

Private Investments: *An Opportunity for Wealth Managers and Their Clients*

Today there are 8.5 million accredited investors in the U.S. and 18.7 million accredited investors globally with \$15 trillion and \$34.5 trillion, respectively, in investable assets according to the 2022 Capgemini Research Institute report. These accredited investors typically have between \$1 million to \$5 million investable assets but have less than 1% of their portfolios allocated to private equity and credit investments, compared to more than 8% for qualified purchasers. Approximately two-thirds of RIAs believe their affluent clients are interested in private equity, but just one-quarter of RIAs have proactively discussed the topic with their clients. Furthermore, only one in five RIAs currently include the asset class in their wealth management offering because they believe these barriers still exist

- Regulatory restrictions- private funds are generally restricted to no more than 99 accredited investors
- Lack of interest by established private equity and venture capital sponsors to cater to “small” investors.
- Lack of access to private investment strategies from independent wealth advisors.

These commonly known barriers to private investments are no longer accurate, prompting more wealth managers to seek strategies in private investments for these specific reasons: For clients:

- The opportunity to generate higher portfolio returns and achieve better diversification
- Significantly lower investment minimums than traditional private funds (\$25,000)

For RIAs and wealth managers:

- Including private investments within their business models provides a competitive advantage over other advisors by offering potentially higher-return private investment alternatives.
- Improves diversification for their clients’ investment portfolios
- Private investments provide a higher compensation to wealth advisors – a sales load with each sale
- A partnership with sub-advisors to invest capital provides their clients (investors) with opportunities to invest alongside investment managers.

A recent independent survey conducted by CAIS during the 2022 Morningstar Conference, found that more than eight in 10 (80.9%) financial professionals believe that all retail investors should have access to such investments. At Axxes Capital, we agree. Retail investors should have access to private investments through their wealth managers and education to help them understand how these strategies can help offset risk in their portfolios during market downturns.