

PRIVATE MARKET, ALTERNATIVE AND NON-TRADITIONAL ASSETS

A PROVEN SOLUTION FOR MODERN
WEALTH PORTFOLIOS



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Three important trends have emerged in recent years as private clients and their advisers respond to changes in society and developments in the financial markets.

1. A FOCUS ON STRATEGIC WEALTH PLANNING

This approach targets the preservation and transfer of wealth with an emphasis on futureproofing, by conserving the underlying assets, preserving the client's lifestyle and passing on their wealth to the next generation.

2. THE INCLUSION OF ALTERNATIVE/ NON-TRADITIONAL ASSETS IN WEALTH PORTFOLIOS AS A MEANS OF DIVERSIFYING INVESTMENT RISK

Alternative investments have grown substantially in recent years, a trend expected to continue globally with growth of 8% annually to reach USD24 trillion by 2024¹. Investment in alternative assets is compelling for investors who have a long time horizon (not less than 5 years)

and who can forgo some of the flexibility provided by less liquid investments.

3. THE USE OF UNIT-LINKED LIFE ASSURANCE AS THE PREFERRED STRUCTURE FOR MANY CLIENTS' WEALTH PLANNING

This enables the protection and transfer of wealth, facilitates portability and provides access to a wide range of asset classes. The tax-efficient life assurance structure can hold a mix of traditional and alternative assets allowing the asset allocation to take place efficiently within it.

These three trends have seen advisers make increasing use of unit-linked life assurance structures to hold and administer portfolios of alternative assets. This has contributed to growth in international life assurance premiums to GBP45bn in Europe alone in 2019².

ALTERNATIVE INVESTMENT ASSET ALLOCATION

Alternative investments can provide exposure to sectors and companies underrepresented in public equity markets and thus increase the diversification of an overall portfolio. This diversification can smooth volatility and avoid excessive risk concentrations with non-correlated assets reacting differently to public market movements.

Depending on their unique personal preferences, a proportion of up to 20% of the asset allocation is typically viewed by advisers as being suitable for most private clients³ enabling

them to profit from higher expected returns without compromising on flexibility or liquidity of the portfolio.

Typical alternative investment assets in multi-asset portfolios include:

- › Private Equity Funds (through direct investment in Private Equity Funds or through feeder structures)
- › Complex Hedge Funds (with limited liquidity and lock up periods)
- › Private Companies (including through unlisted equities and bonds)

Many of these non-traditional alternative assets are complex to value and administer and are illiquid or have limited liquidity.

BENEFITS OF INSURANCE STRUCTURE HOLDING THE NON-TRADITIONAL ASSETS

The ability to hold such alternative assets within a unit-linked life assurance policy enables wealth managers to place their own end-to-end private markets investment proposition in a long-term wealth preservation and transfer structure.

Alternative assets are complex in their make-up and reporting and the unit-linked assurance structure removes the complexity of administering such assets individually and within a mixed portfolio.

Utmost's efficient solutions offer the flexibility of both traditional and alternative investment management options. With access to an extensive range of asset classes and multiple managers, our solutions can adapt as investment trends and client needs change.

HOW DOES IT WORK?

Each Utmost policy has an asset strategy run by the client's chosen adviser on a discretionary or advisory basis.

When an adviser asks to invest in an alternative asset, Utmost carries out extensive due diligence to ensure the asset is in line with the chosen policyholder strategy and permissible within Solvency II parameters and local tax regulation. Please note that the ability to hold alternative investment assets in Utmost policies will vary by jurisdiction due to differences in local tax legislation and therefore it may not be possible to acquire alternative investment assets in all jurisdictions.

Assets may be held in the Utmost name as well as in the name of the custody bank however, given the complexity, it is quite common that custody banks are not willing to hold the assets in their names.

Utmost offers full custodian and administration service for alternative and non-traditional assets, such as processing subscriptions, redemptions and transfers of shares/notes, managing capital calls and distributions (for private equity funds), reviewing independent valuations, recording all transactions and ultimately reconciling the positions for the purpose of overall policy valuation for the adviser to include in client reports.

UTMOST EXPERTISE

Specialist alternative asset services are provided by Utmost PanEurope dac in Ireland. Within Utmost PanEurope, a dedicated Complex Asset Dealing Team is responsible for supporting asset managers and policyholders in the on-boarding, custody and administration process for alternative or 'complex' assets.

The Complex Asset Dealing Team handle long-term investments with limited liquidity, which include but are not limited to private equity funds, hedge funds, financial holding companies or special purpose vehicles, unquoted equities and unquoted bonds⁴.

Utmost PanEurope, currently administering an alternative asset book held in policies worth over €4bn, has specialist expertise in on-boarding, investing in and administering alternative assets on behalf of its policyholders.

Utmost PanEurope is part of the Utmost Group, one of the largest international life assurance companies with over €40bn of assets under administration and a worldwide network of offices. The main insurance entities operating under Utmost also have Insurer Financial Strength ratings of 'A' with stable outlooks from Fitch Ratings.

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- 1 Source: Oliver Wyman/Morgan Stanley Research "After the Storm".
- 2 Source: Association of International Life Offices.
- 3 Source: UBS "Allocating to private equity in a multi-asset class portfolio".
- 4 Subject to our clients' local tax regulations.

A WEALTH *of* DIFFERENCE

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