The Entrust Group

The Future of Investing:

7 Alternative Asset Trends to Watch

Diversifying your investment portfolio to include alternative assets like hedge funds, private equity, real estate, and infrastructure can create unique opportunities for investors; particularly in times of inflation or market volatility.

In the past, alternative investments were predominantly limited to large institutional investors, but with the emergence of new alternative funds and direct investment opportunities, individual investors and family offices can now access these options. This accessibility has led to a surge in new capital inflows, driving rapid growth in the alternative investment industry.

Curious about what alternatives could mean for your portfolio? Keep reading to see the top benefits associated with alternative assets and the 7 trends investors don't want to miss.

Benefits

Portfolio diversification

Alternative assets tend to act independently from traditional financial markets. They may hold their value or even increase in value during a bear market.

Option to invest in personal interests

Investors can choose assets they know, understand, and are interested in.

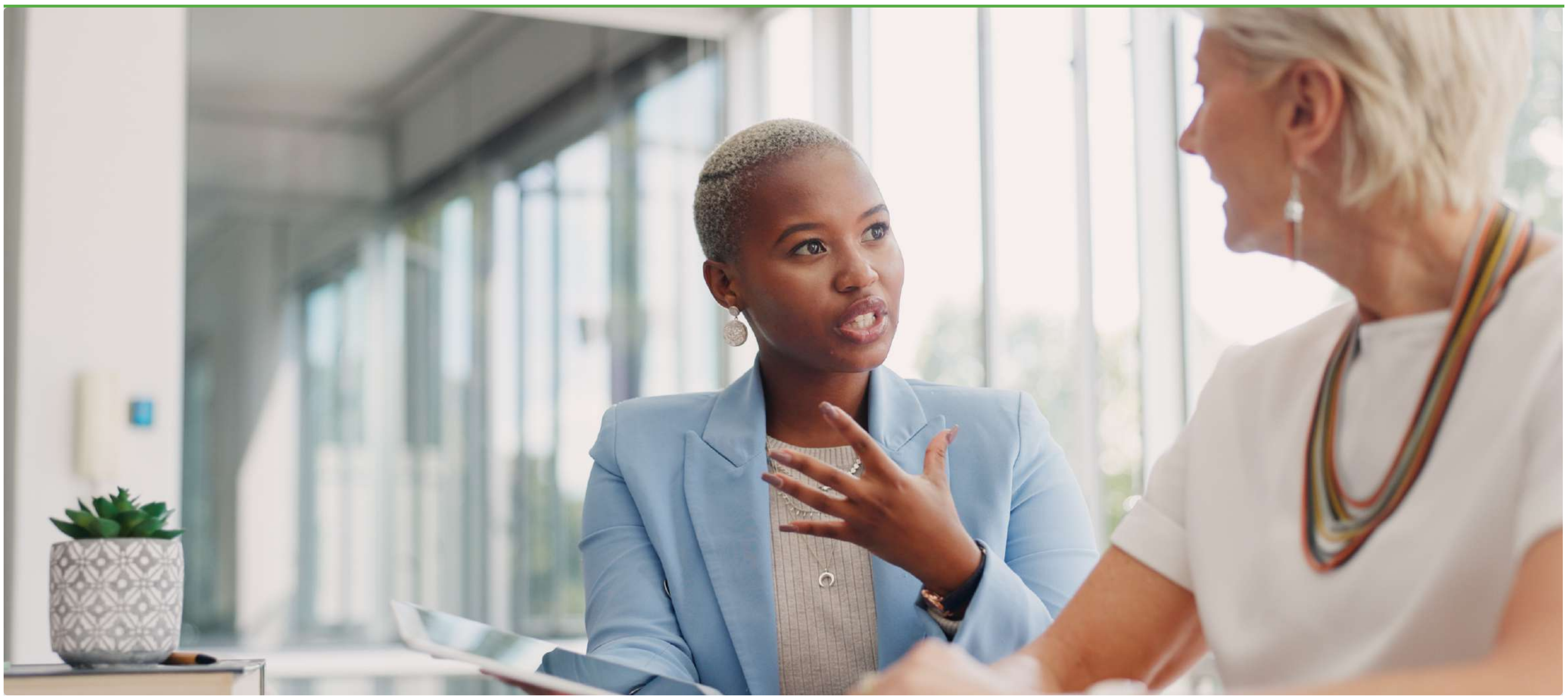
Ability to invest using tax-advantaged accounts

Many alternative assets can be held in a self-directed IRA (SDIRA), which can mean tax-free contributions and tax-deferred earnings growth.

