

# Alternative Assets: Research Insights

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Leveraging alternatives for enhanced  
HNW advisory services



Welcome to the **upgrade**

# HNWs leading the way in alternative asset adoption

Investment in alternative assets has increased notably over the last few years, with High Net Worth (HNW) investors driving the charge in search of diversified risk-adjusted portfolio performance and opportunities for yield where traditional asset classes may underperform.

In partnership with CoreData, we researched advisers' use of alternative assets, and the findings show that alternatives are more than just an investment strategy. Implemented appropriately, with the right due diligence, investing in alternatives also offers the opportunity to enhance client engagement and create the collaborative advice/client partnership HNWs are increasingly seeking.

While perceived barriers and challenges are often curbing advisers from having a conversation on alternatives with their clients, with the right information, client education support and platform partner, these hurdles can be overcome.

This can free advisers to craft a tailored portfolio aligned with the investors' unique goals and risk profiles and implement a niche investment proposition that propels their advisory service.

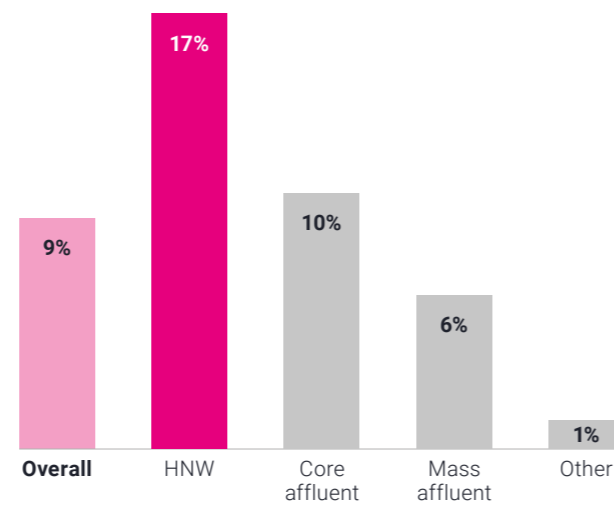
The research shows that HNWs continue to be the largest market for alternative assets, with 17% of this segment investing in this asset class and almost two-thirds of advisers dealing frequently with HNWs report recommending alternatives to their HNW investors in the last year.

With investment opportunities under the alternative investment banner increasing exponentially over the last few years, the asset class is becoming more accessible and of greater interest to the wider affluent investor segment.

According to PwC, alternative asset classes will more than double in size, reaching \$21.1 trillion by 2025 and are set to account for 15% of total global AUM.

It's a trend we've seen play out on the Praemium platform with a 23% uplift in alternative asset funds under administration during FY23 and an 11% uplift in alternative asset FUA in FY24.

