

AN EMPIRICAL STUDY

# Real Estate Portfolio Diversification



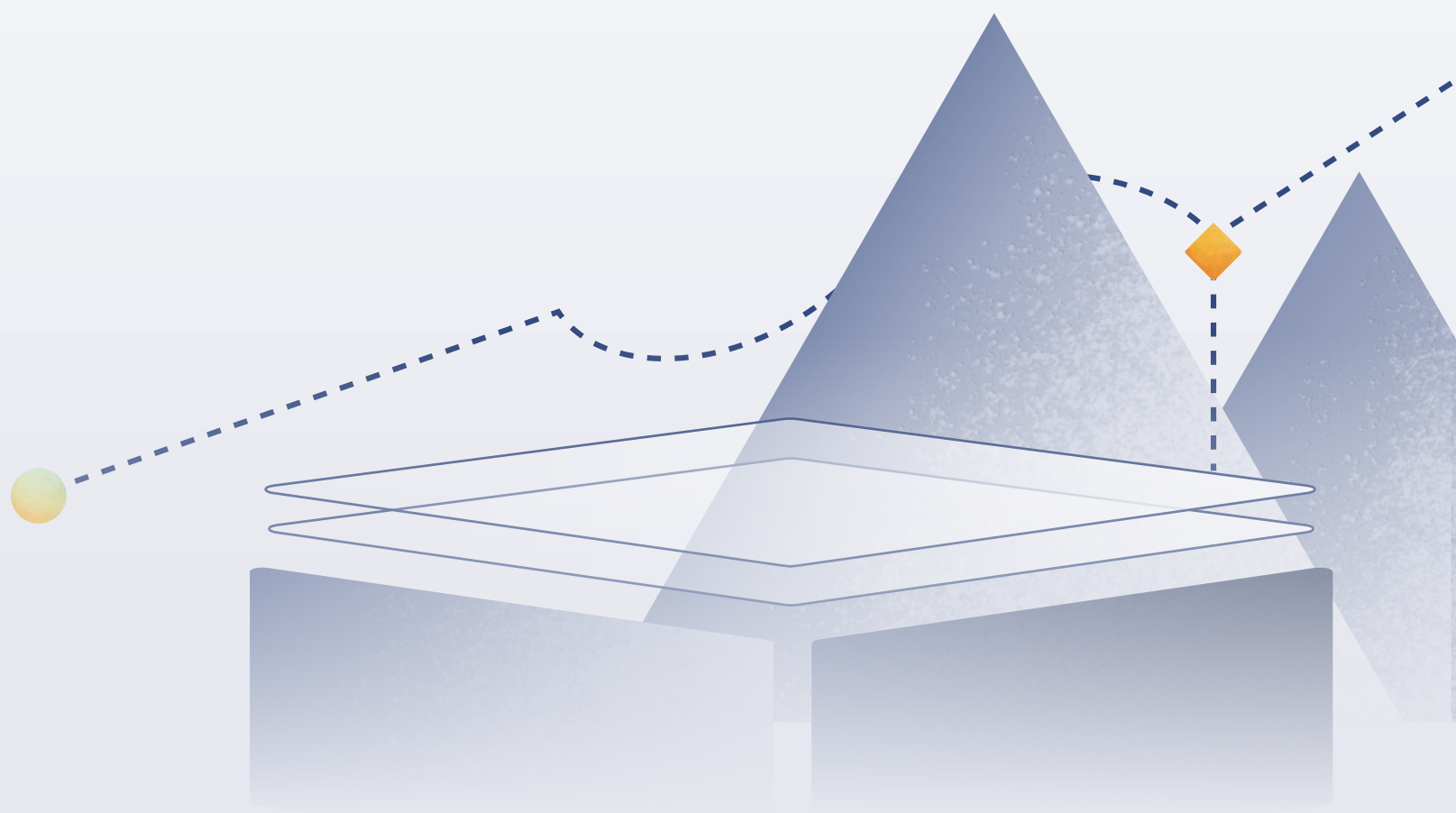


# Introduction

We talk a lot about diversification. Diversifying into illiquid alternative asset classes (such as private-market real estate) is a hallmark of modern portfolio theory — a strategy generally employed by institutional investors. This strategy is now more accessible to individual investors via EquityMultiple. The basic premise is that adding less cross-correlated assets to your portfolio can potentially reduce volatility and enhance risk-adjusted returns over time.

