VANTAGE POINTE
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AN ALTERNATIVE APPROACH

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Alternative investments have been an element of portfolios for some time, however primarily they were limited to institutional investors. Availability of these types of investment vehicles has increased dramatically over the last few years. These types of investments have characteristics that may provide additional diversification within portfolios in part due to their performance which is not typically correlated with the stock and bond markets.

RISK & REWARD

While use of these investments can add diversification to a portfolio, their non-correlation to the performance of the market is often misunderstood, specifically when viewed individually rather than as a component of a portfolio. Alternatives can be considered a tool meant to broaden exposure in the market place in an attempt to limit affects on a portfolio due to market volatility and economic conditions. Their performance may not follow patterns typical of traditional investment vehicles. In fact, many are used when change is anticipated in the markets or in the economy - change that may adversely affect traditional markets.

Alternatives may have limitations, including limited liquidity. For example, an investment in real estate outside the traditional equity market, such as in a Real Estate Investment Trust Fund (REIT) may have time constraints. There may be restrictions or a lack of market demand that could affect the timing of a sale. These factors should be considered prior to the inclusion within a portfolio.

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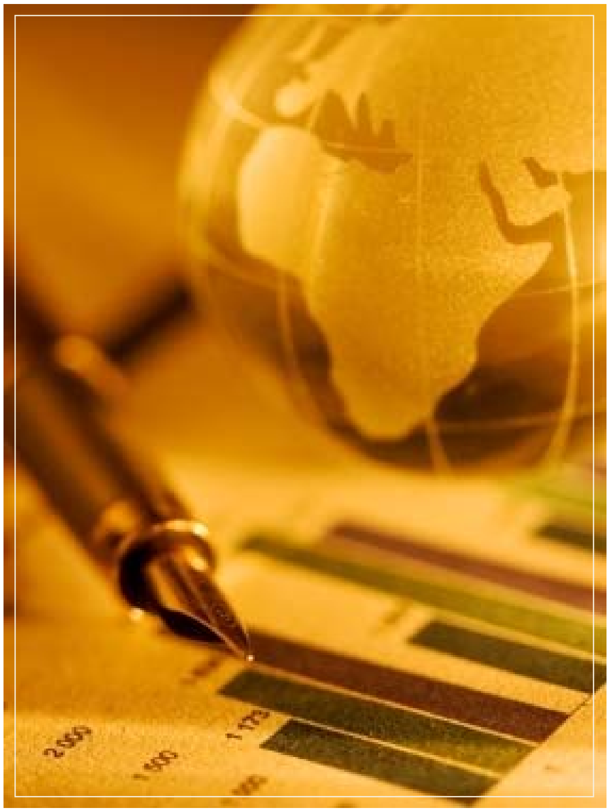

ALTERNATIVES DEFINED

Alternatives tend to fall within one of two categories – strategies or assets. In this article we will consider strategies first, and then assets.

Alternative investments in the category of strategies are sometimes thought of as hedge fund strategies. Many are now available to investors in the form of mutual funds. These investments are designed to take advantage of opportunities existing outside traditional approaches such as the commonly used long-term buy/sell strategy.

One type called the long/short strategy comprises a grouping of both long-term and short-term equities.

Then there is the market neutral strategy which aims to keep market (beta) risk near zero by maintaining an equal balance in both long and short equity positions. Both of these strategies may be considered when companies appear overvalued and it is believed their stocks will decrease in value.

The global macro strategy may be used in an attempt to profit from broad economic or government changes that can make particular assets especially attractive. For example, when global conditions indicate a country may experience higher than normal economic growth, this strategy may be implemented by determining which companies or asset classes are positioned well and then investing accordingly. Typically a number of investments will be incorporated within a portfolio to allow broad diversification. Often both long and short positions will be used while incorporating fundamental and technical analysis to determine investments with the most potential.

The second category for discussion is alternative assets. These are investment vehicles that traditionally trade outside the typical stock and bond markets. The most common alternative asset is considered real estate, which historically has shown a tendency to perform well in inflationary times. Other well-known alternative assets are commodities - investments in physical substances such as food, grains, oil and coal, or hard assets such as gold. Commodities have been known to perform well during times of unexpected inflation when historically both the stock and bond markets have been adversely affected.

One other type, known as infrastructure, is unique enough to be called an alternative asset. This may be an investment in pipelines, satellite dishes, water plants, toll highways, etc. Infrastructure investments are typically less affected during short-term economic changes. These assets tend to be very expensive to build, greatly limiting the amount of competitor influence on the corporate value that can allow a more consistent cash flow and thus result in less market volatility.

OPPORTUNITY

Growing availability coupled with an increased desire for more diversity by investors has created the opportunity for alternative investments. While this article provides some limited insight into alternative investments, it has only scratched the surface. Many more types of alternative investment vehicles will continue to flow into the market. Investment Managers at Vantage continue to explore new strategies in order to incorporate alternatives where appropriate and thus expand diversification within client portfolios. For additional information regarding an alternative approach, please contact your Relationship Manager.

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VANTAGE NEWS

We would like you to meet the newest member of our team, Johnathan (Jay) Kulikowski. Jay joined Vantage in March as a Financial Planning Associate. We are thrilled to have him on board! Having graduated Cum Laude from DePaul University in 2009, Jay lives at home with his father in Mount Prospect while saving to buy his first house. He has an older brother in Florida and a younger sister living in Elgin. Jay enjoys golf, fishing, travel, working on cars, meeting new people and spending his free time with friends and family. Be sure to say hi when you stop in or call.

Johnathan (Jay) Kulikowski
Financial Planning Associate

Sam Swisher and his fiancée, Pam, recently returned from hiking down and up the Grand Canyon in one day! The 15 mile hike took over 10 hours to complete starting at the South Rim at 13 degrees with ice and snow to over 70 degrees at the bottom and then back up again on another trail. Sam, a veteran of many marathons says this was the hardest thing he has ever done physically.