
Longreach Alternatives

Alternatives – Outside the Mainstream

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Are you missing something?

Are your clients missing something?

- US university endowments allocate between half and two-thirds of their portfolios to alternatives¹
- By 2020, global assets in alternative investments are projected to grow from \$10 trillion today to US\$18.1 trillion²

- Liquid alternatives climbed from €34 billion in 2008 to €305 billion in 2014 (a jump of nine times in six years)
- There has been an annualised growth at the rate of 30% in alternative UCITS assets since the GFC³

- The Future Fund in Australia has allocated nearly a half of its portfolio to alternatives

¹Source: Financial Standard, 'The Power of Alternatives', 24 August 2015. ²Source: PWC, Strategy&, 'Alternative investments: It's time to pay attention', March 2015. ³Source: Prequin, 'The European Alternative UCITS Industry', Q1 2015; AIMA, 'Alternative UCITS – A hedge fund alternative for European investors?', Q3 2014.

Current Market Conditions

Given this environment of uncertainty...

Monetary policy divergence



Record low bond yields



Heightened volatility



Slowing growth



... what can we be certain of?

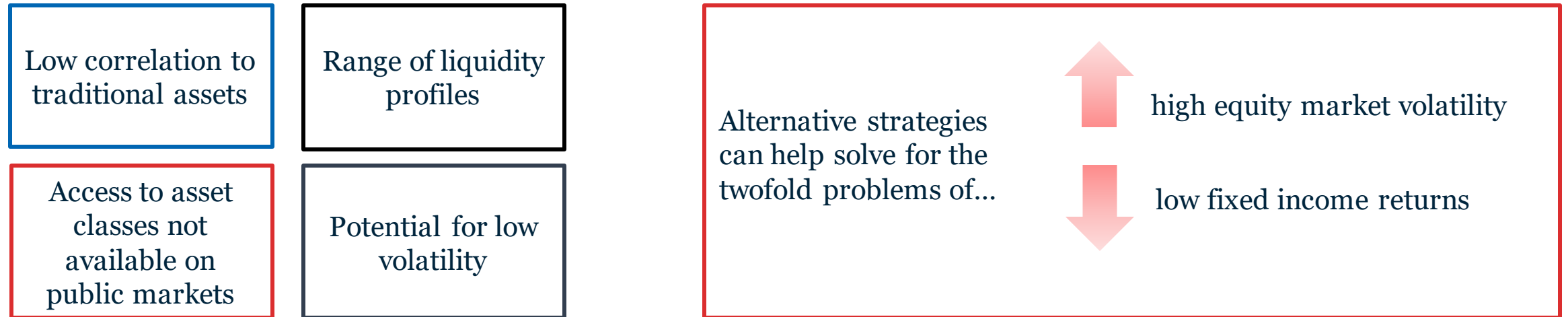
- Traditional asset classes are likely to remain volatile
- Heightened downside risk is causing many clients to reduce their risk appetite at the expense of their return potential
- Uncorrelated portfolio returns, increased diversification, income stability and liquidity are some of the attributes investors are seeking
- Institutional Investors, Super Funds and Sovereign Wealth Funds are increasing their Alternatives exposure

➤ **What does it mean for you?**

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Where do Alternative investments fit in?

The key potential benefits of alternative investments



- It's time for us to rethink our long-standing beliefs around traditional portfolio construction and take a closer look at alternatives

How can You access Alts for your clients?

- Platforms and Managed account systems have historically struggled to offer Alts to advisers



- This is changing – some platforms for example are now carving out wholesale fund menu's for sophisticated investors.



- But... contrary to common belief, retail investors are able to access similar liquid alternative fund-style strategies with **lower fees, greater transparency and higher liquidity**

Summary

- Many investors portfolios were not sufficiently diversified during the Global Financial Crisis
- Alternative investments have the potential to diversify portfolios and hence limit downside risk due to low and even negative correlations to traditional asset classes
- Alternative investments can also be cyclical and themselves need to be diversified
- More and more retail investors are following the lead of institutions and actively allocating to Alternative investments
- We believe it is time to re-think common perceptions of Alternatives as an asset class (you may be surprised!)

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