ORINOVA
CAPITAL

How to Think About Diversification

Why spreading capital across multiple investments can improve both risk and long-term outcomes

---

One of the most common decisions investors face is how to allocate capital across opportunities.

In many cases, the choice is framed as a single large investment — for example, allocating $250,000 into one deal.

An alternative approach is to spread that same capital across multiple investments — for example, $25,000 across ten opportunities.

While both approaches can produce similar projected returns on paper, the underlying risk profile and long-term flexibility can be meaningfully different.

Concentration vs. Diversification

Concentrating capital into a single investment increases exposure to the outcome of that specific deal.

If the investment performs as expected, the results can be attractive. However, if performance falls short, the impact is also concentrated.

Diversification, by contrast, spreads that exposure across multiple investments. This reduces reliance on any single outcome and allows overall performance to be driven by a portfolio rather than an individual asset.

In practice, not all investments perform identically. Some may exceed expectations, while others may underperform.

A diversified approach allows stronger investments to help offset weaker ones, resulting in more consistent overall outcomes.

The Reality of Investment Outcomes

Even with disciplined underwriting and experienced operators, real estate investments rarely follow a perfectly linear path.

Markets shift, business plans evolve, and outcomes can vary.

Because of this, diversification is less about maximizing upside in any one deal and more about managing variability across a portfolio.

By allocating capital across multiple opportunities:

- Performance becomes less dependent on a single outcome
- Risk is distributed rather than concentrated
- Results tend to be more stable over time

Flexibility and Optionality

Diversification also provides a level of flexibility that is often overlooked.

With smaller allocations across multiple investments, investors gain:

- The ability to adjust future allocations based on experience
- Exposure to different markets and strategies
- Greater control over pacing capital deployment

This creates optionality.

Rather than committing all capital at once, investors can evaluate how different investments perform and refine their approach over time.

Access to Opportunities

Another practical consideration is access.

Many real estate investments have minimum investment thresholds, often in the $25,000–$50,000 range. Structuring allocations at this level allows investors to participate in multiple opportunities without requiring significantly more capital.

This approach can provide exposure to:

- Different markets
- Different asset types
- Different business plans

Over time, this broader exposure can improve both understanding and outcomes.

How We Think About It

We generally view diversification as a foundational part of portfolio construction.

Rather than concentrating capital into a single outcome, we believe there is value in building exposure across multiple investments over time.

This aligns with a few core principles:

- Reducing reliance on any one deal
- Allowing performance to be driven by a portfolio of assets
- Maintaining flexibility as market conditions evolve

In practice, this often means starting with smaller allocations and building a portfolio gradually, rather than deploying capital all at once.

Final Considerations

Diversification does not eliminate risk, and it does not guarantee performance.

ORINOVA
CAPITAL

However, it can help manage variability, improve consistency, and provide flexibility in how capital is deployed over time.

For many investors, the question is not simply which single investment will perform best, but how a group of investments will perform together.