Suitability and Risk Framing: Positioning Gulf Alternatives for Private Clients

A practitioner framework for private banks, external asset managers and multi-family offices on how to frame the risk and assess the suitability of Gulf Cooperation Council alternative investments for private clients, segment those clients sensibly, and document the decision to a defensible standard.

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ABSTRACT

Alternative investments in the Gulf Cooperation Council, private credit, real-asset development debt, infrastructure and digital-infrastructure equity, and direct co-investments, have moved from the periphery to the centre of the private-client conversation. The intermediaries who allocate on behalf of private clients, private banks, external asset managers and multi-family offices, now face a question that is less about whether the opportunity is real than about whether, and how, it is suitable for a given client. This paper is written for those intermediaries. It argues that the hard part of placing a Gulf alternative with a private client is not the underwriting of the asset, which is well covered elsewhere, but the framing of its risk and the assessment of its suitability, which is covered poorly and inconsistently. The paper supplies a structured framework with four parts. The first is a suitability chain that connects the client, the product, the way the risk is framed and the record that is kept, and insists that a break anywhere in the chain is a break in the whole. The second is a risk-framing matrix that separates a client's capacity to bear loss from a client's willingness to bear it, because the two are routinely conflated and the conflation is the source of most mis-selling. The third is a client-segmentation map that matches the form of access, fund, structured sleeve, direct or co-investment, to the sophistication and the capacity of the client rather than to the enthusiasm of the adviser. The fourth is a disclosure and documentation standard that turns a good conversation into a defensible record. Throughout, the figures are stylised and clearly labelled as illustrative; they are designed to make the framework legible rather than to report data or to forecast. Nothing in the paper is investment advice or a recommendation. The argument is that an intermediary who frames the risk honestly, segments the client correctly and documents the decision properly will both serve the client better and protect itself, and that these two goals, far from being in tension, are the same goal seen from two sides.

JEL Classification: G11, G24, G28, D14, G51, G41

Keywords: suitability, risk framing, alternative investments, private clients, wealth management, Gulf Cooperation Council, private credit, real assets, client segmentation, disclosure, advice

1. INTRODUCTION

An intermediary who allocates on behalf of private clients, a private bank, an external asset manager or a multi-family office, increasingly meets the same situation. A client, or the client's principal, has heard that the Gulf is paying well: that private credit in the region carries coupons in the mid-teens, that development and infrastructure projects offer real-asset returns unavailable at home, that the family offices of Abu Dhabi and Riyadh are deploying into the very opportunities the client is now being shown. The asset is plausible, the sponsor is credible, the return is attractive. The question the intermediary must answer is not whether the opportunity is real. It is whether this opportunity is suitable for this client, and if so, in what size and through what structure, and how that judgement should be framed for the client and recorded for the file.

This second question is harder than the first, and it is answered far less well. The underwriting of a Gulf alternative, what the asset is, what secures it, what can go wrong with it, is a subject on which a great deal has been written, much of it in the companion papers to this one. The framing of that asset's risk for a private client, and the assessment of its suitability, is by contrast under-served. Intermediaries reach for retail risk-profiling questionnaires designed for liquid, daily-priced funds and apply them, awkwardly, to a five-year illiquid private-credit commitment. They conflate a client's wealth, which measures capacity, with a client's appetite, which measures willingness, and arrive at a number that captures neither. They frame the return without framing the lock-up, or the currency, or the concentration, or the plain fact that the position cannot be sold when the client most wants to sell it. And they keep a record that documents the recommendation but not the reasoning, which is precisely the wrong way round.

This paper supplies the missing framework. It is written for the intermediary, the private bank, the external asset manager, the multi-family office, that stands between the Gulf alternative and the private client, and whose job is to decide whether and how the two should meet. The framework has four parts, and the paper is organised around them. The first part is a suitability chain, set out in Figure 1, that links the four elements any sound suitability process must connect: the client, the product, the framing and the record. The second is a risk-framing matrix, in Figure 2, that separates capacity from tolerance and shows what each combination implies for the recommendation. The third is a client-segmentation map, in Figure 3, that matches the form of access to the client rather than the client to the product. The fourth is a disclosure and documentation standard, in Figure 6, that turns the judgement into a defensible record.

Three caveats frame the analysis and recur throughout. First, this is a practitioner framework and an orientation document, not investment advice. Nothing in it is a recommendation to buy, sell, allocate to or refrain from any security, fund, structure or strategy, and nothing in it should be read as a legal or compliance opinion or as a substitute for the specific regulatory rules to which a given intermediary is subject in its own jurisdiction. Second, the figures are deliberately stylised and illustrative. They are labelled as such throughout and are designed to show structure, relationships and orders of magnitude, not to report sourced data or to forecast any outcome. The numbers in them are inputs chosen to make a framework legible, not estimates of the world. Third, the paper describes the market and the practice as they stood in the first half of 2026, and the specifics, the prevailing yields, the structures in vogue, the regulatory perimeters, should be treated as a snapshot to be refreshed rather than as fixed fact.

The paper makes three contributions. First, it reframes the central difficulty of placing a Gulf alternative with a private client away from underwriting, which is well covered, and towards suitability and risk framing, which is not. Second, it offers a single connected framework, the chain, the matrix, the segmentation map and the disclosure standard, that an intermediary can actually use, rather than a set of disconnected principles. Third, it argues, and tries to demonstrate, that serving the client well and protecting the firm are not competing objectives requiring a trade-off but the same objective seen from two sides: the honest framing that protects the client is the documented framing that protects the firm.

It is worth stating plainly why framing deserves this much attention. A private client does not experience an alternative investment as a line in a spreadsheet. The client experiences it as a story about the future, and the story the client tells will be shaped, decisively, by the way the risk was framed at the outset. Frame a fifteen per cent coupon without framing the five-year lock-up and the client hears a savings account that pays well; frame the same instrument with its illiquidity, its currency exposure and its plausible worst case, and the client hears, correctly, a concentrated, illiquid, higher-risk position that may suit a part of the portfolio. The asset is identical. The suitability is not. Framing is not decoration on top of the recommendation; it is part of the recommendation, and arguably the part that matters most.

The remainder of the paper is organised as follows. Section 2 reviews the relevant literature, on suitability and the regulation of advice, on the psychology of risk perception, and on the construction of portfolios that include illiquid alternatives, and derives five propositions. Section 3 sets out the framework and the illustrative method, and states the stylised assumptions explicitly. Section 4 develops the framework in detail: the suitability chain, the capacity-tolerance matrix, the client-segmentation map, the liquidity ladder, the comfort gap and the disclosure standard. Section 5 offers an implementation sequence for an intermediary adopting the framework across an advisory book. Section 6 sets out the risks, caveats and limitations. Section 7 concludes.