Potential for higher ROI

Alternative assets have the potential to offer much higher returns than more traditional counterparts.

A caveat: alternative assets are often recognized for a lack of liquidity. It is important for all investors to keep in mind that any capital may have the potential to be tied up for much longer periods of time - which can be problematic for some.



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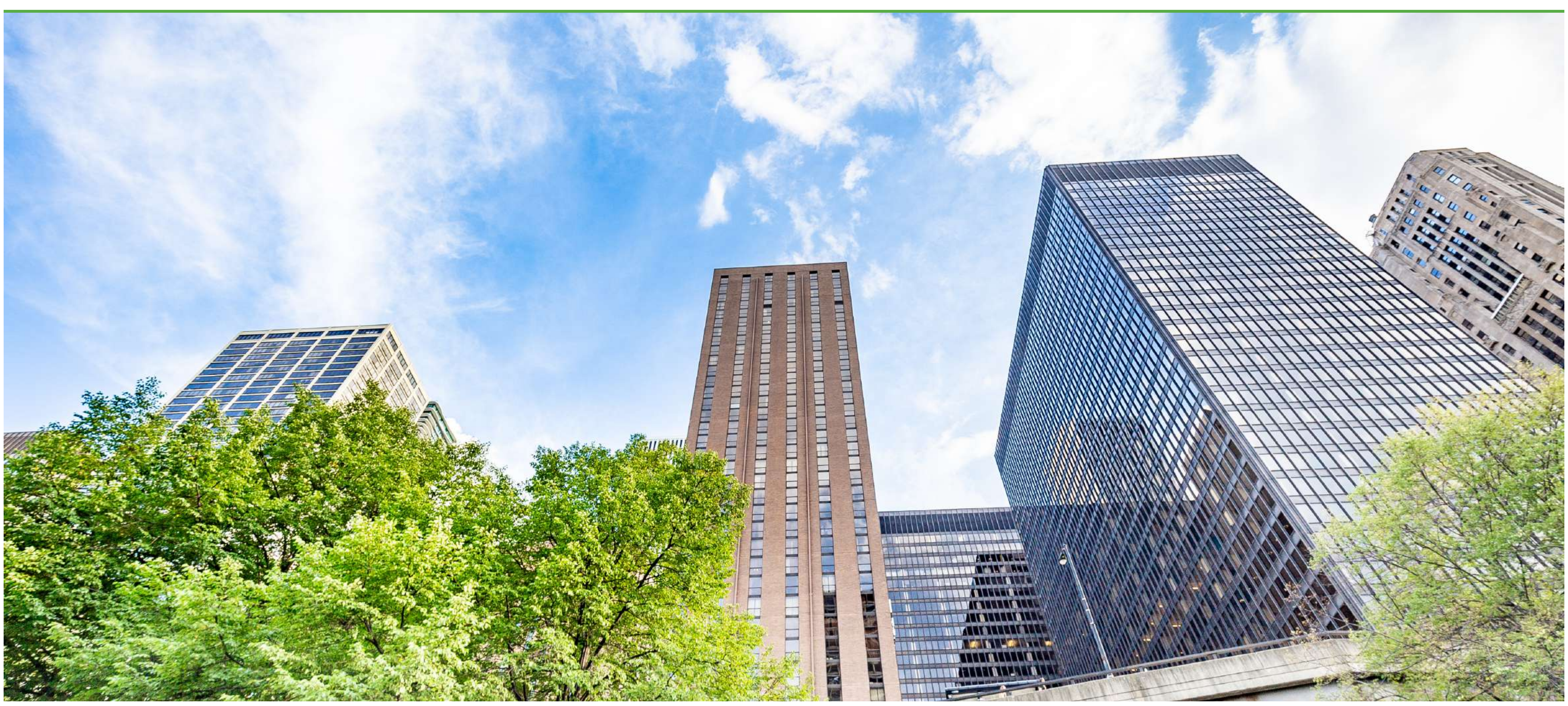
1. Take Advantage of Assets With Built-in Inflation Hedges

Though no asset can fully guard against inflation, there are certain investments that have historically provided some degree of resilience.