## Investor segments holding alternatives



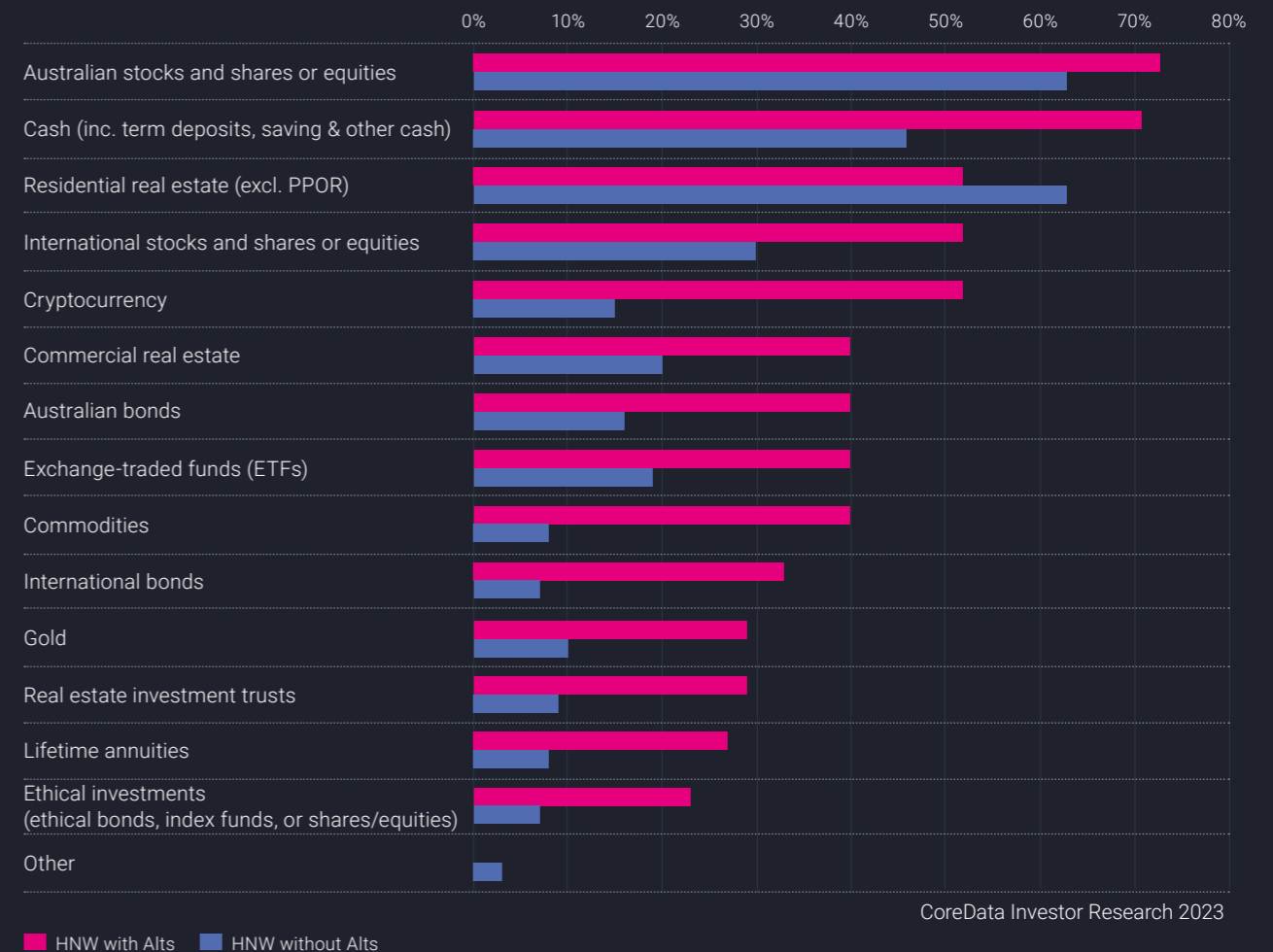
CoreData Investor Research 2023

## Current investment portfolio

HNWs who are investing in alternatives have very different portfolios to those who don't. Whilst both groups allocate a high percentage to Australian equities, those who have invested in alternatives tend to be more adventurous in their allocations outside of the Alternatives asset class. As the chart below demonstrates, they have a greater allocation to real estate, bonds, crypto currencies, gold and commodities than their more traditional investor counterparts.

HNW alternative investors also tend to be slightly more aggressive in their approach, 29% identify themselves as aggressive in their investment approach, compared to 19% of HNW non-alternative investors, showing their greater comfort in taking risks for potential reward.

