

## Alternatives Investment

## Conference 2022

The number of attendees at the inaugural iPartners Alternatives Investor Conference in October spoke to the rise in investors adding alternatives to their portfolios.

Private self-directed and advised investors are increasing weightings in alternatives, using global institutional investors as their new benchmarking.

Panel discussions and presentations covered the varied sectors of alternatives, specifically private credit, private equity, venture capital, real assets in the agriculture, structured equities, family office investing, funds management and global fund opportunities were all discussed.

Some summary takeaways from the event were:

**1. Institutional global investors have consistently run stronger weightings towards alternatives than most private investors, but this is currently changing.**

Private investors are reconsidering overall weightings toward alternatives. Private credit is replacing some traditional fixed income weightings, whilst private equity interest continues to grow.

**2. Family offices have led the movement toward alternatives in Australia.**

Family offices have been most active in the last few years particularly taking up private equity opportunities. The family offices have led a now more widespread movement occurring across high-net-worth investors.

**3. Agricultural assets are tightly held by investor groups involved in the agricultural sector, but they are of more widespread investor interest.**

Investor interest towards real assets that have sustainable earnings or consistent cash flow characteristics in agriculture span wider than the current participants. Getting access to high quality opportunities is the limitation that prevents greater investor breadth. Many investors are comfortable to add weightings towards agriculture if they can access quality deal flow.

**4. The breadth of alternative managers in the US makes accessing top tier difficult and requires extensive filtering analysis.**

Top tier managers in alternatives globally, provide strong risk adjusted reward to investors who can get access. The challenge for most is getting the access to the top tier managers, most don't need capital. Groups that solve accessibility and have extensive analysis skills to filter, are highly valuable to wholesale investors.

**5. Efficiencies of scale are valuable to capital raisers.**

Solving for scale and efficiency is important to capital raisers. The ability to work with groups who can aggregate investor demand and provide capital at multiple stages of their company's growth cycle is highly valued.

## 6. Premiums for illiquidity are highly relevant in alternatives.

The negotiation of yield premiums for lower liquidity drives stronger risk adjusted returns. For investors that don't require liquidity through their investment term, the ability to negotiate illiquidity premiums is well recognised. The lower liquidity does not always mean higher risk, in fact, when premiums are presented in the deal, it can significantly lower the risk relative to the returns.

## 7. Large Institutions can be valuable exit sources for private deal flow.

Smaller company private credit and private equity opportunities can provide strong returns during the early life cycle of emerging businesses. Large institutions as acquirers or debt financiers are proving to be valuable exit sources for those earlier adopters, either through refinancings or acquisitions.

## 8. The term alternative assets can be somewhat misunderstood.

Alternatives does not necessarily mean highly complex or highly speculative. Instead, alternatives can be highly correlated to everyday life needs of society. For instance nearly all Australians have direct correlation to the agricultural sector in their daily consumption needs, whether they have invested in the sector or not.

## 9. Effective business leadership is all about a focus on the attitudes of your people.

Personal insights into how successful business leaders have grown teams focused on the attitudes of their people. Surrounding yourself with skilled people that hold consistent values is important.

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