privateequitywire

Real estate and private equity remain attractive in low-interest-rate environment, says TIGER-21 report

August 3, 2016

The second quarter Asset Allocation Report from TIGER-21, a peer-to-peer learning network for high-net-worth wealth creators, has highlighted evidence of a shift toward private equity and real estate investment.

The report, which is indicative of the specific investments most attractive to TIGER 21's affluent member base, shows private equity and real estate investments now comprise almost half of members' portfolios. In the past three months, real estate investments inched up one percentage point to 26 per cent, while private equity remained flat at 23 per cent, but nonetheless represented its highest allocation level since 2007.

TIGER 21 Members' cash allocations also increased during the second quarter, reaching 11 per cent – the highest levels seen since the third quarter of 2014.

This continued emphasis on traditionally riskier investments is a response to a sustained low-interest environment which has made it increasingly difficult for TIGER 21 members, many of whom have accumulated significant wealth from building and selling businesses, to generate income from capital. With the benchmark 10-year US Treasury note reaching a historic low of 1.385 per cent early in July, it comes as little surprise that TIGER 21 members are leveraging their investment acumen to source alternative means of cash flow.

"In the current economic climate, our members are seeing the benefits of taking calculated risks in order to generate returns," says Michael Sonnenfeldt, Founder and Chairman of TIGER 21. "Our members have responded to the fallout from the global financial crisis, characterised by a pervasive lower-interest rate environment, by reducing their fixed income investments from 23 per cent to 10 per cent and are instead focusing on private equity and real estate allocations."

Public Equity remains a core part of members' equity/risk allocation at 21 per cent and, in total, the three main equity or risk components of Public and Private Equity plus Real Estate add up to 70 percent – which is just about the highest combined allocation of these three investment vehicles ever recorded.

"In a low- to negative- real interest rate environment, if you are trying to stand still, you are almost surely going backwards, and with the ability to generate meaningful income from bonds and other fixed income instruments almost completely gone, members are having to take on more risk to get their portfolios to perform, even at modest levels," says Sonnenfeldt. "What makes this so challenging for investors today is that we know how to measure returns, but measuring risk is a far more daunting task. Most risk measures are built off of historic performance, instead of assessments about the risks ahead. That is where our process can add the most value, because bringing multiple and diverse points of view into the discussion can help identify risks and quantify them in ways that individual investors are far less capable of doing.

"Our members are generally conservative and astute investors who have structured their portfolios to leverage potential opportunities and make money, regardless of global market corrections. This portfolio pragmatism is certainly honed as a result of participation in TIGER 21 Groups, which act as an independent board of directors for Members. Our Portfolio Defense meetings require Members to disclose their asset allocations in a highly confidential setting to fellow high-net-worth peers, facilitating meaningful and unbiased discourse regarding the potential risks and rewards of their investments.

http://www.privateequitywire.co.uk/2016/08/03/242274/real-estate-and-private-equity-remain-attractive-low-interest-rate-environment-say