## Current investments excluding alternatives



CoreData Investor Research 2023

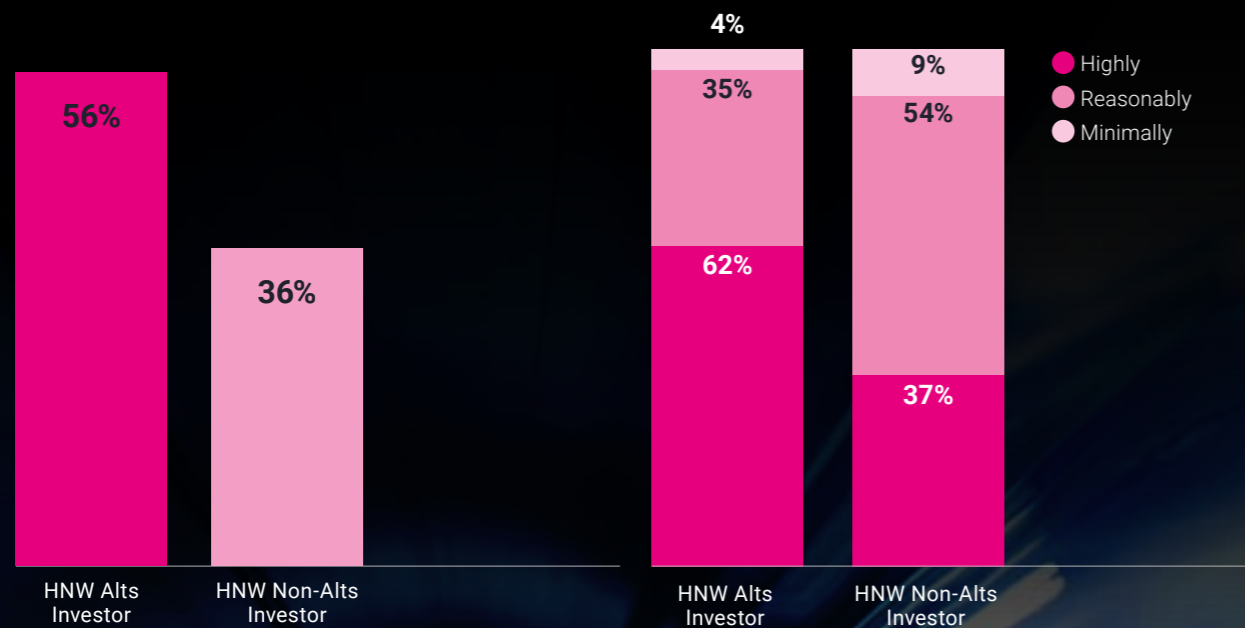
■ HNW with Alts ■ HNW without Alts

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# Engaged and informed

Our research revealed another compelling trend: HNW individuals who incorporate alternative investments into their portfolios tend to exhibit greater engagement, are significantly more connected with their advisers, and have a penchant for seeking out new investment opportunities.

