First Trust

CLIENT RESOURCE KIT

ALTERNATIVES

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ALTERNATIVE INVESTMENT SOLUTIONS

FTAIR
ALTERNATIVE INVESTMENT RESEARCH

Accreditation Spectrum

Any Client — Qualifications

Liquid Alternatives	Registered Alternatives	Private Asset Platform
Mutual Funds / ETFs	Interval Funds / Tender Offer Funds / Non-Traded REITS	Limited Partnerships / Co-Investments

More Liquid — Less Liquid

Liquidity Spectrum

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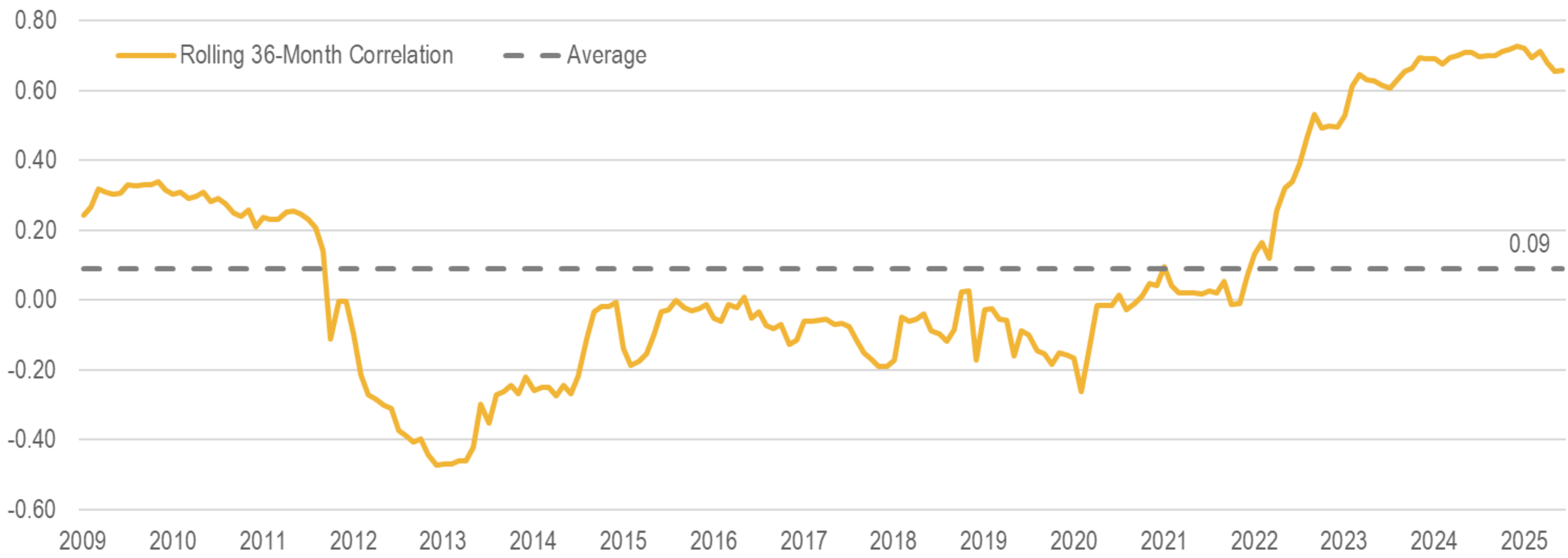
ALTERNATIVES MAY HELP MITIGATE THE RISK OF RISING CORRELATION BETWEEN STOCKS AND BONDS

The correlation between stocks and bonds has been rising, with the 36-month correlation reaching 0.66 as of June 30, 2025. Within this environment, investors may want to consider alternative sources of diversification to seek attractive risk-adjusted returns.

Rolling 36-Month Correlation of Stock and Bond Returns



Past performance is not a guarantee of future results.

Source: Bloomberg. Data is from 1/30/2009 through 6/30/2025. Stocks represented by S&P 500® Index; Bonds represented by Bloomberg US Aggregate Bond Index.

For illustrative purposes only and not indicative of any actual investment. The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. The Bloomberg U.S. Aggregate Bond Index measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS, ABS and CMBS. Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. Diversification does not guarantee a profit or protect against loss.