There is also the matter of diversification within asset classes. If you were building a stock market portfolio from scratch, you would likely diversify across a range of sectors; large cap versus small cap; dividend versus growth stocks, and so forth. This continues the modern portfolio theory premise: potentially reducing risk by reducing correlation between assets.

Diversification within an asset class may also help to balance objectives, giving you the best shot at pursuing income and upside while maintaining an acceptable level of risk. Diversification within an asset class, simply put, also helps to avoid an “all eggs in one basket” outcome. Avoiding overexposure to a single asset helps keep one bad bet from tanking your overall portfolio performance.



Diversification within an asset class certainly applies to real estate investing, and to your EquityMultiple portfolio. While the individual investments you select may depend on personal preference and your strategy, we advise all investors to allocate across our three pillars, and across as many assets as possible, to help balance risk.

EquityMultiple facilitates this diversification in several ways:

- Low minimums to help you spread your real estate allocation across as many positions as possible.

- A streamlined investing process to help you understand the potential return and attendant risks of any investment, and to easily deploy your capital.
- A curated flow of investments across strategies, property types, geographies, and risk/return profiles.

EquityMultiple's three investing pillars help you identify the structure and risk/return profile of investments. You can easily view the diversification of your portfolio across this key dimension.

## EquityMultiple's Three Investing Pillars



**Keep** — Yield-focused cash managed vehicles, with a term as short as 3 months.



**Earn** — Debt or preferred equity-focused real estate investments, generally with a fixed income imperative and term under 2 years.



**Grow** — Real estate private equity investments with fewer protections and higher potential upside.

*Many investors prefer to think of 'Earn' as a supplement to, or a replacement for, bond allocation, whereas Grow investments can provide an alternative to stocks.*

Let's bring this all home with some tangible examples. How has diversification played out within the EquityMultiple investor network? What type of results have investors seen through diversification? →

# Pillar Diversification

Diversifying across Earn and Grow can help investors potentially balance risk and smooth out returns, with Earn contributing income potential and Grow contributing upside potential to your portfolio. In both cases, diversification across a number of assets may help to reduce risk.

Let's take a look at the cohort of investors who made a first investment between 2019 and 2021. This is a cohort that is recent enough to have invested through the pandemic and recent period of elevator interest rates (a more fluid macro environment) but aged enough to have adequate time to build a significant portfolio with EquityMultiple.

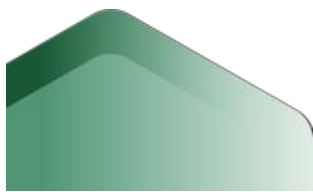
Within this cohort, we break out a group that has achieved "Pillar Diversification" — investors with 3+ investments in both the Earn and the Grow pillar.

Compared to the overall cohort, the Pillar Diversification group had both a significantly higher average net IRR (dollar-weighted average across investors within the population), less variance, and hence much higher risk-adjusted return than the broader population.

Not every EquityMultiple investment is a home run, and a small number of investments have lost investor capital (please see our full track record for details). But diversifying across a number of EquityMultiple investments may help to mitigate the risk of loss. In comparing these populations, we see that the worst outcome for a diversified investor was a 10% total (portfolio-level) net IRR. The worst outcome for a non-diversified investor was a -56% IRR.

Diversified vs. All Investors		
Metric	Pillar Diversification	All Investors
Median IRR	21%	13%
Mean IRR	23%	18%
Low IRR	10%	-56%
High IRR	38%	122%
Coefficient of Variance	29%	133%





## The Effect of Keep (Alpine Notes)

Alpine Notes (the flagship offering within the Keep pillar) operate differently from Earn and Grow investments. It’s less like a real estate investment, and more like a flexible cash management tool. Alpine Notes are short in duration, and no Alpine Note has ever defaulted or been extended. However, Alpine Notes are capped in terms of potential return, at a rate lower than any Earn investment.

Hence, portfolios with significant allocation to Alpine Notes exhibit a compressed range of returns. What does the picture look like in aggregate? Below, we took a look at all portfolios with at least 3 investments into Alpine Notes that have exited, as well as 3+

investments into exited Earn and/or Grow investments. As expected, these diversified portfolios exhibit a lower total return on average, but also a significantly lower variance (as proxied by standard deviation).

These figures imply that, while significant exposure to Alpine Notes may curtail total return potential of an EquityMultiple portfolio, the risk-adjusted return potential of a portfolio significantly diversified across all of Keep, Earn, and Grow may be higher.