Figure 1. The Suitability Chain for Gulf Alternatives (illustrative)

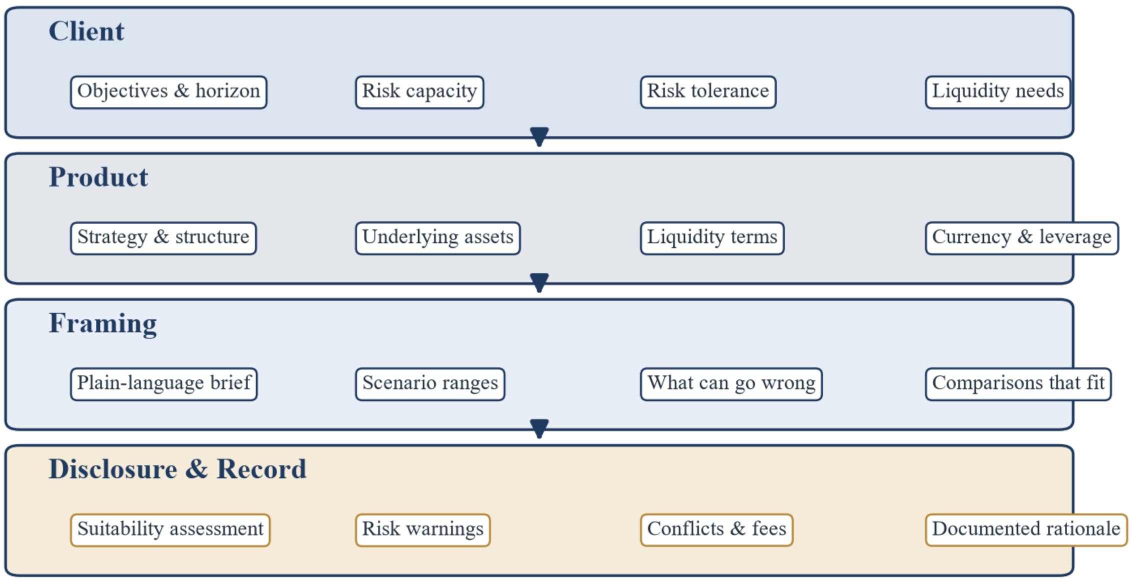

Figure 1. The Suitability Chain for Gulf Alternatives

Illustrative schematic. A sound suitability process connects four elements: the client, the product, the framing and the record. A break in any link is a break in the chain.

2. LITERATURE AND PROPOSITIONS

The framework draws on three bodies of work that are rarely brought together: the literature on the regulation of investment advice and the suitability obligation; the behavioural literature on how individuals perceive and respond to risk; and the portfolio-construction literature on holding illiquid alternatives alongside liquid assets. Each supplies a piece of the framework, and the gaps between them explain why practice is so uneven.

2.1 Suitability and the Regulation of Advice

The first body of work concerns the obligation, common in substance across the developed regulatory regimes even where the wording differs, that an intermediary recommending an investment to a client must have a reasonable basis for believing it suitable for that client. The principle is old and the phrasing varies, the know-your-client and appropriateness requirements in European and United Kingdom conduct rules, the suitability and best-interest standards in United States broker-dealer and adviser regulation, the conduct-of-business requirements administered by the financial-centre regulators in the Gulf itself, but the substance converges. The intermediary must understand the client, must understand the product, and must form and be able to evidence a judgement that the one fits the other.

The literature draws out two features of this obligation that bear directly on alternatives. The first is that suitability is relational, not absolute: no product is suitable or unsuitable in itself, only suitable or unsuitable for a particular client in a particular size at a particular time. A Gulf private-credit fund that is plainly suitable as a small sleeve of a large, sophisticated portfolio is plainly unsuitable as the bulk of a modest one. The second is that the obligation has a procedural as well as a substantive dimension: it is not enough to reach the right judgement, the intermediary must follow a process capable of reaching it and must record having done so. This procedural dimension is where intermediaries most often fall short with alternatives, because the processes they have, built for liquid funds, do not fit.

2.2 The Perception of Risk

The second body of work is the behavioural literature on how people perceive risk, and it explains why framing is not a cosmetic matter. The foundational finding, from the work on decision-making under uncertainty, is that individuals do not respond to outcomes in the abstract but to outcomes as they are framed relative to a reference point, that losses loom larger than equivalent gains, and that the way a choice is described changes the choice that is made even when the underlying economics are identical. A return described as a yield is heard differently from the same return described alongside the capital at risk to earn it.

Three further findings matter for the present purpose. The first is that people systematically misjudge the probability and the salience of vivid outcomes, over-weighting the dramatic and under-weighting the slow, which for an illiquid alternative means a client may fixate on the headline coupon and discount the quiet, compounding risk of being unable to exit. The second is that stated risk tolerance, what a client says about appetite in a calm onboarding meeting, is a poor predictor of revealed risk tolerance, how the same client behaves when a position is down and illiquid. The third is that disclosure, on its own, is a weak corrective: burying a risk in a long document and obtaining a signature does little to change perception. The behavioural literature thus supports a strong claim, that the framing of risk is part of the substance of advice and not an adjunct to it, and a practical one, that framing must be active and plain rather than passive and dense.

2.3 Portfolios with Illiquid Alternatives

The third body of work concerns how illiquid alternatives behave inside a private-client portfolio. The literature here makes several points that a framing and suitability process must respect. Illiquid assets are not simply liquid assets with the liquidity removed; their reported values are smoothed, which flatters measured volatility and correlation and can make a position look less risky than it is. The illiquidity itself is a risk that must be priced and sized, not an inconvenience to be tolerated, because it binds precisely when the client most needs flexibility. And the appropriate size of an illiquid sleeve depends not only on the client's return objective but on the client's capacity to leave capital committed through a full cycle without being forced to realise it on adverse terms.

This literature also cautions against two errors that recur with private clients. The first is to size an illiquid allocation from its attractive expected return while ignoring the constraint that the client cannot rebalance into or out of it freely, so that an allocation that looks optimal on a mean-variance view is unworkable on a liquidity view. The second is to treat the smoothed, infrequently marked path of an illiquid position as evidence of low risk, when it is merely evidence of infrequent marking. A framework for private clients must therefore frame liquidity explicitly, size the illiquid sleeve to capacity rather than to appetite, and resist the comfort that smoothed valuations falsely supply.

2.4 Conflicts, Inducements and the Distribution of Alternatives

A fourth strand, smaller but directly relevant, concerns the conflicts that arise when the intermediary framing a product also earns from placing it. The distribution of alternatives to private clients is frequently remunerated through placement fees, retrocessions or other inducements paid by the product to the intermediary, and the literature on conflicted advice is consistent in its finding that such arrangements bias recommendations towards the products that pay, and bias framing towards the favourable. The point is not that remunerated distribution is improper, much of it is disclosed and permitted, but that it sits in tension with the very framing obligation this paper describes, because the adviser paid to place a product has an interest in framing its risk gently.

Two implications follow for the framework. The first is that disclosure of conflicts and inducements is not a peripheral item but a central one, which is why it appears explicitly in the disclosure standard of Figure 6: a client cannot weigh a framing without knowing what the framer is paid to say. The second is that the recorded rationale is a partial antidote to conflict, because an adviser required to write down why a conflicted product is nonetheless suitable for this client, in this size, faces a discipline that a mere recommendation does not impose. The conflicts literature thus reinforces, from a different direction, the framework's central claim that honest framing and defensible documentation are the same act, and that the record is where the client's protection and the firm's protection meet.

2.5 Synthesis and Propositions

Taken together, these literatures yield five propositions that the rest of the paper develops and illustrates.

Proposition 1. Suitability for a Gulf alternative is a chain, not a step. It connects the client, the product, the framing of the risk and the record of the decision, and it is only as strong as its weakest link.

Proposition 2. A client's capacity to bear loss and a client's tolerance for it are distinct, and most mis-selling arises from conflating them. The two must be assessed separately and combined deliberately.

Proposition 3. The right form of access, fund, structured sleeve, direct or co-investment, follows from the client's sophistication and capacity, not from the product on offer. The segmentation of clients should drive the choice of vehicle.

Proposition 4. Liquidity is the risk most often under-framed in private-client alternatives and the one most likely to be revealed adversely. It must be framed explicitly and sized to capacity.

