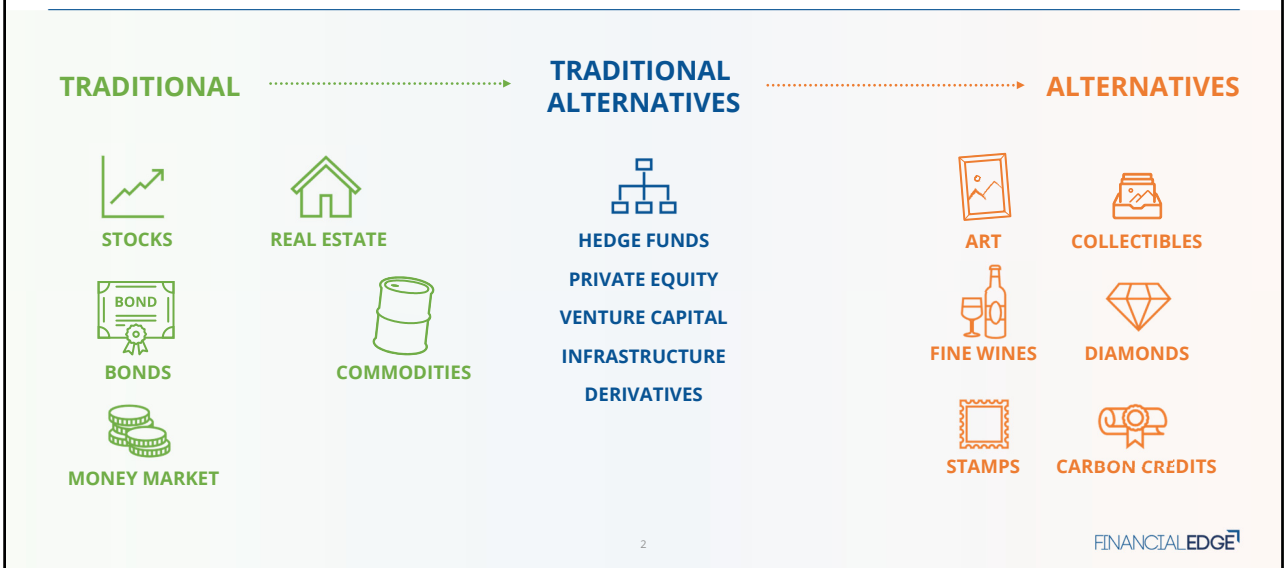
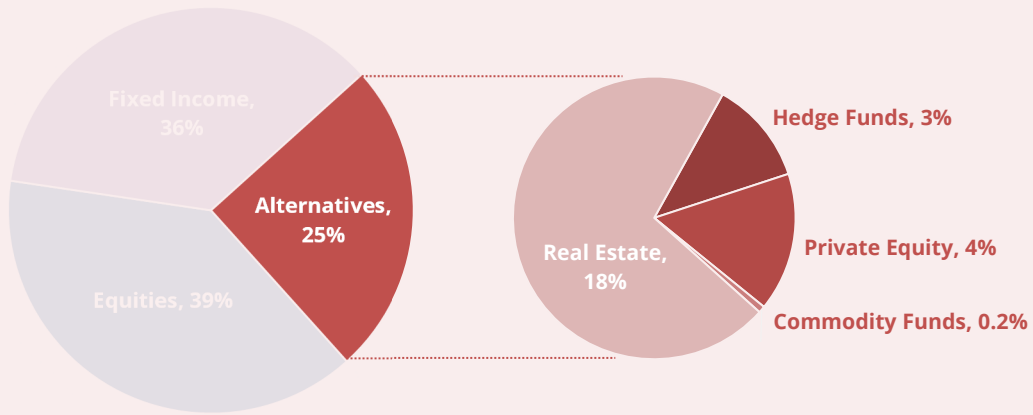




What Are Alternative Investments?



