

RIAs Allocating More To Alternative Assets Survey Finds

*Driver for AUM; Threat to Other Allocations Private Equity Top Alternative
 Followed by Real Estate, Private Credit*

Conshohocken, PA — A survey of the nation’s top RIA’s with assets under management of \$500 million or more by alternative investment solutions provider found that holdings of alternative investments in client portfolios are likely to increase over the next 12 months.

PBB founder Brendan Lake said his firm conducted the survey to gain clarity on the direction of alternative investments among RIAs, and to provide insights to RIAs for whom alternative investments are an emerging part of their business. He noted that alternative investments present operational as well as strategic considerations for RIAs and that the firm wanted to explore both challenges with this survey.

On The Rise

Among survey respondents, 45% said they expect alternative investment asset allocation in clients portfolios to increase, and 47% said they expect the allocation to stay the same, with just 7% reporting alternative assets in client portfolios would decrease.

Said Lake: “These are significant numbers. That 45% of clients have an appetite to place more of their assets in alternative investments, is notable in it’s own right. But with another 47% expecting the allocation to remain the same — not decrease — means that 92% of clients remain comfortable with their alternative assets allocations. This despite limited liquidity in many cases and a surging stock market.”

What is the percentage change you expect in alternative investments within your clients’ portfolios?	
The percentage of alternative investments in my client’s portfolios will be negative.	17.57%
The percentage of alternative investments in my client’s portfolios will increase by up to 25%.	72.52%
The percentage of alternative investments in my client’s portfolios will increase by up to 50%.	5.41%
The percentage of alternative investments in my client’s portfolios will increase by 100% or more.	4.50%

Lake said, “I’m not sure investment structures — whether it’s mutual funds, EFTs, stocks, bonds or index funds — in traditional assets classes would enjoy such a high degree investor acceptance and comfort. Based on our discussions with advisors, and observations from the

perch we occupy providing solutions to RIAs, we believe that client education accounts for the success of alternative investments in RIA practices.

He added that investor satisfaction was also boosted by investment selections. Specifically, the top three investments, private equity, real estate and private credit at 37%, 22% and 22% respectively have performed well. “The growth in publicly traded equities have pulled private equity valuations up for private equity as well and this has been reflected alternative asset allocations.

Big Numbers

The expected increases in alternative assets allocations appear to be material rather than incremental said Lake. Specifically, 72.5% of respondents said they expected their alternative asset allocations to increase by up to 25%. Another 19.9% said they expect their allocations to increase by more than 50%. As for contraction, 17.6% of RIAs said they expect the percentage change in alternative investments in client portfolios to contract.

The growth in alternative assets will, to some degree cannibalize other parts of the portfolio, according to respondents. Specifically, 50.0% of respondents said alternative assets allocation are derived rebalancing of assets or liquidation of other assets in the portfolio. .

“This also means,” said Lake, “that half the time alternatives allocations are funded with new AUM, and this is significant.”

He noted that “When we asked RIAs what their their primary objective was in offering alternative investments, not a single one selected the options ‘To fulfill practice goals,’ which demonstrates a strong commitment to fiduciary duty. Nonetheless, these figures demonstrate that alternative investments are one of the surest ways to increase AUM, which is in fact, and understandably, a goal for almost any RIA.”

The Coming Correction

Lake notes that some jittery strategists like to say, ‘everyday we are one day closer to a correction.’ He added this was a sentiment which seemed to be shared by the survey respondents.

In a 10% correction, 41.7% of respondents said they would expect their alternative investments to be down, but not as much as the market at large. Another 40% of respondents said their allocations would be neutral with a flexion of just 1% to 2%. Finally, 18.3% thought their alternatives allocation would be positive.

Lake speculated that a correction may ultimately deliver a dose of cold reality for RIAs and their clients. “There has not been a pullback of significant size or duration since 2009, while the

growth of alternative investments since that time has been significant. Accordingly, many of these products are untested. An emphasis on quality and investment selection will play a big role, and we may see significant divergence in alternative assets performance among RIAs.