Proposition 5. Honest framing and defensible documentation are the same act. The disclosure that protects the client is the record that protects the firm, and a process that produces one produces the other.

3. THE FRAMEWORK AND THE ILLUSTRATIVE METHOD

This paper is analytical and practitioner-facing rather than empirical. It builds a connected framework for framing risk and assessing suitability and presents it through a set of stylised figures. It does not estimate parameters, test hypotheses on data, or report the performance of any product or strategy. This section describes what the framework contains, why an illustrative method is the right one for the task, and what the stylised inputs to the figures are and are not.

3.1 What the Framework Contains

The framework has four connected components, mapped onto the figures that follow. The first is the suitability chain of Figure 1, which sets the structure: client, product, framing, record. The second is the risk-framing matrix of Figure 2, which separates the client's capacity from the client's tolerance and reads off what each combination implies for the recommendation. The third is the client-segmentation map of Figure 3, which positions client types by sophistication and capacity and matches each to a form of access. The fourth is the disclosure and documentation standard of Figure 6, which specifies what a defensible record contains. Around these sit supporting tools: a liquidity ladder (Figure 5) that frames the single most under-framed risk, a comfort-gap illustration (Figure 7) that shows why stated tolerance is not revealed tolerance, an outcome-range picture (Figure 4) that frames return as a distribution rather than a point, and an implementation roadmap (Figure 8).

3.1a What the Framework Does and Does Not Do

It is important to be clear about scope. The framework is a tool for reasoning about whether and how a Gulf alternative fits a private client, and for recording that reasoning. It is not a substitute for the specific conduct rules an intermediary must follow, which vary by jurisdiction and by client classification and which the intermediary must apply in their own right. It does not classify any particular client or recommend any particular product. It does not set numerical thresholds, what counts as a suitable sleeve size for a given client is a matter for the intermediary's own policy and the client's own circumstances, not for a paper. And it does not replace qualified legal, tax and compliance advice, which any intermediary placing alternatives with private clients will need and which this paper assumes is taken.

3.2 Why an Illustrative Method

The choice of a stylised, illustrative method rather than an empirical one is deliberate and suited to the subject. The framework is a way of organising judgement, and its value lies in its structure rather than in any number. A capacity-tolerance matrix does not become more useful if the axes are calibrated to a dataset; it is useful because it forces two things that are usually conflated to be considered separately. A liquidity ladder does not need empirical liquidity estimates to do its work; it does its work by reminding the adviser and the client that liquidity is a spectrum and that Gulf alternatives sit at its less liquid end. Presenting these tools with stylised inputs keeps the focus on the structure and avoids the false precision that sourced-looking numbers would lend to what is, properly, a framework for thinking.

3.3 The Stylised Inputs

The figures use stylised inputs, the indicative ranges in the outcome picture, the example client types in the segmentation map, the rungs of the liquidity ladder, the items on the disclosure checklist. These are illustrative calibrations chosen to make the framework legible. They are not forecasts, not sourced data, and not recommendations. Table 1 records the principal stylised assumptions in one place so that the basis of each figure is transparent and so that an intermediary adapting the framework can see exactly which inputs to replace with its own policy and its own client data. The full set is repeated in Appendix A.

Input	Stylised value / range	Purpose in the framework
Capacity-tolerance grid	2 x 2 (lower/higher each axis)	Separate ability from willingness to bear loss
Client segments	Five illustrative types	Match form of access to sophistication and capacity
Liquidity ladder	Five illustrative rungs	Frame liquidity as a spectrum, not a binary
Sleeve outcome range	0% to 20% of portfolio	Frame return as a distribution across sleeve sizes
Adverse scenario	Stylised downside path	Make the plausible worst case visible
Disclosure checklist	Fifteen illustrative items	Define a defensible documentation standard
Roll-out horizon	Twelve illustrative months	Sequence adoption across an advisory book

Table 1. Stylised inputs to the framework. Indicative, illustrative calibrations used to make the structure legible; not forecasts, sourced data or recommendations. See Appendix A.

4. THE FRAMEWORK IN DETAIL

This section develops the framework in the order of the propositions. It sets out the suitability chain, separates capacity from tolerance, maps the client segments to forms of access, frames liquidity and the comfort gap explicitly, frames return as a distribution, and specifies the disclosure standard. Each subsection is written so that an intermediary could lift the relevant tool into its own process.

4.1 The Suitability Chain

Proposition 1 holds that suitability is a chain rather than a step, and the chain has four links. The first link is the client: the objectives, the horizon, the capacity to bear loss, the tolerance for it, the liquidity needs and the existing concentration. The second link is the product: the strategy and structure, the underlying assets, the liquidity terms, the currency, the leverage and the fees. The third link is the framing: the translation of the product into plain language the client can actually weigh, including the scenario ranges, the explicit account of what can go wrong, and comparisons that fit rather than flatter. The fourth link is the record: the documented assessment, the risk warnings given, the conflicts disclosed and the rationale set down.

The force of treating suitability as a chain is that it makes visible how a process fails. An intermediary that understands the client and the product perfectly, but frames the risk poorly, has a broken chain and an unsuitable outcome, because the client cannot consent to a risk that was never made plain. An intermediary that frames the risk beautifully in conversation but records none of it has a broken chain too, because the firm cannot evidence the very process that protected the client. The chain insists that all four links hold, and that strength in three cannot compensate for weakness in the fourth. Most real-world suitability failures, on this view, are not failures of underwriting but failures of a single link, usually framing or record, in an otherwise sound process.

4.2 Capacity Is Not Tolerance: The Risk-Framing Matrix

Proposition 2 holds that a client's capacity and a client's tolerance are distinct and that conflating them is the root of most mis-selling. Capacity is the ability to bear loss: a function of wealth, income, liabilities, time horizon and the share of the client's resources the position represents. Tolerance is the willingness to bear loss: a psychological disposition, often inconsistent, that governs how the client will feel and behave when a position falls. A client may have high capacity and low tolerance, ample resources but a temperament that cannot sit through a drawdown, or, more dangerously, low capacity and high tolerance, a modest balance sheet and an appetite for risk it cannot actually absorb.

Figure 2 sets the two on separate axes and reads off the implication of each combination. A client with both high capacity and high tolerance is a candidate for a core, suitable allocation, sized to policy. A client with high capacity but low tolerance is also a candidate, but the task is to manage the comfort gap, to size the position so that the client can live with it and to frame it so the client is not surprised. A client with low capacity but high tolerance is the dangerous quadrant: the appetite is there but the ability is not, and the right answer is usually to decline or to structure the exposure down to what the capacity can bear, regardless of how keen the client is. A client with low capacity and low tolerance who is nonetheless drawn to the opportunity should be educated and, if anything is done at all, started very small.

The value of the matrix is that it forbids the most common shortcut, reading capacity off a wealth figure and assuming tolerance follows, or reading tolerance off an enthusiastic conversation and assuming capacity follows. It forces both to be assessed and both to be present before a core allocation is contemplated, and it gives the adviser a defensible vocabulary for declining or sizing down when only one is present.