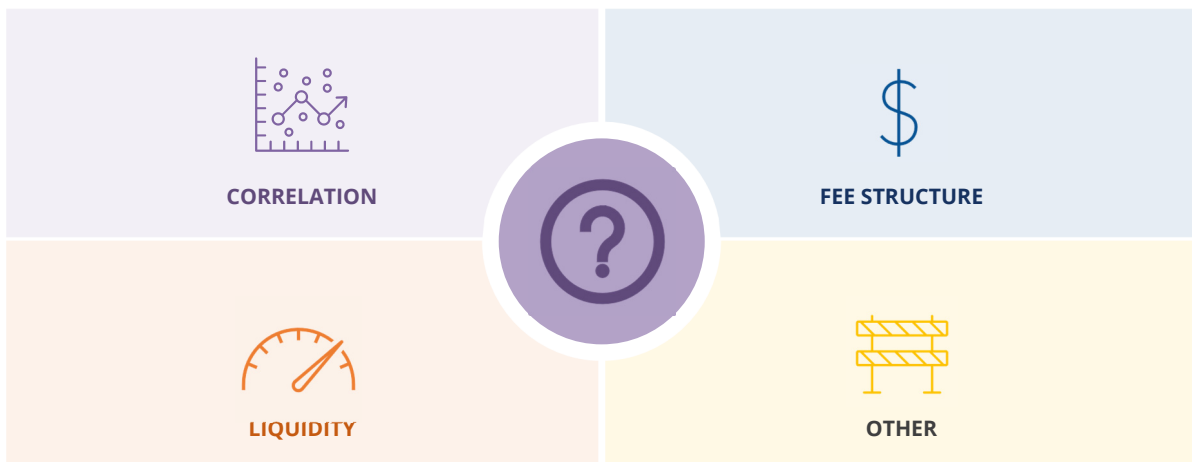
Alternative Investment Global Assets



Sources: Based on data from Boston Consulting Group and DTZ Research, 12/2014

3

What Is So Special About Alternatives?



4

What Is So Special About Alternatives?



**RETURN
POTENTIAL**



**DIVERSIFYING
POWER**



**LESS EFFICIENTLY
PRICED**



**EXPLOIT MARKET
INEFFICIENCIES**

5

Who Invests In Alternatives?



PENSION FUNDS



ENDOWMENTS



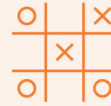
**HIGH NET WORTH
INDIVIDUALS**

6

What Is a Hedge Fund?



CAN INVEST IN ANY ASSET CLASS
including alternatives



CAN UTILIZE ANY STRATEGY

RETURN ENHANCING STRATEGIES

LEVERAGE

SHORT POSITIONS

DERIVATIVES

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Hedge Funds – Example Strategies



EVENT DRIVEN

Merger Arbitrage

Distressed

Activist

Special Situations



RELATIVE VALUE

**Fixed Income
Convertible Arbitrage**

**Fixed-income
asset backed**

Volatility

Multi-Strategy



EQUITY HEDGE

Market Neutral

Fundamental Growth

Fundamental Value

Quants

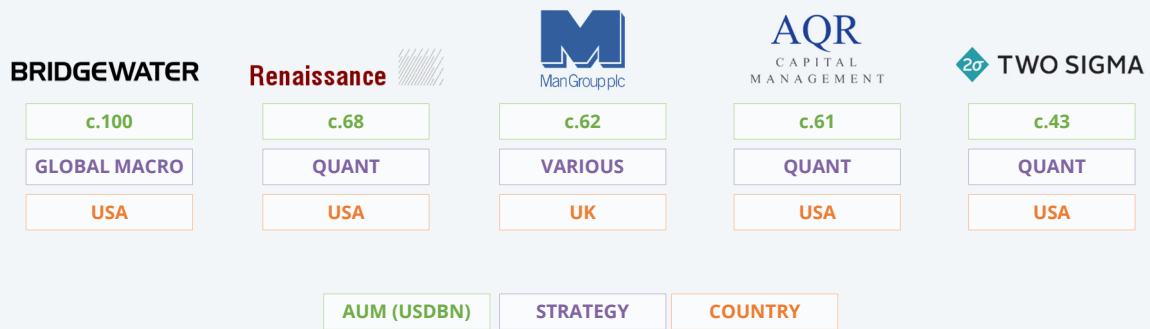
Short Bias



MACRO

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Major Global Hedge Funds



Source Investopedia - June 2020

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Private Equity

STRUCTURE		Funds
INVESTORS		Pension funds Insurance companies Sovereign wealth funds High Net Worth individuals i.e. investors with long time horizon
FINANCING		Debt for LBOs and equity for startups / growth capital
ORGANISATION		Usually industry specialization
TARGETS		Mature and start up companies