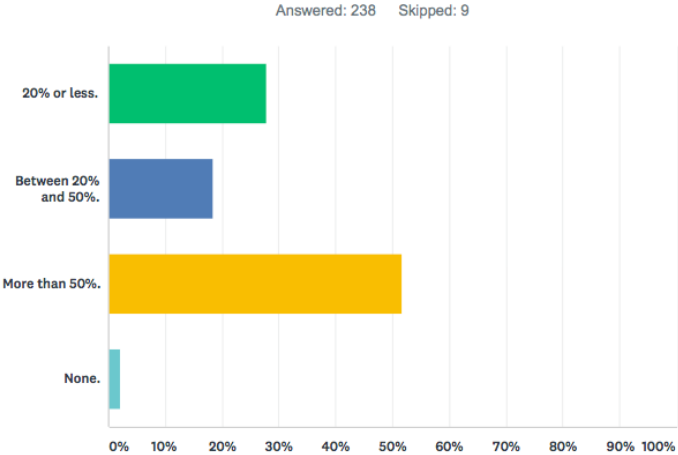
About PPB Capital Partners

PPB Capital Partners provides direct access to a platform of institutional alternative asset managers, as well as creates and operates feeder funds and customized fund of funds for wealth managers. As a fiduciary, PPB Capital Partners saves wealth managers' time, money, and the pain points often associated with investing in private alternative investments. PPB accomplishes this value proposition by providing operational expertise, custodial approvals, lower investment minimums, economies of scale, and independent due diligence reports from Castle Hall Alternatives. For fund managers, PPB provides an efficient process to introduce new high net worth investors to their fund by outsourcing the typical operational challenges that smaller investments can cause. PPB Capital Partners has surpassed \$900 million of total capital invested since its inception. PPB has a network of over 400 wealth management groups and has served over 60 RIAs, family offices, trust companies and bank wealth groups nationwide. For more information, please visit <http://www.ppbcapitalpartners.com>.

About the Survey

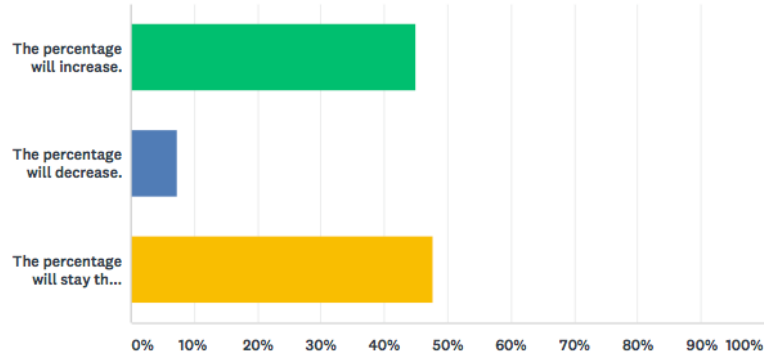
We sent survey invitations to 1,000 Registered Investment Advisors. Of those invited to participate, 247 completed the survey. The survey was sent on DATE and closed on DATE. Complete survey results below.

Q1 What percentage of your clients own alternative investments?



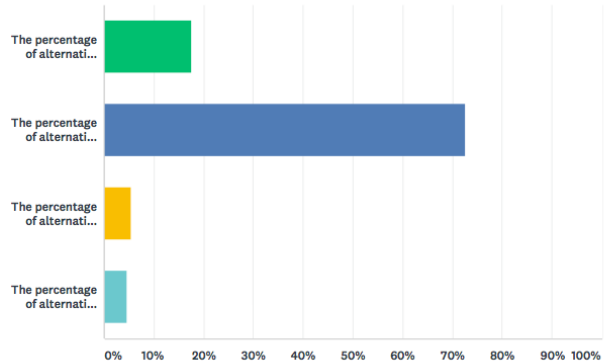
Q2 Over the next 12 months your expectation is:

Answered: 231 Skipped: 16



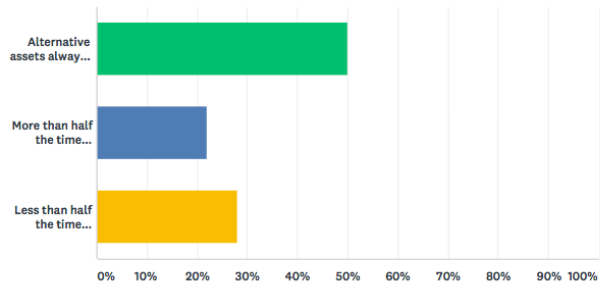
Q3 What is the percentage change you expect in alternative investments within your clients' portfolios?