Clients who have an ongoing relationship with a financial adviser



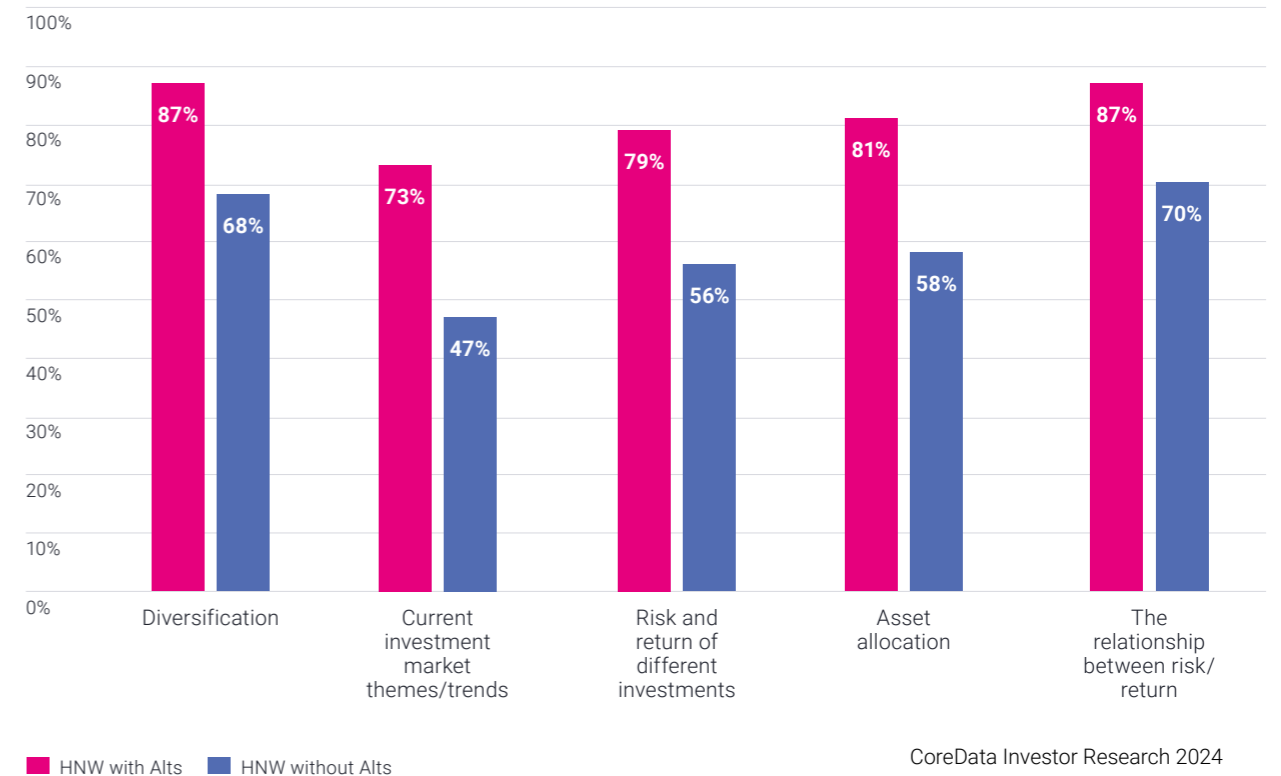
CoreData Investor Research 2024

Over half (56%) of HNW investors who embrace alternative investments have an ongoing relationship with their adviser, compared to only 36% of HNWs who don't use alternatives. This also translates into how engaged they are with their portfolios with 62% stating they are highly engaged with their investment activities, compared to their counterparts who stick to traditional asset classes (37%).

This heightened engagement stems from several factors that we believe are intrinsic to alternative investments. Firstly, alternative investments, encompassing assets beyond stocks, bonds, and cash, offer a broader spectrum of opportunities, including private equity, hedge funds, private debt, and more. These avenues often present unique risk-return profiles and can serve as an effective diversifier against market volatility. Consequently, HNW investors who allocate a portion of their wealth to alternatives showcase a willingness to embrace calculated risks in pursuit of potentially higher rewards.

Moreover, delving into alternative investments necessitates a deeper understanding of market dynamics, asset classes, and complex investment strategies. HNW individuals who explore these avenues typically exhibit a better grasp of investment concepts. This was demonstrated by the research, which showed a marked difference in investment literacy between alternative and non-alternative investors. Being more knowledgeable enables HNW Alternative Investors to not only make informed decisions and actively participate in shaping their investment strategies, but fosters a sense of empowerment and satisfaction among investors, leading to a more collaborative relationship with their wealth adviser.

Clients who have a good understanding of investment statements



CoreData Investor Research 2024

# Recommending alternatives

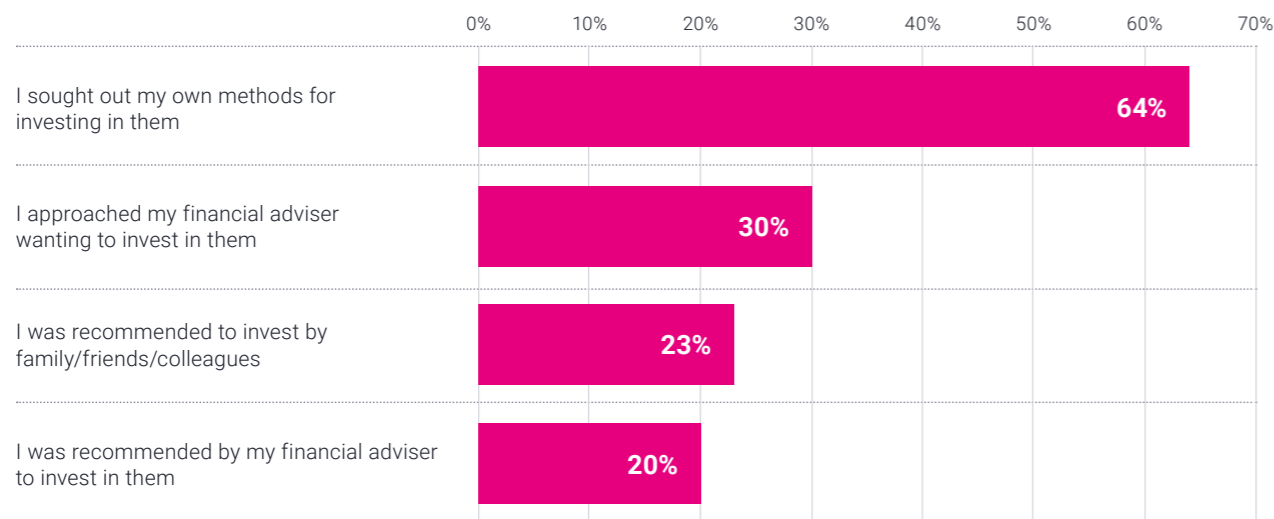
While a significant portion of HNW advisers (62%) are recommending alternative investments to their clients, they are exercising discernment in selecting suitable candidates for such strategies.

