



JULY BLOG



WHAT EVERY INVESTOR SHOULD KNOW TO MANAGE RISK WITH CONFIDENCE

Every investment comes with some level of risk. Smart investors know that success doesn't come from avoiding risk but managing it well.

Risk is defined as the possibility that the return on an investment may differ from the expected outcome. It can vary depending on several factors such as market fluctuations, inflation, and volatility. The good news is there are several strategies to help manage risk such as avoidance, mitigation, or reduction. Choosing a financial partner that is educated on all three is the best way to ensure your money is working for you.

At Lukrom, we take a proactive approach to risk. We believe that investors deserve transparency, confidence, and alignment with their investment goals. To ensure we can provide all three, we only lend funds to vetted investors with viable projects we believe in. In addition, our 'first-loss guarantee' means we co-invest in our iFund, so our money absorbs the first loss.



WHY RISK MANAGEMENT MATTERS IN REAL ESTATE

Real estate is considered a more consistent investment because it is tied to physical assets and not to the traditional stock markets. It is less susceptible to short-term market swings and typically values change more gradually, creating the potential for passive income. Real estate has become a popular choice for investors wanting to diversify and streamline estate planning.



Yet, it is important to remember that no investment is without risk. In real estate, investments are tied to market conditions, construction timelines and tenant behavior, for example. To manage risk, investors must be prepared for market realities such as rising building costs and fluctuating home values.

From 2020 to 2023, The National Association of Home Builders reported a 35% increase in building material costs. Meanwhile, the multifamily vacancy rate increased from 5.2% to 6.6% between 2023 and 2024. Topped with inflation and tighter regulations, we believe effective risk management is essential to creating and maintaining strong, sustainable investments.



RISK MANAGEMENT DOESN'T MEAN ELIMINATION

Risk can never be eliminated from any investment. However, it is important to anticipate, reduce, and strategically manage risk to create a well-balanced investment approach.

In our opinion, one of the best strategies for mitigating risk is to diversify investments. When you spread your assets across multiple types of properties, your investment becomes less reliant on one single transaction or outcome. Diversifying investments helps lower the potential impact of market shifts, borrower challenges, and timeline setbacks that might occur.

It is also important to understand the nature of liquidity in real estate investing. While stocks and bonds can be sold in seconds, selling real estate can take weeks, months, or even years. Maintaining a level of liquidity through short-term investments or passive income options allows investors to stay flexible.



At Lukrom, we understand the importance of risk mitigation and strive to preserve our client's capital. Through our iFund, capital is distributed across a diverse portfolio that considers specific investor needs such as risk tolerance and tax benefits. What helps set Lukrom apart from other funds is our first-loss guarantee. Our principals co-invest money in our iFund LP to help absorb any potential loss before investor capital is touched.

When investing in real estate it is crucial to understand how to manage risk and find a system that works for your specific investment needs.



WHY IT MATTERS MORE THAN EVER

From inflation and rising interest rates, to shifting housing demand and global supply chain setbacks, today's economy presents both challenges and opportunities.

In a market full of uncertainty, investors are looking for a customizable way to manage investments. Risk management is not a luxury, but a necessity to *help* keep investments under control. At Lukrom, we are committed to investing smarter, managing risk and delivering value to all our clients.

Disclaimer:

While the Sponsor strives to meet their fund objectives, there is no guarantee that they will be successful.

This is for informational purposes only, does not constitute individual investment advice, should not be relied upon as tax or legal advice, and is not an offer to buy or sell or a solicitation of an offer to buy or sell any interest. Any such offer or solicitation shall only be made pursuant to the final confidential private placement memorandum. Please consult the appropriate professional regarding your individual circumstance.

Because investor situations and objectives vary, this information is not intended to indicate that an investment is appropriate for or is being recommended to any individual investor.

Diversification does not guarantee a profit or protect against a loss in a declining market. It is a method used to help manage investment risk.

Investments in securities are not suitable for all investors. Investments in Lukrom's iFund LP may be speculative, illiquid, and carry a high degree of risk – including the potential loss of the entire investment. Investments in any security may involve a high degree of risk and should only be considered by investors who can withstand the loss of their investment. Prospective investors should perform their own due diligence carefully and review the "Risk Factors" section of any private placement memorandum or offering material before considering any investment.

Securities offered through American Alternative Capital, LLC, member FINRA/SIPC. Lukrom and American Alternative Capital, LLC are independent of each other.