

# Alternative investments

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# Presentation outline

1. Definiton of investments
2. Definition of alternative investments
- 3.
4. Types of alternative investments
5. Pros and cons or "Why invest in alternative investments?"

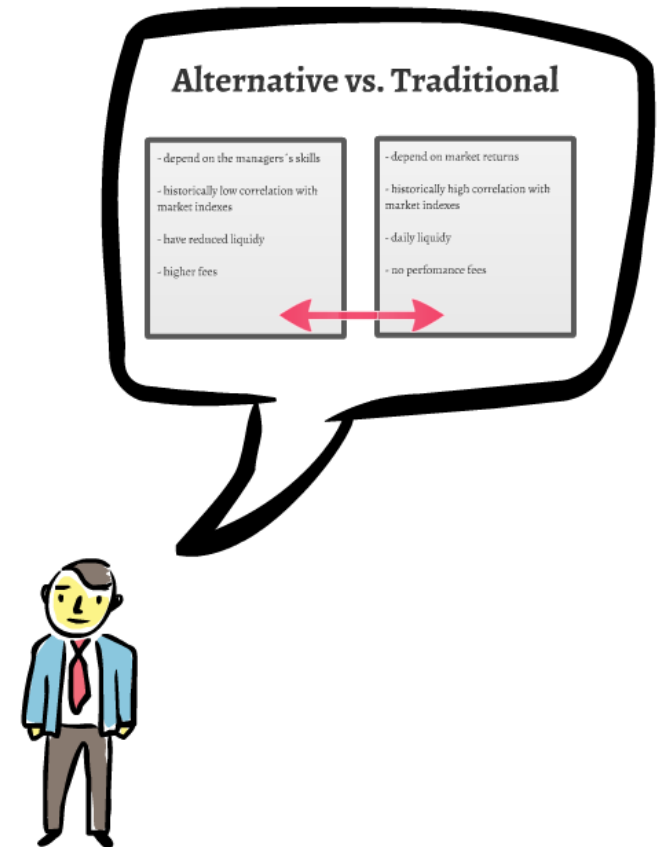
# Investment



"is something that is purchased with money that is expected to produce income or profit"

# Alternative investments

- an investment that can't be classified as the traditional asset type as stocks, bonds and cash
- mostly held by institutional and accredited investors
- as alternatives are favourite
  - hedge funds
  - managed funds
  - real estate
  - commodities and derivatives contracts



# Alternative vs. Traditional

- depend on the managers's skills
- historically low correlation with market indexes
- have reduced liquidity
- higher fees

- depend on market returns
- historically high correlation with market indexes
- daily liquidity
- no performance fees





## Hedge Funds

- pools of underlying securities that can be invested in many types of securities
- differences between hedge and mutual funds:

! regulation  
possibilities of investments  
compensation for investor  
liquidity  
price structure

- for hedge funds are typical investments into long-short strategies
- accredited investor

## Private Equity Buyouts

- a situation in which the shares of a public company are bought in order to make it into a private company
- most highly valued private equity deals are companies such as:

R/R Nabisco  
Energy Future Holdings (TXU)  
Equity Office Properties

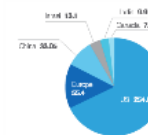
Majority of the most highly valued private equity buyouts were made in year 2006 or 2007

Popular mainly for the high return expectation, long-term and illiquidity disposition of the asset and of a partial inflation hedging

## Venture capital

- is connected with start-up's investments or support for small companies that are trying to expand to the market, but do not have enough access to equities.
- massive return vs. major losses for investors
- historical foundations in 1946 and nowadays belongs to the best known alternative asset class.

Top countries for total venture capital invested



## Other „alternatives“

- Private equity real estate
- Private debt
- Private equity infrastructure
- Growth funds



## Why invest in alternative investments?

Risks

Benefits

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**P**

- a situation  
bought in