Among advisers who recommended alternatives, infrastructure (85%), private equity (51%) and private debt (47%) were the top 3 recommended options. Reasons for recommending these included portfolio diversification (78% recommended for this reason), higher return potential than traditional assets (44%) and mitigating risk (35%).

One quarter of advisers stated that their reason for recommending alternatives was based on the clients' personal interest in this asset class. This aligned with HNW investors' own experience of accessing opportunities with alternatives, with only 20% stating they were initially recommended by their financial adviser. Compellingly, 64% of investors sought out their own methods for investing in alternatives.

This indicates a disconnect between the interest HNW investors have in alternatives and how often advisers are engaging their clients in a discussion on the asset class. Whilst ensuring that any investment is appropriate, the research underscores the importance of starting the alternatives conversation with clients, or risk the client seeking out their own investment opportunities which they may or may not discuss with you. Importantly, it also offers the opportunity to provide education and support on a topic that is becoming increasingly of interest to HNW investors and one where they may benefit from professional guidance. This in turn can enhance the relevance and effectiveness of your advice, fostering trust and confidence among HNW clients.

## Engagement with alternatives



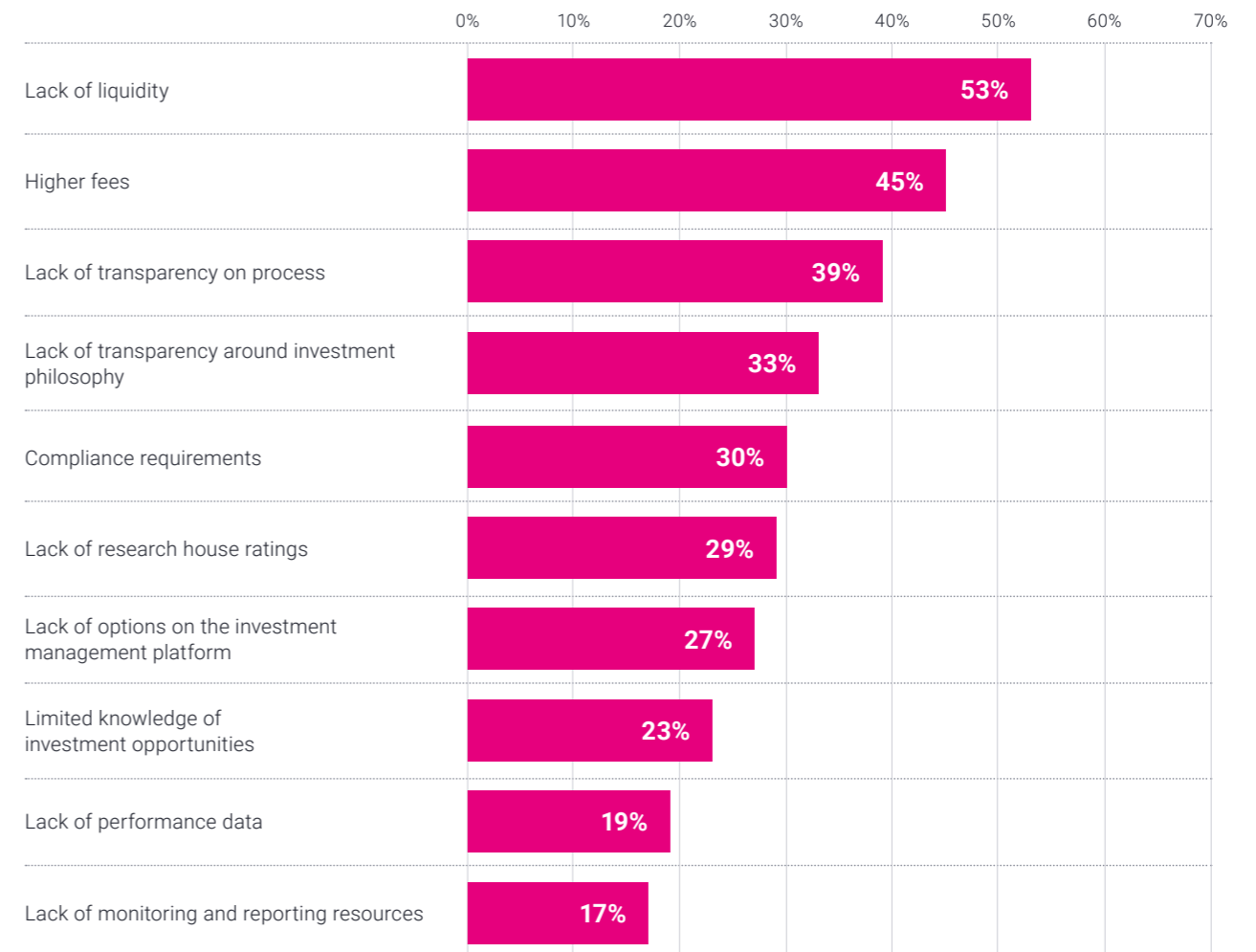
Source: CoreData Investor Research 2024

# Barriers and challenges to investing in alternatives

For financial advisers, this shifting landscape presents a compelling opportunity to refine their advisory services and develop bespoke investment strategies that incorporate alternative assets to capture a highly engaged and enthusiastic investor segment.

Yet advisers identify several challenges and barriers to recommending alternative investments that diminish their ability to full embrace the opportunity.

## Top 10 challenges/barriers to recommending alternative investments



Source: CoreData Research 2024