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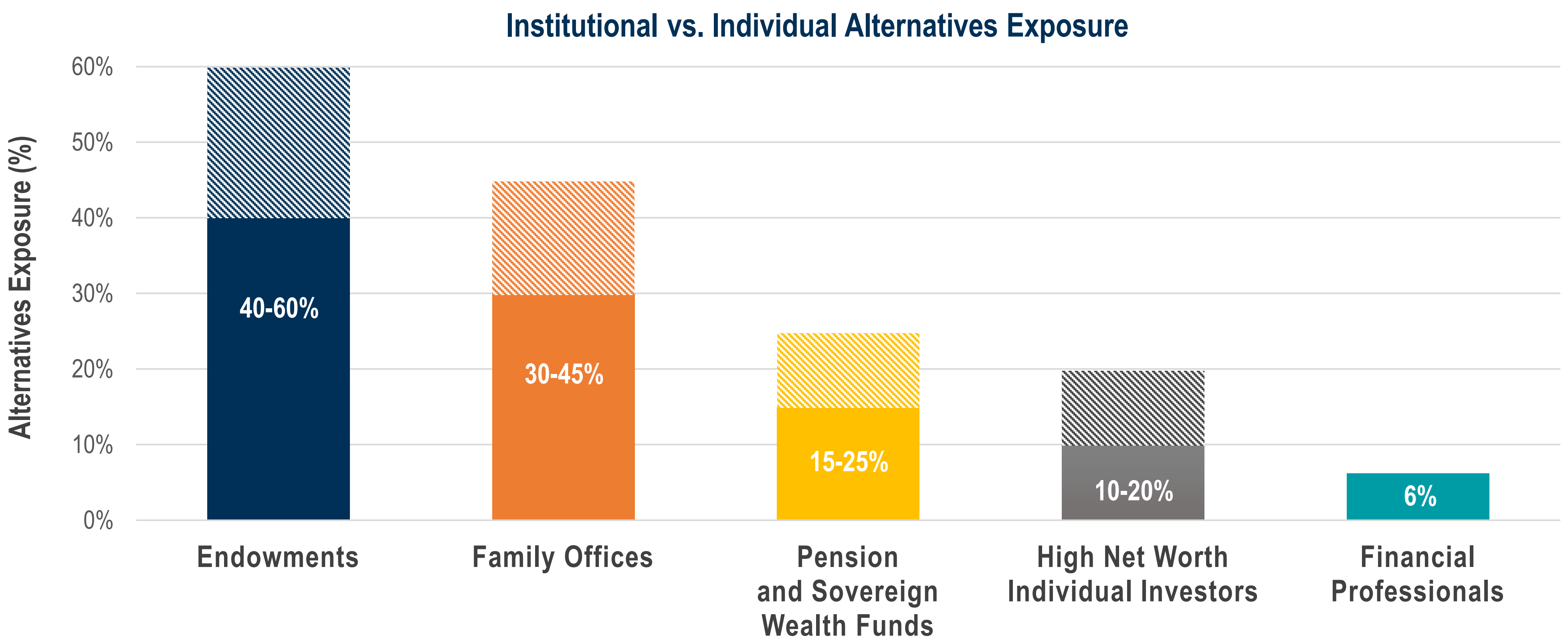
ALLOCATION TO ALTERNATIVE INVESTMENTS

For many years, alternative investments have been limited to certain investors, but access to these types of solutions is growing. Exposure to alternative investments among wealth management clients is expected to grow by 50% in North America in the next few years.[1]



Sources: Endowments, Family Offices, Pension and Sovereign Wealth Funds data from UBS Alternative Investments, December 2020 and UBS Global Family Office Report 2021. High Net Worth Individual Investors data from Statista. Financial Professionals data from FundFire.

[1]Source: Statista, 2021. Based on a survey of 2,500 wealth management respondents.

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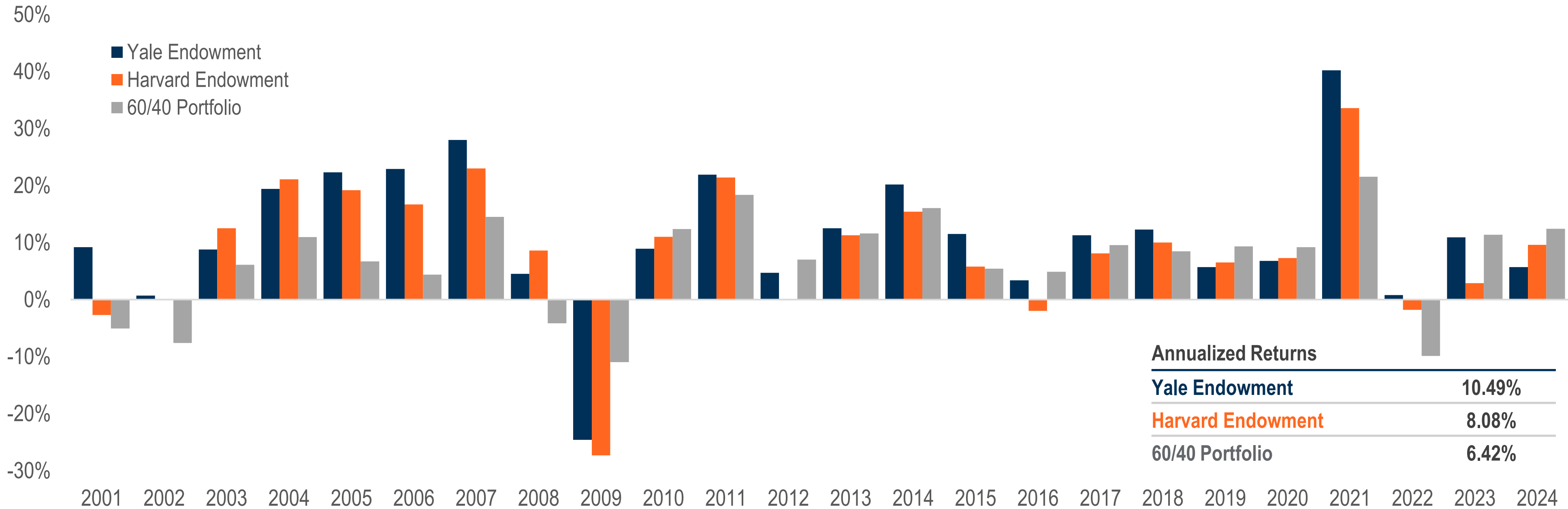
INVESTMENT INNOVATION: ENDOWMENT STYLE INVESTING

Endowments look to alternatives as an option to diversify their portfolios, enhance returns, and generate income.