Figure 2. Risk-Framing Matrix: Capacity against Tolerance (illustrative)

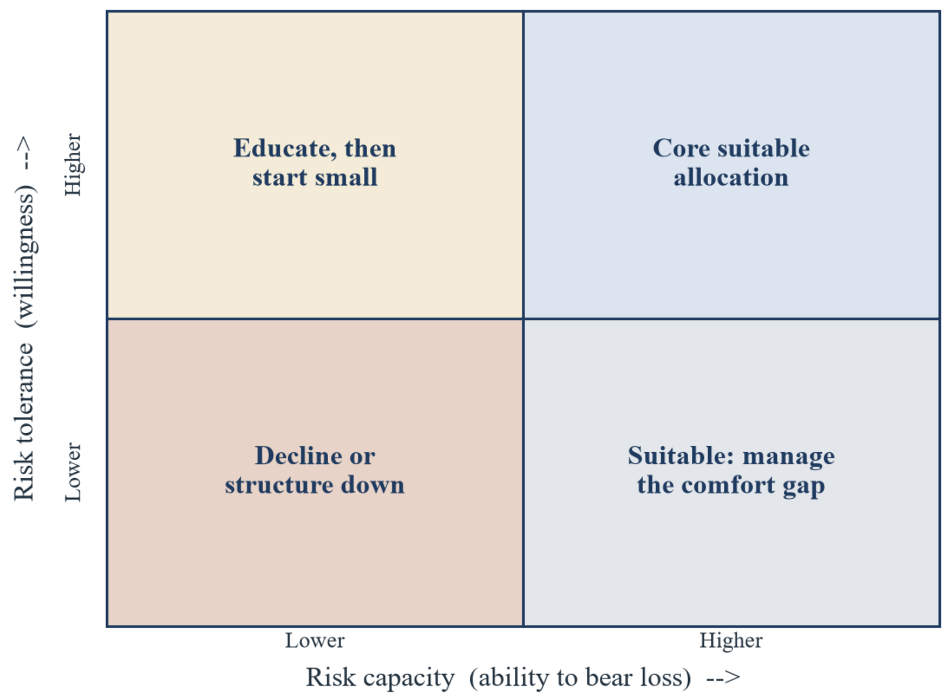

Figure 2. Risk-Framing Matrix: Capacity against Tolerance

Illustrative. Capacity (ability to bear loss) and tolerance (willingness) are separate axes. The quadrant a client falls into drives the recommendation; the low-capacity, high-tolerance quadrant is the one to guard against.

Two practical refinements make the matrix more useful in a real advisory conversation. The first is that capacity should be assessed on the position rather than on the client in the abstract. A client of substantial means may have high capacity in general and low capacity for a particular commitment if that commitment is concentrated, illiquid and large relative to the liquid part of the balance sheet that the client can actually draw on through a cycle. The relevant question is not how wealthy the client is but how much of the loss this position could inflict the client could absorb without distress or forced sale, and that is a narrower and more honest test. The second refinement is that tolerance should be probed rather than declared. A single questionnaire item asking how much loss a client can stomach elicits a number the client has not felt; a better assessment walks the client through a concrete, sized drawdown on this position and observes the reaction, which is closer to the revealed tolerance the comfort gap exposes.

The matrix also disciplines the size of the position, not merely the decision to take it. Within the suitable quadrants, the appropriate sleeve is the one whose plausible adverse outcome the client's capacity can absorb and whose path the client's tolerance can withstand, and these two constraints may bind at different sizes. Where capacity is the binding constraint, the position is sized to what the balance sheet can lose; where tolerance is the binding constraint, the position is sized to what the client can live with, which is often smaller. Reading both constraints off the matrix, and sizing to the tighter of the two, is the discipline that turns a binary suitable-or-not judgement into the graduated sizing decision that private-client alternatives actually require.

4.3 Matching Access to the Client: The Segmentation Map

Proposition 3 holds that the right form of access follows from the client, not from the product. The same underlying Gulf opportunity can be delivered to a private client in very different forms: as a unit in a diversified fund, as a capped sleeve within a managed mandate, as a direct participation in a single deal, or as a co-investment alongside a sponsor. These forms differ enormously in concentration, in diligence burden, in liquidity and in the sophistication they demand of the client. The error the framework guards against is to offer every client the form that suits the deal, typically a concentrated direct or co-investment, when the form should suit the client.

Figure 3 maps illustrative client segments by two dimensions, investment sophistication and typical ticket or capacity, and matches each to an appropriate form of access. The mass-affluent client, capacity-limited and less specialist, is served, if at all, through diversified funds and tightly capped sleeves, never through a concentrated single deal. The core high-net-worth client can carry a diversified alternatives sleeve, fund-led, with selective structure. The upper high-net-worth client can mix fund and direct exposure and co-invest selectively where the diligence supports it. The ultra-high-net-worth client or single-family office can take bespoke structures, direct deals and full discretion. And the professional family office or investment-committee-led client is effectively self-directed, for whom the intermediary's role shifts from framing the risk to documenting that a sophisticated client understood and accepted it.

The map makes two points an intermediary should internalise. The first is that sophistication and capacity usually, but not always, move together, and that the exceptions, a wealthy but unsophisticated principal, or a sophisticated professional with limited personal capacity, are exactly the clients for whom a careless match does the most harm. The second is that moving a client up the access ladder, from fund to direct to co-investment, raises the framing and documentation burden at every step, because concentration and illiquidity rise together. The segmentation map is therefore not a static label but a guide to how much framing and recording a given client and a given form of access require.

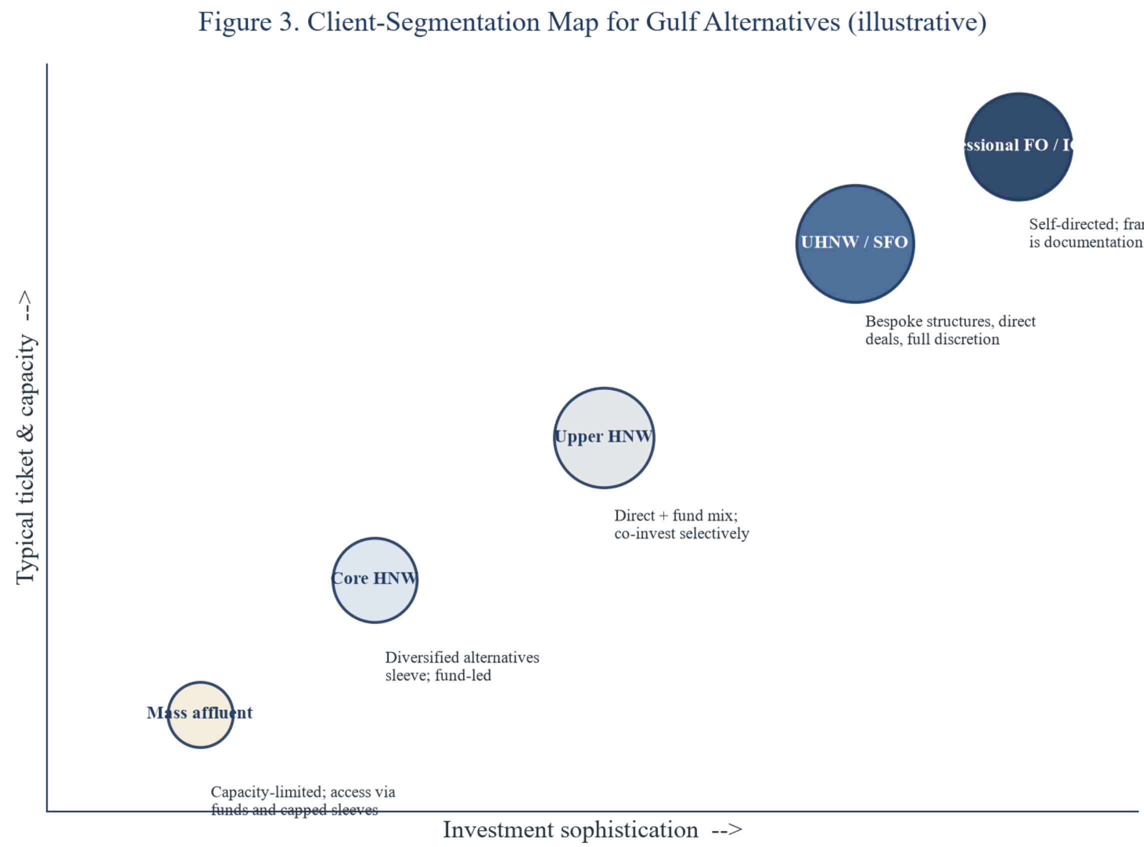

Figure 3. Client-Segmentation Map for Gulf Alternatives

Illustrative positioning. Client segments are placed by sophistication and by typical ticket and capacity, and matched to a form of access. The form of access should suit the client, not the deal.