# Get the market advantage – Praemium’s alternatives capability

Praemium’s platform empowers advisers to transform challenges and barriers into opportunities, enabling them to navigate the evolving landscape of alternative investments with confidence and agility.

By leveraging our platform’s capabilities and our people’s experience, advisers can strengthen their value proposition by offering clients access to a broader range of investment opportunities. This allows advisers to differentiate their services and attract clients seeking innovative investment solutions.

## Experience and Expertise

Backed by years of experience and expertise in alternative investments, our platform provides advisers with the confidence to navigate the complexities of this asset class. Our expert teams can simplify all aspects of investing in this asset class, including onboarding investors, facilitating order placements, processing order confirmations, redeeming proceeds and reporting performance and tax for the investors’ total wealth.

## Streamlined Trade Execution and Administration

Our platform technology and experienced alternative asset team simplify trade execution and administration, reducing the time and effort required to manage complex investment transactions. By streamlining administrative tasks, advisers can focus more on client relationships, investor education and portfolio management.

## Support for Future-Oriented Strategies

We empower advisers to adapt their investment strategies to future fund-style approaches, positioning them for long-term success. Our platform offers comprehensive support and resources to help advisers stay ahead of market trends and capitalise on opportunities, whether that is capital call management or setting up a feeder fund. We understand HNW investors and the opportunities they want access to, so we ensure we can help you deliver it.

## Diverse Array of Opportunities

Advisers gain access to a diverse array of investment opportunities tailored to different investor profiles and styles. From traditional managed funds with daily liquidity, to semi-liquid and specialised niche strategies, our platform provides advisers with the tools to meet the unique needs and preferences of all their clients.