Sectors to consider include:

- **Non-traditional infrastructure**
  Renewable energy, cell towers
- **Traditional infrastructure**
  Toll roads, airports, utilities, etc.
- **Asset-based lending**
- **Real estate**

Some assets in these categories generate revenue that adjusts with inflation, while others are physical assets that tend to maintain their value in inflationary periods.



2. It's Not Too Late to Get Involved With Private Equity (PE)

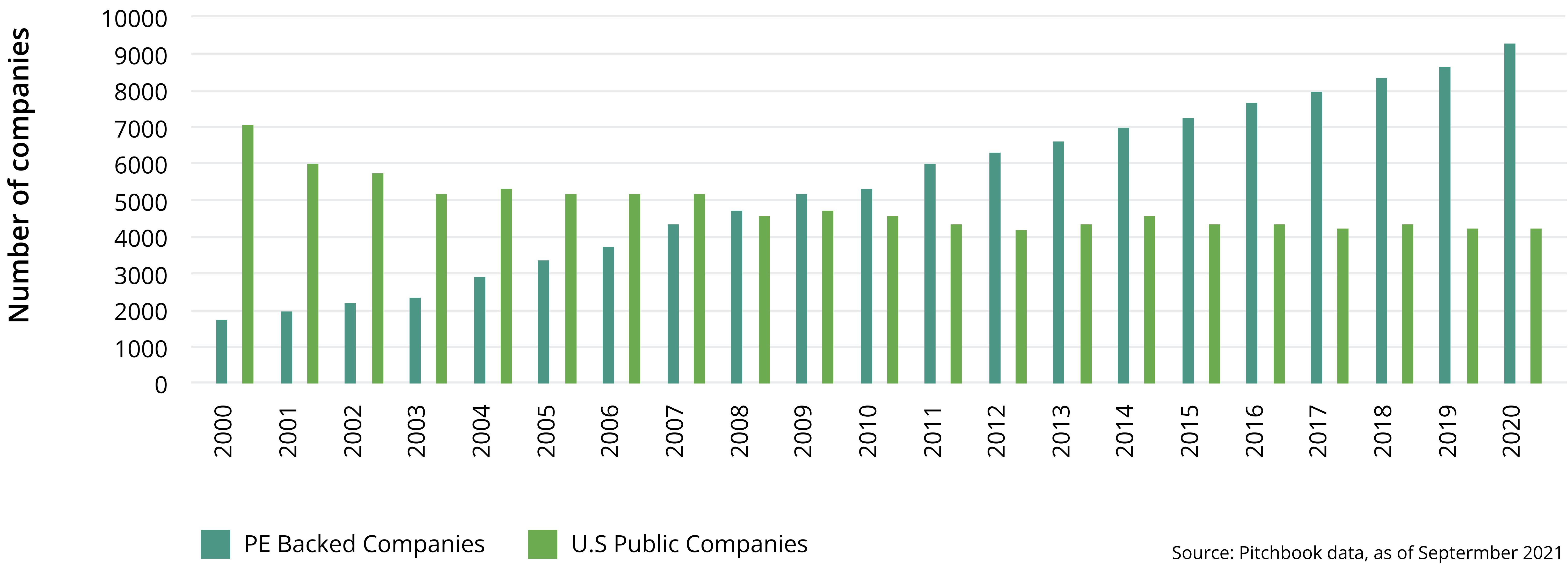
Though no asset can fully guard against inflation, there are certain investments that have historically provided some degree of resilience.

In 2008, the number of private equity backed companies surpassed the number of public companies, and the imbalance has only grown since. Today, there are twice as many private equity backed firms, while the number of public IPOs continues to decline.