20+ Year Fiscal Year Endowment Returns vs. The 60/40 Portfolio



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Yale Endowment	9.20%	0.70%	8.80%	19.40%	22.30%	22.90%	28.00%	4.50%	-24.60%	8.90%	21.90%	4.70%	12.50%	20.20%	11.50%	3.40%	11.30%	12.30%	5.70%	6.80%	40.20%	0.80%	10.90%	5.70%
Harvard Endowment	-2.70%	-0.05%	12.50%	21.10%	19.20%	16.70%	23.00%	8.60%	-27.30%	11.00%	21.40%	-0.05%	11.30%	15.40%	5.80%	-2.00%	8.10%	10.00%	6.50%	7.30%	33.60%	-1.80%	2.90%	9.60%
60/40 Portfolio	-5.09%	-7.60%	6.12%	10.96%	6.68%	4.39%	14.51%	-4.17%	-10.99%	12.36%	18.36%	7.00%	11.60%	16.04%	5.41%	4.88%	9.55%	8.45%	9.34%	9.21%	21.53%	-9.86%	11.38%	12.44%

Source: Morningstar, The Harvard Crimson, Yale.Edu. Performance based on fiscal year ending June 30th (latest data available). ***Past performance is not a guarantee of future results***.
The **Yale Endowment** seeks to provide high risk-adjusted returns to support current and future needs of the University. Yale's portfolio is structured with an overweight exposure to nontraditional assets due to their return potential and diversifying power. The **Harvard Endowment** is the largest academic endowment in the world dedicated as a source of support to continue to maintain the teaching and research mission within the University. The portfolio consists of over 14,000 individual funds and is heavily skewed toward alternative investments allocations. The **60/40 Portfolio** refers to a portfolio invested in 60% stocks and 40% bonds. Diversification does not guarantee a profit or protect against loss.
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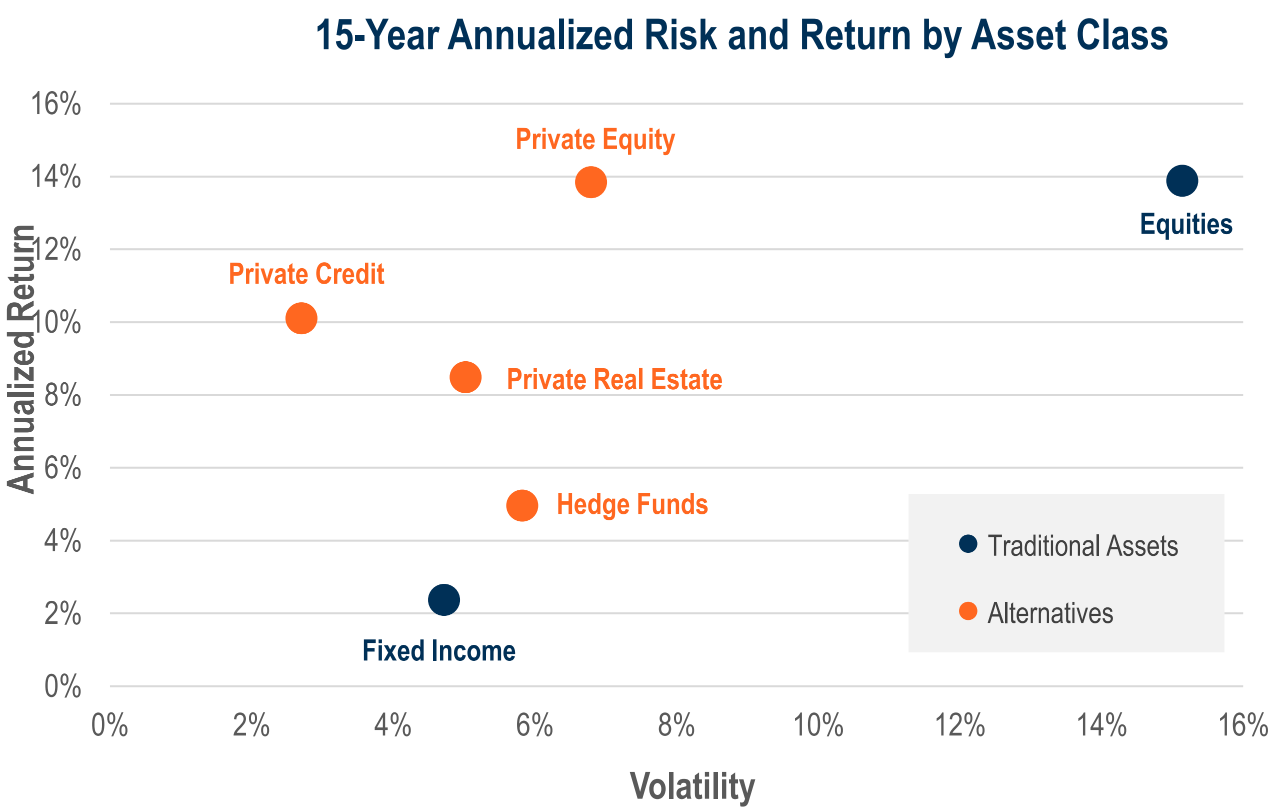
15-YEAR ANNUALIZED RISK AND RETURN BY ASSET CLASS