## Customisable Reporting for Transparency

Advisers can deliver unparalleled transparency to their clients through Praemium’s customisable reporting options. Whether it’s tailoring naming conventions or providing detailed attribution analysis, our platform enables advisers to enhance client understanding and satisfaction.

## Seamless Integration of Alternatives

Our investment platform offers advisers a seamless integration of alternative investments into their clients’ portfolios. Advisers can diversify portfolios and combine alternative assets with managed funds and model portfolios, and report and administer them on a single platform, providing a comprehensive portfolio with a total wealth view.



**\$5.7bn**

Alts FUA on platform



**12%**

of total platform FUA in alternatives (approx)

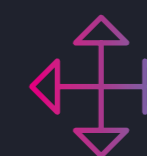


**2,460**

assets across

**19,249**

unique investors



**Breadth of options**

# With Praemium there is a better alternative

The complexity of trading and executing alternatives can present administration and time challenges for advisers. With Praemium's platform functionality, expertise and experience we can help you to implement your alternative asset strategy simply and efficiently.

Activity	Action	
	Adviser	Platform
Application	Adviser completes and client signs	Adviser completes and platform signs on behalf of client
Application submitted	Adviser sends to fund manager	Platform sends to fund manager
Subscription funds transferred	Adviser/client arranges transfer	Platform transfer funds to fund manager.  Platform will record subscription transaction
Fund manager confirms subscription	Adviser/client receives confirmation	Platform receives confirmation and records subscription in client's account
Fund manager makes capital call	Adviser & client arrange for transfer of capital call payment	Platform transfers capital call payment to fund manager and records payment and increase in client's interest in client's account
Fund manager pays distribution	Distribution is paid into client's bank account	Distribution is paid into client's platform cash hub and records distribution and cash received in client's account.
Fund manager makes a return of capital	Funds are paid into client's bank account	Funds are paid into client's platform cash hub and platform records decrease in client's interest and cash payment in client's account.
End of Year Tax Reporting	Fund manager will send annual statement to adviser	Fund manager will send annual statement to platform. Platform will record all tax components for distributions received during the year and product a consolidated tax report

# Summary

Alternative investments offer access to specialised expertise and niche markets, enabling investors to capitalise on unique opportunities that may not be readily available in public markets. Whether it's venture capital funding for innovative startups or distressed real estate acquisitions, alternative investments can provide a pathway to alpha generation and portfolio differentiation.

To capitalise on these opportunities, advisers must adopt a holistic approach to portfolio construction, integrating alternative investments strategically within the broader asset allocation framework. This entails conducting thorough due diligence, identifying suitable investment vehicles, and monitoring performance closely to ensure alignment with client objectives. By leveraging the unique characteristics of alternative investments, advisors can offer tailored solutions that align with their clients' preferences, risk profiles, and long-term goals

By initiating conversations about alternative assets, advisers can foster stronger client relationships, demonstrate their value proposition, and help mitigate potential risks associated with independent investment decisions. Additionally, advisors can enhance their value proposition by providing education and guidance on alternative investments, demystifying complex concepts and empowering clients to make informed decisions. By fostering a collaborative relationship based on trust, transparency, and shared goals, advisers can position themselves as trusted partners in navigating the complexities of wealth management, driving long-term success and satisfaction for both parties.

## Transform challenges into opportunities

No other platform can offer the extent of alternative opportunities or the breath of support to implement and report on them.

With the Praemium investment platform, advisers can propel their advisory practices forward by embracing the opportunities presented by alternative investments. Whether it's expanding client offerings or enhancing portfolio diversification, our platform equips advisers with the tools to facilitate implementation and the support they need to thrive in today's dynamic investment landscape.



# Methodology

The research presented was commissioned by Praemium from CoreData and is based on surveys with 150 advisers with a HNW focus: At least ¼ of their clients are HNW with an investment portfolio >\$1m excluding main residence and super or managed a portfolio of over \$6 million. The research was conducted between January 2024 and March 2024.

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# Get in touch

If you would like to find out more about how Praemium's alternative capability and investment solutions can empower your advice service please give our team a call for more information.

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