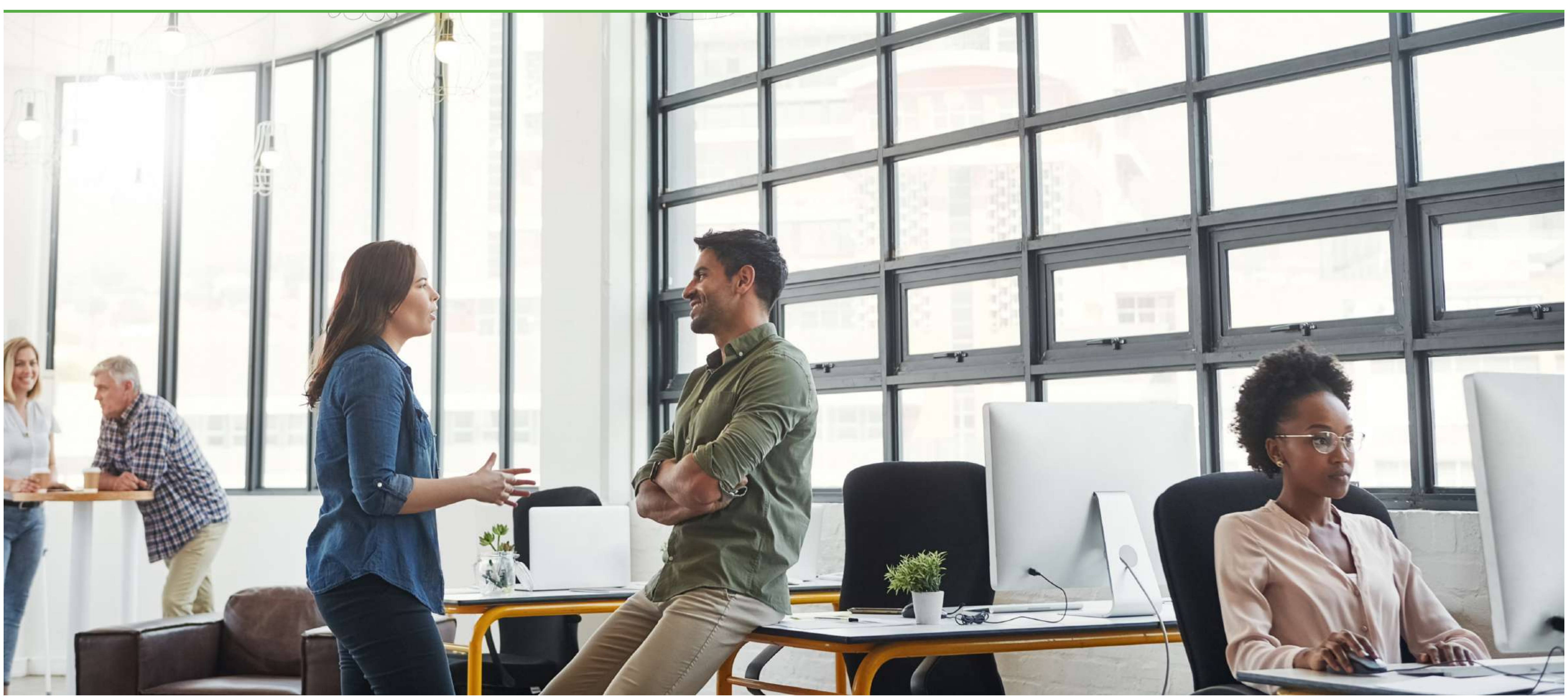
Two ways you can invest in equity markets include:

1. Private equity buyout and growth equity
2. Venture capital (VC)

Public vs. Private Companies



Source: Pitchbook data, as of Septermber 2021



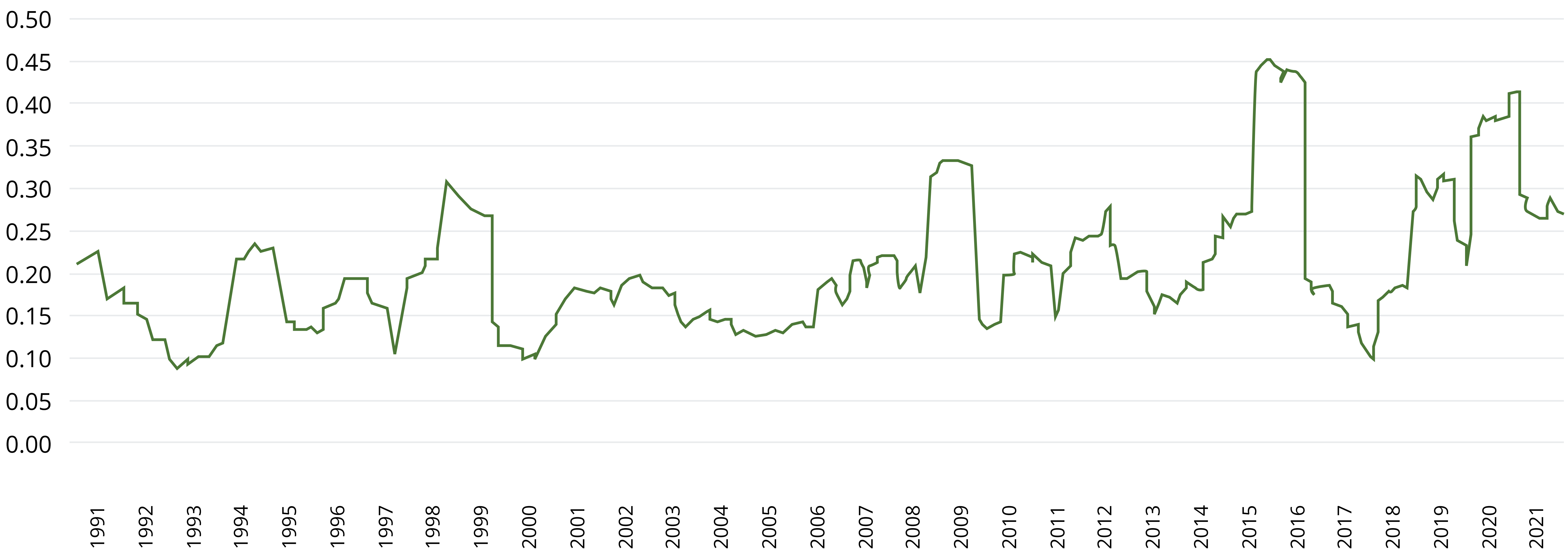
3. Anticipate Ongoing Public Market Volatility and Market Dislocations