4.4 Framing Liquidity: The Liquidity Ladder

Proposition 4 holds that liquidity is the most under-framed risk in private-client alternatives. A client who would never knowingly accept a five-year lock on a meaningful share of wealth will often accept exactly that if the lock is mentioned once, in passing, and the coupon is mentioned repeatedly. The remedy is to frame liquidity explicitly and to frame it as a spectrum rather than a binary, because Gulf alternatives populate the whole of that spectrum and a client should know where on it a given position sits.

Figure 5 sets out a liquidity ladder, from cash-like instruments at the top, through periodically redeemable evergreen and interval structures, through multi-year closed-end commitments, to event-driven positions and finally to genuinely illiquid direct holdings with no secondary market. The ladder reframes the conversation. Instead of asking whether a position is liquid, which invites a false yes-or-no, it asks where on the ladder the position sits and whether the client can leave capital committed at that level through a full cycle. It also exposes a subtlety the behavioural literature warns of: positions lower on the ladder are often marked less frequently, which flatters their apparent stability and can make the riskiest, least liquid positions look the calmest. Framing liquidity as a ladder, and sizing the lower rungs to capacity rather than to appetite, is the single most valuable framing move an intermediary can make.

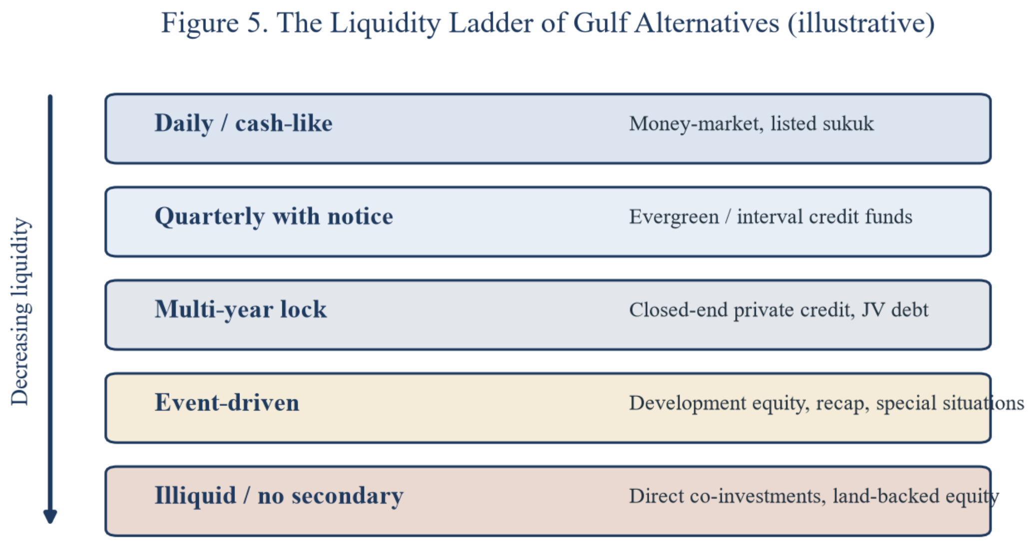

Figure 5. The Liquidity Ladder of Gulf Alternatives

Illustrative. Gulf alternatives span the liquidity spectrum. Framing a position's rung, and sizing the lower rungs to capacity, is the most under-used framing move in private-client advice.

The ladder also corrects a subtle misframing that recurs with Gulf alternatives in particular. Because many of the region's most attractive opportunities, development debt, infrastructure equity, special-situations credit, sit on the lower rungs, an intermediary attracted to the returns is, often without noticing, recommending the least liquid part of the spectrum. The ladder makes that visible: it shows the adviser, before the client does, that the conversation has drifted towards the illiquid end, and it prompts the question of whether the client's liquidity needs and the firm's policy permit a position there. Used this way, the ladder is as much a check on the adviser as a tool for the client, and that dual use is deliberate.

4.4a The Comfort Gap

A particular danger of illiquidity is what may be called the comfort gap: the distance between the loss a client says, at a calm onboarding, it can tolerate, and the loss the same client actually tolerates when a position is down and cannot be sold. Figure 7 illustrates the gap. A client states a loss limit when the portfolio is at par and the future looks benign; when the value later dips below that stated limit, and the position is illiquid, the client experiences redemption pressure it cannot act on, and the stated tolerance is revealed to have been aspirational. The behavioural literature is clear that this gap is the rule, not the exception, and that it is wider for illiquid positions precisely because the inability to act intensifies the discomfort.

The framing implication is twofold. First, the adviser should frame the worst case before the position is taken, not after, so that the client consents to a drawdown it has actually contemplated rather than one it has merely been warned of. Second, the position should be sized so that the plausible drawdown stays inside the client's revealed, not merely stated, tolerance, which in practice means sizing more conservatively than a stated-tolerance questionnaire would suggest. The comfort gap is the reason a suitability process built on stated tolerance alone is unsafe, and the reason the matrix in Figure 2 puts capacity on an equal footing with tolerance.

