ISC
Investment Solutions Consultants

Private Assets Products – An Introduction

One of the hot topics in the world of financial products, is that of Private Assets Products. So, what are they, why are they in demand, and what makes them different to conventional Equity/Fixed Income based products?

This short article is intended to give a flavour and will be followed up by further posts around how best to navigate the world of Private Asset Products.

- What do we mean by Private Assets? – Private Assets (sometimes known as Alternative Assets) cover a multitude of types of investment that are not traded on an exchange. Typically, these tend to be: -
    - Leveraged Loans
    - Direct Lending
    - Private Placements
    - Restructuring
    - ABS
    - Consumer Loans
    - Infrastructure Debt
    - Real Estate Debt
    - Physical Infrastructure
    - Real Estate
    - Private Equity
    - And potentially others
- Who can invest in Private Asset Products? – Typically, minimum investment thresholds are extremely high meaning that investment is generally limited to qualified/institutional and very high net wealth individuals. However, this is most frequently due to the fund structure required rather than just the nature of private assets, and increasingly, firms are looking at ways to open-up investment in Private Assets to smaller investors, using approaches such as digitised tokenisation.
- Why are Private Asset Products attractive? – There are generally 4 things that Private Asset Products can provide, and which make them attractive: -
    - Potential for higher returns –frequently seen as having greater potential for high returns than for conventional asset products.
    - Diversification benefits - due to a perceived lack of correlation with listed instruments
    - Tax advantages – sometimes arise from the combination of structure, domicile, and the regulatory status of the investor.
    - Ethical bias – have become a focus for Impact Investing with investment managers seeking to provide access to ESG benefits for their client.
- Are Private Asset Products regulated – Yes. Under AIFMD

- What are the drawbacks to the investor? – The main disadvantage is the lack of liquidity within some products because of the inherent illiquid nature of investments held (e.g. long infrastructure projects). Once invested, there is often limited scope for redemption, and investors could be tied in for years.

ISC will make further posts on Private Asset Products, covering topics such as: -

a) Legal, Compliance, and other complexities
b) Developing/Implementing a Private Assets Product

ISC has significant experience in the Private Asset Product space. Whether your firm is an experienced Private Asset Product manager looking to launch more such products, or if you are an investment manager looking to launch Private Asset Products for the first time, please contact us.

Please get in touch with us should you wish to discuss how ISC Ltd can help you.

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