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Types of Private Equity



**LEVERAGED
BUYOUTS (LBOs)**



**VENTURE
CAPITAL**



**GROWTH
CAPITAL**



**DISTRESSED
TURNAROUND**

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Private Equity – Biggest Players

BLACKSTONE
GROUP

c. 571

NEUBERGER BERMAN

c. 356

APOLLO
CAPITAL

c. 331

THE CARLYLE GROUP

c. 224

KKR
KKR Financial Holdings LLC

c. 218

BainCapital

c. 104

CVC CAPITAL PARTNERS

c. 81

WARBURG PINCUS

c. 58

VISTA EQUITY PARTNERS

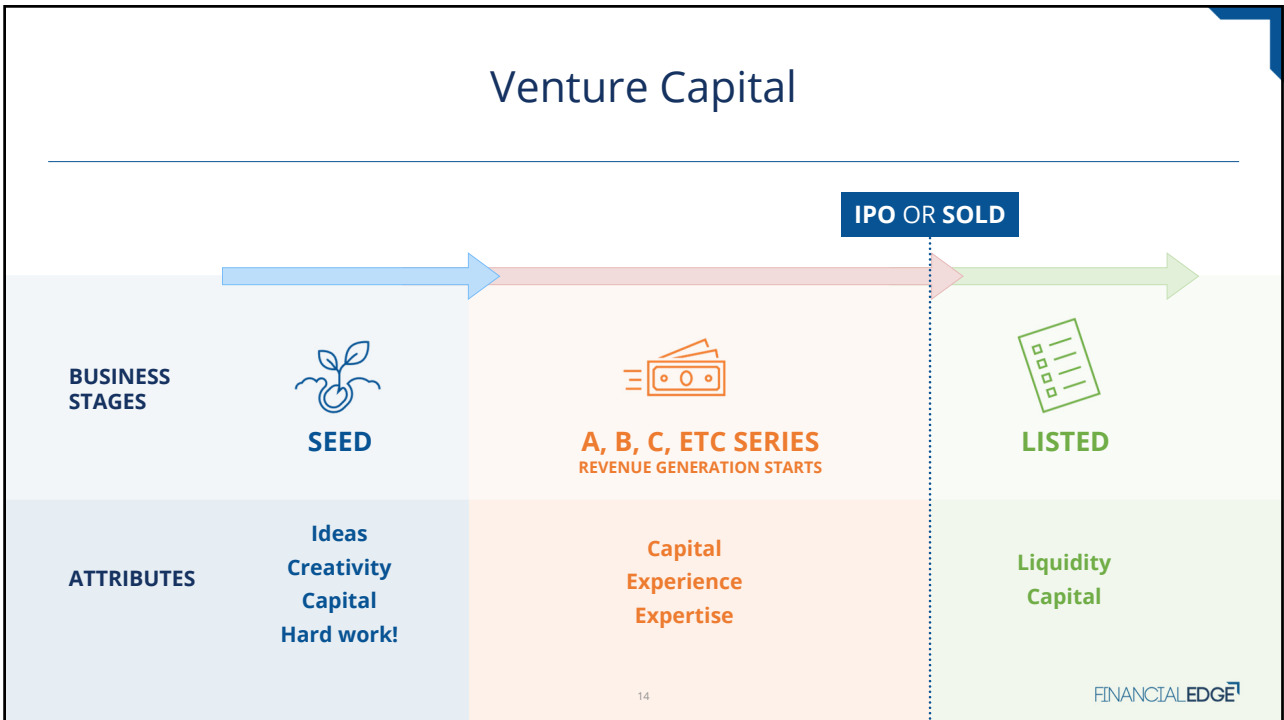
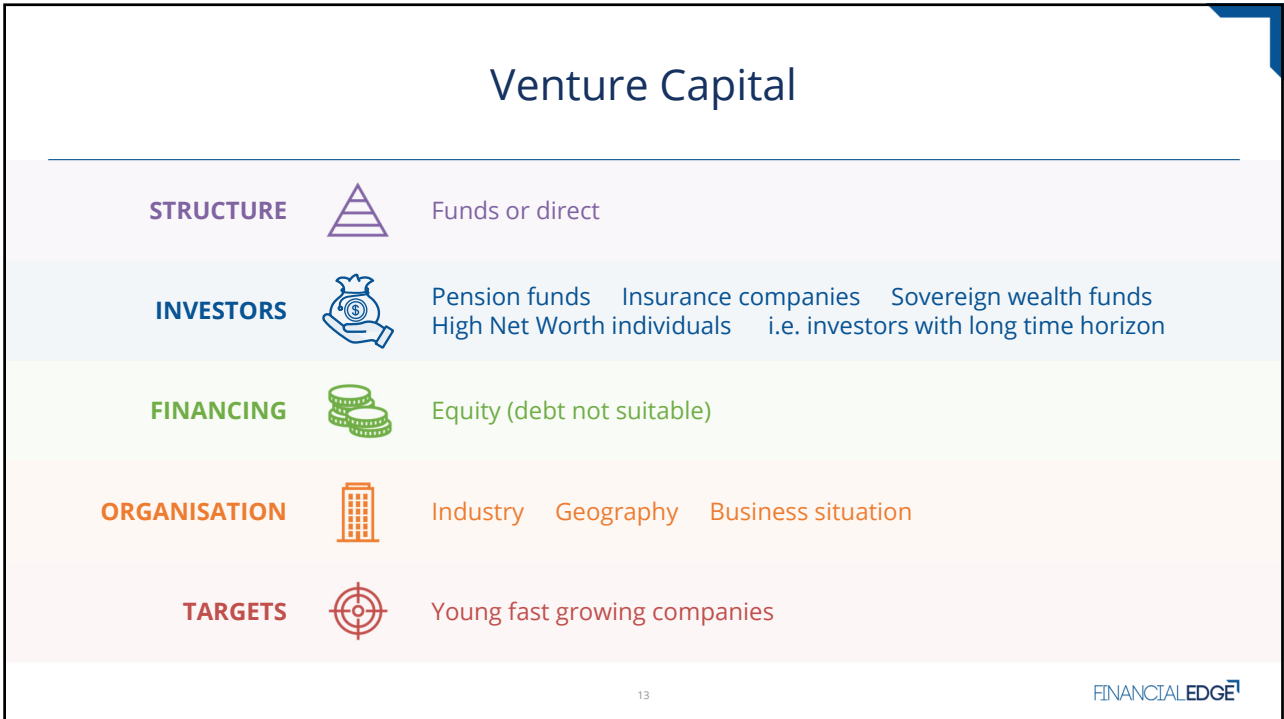
c. 52