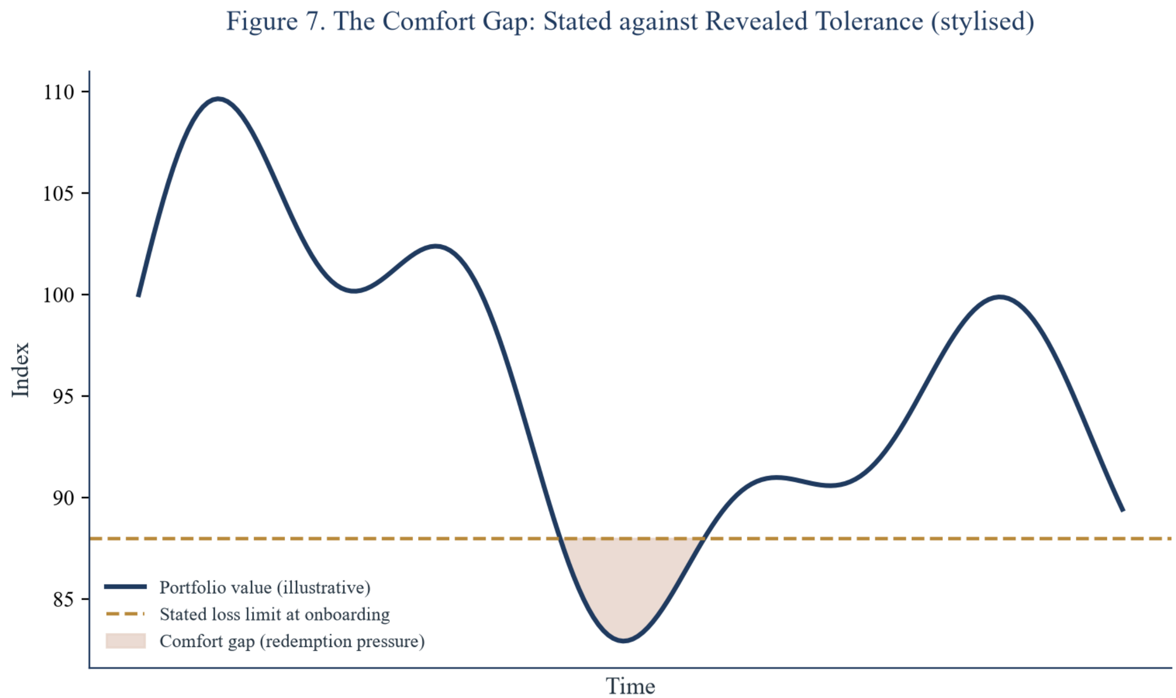

Figure 7. The Comfort Gap: Stated against Revealed Tolerance

Stylised. A client's stated loss limit, set in calm conditions, is often breached by the revealed discomfort of an illiquid drawdown. Sizing to revealed rather than stated tolerance closes the gap.

4.5 Framing Return as a Distribution

Just as liquidity should be framed as a spectrum, return should be framed as a distribution rather than a point. The single most misleading way to present a Gulf alternative is as a headline coupon or target return, because a point estimate invites the client to treat an uncertain, skewed outcome as a near-certain one. Figure 4 frames return instead as a plausible range that widens with the size of the sleeve, with a central expectation, an upside and, crucially, an adverse scenario that can turn negative as the sleeve grows. The figure is stylised, but its shape carries the message: a modest sleeve diversifies and improves the portfolio's expected outcome with limited downside, while an outsized sleeve raises the central expectation only modestly and widens the adverse tail sharply.

Framing return this way does two things. It disciplines the client's expectation, replacing a remembered headline number with a remembered range, and it makes the case for sizing visible, because the client can see the adverse tail open up as the sleeve grows. It also supports the conversation the matrix and the segmentation map set up: the right sleeve size is the one whose adverse scenario the client's capacity can absorb and the client's tolerance can withstand, and a distribution picture lets the adviser and the client find that size together rather than argue about a single number.

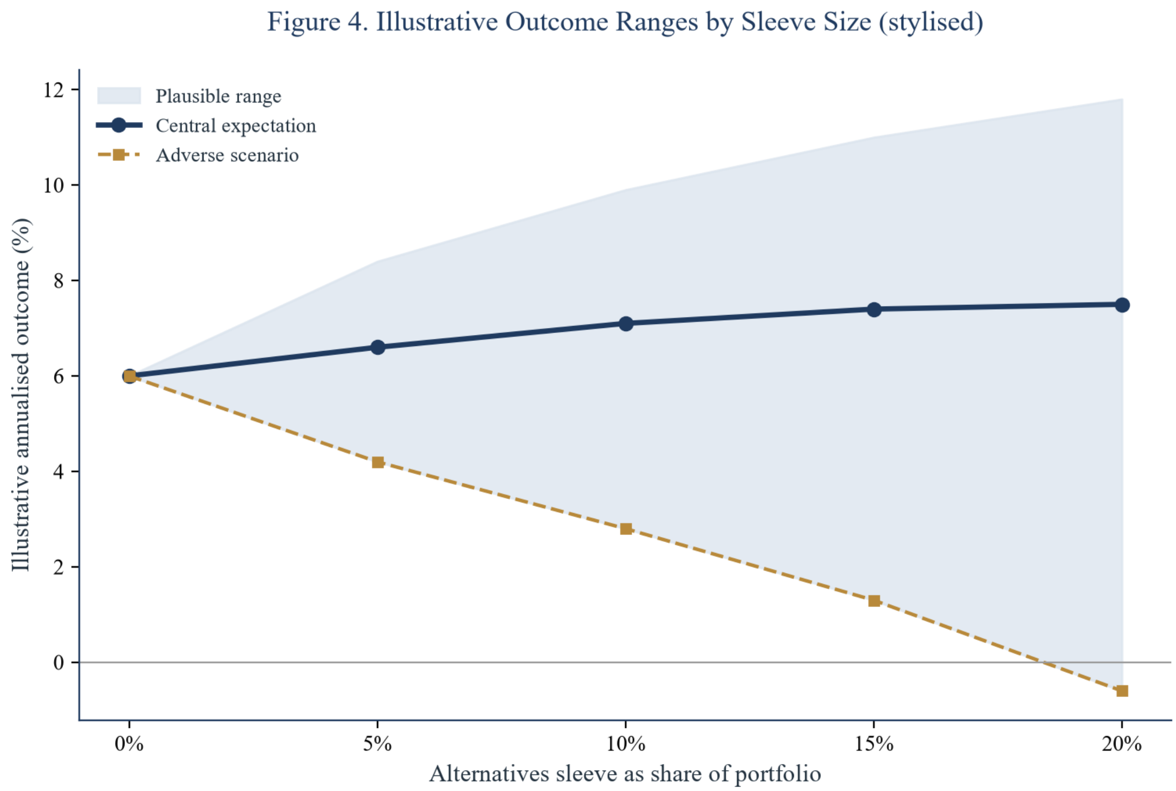

Figure 4. Illustrative Outcome Ranges by Sleeve Size

Stylised. Return is better framed as a distribution than a point. A modest sleeve improves the expected outcome with limited downside; an outsized sleeve widens the adverse tail more than it lifts the centre.

4.6 The Disclosure and Documentation Standard

Proposition 5 holds that honest framing and defensible documentation are the same act. Figure 6 sets out the standard as three columns, know the client, explain the product, document the decision, each with the items a defensible file should contain. The first column records the client's objectives, capacity, tolerance, liquidity needs and sophistication or regulatory classification. The second records that the strategy was explained in plain words, that the source of the yield was made clear, that liquidity and lock-up were framed, that currency, leverage and fees were disclosed, and that the key risks and the worst case were set out. The third records the suitability conclusion itself, the acknowledgement of risk warnings, the disclosure of conflicts and inducements, the comparators that were considered, and, above all, the rationale, the reasoning that connects this client to this product in this size.

The standard makes a deliberate emphasis. The most valuable item in the file is not the signed risk warning, which evidences that a document was provided, but the recorded rationale, which evidences that a judgement was made. A signature on a dense disclosure is weak protection precisely because the behavioural literature shows it changes little about perception; a contemporaneous note explaining why the adviser believed the product suitable for this client, in this size, given this capacity and this tolerance, is strong protection because it evidences the very process the suitability obligation requires. The standard thus inverts the usual priority: frame actively and record the reasoning, rather than disclose passively and collect the signature.

The deeper point, and the one that closes the framework, is that there is no trade-off here. The adviser who frames the risk honestly, in plain words, with the worst case made visible, is producing, in the very act of doing so, the record that protects the firm. The conversation that serves the client and the documentation that protects the firm are not two tasks competing for the adviser's time. They are one task, and a process designed to produce a good conversation produces a good file as its by-product.

