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ALTERNATIVE ASSETS ON THE RISE: INVESTING BEYOND CASH, BONDS AND STOCKS

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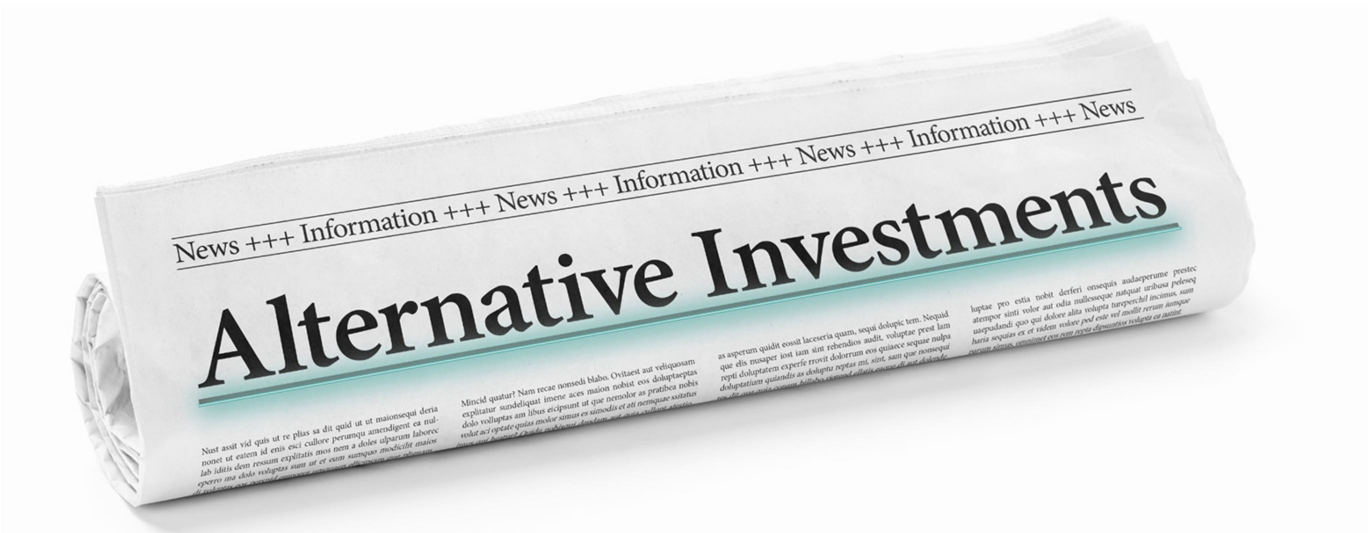


Over the last decade, the alternative asset industry has grown exponentially. Alternative investments provide sophisticated investors with access to a variety of concentrated (direct assets) and diversified (funds) exposures in uncorrelated assets, allowing them to increase returns and diversify their portfolios. Increasing the number of uncorrelated assets can improve returns while reducing risks across the market cycle. Alternatives are becoming more frequently acknowledged as an integral component of an investor portfolio. Investors seeking greater portfolio diversification, higher investment returns, and superior risk-adjusted returns have increased demand.