The portfolio construct that you pursue should depend on your risk tolerance and overall strategy. Some investors may choose to consider performance of Alpine Notes separately, alongside cash and other short-term investments in their portfolio.

Metric	Investors with 3+ Alpine and 3+ Earn/Grow	All Investors
Mean Net IRR	12%	17%
Median Net IRR	11%	13%
Std. Deviation	9%	24%



# Strategy Diversification

“Strategy” means something specific in commercial real estate investing and can be helpful in assessing the risk and potential upside of an EquityMultiple investment. The real estate investing risk spectrum, across strategies (from lowest to highest return potential and risk) is as follows:

- **Core:** Stabilized properties, stabilized market (or submarket).
- **Core Plus:** Mostly stabilized property and/or location, with some room to grow with light improvements.
- **Value-Add:** Room for growth, but some capital and/or operational improvements required (hence at least moderately more risk).
- **Opportunistic:** Significant growth potential, but significant improvements and/or market growth necessary to realize return potential.

Note that “pillar” and “strategy” both carry implications for risk and return potential of an investment, but they are not the same thing. An Earn investment, for example, could be a loan for a core-plus or a value-add investment. (The latter would imply more risk and higher rate of return, all else being equal.)

What does performance look like for EquityMultiple investors *who have diversified across strategies*? We looked at the portfolio performance across all investors who have made at least one Core or Core-Plus investment; at least one Value-Add investment, and at least one Opportunistic investment. Implicitly, this also means the investor has diversified across at least three *total* investments.

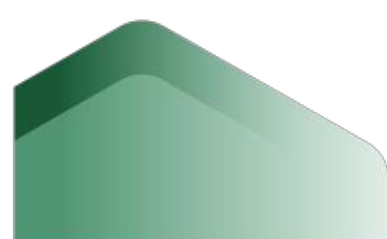
Metric	Investors Who Diversified Across Strategies	All Investors
Mean Net IRR	18%	17%
Median Net IRR	17%	13%
Std. Deviation	11%	24%



Compared to the total population, the strategy-diversified group exhibited higher average portfolio-level IRR (both median and mean) and lower variance (proxied by standard deviation). Again, this implies that diversification across strategies may deliver superior risk-adjusted returns over time.

## *Looking for “Off the Shelf” Diversification?*

Many EquityMultiple investors enjoy building a diversified portfolio of individual real estate assets. Note that we also offer diversified (multi-asset) products to help jumpstart your real estate portfolio.



**Alpine Note**

The Alpine Note offers real estate-backed short-term notes with compelling yield and compounding interest, fee-free.

**6% - 7.35%** APY

3, 6, & 9 Month Maturities



**Ascent**  
Income Fund

The Ascent Income Fund provides stable, compelling target income from senior commercial real estate debt positions.