Asset Class	Volatility	Annualized Return
Equities	15.14%	13.88%
Fixed Income	4.72%	2.37%
Private Equity	6.79%	13.85%
Private Real Estate	5.02%	8.49%
Hedge Funds	5.82%	4.97%
Private Credit	2.70%	10.11%

Source: Cliffwater, Evestment, Preqin. Based on quarterly returns from 3/31/2010-12/31/2024, most recent data available. **Equities**: S&P 500 Index, **Fixed Income:** Bloomberg U.S. Aggregate Bond Index, **Private Real Estate**: NCREIF Open-End Diversified Core Equity Fund Index (NFI-ODCE), **Hedge Funds**: HFN Aggregate Hedge Fund Index, **Private Equity:** Preqin Private Capital Quarterly Index, **Private Credit:** Cliffwater Direct Lending Index. The **S&P 500 Index** is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. The **Bloomberg U.S. Aggregate Bond Index** represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. The **NCREIF Open End Diversified Core Equity Fund Index** is an equal-weighted index of the investment returns from a collection of open-end commingled funds which focus on core real estate investment strategy. The **HFN Aggregate Hedge Fund Index** is an equal weighted average of all single-manager hedge funds and CTA/managed futures products. The **Preqin Private Capital Quarterly Index** is an average of private capital portfolios, based on the actual amount of money invested in private capital. The **Cliffwater Direct Lending Index** is comprised of over 10,000 directly originated middle market loans, providing a benchmark for private debt. For illustrative purposes only and not indicative of any actual investment. Investors cannot invest directly in an index. Indices do not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown. Volatility is represented by **Standard Deviation** which is a measure of price variability (risk).

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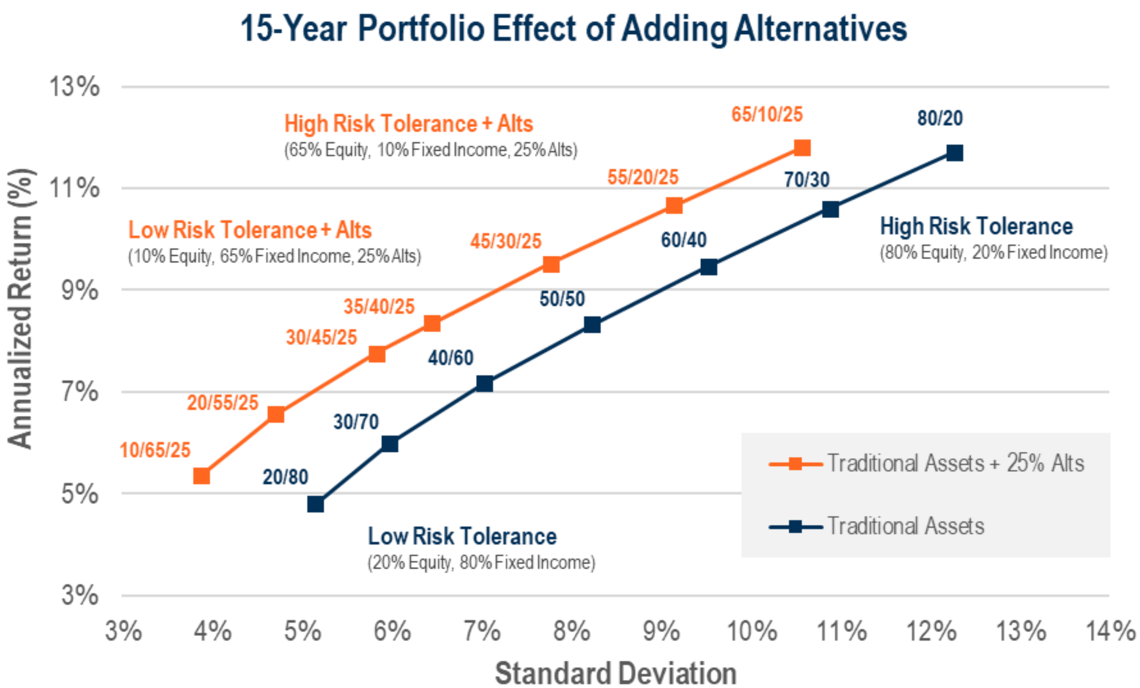
THE EFFICIENCY OF ADDING ALTERNATIVES

When paired with traditional asset classes, alternative investments may add value to an overall portfolio that leads to more efficient outcomes. Consider the following hypothetical examples that show the risk/return effects of adding alternative strategies to traditional asset allocation models over the 15-year period ending 12/31/24:



Allocations (% Equity, % Fixed Income, % Alts)	Volatility	Annualized Return
10/65/25	3.9%	5.4%
20/55/25	4.7%	6.6%
30/45/25	5.8%	7.8%
35/40/25	6.5%	8.3%
45/30/25	7.8%	9.5%
55/20/25	9.2%	10.7%
65/10/25	10.6%	11.8%

