

# How to Talk About Alternative Investments with Clients

As more high-net-worth individuals (HNWIs) express interest in private equity, private credit, and other alternative investments, financial advisors are being asked to step outside the comfort zone of public markets. Understanding private capital markets is one step but translating that knowledge into clear, confident client communication is another challenge altogether.

Below, we offer a practical guide to discussing alternative investments with clients. It provides language, frameworks, and strategies for explaining the rationale behind alternative investment allocations, while addressing common concerns around liquidity, fees, risk, and transparency. The goal: to help advisors bridge the gap between client curiosity and informed decision-making.

Download our [\*\*Client Conversation Checklist: Talking About Alternative Investments\*\*](#) for RIAs, wealth managers, and consultants.

## Framing the Value of Alternative Investments

The first step in any client conversation is establishing why alternative investments matter. The rationale should be grounded in long-term performance and portfolio construction principles, not hype or exclusivity.

Here are a few positioning angles advisors can use:

- **"Access to institutional-caliber strategies"**

Clients are often intrigued by what sophisticated investors like pensions and endowments are doing. Emphasizing that alternative investments are a core allocation in those portfolios helps clients understand that this is a well-established asset class, not an experiment.

- **“Enhanced long-term returns through illiquidity”**

Introducing the idea of the illiquidity premium—the return advantage for locking up capital can help reframe long holding periods as a strategic benefit, not a drawback.

- **“Diversification beyond alternative investment cycles”**

Many private assets are less correlated to public markets, offering stability and opportunity during downturns. This complements, rather than replaces, traditional holdings.

## **Explaining the Mechanics Simply**

Once the value proposition is established, advisors must walk clients through the structure of a typical alternative investment. Avoid industry jargon and instead use clear analogies and visual aids when possible.

Key points to cover include:

- **Commitment vs. investment**

Clients don't wire the full amount upfront they commit capital, which is called over time by the fund manager (GP) as investments are made.

- **Capital calls and distributions**

Explain that returns are not delivered like quarterly dividends. Instead, capital is gradually deployed and eventually returned, often in lump sums tied to asset exits.

- **The “J-curve” effect**

Private funds typically show negative returns early (due to fees and undeployed capital), with performance improving over time as investments mature.

- **Fund terms**

Lock-up periods, fees (management and carried interest), and performance hurdles should be explained clearly and without defensiveness.

Using real-life case studies or anonymized fund examples preferably backed by institutional-grade data can make these concepts more tangible.

## **Addressing Common Client Concerns**

Even well-informed clients will have questions and often, reservations. Proactively addressing these can build trust and credibility.

### **Concern: "What if I need the money?"**

#### **Response:**

Private funds are designed for long-term investors. For clients with shorter horizons or unpredictable cash needs, these may not be appropriate. However, we can size the allocation accordingly, so only a portion of the portfolio is illiquid at any given time.

### **Concern: "Why are the fees so high?"**

#### **Response:**

Fees reflect the hands-on nature of alternative investing: sourcing deals, improving businesses, monitoring credit risk, and executing strategic exits. The key is net performance. Top-tier managers have historically generated returns well above public benchmarks even after fees.

### **Concern: "How do I know this isn't too risky?"**

#### **Response:**

Alternative investments involve different types of risk not necessarily more

risk. These include illiquidity, manager performance variability, and less frequent pricing. But with proper due diligence, diversification, and the right data, these risks can be mitigated. We only consider managers with proven track records and transparency.

## **Tailoring the Message to the Client Profile**

A client's appetite for alternative investments will vary based on age, liquidity needs, investment experience, and overall portfolio structure. The advisor's role is to contextualize the opportunity.

For example:

- A client nearing retirement may benefit from private credit, which generates income with lower volatility than equities.
- A younger, entrepreneurial client may be drawn to growth-oriented private equity funds with longer horizons and higher return potential.
- A risk-averse client might explore core real estate or infrastructure funds, which offer inflation protection and asset-backed security.

## **Using Data to Build Confidence**

Even the most compelling pitch can falter without evidence. Fortunately, the frameworks available to advisors have evolved. Institutional-grade data, benchmarking platforms, and AI-powered tools such as [CEPRES](#) [Alnsights](#) can help:

- Compare fund performance across vintages and sectors
- Quantify risk and dispersion across managers
- Model cash flows and J-curve effects
- Align strategies with client-specific goals

These resources not only enhance due diligence but also lend credibility

to client discussions.

## Final Thoughts

Alternative investment conversations don't require deep technical expertise but they do require clarity, honesty, and an ability to translate complexity into relevance. Advisors who can speak confidently about private capital strategies and frame them in terms of client outcomes will stand out in a crowded market.

As demand for alternatives grows, so does the opportunity for advisors to become trusted guides. The ability to communicate clearly about alternative investments is no longer a niche skill. It's quickly becoming a core competency in modern wealth management.

Want to know more? Learn how [CEPRES Market Intelligence](#) can help you maximize private equity returns, mitigate risks, and uncover hidden portfolio opportunities.

Read the next article in the series [The Future of Alternative Investments: Data, Technology, and the Role of AI](#)