EQT

c. 45

Source Investopedia – June 2020

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Foreign Exchange (FX) Transaction

Foreign exchange transactions are **agreements between the counterparties** to:



**PURCHASE ONE CURRENCY
AGAINST ANOTHER**



AT A SPECIFIC DATE



**AT AN AGREED UPON
PRICE (THE FX RATE)**

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FINANCIALEDGE⁷

The FX Marketplace

How is this market structured?



**GLOBAL OVER-THE-
COUNTER MARKET**



**24 HOURS,
5 DAYS A WEEK**



**LARGEST, MOST
LIQUID MARKET**

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FINANCIALEDGE⁷

Volatility in FX

EURUSD



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Why FX is Traded



PAYMENT FACILITATION

Make a payment in a foreign currency



RISK MANAGEMENT

Protect value of future payments against fluctuation in FX rates



SPECULATION

Generate profit from an expected change in FX rates



DIVERSIFICATION

Diversify asset holdings into other currencies

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Currency ISO Codes

Each currency is referred to by 3 letters

Currency ISO codes



USD US Dollar



EUR Euro



JPY Japanese Yen



GBP Pound Sterling



CHF Swiss Franc



AUD Australian Dollar



CAD Canadian Dollar



NZD New Zealand Dollar

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FINANCIALEDGE¹

Quoted vs Base Currency

Base currency

Quoted currency

EURUSD : 1.1325

1 EUR is worth 1.1325 USD

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FINANCIALEDGE¹

Pair Quotation

COMMON CURRENCY PAIRS

€/\$	EURUSD	US Dollars to buy one Euro
\$/¥	USDJPY	Japanese Yen to buy one US Dollar
£/\$	GBPUSD	US Dollars to buy one British Pound
\$/F	USDCHF	Swiss Francs to buy one US Dollar
A\$/\$	AUDUSD	US Dollars to buy one Australian Dollar

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FX Crosses



CURRENCY PAIRS NOT INCLUDING USD



OVERALL QUOTING CONVENTIONS APPLY



INDIVIDUAL PAIRS CAN BE QUOTED IN DIFFERENT WAYS

DIRECT QUOTE

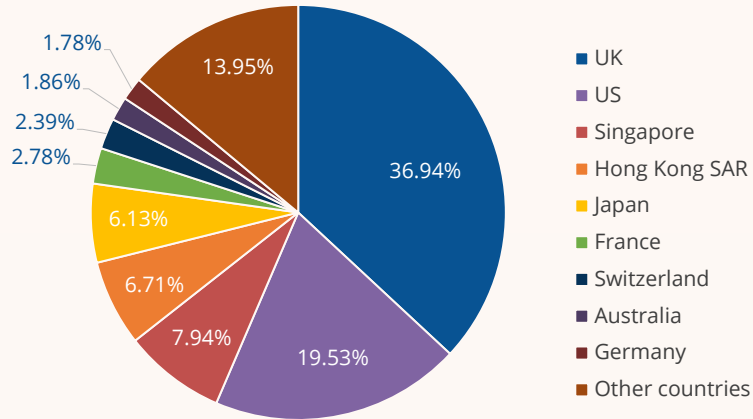
Domestic currency is the quoted currency
CHF/GBP in the UK
Number of pounds to buy one Swiss franc

INDIRECT QUOTE

Domestic currency is the base currency
GBP/CHF in the UK
Number of Swiss francs to buy one pound

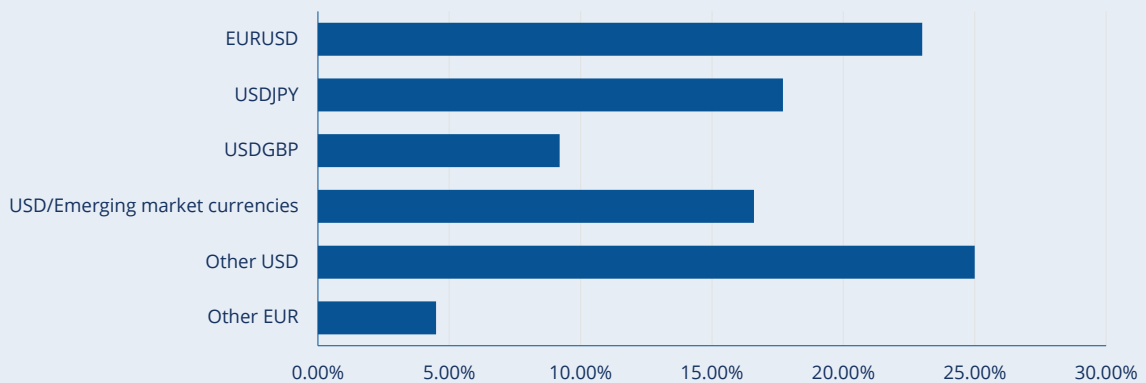
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Daily FX Transactions Breakdown – By Country