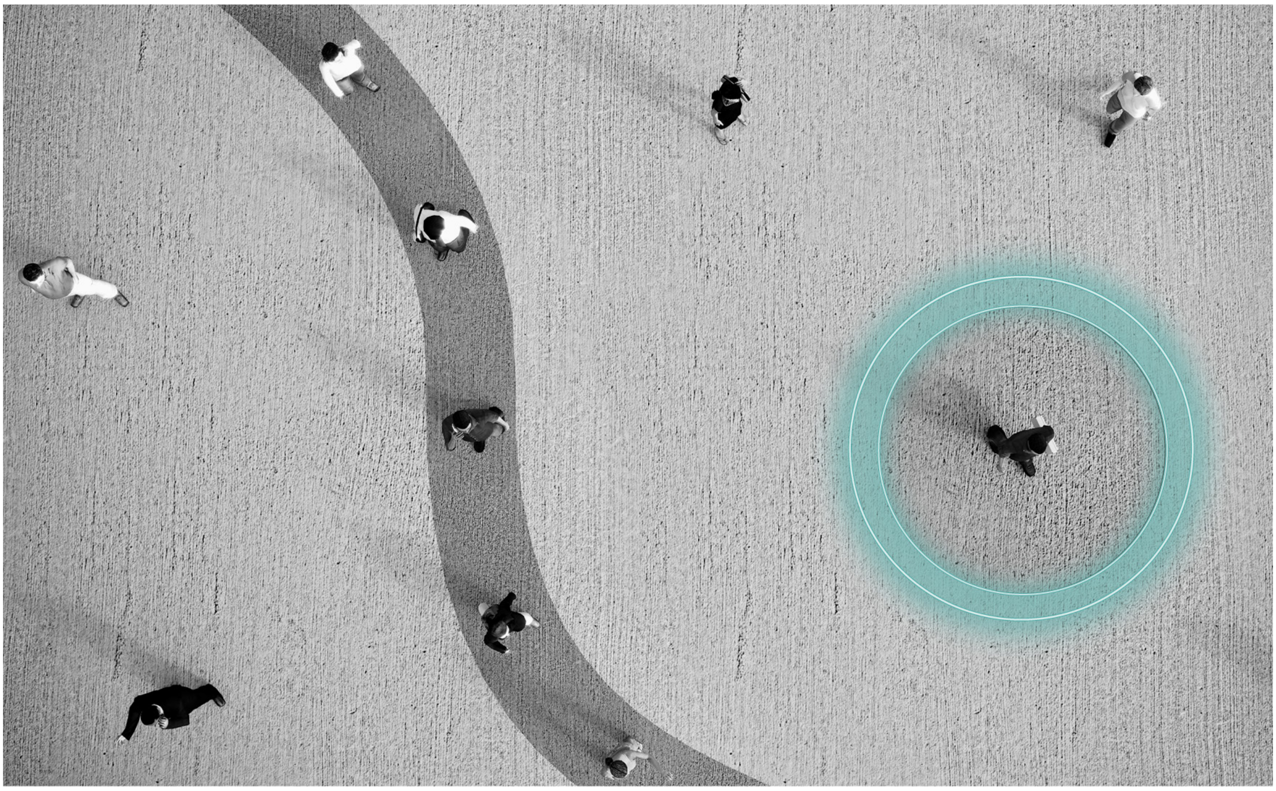
According to Preqin, by the beginning of 2022, more than $13 trillion is expected to be committed globally to alternative investment asset classes, with the total expected to surpass $23 trillion by 2026.

Private investors now have more access aligning with their growing demand. Alternative investments are no longer reserved solely for institutional investors such as pension funds and sovereign wealth funds. With more access, private individuals are allocating more capital to alternative assets.

The alternative investments business has risen in popularity and accessibility over the last decade and a half, thanks in part to the global recession in 2008 and more recently in a world of quantitative central bank control. When the stock market crashed, many people who had previously relied heavily on traditional investments saw their portfolios lose significant value, forcing many to look into alternative investments. Alternative assets have a weak relationship with traditional assets, implying that they tend to have low levels of price correlation. As a consequence, they are logical additions to the portfolios of investors that are looking to diversify, spread risk, and increase earnings.

An investment portfolio's lack of diversity emphasizes risk. If the majority of your portfolio is invested in traditional asset classes, such as listed shares and bonds, the value of your portfolio is highly connected with the overall economic climate. As a new wave of investors entered the alternative investment arena, they increasingly chose direct investing over indirect investing. This might be attributed to the heightened sensation of control that comes with direct investing.

Furthermore, a wave of public corporations turned private, possibly reorganizing and rebuilding before returning to the public market, or having elected to stay private for longer. This transferred investment opportunities into the private sector, making alternatives appealing to people who had not previously explored them.



Finally, many investor preferences shifted from active to passive. Traditional assets, such as publicly-traded equities, are very liquid and volatile in price. The "active" part of traditional investing, particularly the decision of when to buy and sell, lies largely as the investor's responsibility. Alternative investments, on the other hand, have far longer time frames and are traditionally illiquid. iPartners has deliberately focussed on investments that have a fixed timeline and clear exit strategy. Too often, alternative investments end up in illiquid venture capital-style investments with no defined exits. Returning investor capital is very important to iPartners.   iPartners also developed a highly innovative way for investors to access secondary market liquidity if they require it prior to a maturity date. Having the ability to re-market to other investors on the platform, at an offer price they choose. This process is fully automated and means secondary trades can be executed seamlessly, on what has typically been a difficult asset class to liquidate your investment.
This is a unique feature for the benefit of investors.