Figure 6. The Suitability and Disclosure Checklist (illustrative)

Know the client	Explain the product	Document the decision
v Objectives & horizon	v Strategy in plain words	v Suitability conclusion
v Risk capacity tested	v Where the yield comes from	v Risk warnings acknowledged
v Risk tolerance recorded	v Liquidity & lock-up	v Conflicts & inducements
v Liquidity & concentration	v Currency, leverage, fees	v Comparators considered
v Sophistication / category	v Key risks & worst case	v Rationale on file

Figure 6. The Suitability and Disclosure Checklist

Illustrative. A defensible file knows the client, explains the product and documents the decision. The recorded rationale, not the signature, is the most valuable item.

4.7 The Professional and Family-Office Client

The framework so far has the private individual in mind, but a large share of the capital that intermediaries place into Gulf alternatives belongs to family offices and to clients who are, by classification or in substance, professional rather than retail. These clients change the framework's emphasis without changing its structure, and it is worth being explicit about how. For a professional or institutional-grade family-office client, with an investment committee, an internal investment function and the capacity to conduct its own diligence, the intermediary's role shifts from framing the risk for a layperson towards evidencing that a sophisticated counterparty understood and accepted a risk it was capable of assessing. The framing link of the chain does not disappear, but its content changes: the plain-language brief gives way to a fuller, more technical disclosure, and the recorded rationale documents a meeting of informed minds rather than a translation for an inexpert one.

Two cautions attend this shift, and both are places where intermediaries err. The first is that a professional classification is a statement about capability, not about capacity or about care. A sophisticated family office can still be over-concentrated, can still take an illiquid position larger than its liquidity permits, and is still owed an honest framing of the risk; classification lowers the translation burden, not the suitability obligation. The second is that the sophistication of the institution is not always the sophistication of the principal. A family office may run a capable investment function while the family principal who ultimately bears the risk understands far less, and an intermediary that frames only to the institution may leave the person whose capital is at stake unframed. The professional client therefore relaxes the framing burden only where the framework's own tests, capacity, tolerance, liquidity, are genuinely met by a genuinely informed decision-maker, and the documentation should evidence that they were.

4.8 Five Framing Errors the Framework Prevents

It may help to gather the framework's purpose into the specific errors it is built to prevent, because each maps to a tool already set out and because intermediaries will recognise them. The first error is the conflation of capacity and tolerance, treating a wealth figure as a measure of appetite or an enthusiastic conversation as a measure of ability; the matrix of Figure 2 prevents it by forcing both onto separate axes. The second error is the headline-coupon frame, presenting return as a single attractive number rather than as a distribution with an adverse tail; the outcome-range picture of Figure 4 prevents it by making the tail visible. The third error is the liquidity afterthought, mentioning a lock-up once and the yield repeatedly; the liquidity ladder of Figure 5 prevents it by making liquidity the explicit subject of its own conversation.

The fourth error is reliance on stated tolerance, sizing a position to what a client said in a calm meeting rather than to what the client will feel in an illiquid drawdown; the comfort-gap illustration of Figure 7 prevents it by exposing the gap and prompting sizing to revealed tolerance. The fifth error is the signature-not-rationale file, documenting that a disclosure was provided rather than that a judgement was made; the disclosure standard of Figure 6 prevents it by elevating the recorded rationale above the collected signature. These five errors account for most of what goes wrong when a Gulf alternative is placed unsuitably with a private client, and the framework is, at bottom, simply a structured way of not committing them.

5. IMPLEMENTATION: ADOPTING THE FRAMEWORK

The framework is only useful if it can be embedded in an advisory book. This section sets out an illustrative twelve-month sequence, shown in Figure 8, for a private bank, external asset manager or multi-family office adopting the framework across its private-client business. The horizon and the phases are stylised; the point is the order, which moves from policy, through tools and training, through a controlled pilot, to scaled adoption with review.

Figure 8. Illustrative Roll-Out of a Suitability Framework

Figure 8. Illustrative Roll-Out of a Suitability Framework

Illustrative sequencing of five phases over twelve months. The order, policy, tools, training, pilot, scale, matters more than the exact timing.

5.1 Phase 1, Months 0 to 2: Policy and Taxonomy

The first phase sets the policy that the framework will operationalise. The firm decides how it will classify clients, how it defines capacity and tolerance for its purposes, what sleeve sizes and concentration limits its policy permits for each segment, and which forms of access are available to which clients. This is where the firm replaces the stylised inputs of this paper with its own numbers and its own client data. The output is a written suitability policy for Gulf alternatives that the rest of the roll-out implements, and that aligns with the conduct rules of the firm's own jurisdiction and the regulatory classification of its clients.

5.2 Phase 2, Months 1 to 4: Risk-Framing Tools

Overlapping with the policy work, the firm builds the tools the advisers will use: a capacity-and-tolerance assessment that keeps the two genuinely separate rather than collapsing them into one score; a plain-language product brief template that frames strategy, liquidity, currency, leverage, fees and worst case; an outcome-range and liquidity-ladder presentation the adviser can show the client; and a documentation template that captures the rationale and not merely the signature. These tools are the framework made usable, and they should be designed so that following them produces a defensible file automatically.

5.3 Phase 3, Months 3 to 6: Adviser Training

Tools change behaviour only if advisers understand them, and the third phase trains the advisers. The training has two emphases the framework makes central. The first is the distinction between capacity and tolerance and the danger of the low-capacity, high-tolerance client, which advisers must be able to recognise and resist. The second is active framing: the discipline of framing liquidity as a ladder, return as a distribution and the worst case before the position is taken, rather than reciting a coupon and gesturing at a disclosure. Training should use real, anonymised cases and should rehearse the difficult conversation, declining or sizing down for an enthusiastic client whose capacity does not support the appetite.

5.4 Phase 4, Months 5 to 9: Pilot and Monitoring

The fourth phase pilots the framework with a subset of advisers and clients before scaling it. The pilot tests whether the tools are used as intended, whether the files produced meet the documentation standard, and whether the framing is actually changing client understanding rather than merely adding a step. Monitoring at this stage should look for the failure modes the framework predicts: capacity and tolerance being collapsed back into a single score, liquidity being mentioned but not framed, and files that record the recommendation but not the rationale. The pilot is the firm's chance to find these failures while they are cheap to fix.

5.5 Phase 5, Months 8 to 12: Scale and Review

The final phase scales the framework across the book and establishes the review that keeps it honest. Periodic review should sample files for the quality of the recorded rationale, revisit the suitability of standing positions as clients' circumstances change, and refresh the stylised inputs, the prevailing yields, the available structures, the regulatory perimeter, that this paper deliberately froze at a 2026 snapshot. The framework is not a one-time control but a standing process, and the review is what prevents it from decaying into a box-ticking ritual of the very kind it was built to replace.

5.6 Common Pitfalls the Sequence Avoids

The staged order is designed to avoid the pitfalls that recur when firms try to improve suitability. Starting with tools before policy produces tools that encode no clear standard. Training advisers before building tools leaves them with principles and no means to apply them. Scaling before piloting hard-wires the failure modes across the whole book at once. And omitting the review allows even a good framework to ossify. The sequence, policy, tools, training, pilot, scale, review, is the order in which each phase depends on the last, and following it is itself part of the framework.

6. RISKS, CAVEATS AND LIMITATIONS

A framework for framing risk must be honest about its own. This section sets out the limits of the illustrative method, the risks the framework does not remove, and the boundaries of its scope.

6.1 The Limits of an Illustrative Framework

The figures in this paper are stylised and illustrative. They are designed to show structure, relationships and orders of magnitude, not to report data or to forecast. The capacity-tolerance grid, the segments in the map, the rungs of the ladder and the items on the checklist are calibrations chosen to make the framework legible, and an intermediary must replace them with its own policy and its own client data before the framework can be used. A reader who treats any number in this paper as an estimate of the world has misread its purpose.