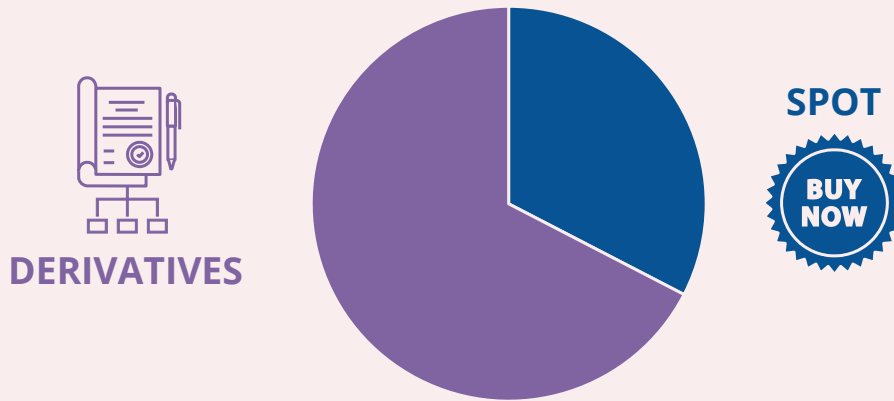
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Daily FX Transactions Breakdown – By Currency Pair



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Daily FX Transactions Breakdown – By Instrument Class



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Bid and Ask Prices



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Spot Market Trading



= 1.5 CURRENCIES ARE PRICED IN RELATION TO ANOTHER CURRENCY



IF YOU BUY ONE CURRENCY OF A PAIR, YOU AUTOMATICALLY SELL THE OTHER



EXPECT BASE CURRENCY TO APPRECIATE

Long base currency
Short quoted currency

EXAMPLE

EURUSD trades at 1.1325/26 and you expect one EUR to appreciate in value to around \$1.18 So buy EUR cheap at \$1.1326 each now

EXPECT BASE CURRENCY TO DEPRECIATE

Short base currency
Long quoted currency



EXAMPLE

EURUSD trades at 1.1325/26 and you expect EUR to depreciate in value to around \$1.06 So sell EUR for \$1.1325 now

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What Drives FX Spot?



INTEREST RATE DIFFERENTIAL 

INFLATION DIFFERENTIAL 

ECONOMIC DEVELOPMENTS 

MONETARY POLICY 

POLITICAL STABILITY 

PURCHASING POWER PARITY 

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What are Commodities?

SOFT AND AGRICULTURAL



Coffee



Sugar



Corn



Cotton



Soybeans



Pork bellies



Live cattle

HARD



Crude oil



Rubber



Gold



Silver



Natural gas



Other metals

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Commodities vs Financial Assets

COMMODITIES



Real assets



Limited substitution, inelastic demand



Usually limited in supply

PURE FINANCIAL ASSETS



Claim on future cash flows



Demand elastic

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Commodity Price Volatility



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Who Trades Commodities and Why?



PRODUCERS/CONSUMERS



Commodity producers looking to **lock in the price** at which they can sell future production



Commodity consumers wanting to be **protected against price surges** in the future



INVESTORS/SPECULATORS



Trade commodities for **investment returns**



Various **trading strategies** and investment horizons

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How are Commodities Traded?



SPOT MARKET



Commodities are bought and sold for **"immediate" delivery and payment**



Price is referred to as the **spot price**



Also referred to as **physical trading**



FUTURES MARKET



Contracts to buy or sell a certain amount of a specific commodity at the agreed upon price



