risk of investment loss; (4) are long-term, illiquid investments, there is generally no secondary market for the interests of a fund, and none is expected to develop; (5) interests of alternative investment funds typically will be illiquid and subject to restrictions on transfer; (6) may not be required to provide periodic pricing or valuation information to investors; (7) generally involve complex tax strategies and there may be delays in distributing tax information to investors; (8) are subject to high fees, including management fees and other fees and expenses, all of which will reduce profits.

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- **Real Estate:** There are risks specifically associated with investing in real estate products and real estate investment trusts. They involve risks associated with debt, adverse changes in general economic or local market conditions, changes in governmental, tax, real estate and zoning laws or regulations, risks associated with capital calls and, for some real estate products, the risks associated with the ability to qualify for favorable treatment under the federal tax laws.
- **Private Equity**: There are risks specifically associated with investing in private equity. Capital calls can be made on short notice, and the failure to meet capital calls can result in significant adverse consequences including, but not limited to, a total loss of investment.
- **Foreign Exchange/Currency Risk:** Investors in securities of issuers located outside of the United States should be aware that even for securities denominated in U.S. dollars, changes in the exchange rate between the U.S. dollar and the issuer's "home" currency can have unexpected effects on the market value and liquidity of those securities. Those securities may also be affected by other risks (such as political, economic or regulatory changes) that may not be readily known to a U.S. investor.

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