

Abstract

This research investigates the role of alternative investments in diversifying investment portfolios, focusing on how these assets can mitigate risk and enhance returns. The study employs a mixed-methods approach to examine the decision-making processes of individual and institutional investors regarding the integration of alternative investments—such as real estate, private equity, commodities, and hedge funds—into traditional portfolios. The goal is to understand the perceived benefits and challenges of incorporating these investments in risk management strategies.

The research combines quantitative data analysis, using portfolio performance metrics, with qualitative insights gathered from interviews with financial advisors, institutional investors, and portfolio managers. The quantitative component evaluates how alternative assets impact portfolio volatility, returns, and correlation with traditional asset classes. In contrast, the qualitative analysis explores investor attitudes, motivations, and experiences related to alternative investments, providing a deeper understanding of factors influencing portfolio diversification choices. This mixed-methods approach allows for a comprehensive view of the role of alternatives in portfolio construction.

The study's findings contribute to the literature on investment diversification, offering practical insights into the effective use of alternative investments for improving portfolio resilience. The results have significant implications for both retail and institutional investors, providing guidance on optimizing risk-adjusted returns through the strategic inclusion of alternative assets. This research ultimately emphasizes the value of alternatives in a balanced investment strategy, especially in periods of economic uncertainty.