**9.08%** HISTORICAL  
DISTRIBUTED YIELD  
as of Q2 2025

Redemption Options After 1 Year

## Conclusion

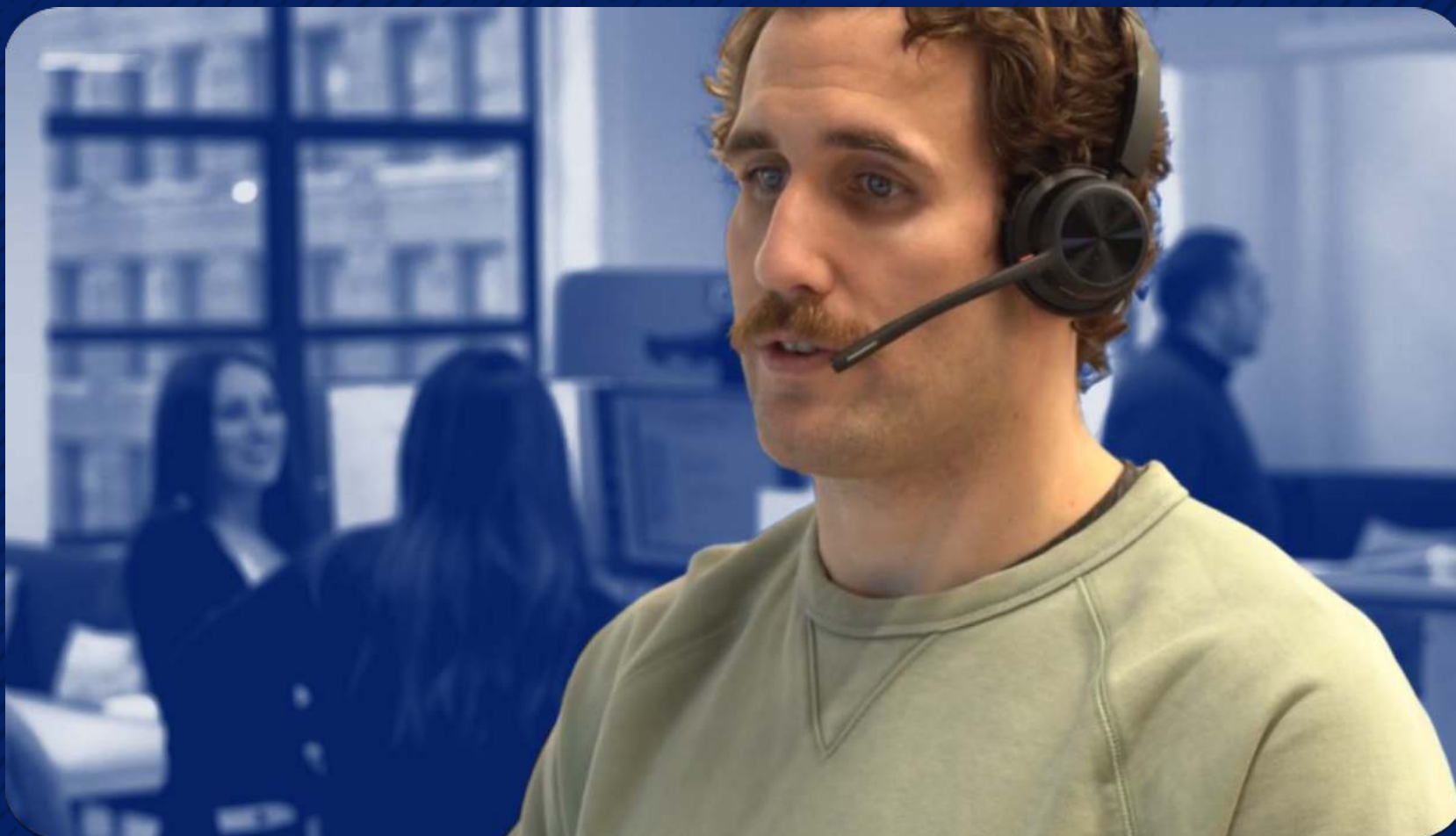
EquityMultiple offers you a high degree of variety in real estate investing options. Irrespective of your age, level of experience, or risk tolerance, some degree of diversification is encouraged. Be sure to consider pillar and real estate investing strategy in particular as you build diversification into your portfolio.

Remember, as always, that our Investor Relations Team is standing by to help. Don't hesitate to reach out to [ir@equitymultiple.com](mailto:ir@equitymultiple.com).





If you have any questions, or would like to discuss your asset allocation strategy within EquityMultiple, please don't hesitate to reach out to Investor Relations at [ir@equitymultiple.com](mailto:ir@equitymultiple.com), or [schedule some time](#) to speak with the team.



**Hypothetical Returns:** This material describes hypothetical net returns that may be earned by an investor in this offering for illustrative purposes only. These returns have not been achieved by any investor. In certain cases, the described returns are a function of the contractual interest rate or preferred return associated with the investment. In other cases, the forecasted net IRR or equity multiple is a hypothetical return derived from assumptions regarding the future operating performance of the property. The assumptions involved in such forecasting include growth of market rental rates in the market, achievable market rental rates based on current and future property conditions, growth rate in property operating expenses and prevailing cap rates upon future sales of the property. These assumptions are derived from comparable properties, market reports, broker opinions, industry underwriting conventions and prior Sponsor/Borrower experience. While EquityMultiple believes that these assumptions are reasonable, due to various risks and uncertainties, actual events or results or the actual performance can differ materially from those reflected or contemplated.

These investments have a high degree of risk, and there can be no assurances that any of the assumptions will be true or that the investment's actual performance will bear any relation to these hypothetical illustrations. The particular assumptions used to evaluate the return potential of this investment should be reviewed prior to investment. To access them click the "View Offering" button above in this email and download the Financial Overview available on that page.

Hypothetical performance is subject to inherent limitations, is prepared with the benefit of hindsight, and should not be relied upon in making an investment decision. Additional information regarding the projected performance metrics presented herein is available upon request.