Whether we like it or not, volatility in public markets appears to be here to stay. Decreased liquidity may continue to contribute to periodic dislocations.

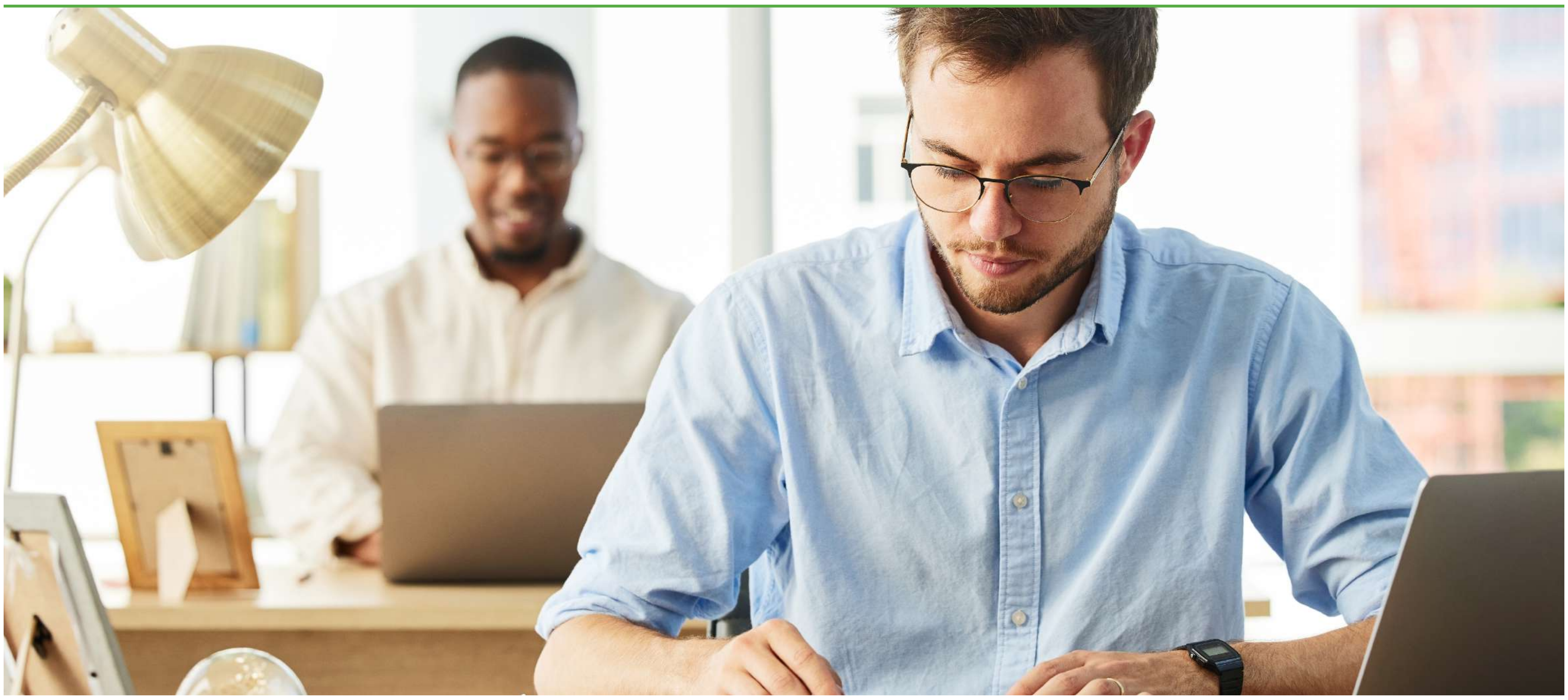
Ways to minimize portfolio volatility include:

1. Private equity: Choose illiquid fund structures that allow portfolio managers to pursue long-term investments
2. Distressed investing: Find businesses with unsustainable balance sheets but generally sound business models

The Volatility of Vix



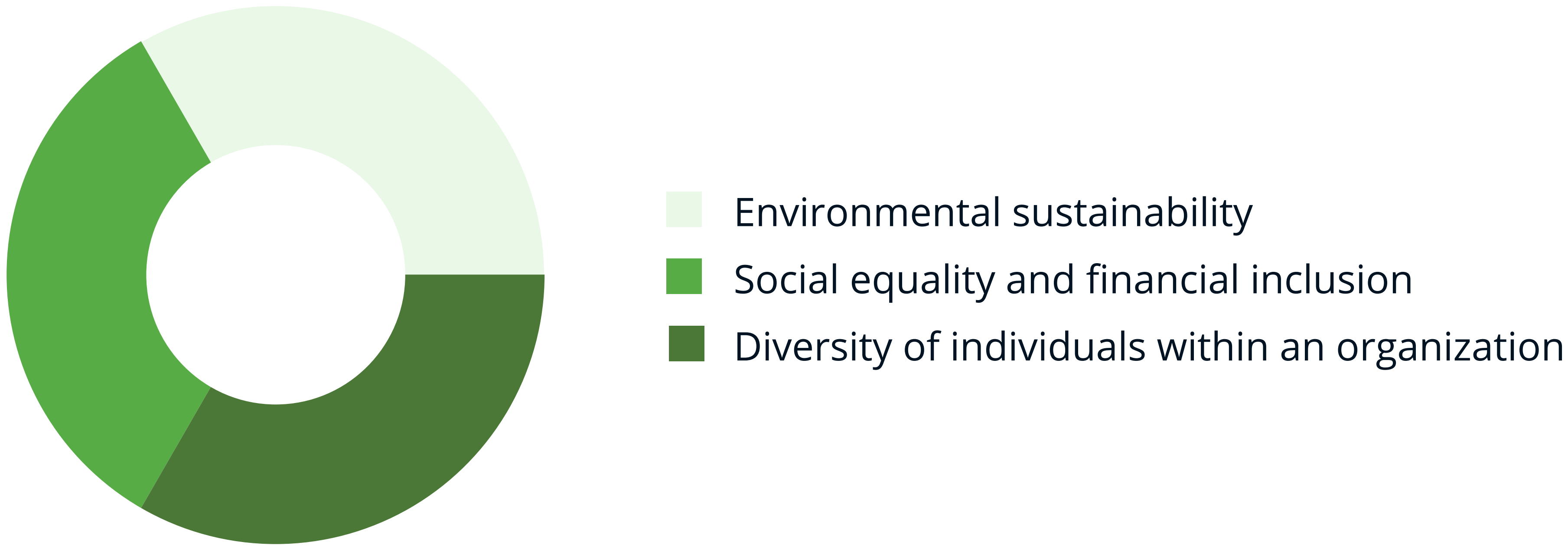
Source: Bloomberg. as of September 30, 2021