Settlement occurs at the **agreed upon date in the future**

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Commodities Futures Example

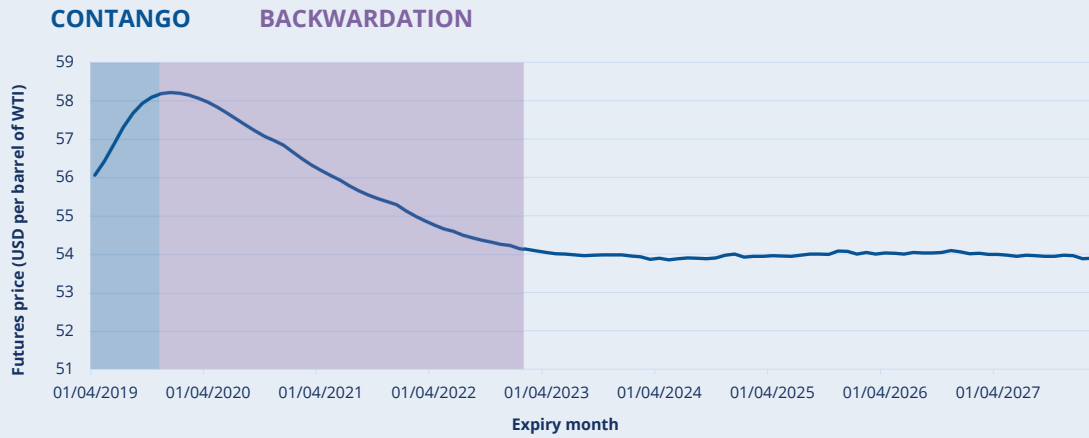
Crude oil futures contract specs

known as WTI futures

Contract unit	1,000 barrels
Price quotation	US Dollars and Cents per barrel
Tick size	\$0.01 per barrel
Tick value	\$10 per contract
Contracts	Monthly contracts for the current and next 8 calendar years
Settlement	Physical (at any pipeline or storage facility in Cushing, Oklahoma) Light sweet crude oil, grade and quality as defined in CME rulebook chapter 200

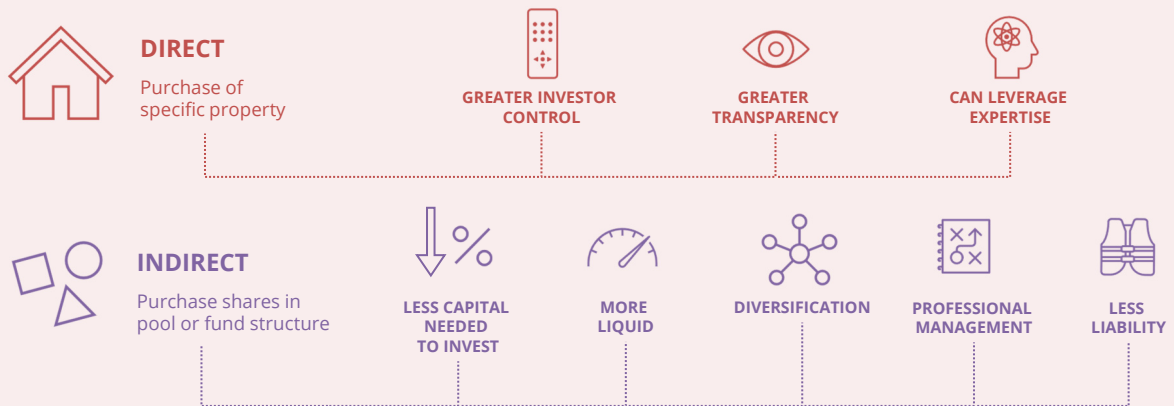
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Futures Curve Example



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Real Estate Investing



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Real Estate Investing



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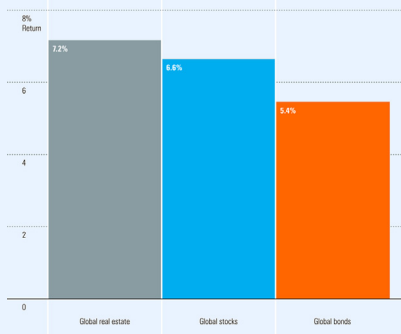
Real Estate Performance and Diversification Benefits



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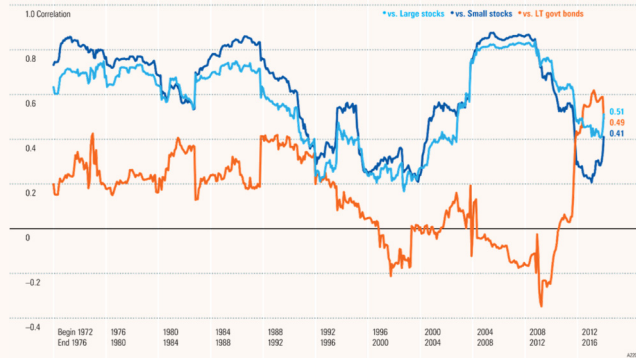
Real Estate Performance and Diversification Benefits

Stocks, Bonds, and Global Developed Real Estate 1990-2019



Source: Morningstar

Rolling 5-Year Correlation, Real Estate vs. Stocks



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