SERVICE 07

Alternatives Portfolio Construction

■ Illustrative Scenario

CLIENT PROFILE

Client	Northeast Single-Family Office — Multi-Generational Principal Family
AUM	$200M alternatives allocation across four strategy buckets
Asset Class	Alternatives — managed futures, private credit, hedge fund, real assets
Location	Boston, MA
Situation	First formal alternatives allocation; no existing framework or manager relationships
Engagement Type	Portfolio construction advisory — framework, manager selection, risk infrastructure

THE CHALLENGE

A Boston-area single-family office with approximately $200M designated for alternatives sought to build its first systematic alternatives allocation. The family had historically held concentrated equity positions and real estate, with no dedicated alternatives framework, no manager relationships, and no risk infrastructure designed for the complexity of a multi-strategy alternatives portfolio.

The engagement required building the complete portfolio construction foundation from scratch — including allocation targets across strategy types, a manager evaluation methodology, correlation analysis demonstrating genuine diversification benefit versus the existing portfolio, and an institutional governance and reporting framework that could withstand the scrutiny of the family's investment committee.

VERDE ADVISORS APPROACH

The portfolio construction framework applied the managed futures allocation methodology developed at Fieldcrest Capital Management — adapted for a family office context and expanded across four strategy buckets: managed futures (systematic and discretionary), private credit, long/short equity hedge funds, and real assets. The framework was built around diversification across strategy types, risk budgeting at both the manager and strategy level, and correlation management to ensure genuine diversification benefit versus the family's existing 60/40 core portfolio.

Manager selection applied a rigorous evaluation rubric assessing track record quality, strategy capacity, risk management discipline, operational infrastructure, and alignment of interests. Each manager was evaluated not just on absolute return but on their correlation to existing portfolio components and their contribution to the overall portfolio Sharpe ratio.

The risk analytics infrastructure included daily P&L; attribution, real-time drawdown monitoring, strategy-level position limits, and portfolio-level VaR — providing the transparency and control required for investment committee reporting and ongoing governance. A liquidity management framework was overlaid to ensure the portfolio could be rebalanced efficiently.

KEY DELIVERABLES

- Portfolio construction framework — strategy allocation targets, risk budgets, and rebalancing rules across four alternatives buckets

- Manager evaluation rubric — systematic scoring across 6 investment and operational dimensions
- Correlation matrix and diversification analysis — demonstrating portfolio benefit vs. traditional 60/40 allocation
- Risk analytics infrastructure — daily P&L; attribution, drawdown monitoring, strategy-level position limits
- Institutional governance documentation — investment policy, risk policy, and compliance procedures
- Investment committee reporting templates — quarterly performance report and risk commentary

OUTCOMES & RESULTS

4	$200M	Institutional
Strategy Buckets Constructed	Alternatives Allocation Deployed	Governance Framework Established

This is an illustrative scenario demonstrating Verde Advisors' alternatives portfolio construction capabilities. The portfolio construction methodology draws on the managed futures allocation framework developed by Verde Advisors' principal at Fieldcrest Capital Management. Client details are illustrative.