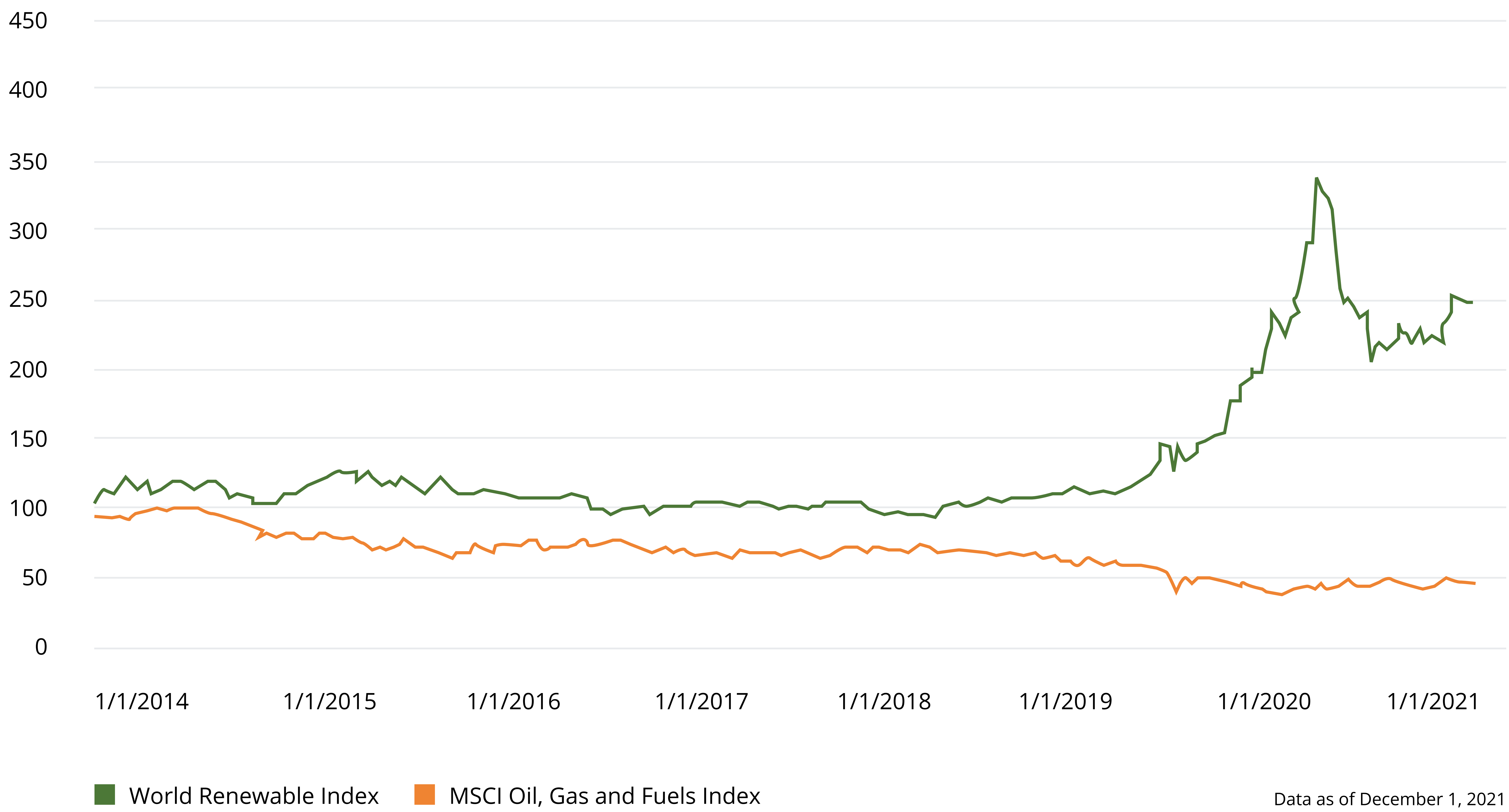
4. Responsible and Impact Investing Present Opportunities for Growth

Private market data has debunked the misconception that responsible investing leads to lower performance. In many cases, impact investing has been shown to generate social and environmental progress while also delivering returns comparable to those of private equity.

Priorities for these companies are:



Global Renewables Versus Oil & Gas - Equity Index Performance vs MSCI World



Data as of December 1, 2021

5. Use Private Debt to Complement Traditional Fixed Income Strategies

Private debt can improve diversification while potentially providing consistent returns.

You can invest in private debt via:

Direct Lending
Private loans to middle-market companies

Asset-based Lending
Privately negotiated loans backed by hard assets

Core Real Estate
Class A assets in primary markets with consistent net operating income

Core Infrastructure
Assets like electricity that are stabilized by economic regulation

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6. Consumer Behavior is Creating Clear Winners in the Technology and Healthcare Industries

Due in part to the Covid-19 pandemic, consumers are adopting new technologies faster than ever before. The pandemic also exposed deep systemic inequalities in healthcare access, with technology stepping in to fill the gaps.