Allocations (% Equity, % Fixed Income)	Volatility	Annualized Return
20/80	5.2%	4.8%
30/70	6.0%	6.0%
40/60	7.0%	7.2%
50/50	8.2%	8.3%
60/40	9.5%	9.5%
70/30	10.9%	10.6%
80/20	12.3%	11.7%

Source: Morningstar Direct, as of 12/31/2024, most recent data available. Traditional Assets composed of Equity (S&P 500 Index) and Fixed Income (Bloomberg U.S. Aggregate Bond Index). 25% Alts (Alternatives) is composed of an equally weighted portfolio across the HFN Aggregate Hedge Fund Index, NCREIF Open-End Diversified Core Equity Fund Index (NFI-ODCE), Preqin Private Capital Quarterly Index and Cliffwater Direct Lending Index. This mix was used to capture alternative investments broadly across the major alternative asset classes: Hedge Funds, Private Real Estate, Private Equity and Private Credit. Indices do not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown. **The S&P 500 Index** is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. The **Bloomberg U.S. Aggregate Bond Index** represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. The **HFN Aggregate Hedge Fund Index** is an equal weighted average of all single-manager hedge funds and CTA/managed futures products. The **Preqin Private Capital Quarterly Index** is an average of private capital portfolios, based on the actual amount of money invested in private capital. The **NCREIF Open End Diversified Core Equity Fund Index** is an equal-weighted index of the investment returns from a collection of open-end commingled funds which focus on core real estate investment strategy. The **Cliffwater Direct Lending Index** is comprised of over 10,000 directly originated middle market loans, providing a benchmark for private debt. Standard Deviation is a measure of price variability (risk). Note: Graph illustrates a 15-year investing period based on quarterly returns from 3/31/2010-12/31/2024. The returns of each sample portfolio identified above represent the weighted average on the different asset mixes. The sample portfolios are for illustrative purposes only and do not represent actual portfolios for investors. Therefore, no investors experienced these returns. In addition, the returns do not account for the reduction of any fees, which would reduce the noted returns.

Past performance is not a guarantee of future results. There can be no assurance that any index or fund will achieve comparable results or avoid substantial losses. Investors cannot invest directly in an index.

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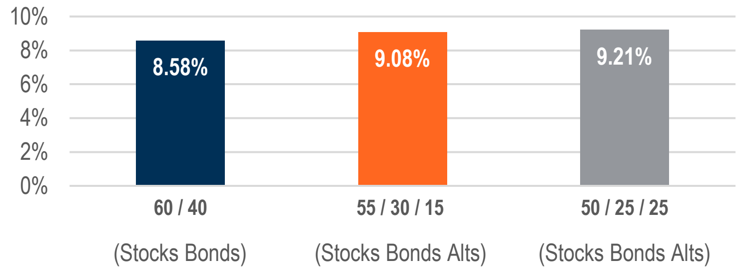
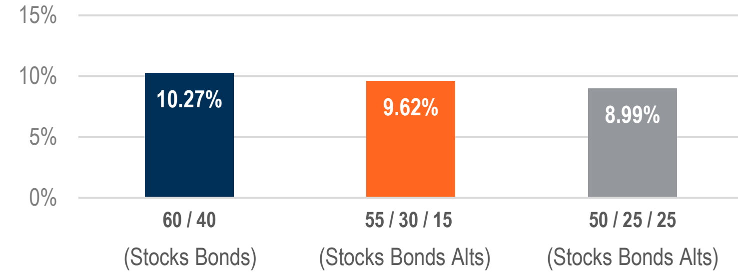
ALTERNATIVES ENHANCE RISK/RETURN METRICS

Historically, adding alternative investments to traditional portfolios has been beneficial in a number of ways including increased diversification, lower volatility, and reduced drawdowns. Below you will find the risk/return effects of adding different percentages to alternative strategies over the 10-year period ending 12/31/24.

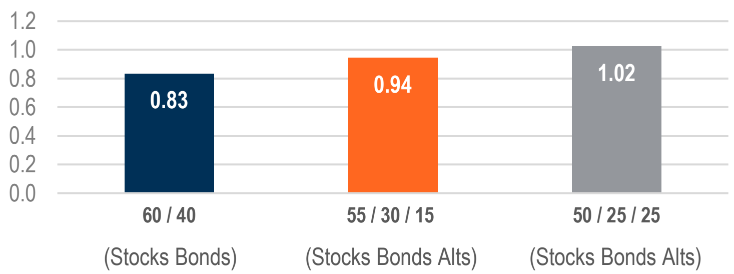
AVERAGE ANNUAL TOTAL RETURN



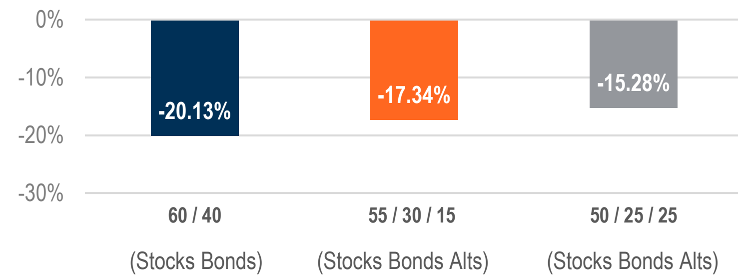
STANDARD DEVIATION



RETURN / RISK RATIO



DRAWDOWN



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Diversification does not guarantee a profit or protect against loss.