6.2 A Framework Does Not Make the Judgement

The framework organises judgement; it does not supply it. It cannot tell an adviser whether a particular client's tolerance is genuine or aspirational, whether a particular sleeve size is prudent, or whether a particular product is suitable. Those judgements remain the adviser's, and the framework's value is only that it makes them more likely to be made well and certain to be recorded. An intermediary that follows the framework mechanically, collapsing capacity and tolerance back into a single score behind a more elaborate form, will have a better-looking process and no better outcome.

6.3 Regulatory and Jurisdictional Risk

Suitability obligations differ across jurisdictions and across client classifications, and they evolve. This paper describes a framework that is consistent in substance with the common direction of those obligations, but it is not a statement of the rules of any regime, and it does not address the specific conduct, marketing and classification requirements that apply where a given intermediary and a given client are located. Placing Gulf alternatives with private clients raises cross-border questions, of marketing, of classification, of tax, that an intermediary must resolve with qualified local advice. The framework assumes that advice is taken; it does not replace it.

6.4 Behavioural and Conduct Risk

The framework leans on the behavioural finding that framing shapes perception, but that same finding cuts both ways: framing can be used to obscure as well as to clarify. A standard built to make risk plain can be subverted into one that makes risk palatable, and the same checklist that documents an honest process can document a process that went through the motions. The framework's protection against this is its insistence on the recorded rationale rather than the collected signature, but no framework can fully prevent an intermediary determined to sell from framing to sell. The ultimate safeguard is the integrity of the adviser and the culture of the firm, which a framework can support but cannot supply.

6.5 Scope

Finally, this paper is a practitioner framework for intermediaries. It does not recommend, rate or rank any product, fund, structure, sponsor or strategy. It does not constitute investment, legal, tax or compliance advice. It addresses the framing of risk and the assessment of suitability for private clients in general terms, and it leaves to the intermediary every specific judgement about a specific client and a specific product. Its scope is the process, not the decision.

7. CONCLUSION

The intermediaries who allocate on behalf of private clients now meet Gulf alternatives regularly, and the question they face is rarely whether the opportunity is real. It is whether, and how, it is suitable for a particular client. This paper has argued that the hard and under-served part of answering that question is not the underwriting of the asset but the framing of its risk and the assessment of its suitability, and it has offered a connected framework for both.

The framework rests on four moves. It treats suitability as a chain that links the client, the product, the framing and the record, and insists that a break in any link breaks the whole. It separates a client's capacity to bear loss from a client's tolerance for it, and guards above all against the client whose appetite exceeds its ability. It matches the form of access to the client rather than the client to the deal, and frames the two risks, liquidity and the comfort gap, that private-client alternatives most often hide. And it sets a disclosure standard whose most valuable item is the recorded rationale, not the collected signature.

The deeper claim of the paper is that the honest framing that serves the client and the defensible documentation that protects the firm are not competing demands but a single act. The adviser who frames the worst case before the position is taken, who sizes to capacity rather than appetite, and who records the reasoning rather than merely the recommendation, is at once serving the client and protecting the firm, because the conversation that does the first produces the record that does the second. An intermediary that internalises this, that stops treating suitability as a compliance tax on top of advice and starts treating it as the substance of good advice, will place Gulf alternatives with the right clients, in the right size, through the right structures, and will be able to show that it did. That is the whole of the matter, and it is enough.

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APPENDIX A. STYLISED ASSUMPTIONS

The table below records the stylised assumptions used in the figures and the framework, in one place, so that an intermediary adapting the framework can see precisely which inputs to replace with its own policy and its own client data. They are indicative, illustrative calibrations chosen to make the structure legible; they are not sourced data, forecasts or recommendations. See Section 3.

Component	Stylised assumption	Note
Capacity-tolerance matrix	Two levels per axis (lower/higher)	Replace with firm's own definitions and thresholds
Client segments	Mass affluent to professional FO	Replace with firm's own classification
Form of access	Fund / sleeve / direct / co-invest	Map to firm's available vehicles
Liquidity ladder	Five rungs, cash-like to illiquid	Replace with actual liquidity terms
Outcome range	0% to 20% sleeve, stylised band	Replace with firm's own scenario analysis
Adverse scenario	Stylised downside, can turn negative	Replace with product-specific stress
Disclosure checklist	Three columns, fifteen items	Adapt to firm's documentation standard
Roll-out	Five phases over twelve months	Adapt to firm's capacity and book

Table A1. Full stylised assumptions. Illustrative; see Section 3. Not sourced data, forecasts or recommendations.

APPENDIX B. SUITABILITY DECISION CHECKLIST

The following checklist distils the framework into the questions an intermediary should be able to answer, and to evidence, before placing a Gulf alternative with a private client. It is illustrative and does not replace the firm's own conduct policy or qualified compliance advice.

- Have we assessed the client's capacity and tolerance separately, and is the client clear of the low-capacity, high-tolerance quadrant?
- Have we matched the form of access, fund, sleeve, direct or co-investment, to the client's sophistication and capacity, not to the deal?
- Have we framed liquidity as a ladder and identified where this position sits, and can the client leave capital committed at that level through a full cycle?
- Have we framed return as a distribution, including a plausible adverse scenario, rather than as a headline coupon?
- Have we framed the worst case before the position is taken, and sized the position to the client's revealed rather than merely stated tolerance?
- Have we explained the strategy, the source of yield, the currency, the leverage and the fees in plain language?
- Have we disclosed conflicts and inducements, and recorded the comparators we considered?

- Have we documented the rationale, the reasoning that connects this client to this product in this size, and not merely collected a signature?
- Have we taken qualified legal, tax and compliance advice on classification, marketing and cross-border issues?
- Have we scheduled a review of this position as the client's circumstances and the market change?

APPENDIX C. GLOSSARY OF KEY TERMS

The following glossary defines the principal terms used in this paper for readers less familiar with suitability and alternatives.

Suitability. The obligation to have a reasonable basis for believing an investment suitable for a particular client, in a particular size, at a particular time, and to be able to evidence that judgement.

Risk capacity. A client's ability to bear loss, a function of wealth, income, liabilities, horizon and the share of resources a position represents. Distinct from tolerance.

Risk tolerance. A client's willingness to bear loss, a psychological disposition that governs behaviour in a drawdown. Distinct from capacity, and often inconsistent.

Risk framing. The way an investment's risk is described to a client. Framing shapes perception and is part of the substance of advice, not an adjunct to it.

Comfort gap. The distance between the loss a client says it can tolerate, set in calm conditions, and the loss it actually tolerates when a position is down and illiquid.

Form of access. The vehicle through which a client takes an exposure: a diversified fund, a capped sleeve, a direct participation or a co-investment. Concentration and diligence burden rise across these forms.

Liquidity ladder. A spectrum of liquidity from cash-like instruments to genuinely illiquid holdings with no secondary market, used to frame a position's liquidity rather than treat liquidity as binary.

Lock-up. A period during which a client cannot redeem or sell a position. Common in closed-end private-credit and real-asset structures and a central liquidity risk to frame.

Co-investment. A direct participation alongside a sponsor in a single deal, the most concentrated and diligence-intensive form of access, suited to sophisticated, high-capacity clients.

Recorded rationale. A contemporaneous note explaining why an adviser believed a product suitable for a client in a given size. The most valuable item in a defensible file, more so than a signed disclosure.