MACKENZIE
Investments

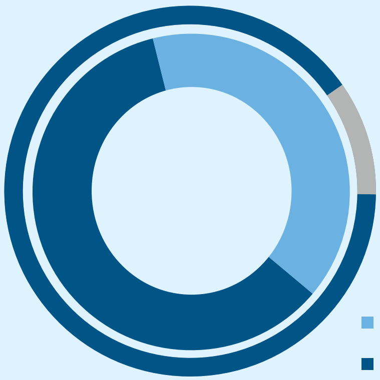
How may an allocation to alternatives impact a portfolio's equity exposure?

Equity market exposure is the primary driver of risk and return.

In most portfolios, equity market exposure is the primary driver of risk and return. Adding alternatives to a traditional portfolio may affect its overall market exposure, potentially replacing equity market exposure with other, different sources of risk and return. It's important to be aware of such changes to a portfolio's equity market risk – both now and potentially in the future – and to ensure the changes align with your risk exposure expectations.

The following illustration shows how risk allocations may effectively diversify and reduce risk when adding a range of alternatives to a traditional portfolio of 60% stocks and 40% fixed income.

Representative 60/40% Portfolio Capital and Risk Allocation*



Potential Capital and Risk Allocation with Alternatives*

*For illustrative purposes only. Capital allocation shown in inner ring; approximate risk allocation shown in outer ring.

Also note that alternative strategies may impact a portfolio's equity exposure in different ways. For instance, **relative return** strategies are often measured against benchmarks that include exposure to long-only indices. The composition of those benchmarks often provides an indication of how much average net equity exposure to expect.

Absolute return strategies typically use cash benchmarks and are generally not required to take on significant strategic equity exposure. Their average equity exposures can not only be lower, but also variable, with the possibility of negative exposure at times. **Market neutral** strategies are generally mandated to maintain zero net equity market exposure, which means they should not alter a portfolio's existing equity exposure.