Asset types other than stocks, bonds, and cash are known as alternative investments. These assets vary from traditional investments in that they cannot be readily sold or converted into cash.

According to Harvard Business School, there are seven categories of alternative investments that everyone should be aware of, as well as what distinguishes them and how to consider them as investment opportunities:

- Private Equity
- Private Debt
- Hedge Funds
- Real Estate
- Commodities
- Collectibles
- Structured Product

1. Private Equity

Private equity is a wide term that refers to capital investments made in private enterprises that are not publicly listed on an exchange. Private equity is divided into various categories, including:

- Venture capital, focuses on startup and early-stage businesses.
- Growth capital, which enables more established businesses to expand or restructure.
- Buyouts, transactions in which a corporation or one of its divisions is bought entirely.

The link between the investment firm and the entity receiving funds is an important aspect of private equity. Private equity firms frequently give more than just finance to the companies in which they invest. They typically provide perks such as industry experience, personnel sourcing aid, and mentorship to founders.

2. Private Debt

Private debt refers to investments that are not bank-financed or traded on an open market. The word “private debt” is crucial since it refers to the investment vehicle rather than the borrower, as both public and private enterprises can borrow through private debt.

When a company needs more funds to expand, private debt is leveraged. The businesses that issue the capital are known as private debt funds, and they normally generate money in two ways: interest payments and loan payback.

3. Hedge Funds

Hedge funds are investment funds that trade reasonably liquid assets and use a variety of investing strategies in order to gain a high return on investment. To implement these strategies, hedge fund managers might specialize in a variety of skills including long-short equities, market neutral, volatility arbitrage, and quantitative strategies.

Hedge funds are exclusive to institutional investors such as endowments, pension funds, and mutual funds, as well as high-net-worth individuals.

4. Real Estate

Real estate is the most frequent and largest asset class in the world. Real estate is an intriguing category because it shares traits of bonds since property owners receive current cash flow from tenants paying rent, and equity, because the aim is to raise the asset's long-term value, which is known as capital appreciation.

Real estate investing, like other real assets, has appraisal challenges. Income capitalisation, discounted cash flows, and sales comparables are all real estate valuation approaches, each with advantages and disadvantages. It is critical to have good appraisal abilities and understand when and how to employ various methodologies in order to become a successful real estate investor.

5. Commodities

Commodities are real assets that primarily consist of natural resources such as agricultural products, oil, natural gas, and precious and industrial metals. Commodities are considered an inflation hedge since they are not affected by public equities markets. Furthermore, the value of commodities grows and falls in response to supply and demand—greater demand for commodities results in higher prices and, as a result, higher investor profits.

6. Collectibles

Collectibles contain a broad variety of goods and can include:

- Rare Wines
- Vintage Cars
- Fine Arts
- Stamps
- Coins

Investing in collectibles is acquiring and keeping tangible artifacts in the belief that the assets' value will increase over time.

These investments may sound more exciting and entertaining than others, but they might be risky owing to high acquisition prices, a lack of dividends or other income until they're sold, and the possible destruction of the assets if not maintained or cared for correctly. Experience is the most important talent necessary in collectibles investment; you must be a genuine specialist to anticipate a return on your investment.

7. Structured Product

Structured products often incorporate fixed-income markets, those that provide dividend payments to investors, such as government or corporate bonds, as well as derivatives, or securities whose value is derived from an underlying asset or collection of assets, such as stocks, bonds, or market indexes.

Structured products can be complex and risky investment products, but they provide investors with a tailored product mix to match their specific needs. In fact, structured products can also be utiilised to structure a lower-risk exposure to an asset or asset class. They are often established by investment banks and made available to hedge funds, organizations, or ordinary investors.

Understanding the structure of alternative assets is important. If you are thinking about investing in alternative assets, we recommend talking with the iPartners team.

Sources: Harvard Business School, Investopedia, Preqin