Source: Morningstar Direct, based on quarterly returns from 3/31/2015 - 12/31/2024, most recent data available. Traditional Assets composed of Equity (S&P 500 Index) and Fixed Income (Bloomberg U.S. Aggregate Bond Index). Alts (Alternatives) is composed of an equally weighted portfolio across the HFN Aggregate Hedge Fund Index, NCREIF Open-End Diversified Core Equity Fund Index (NFI-ODCE), Preqin Private Capital Quarterly Index and Cliffwater Direct Lending Index. This mix was used to capture alternative investments broadly across the major alternative asset classes: Hedge Funds, Private Real Estate, Private Equity, and Private Credit. Indices do not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown. **The S&P 500 Index** is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. The **Bloomberg U.S. Aggregate Bond Index** represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. The **HFN Aggregate Hedge Fund Index** is an equal weighted average of all single-manager hedge funds and CTA/managed futures products. The **Preqin Private Capital Quarterly Index** is an average of private capital portfolios, based on the actual amount of money invested in private capital. The **NCREIF Open End Diversified Core Equity Fund Index** is an equal-weighted index of the investment returns from a collection of open-end commingled funds which focus on core real estate investment strategy. The **Cliffwater Direct Lending Index** is comprised of over 10,000 directly originated middle market loans, providing a benchmark for private debt. Standard Deviation is a measure of price variability (risk). Return/Risk Ratio is the annualized return divided by the standard deviation. Drawdown is a measurement of the peak-to-trough decline of an investment and assesses the historical risk associated with an investment.

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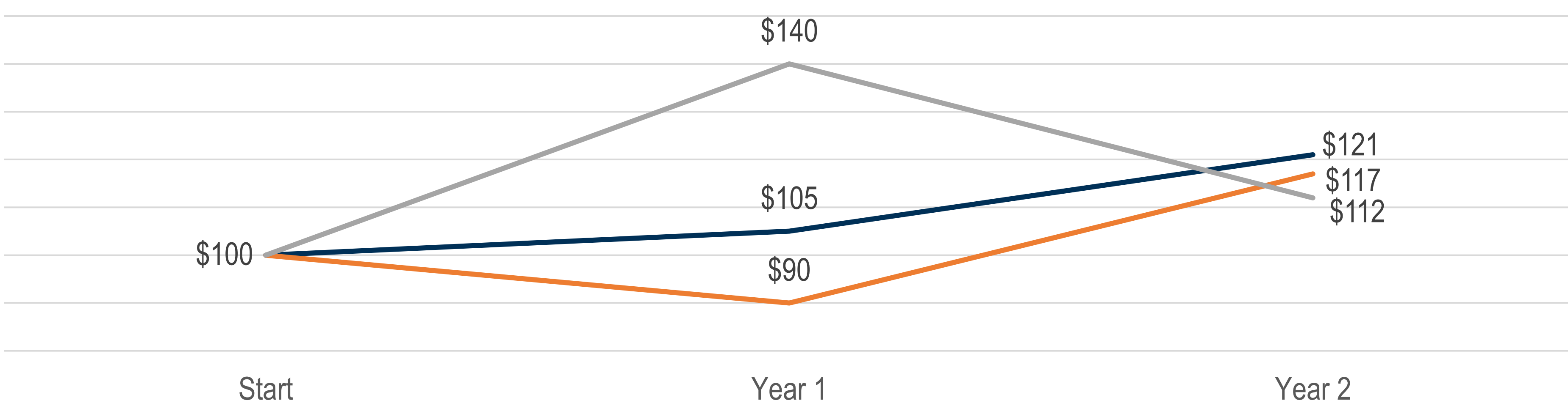
THE POWER OF LOW VOLATILITY

Shown below are hypothetical scenarios of three portfolios. As you can see, the greater the dispersion of yearly returns, the lower the compound return. The less volatile portfolio would achieve better long-term results due to the power of compounding.

Performance	Year 1	Year 2	Average Annual Return
Portfolio A	5%	15%	**10%**
Portfolio B	-10%	30%	**10%**
Portfolio C	40%	-20%	**10%**

Dollar Growth	Initial Investment	Year 1 Year-End Value	Year 2 Year-End Value
Portfolio A	$100	$105	**$121**
Portfolio B	$100	$90	**$117**
Portfolio C	$100	$140	**$112**



The hypothetical results shown do not reflect actual investment results and are not a guarantee of future results. For illustrative purposes only and not indicative of actual results. The example excludes the effects of dividends, taxes, and fees and expenses associated with investing.