You can start investing in these industries through:

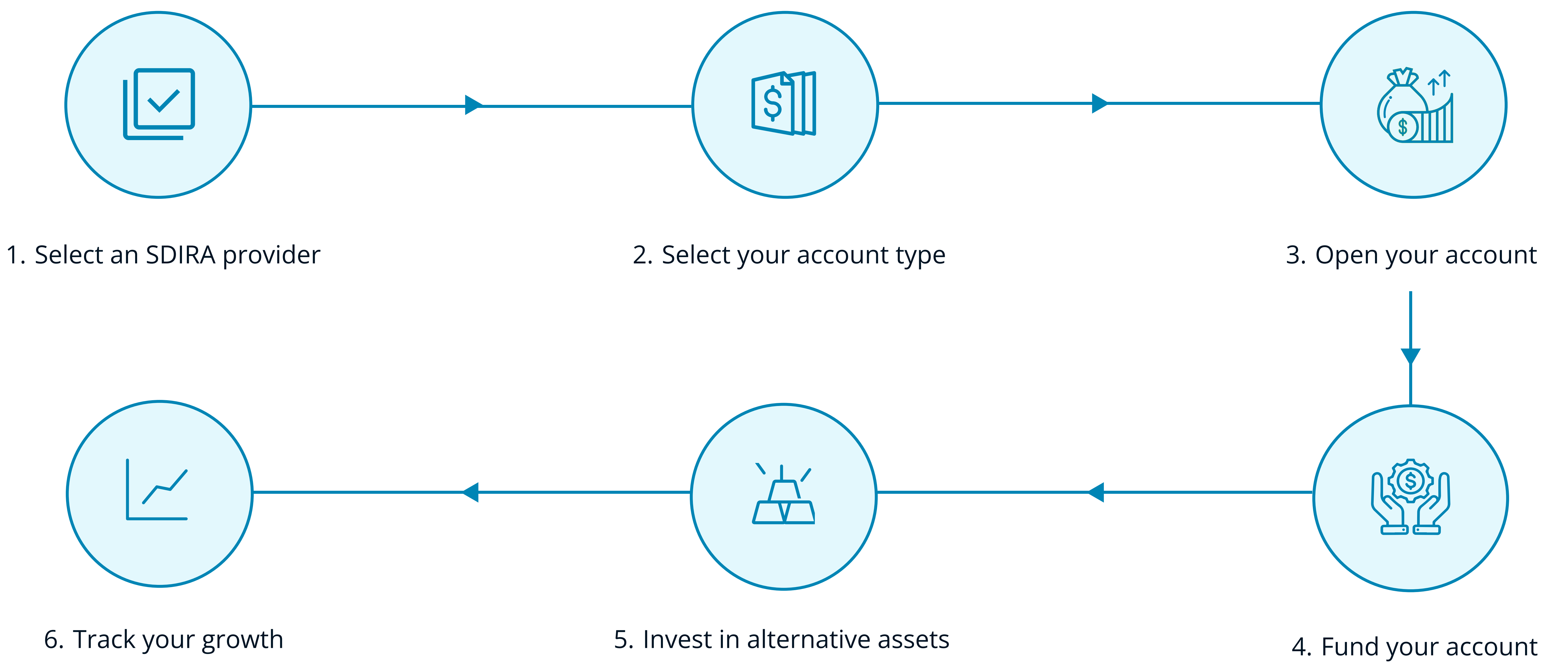
1. Venture capital and growth equity
2. Long / short equity hedge funds

7. Tax-advantaged Investing is Uniquely Suited to Alternative Investments

When investing in alternative assets, there's often a need for a more long term approach - thanks to the illiquid nature of these investments.

Tax-advantaged accounts like self-directed IRAs (SDIRAs) allow investors to pursue alternative investments while also enjoying benefits like tax-free or tax-deferred growth.

The process for investing in alternative assets with a tax-advantaged account is as follows:



Alternative assets allow investors to integrate a wider range of assets into their portfolio. This can potentially increase returns and build resilience during volatile periods.

Integrating a **self-directed IRA (SDIRA)** into the equation can further impact future wealth by providing the groundwork for tax-free or tax-deferred growth.

With an SDIRA, investors have the power to take greater control over their retirement savings. They provide the flexibility to invest in alternative assets that align with one's financial goals and risk tolerance; while also enjoying tax benefits that can maximize long-term growth potential.

Curious how you can get started investing in alternative assets with the retirement funds you've already got?

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