Answered: 222 Skipped: 25



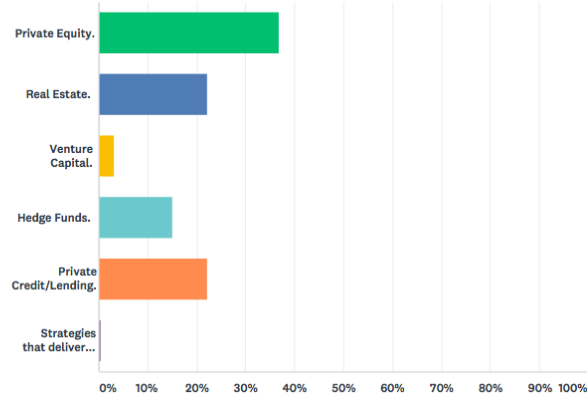
Q4 Do alternative investment allocations come from other assets in client portfolios or do they come from new assets?

Answered: 228 Skipped: 19



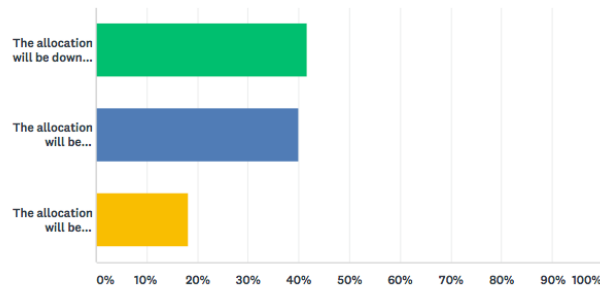
Q5 From the list below, select the investment type you are most likely to add or introduce to client portfolios.

Answered: 225 Skipped: 22



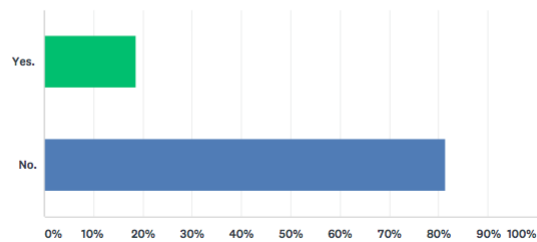
Q6 If there were a 10% market correction next month, how do you anticipate your alternative investment allocations will perform?

Answered: 235 Skipped: 12



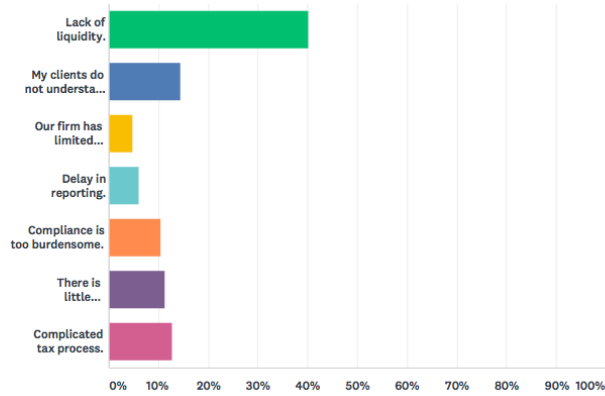
Q7 Do you believe the Fiduciary Rule, if fully enacted or as presently enacted, limits your ability to allocate clients assets to alternative investments?

Answered: 236 Skipped: 11



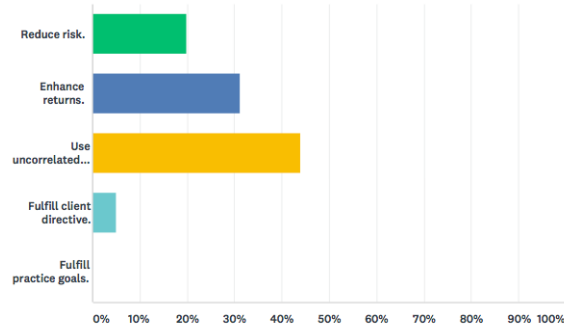
Q8 What is the largest impediment to alternative investment ownership among your clients?

Answered: 229 Skipped: 18



Q9 What is your primary objective in an alternative investments allocation for your client?

Answered: 237 Skipped: 10



Q10 Do you believe alternative investments are a fad?

Answered: 242 Skipped: 5