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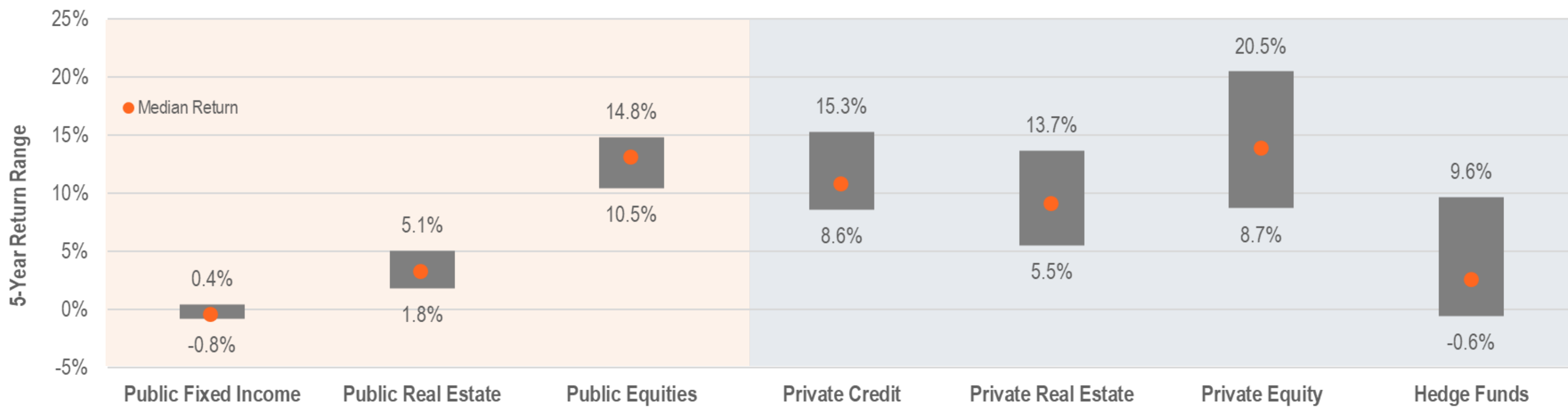
MANAGER SELECTION IS CRITICAL IN PRIVATE MARKETS

Over the past 5 years private assets have outperformed public markets. However, the dispersion between top and bottom managers show a wide range of outcomes. Manager selection and access to top-tier managers can have a significant impact in alternative asset class performance.

Top Quartile/Bottom Quartile Fund Performance



Top/Bottom Return Spread	1.2%	3.3%	4.4%	6.7%	8.2%	11.8%	10.3%

Source for public funds and hedge funds is Morningstar, returns are annualized over a five-year period ending 12/31/2024 using open-end funds. Public Equities are represented by Morningstar US Large Blend category. Public Fixed Income is represented by Morningstar US Intermediate Core Bond category. Public Real Estate is represented by Morningstar US Real Estate category. Hedge Funds are represented by the Morningstar Unlisted Closed-End Hedge Fund category. The median represents the median return for all funds in the category.

Source for private funds is Preqin, returns are for all open and closed private funds in North America with 2020 vintages that have last reported on 12/31/2024, most recent data available. Private fund returns are based on Net Internal Rate of Return (IRR). Private Equity represents all private equity as classified by Preqin, Private Credit represents all private debt strategies as classified by Preqin; Private Real Estate represent all co-investment, core, core+, debt, value added, and fund of fund real estate strategies. Investments in less liquid private market strategies are by nature risky and typically involve a high degree of leverage. The returns indicated above are long-term and represent well-known asset class indices and are not meant to be predictive of future performance of any particular fund, nor are they meant to suggest that all private funds result in positive returns or would avoid loss of principal.

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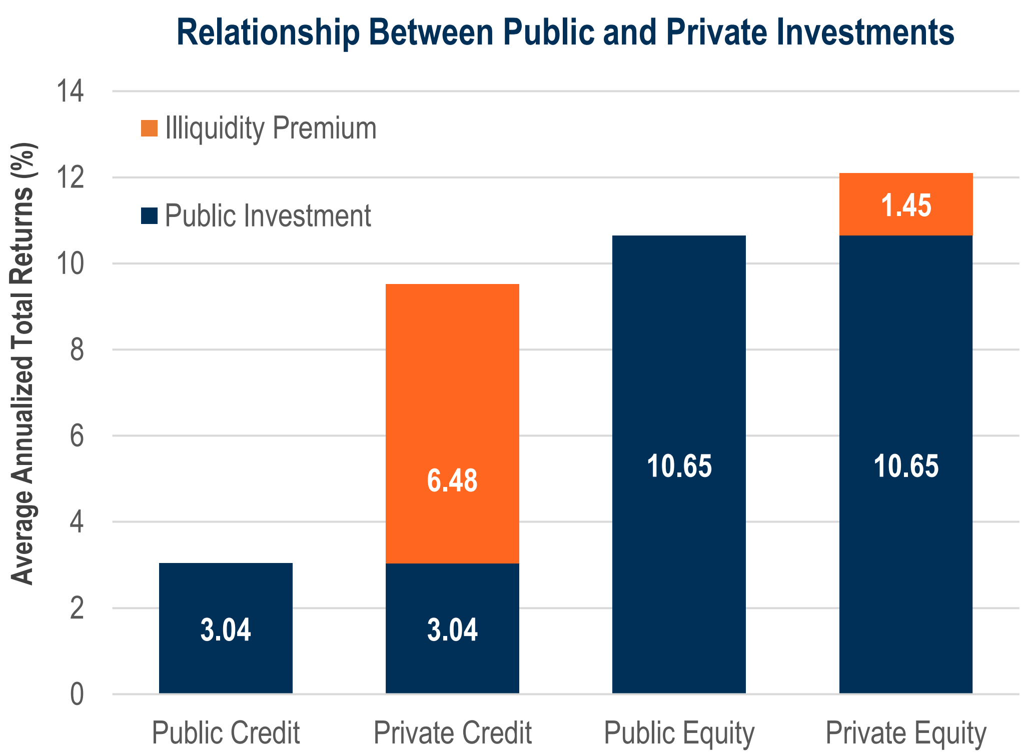
INTRODUCING THE ILLIQUIDITY PREMIUM

The interval fund structure provides access to less liquid investments across various asset classes. In exchange for holding longer-term assets and giving up daily liquidity, investors have the potential to earn higher returns.



Less liquid investments may:

- ✓ provide long-term appreciation through their holding periods
- ✓ diversify an investor's portfolio through differentiated investments which traditionally are difficult to access
- ✓ allow fund managers flexibility when investing in long-term investments as interval funds' liquidity is offered on a quarterly basis

For illustrative purposes only and not indicative of any actual investment. Chart illustrates a 19-year investing period from the common inception date of the private benchmarks 1/1/06 through 12/31/24, most recent data available. Source: Evestment, Preqin, Cliffwater. Public Credit is represented by the Bloomberg U.S. Aggregate Bond Index. Private Credit is represented by the Cliffwater Direct Lending Index. Public Equity is represented by the S&P 500 Index. Private Equity is represented by the Preqin Private Capital Quarterly Index. Indices do not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown. Investors cannot invest directly in an index. Diversification does not guarantee a profit or protect against loss. ***Past performance is no guarantee of future results.***

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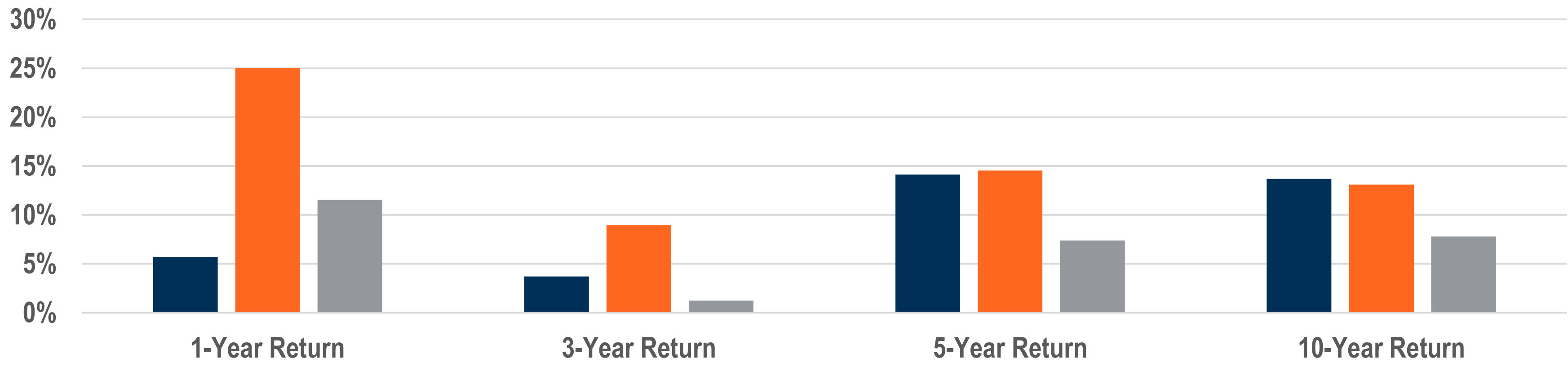
PRIVATE EQUITY VS. PUBLIC EQUITY

There may be a broader opportunity set in private equity than public markets: in the United States there were approximately 18,000 private equity backed companies and 4,000 public companies in 2020.[1] Over the last 10 years, private equity has outperformed both the S&P 500 Index and the Russell 2000 Index.

Historical Annualized Returns as of 12/31/2024



	1-Year Return	3-Year Return	5-Year Return	10-Year Return
US Private Equity	5.73%	3.72%	14.12%	13.68%
S&P 500 Index	25.02%	8.94%	14.53%	13.10%
Russell 2000 Index	11.53%	1.24%	7.40%	7.81%

[1]Source for private companies: Ernst & Young, *Economic contribution of the US private equity sector in 2022. April 2023.* Source for public companies: McKinsey & Company, *Reports of corporates' demise have been greatly exaggerated. October 21, 2021.* Source for historical returns is eVestment Analytics. The US Private Equity Universe is represented by the **Refinitiv Private Equity Buyout Index** which is made up of independent portfolios intended to track the return of the private equity universe by replicating movements in the Refinitiv Private Equity Buyout Research Index which tracks the performance of private equity-owned firms across a number of economic sectors.

The **S&P 500 Index** is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. The **Russell 2000 Index** is a small-cap stock market index that makes up the smallest 2,000 stocks in the Russell 3000 Index. Indices do not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown. Investors cannot invest directly in an index.

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