

iCapital®

BEYOND 60/40

December 2022



WELCOME TO OUR MONTHLY NEWSLETTER.

Our monthly newsletter is designed to serve as your primary source for navigating the world of alternative investments.

2022 has been a challenging year for the markets, but as we look ahead, we see several unique opportunities emerging. Global macro, distressed credit, and opportunistic real estate are three key areas on our watchlist. Another segment we are monitoring closely is the opportunity set that [secondary private equity](#) presents.

Secondaries have provided, for years, a great entry point for investors to gain private markets exposure. However, we are starting to see even more compelling opportunities emerge. This is partially driven by the “denominator effect,” as public pension funds find themselves overallocated to alternative investments given the decline in value of their public market positions. As institutional investors reduce private equity exposure,¹ new investors have the ability to benefit from this by participating in secondary funds, and purchasing these positions at discounts.

As we approach 2023, we hope you’ll find this issue of Beyond 60/40 helpful, with third-party research and commentary.

Wishing you and your family a wonderful holiday season and a Happy New Year!



Steve Houston

Managing Director
Head of Investment Products

¹See FundFire, [Public Pensions Struggle to Contain Soaring Private Equity Allocations](#), December 13, 2022; Pitchbook, [Will public pensions stick to their PE targets in 2023?](#), December 13, 2022.

MONTHLY MARKET ROUNDUP



[Hedge Fund Managers Haven't Felt This Confident Since 2020](#)

Learn why managers that focus on global macro and managed futures strategies reported the highest confidence levels during the market downturn.



[Regime Change: The Benefits of Private Credit in the 'Traditional' Portfolio](#)

Discover why now is the time to rethink approaches to asset allocation, including expanding more into private credit to add meaningful return and diversification.



[Snapshots: Still Firm](#)

As inflation slows and the economy remains solid, learn why commercial real estate may be in a better position than expected.



[Top 5 Questions in Today's Secondary Market](#)

Get answers to the top questions on secondaries with Adams Street Partners' Jeffrey Akers, Partner & Head of Secondary Investments.

WEEKLY MARKET PULSE



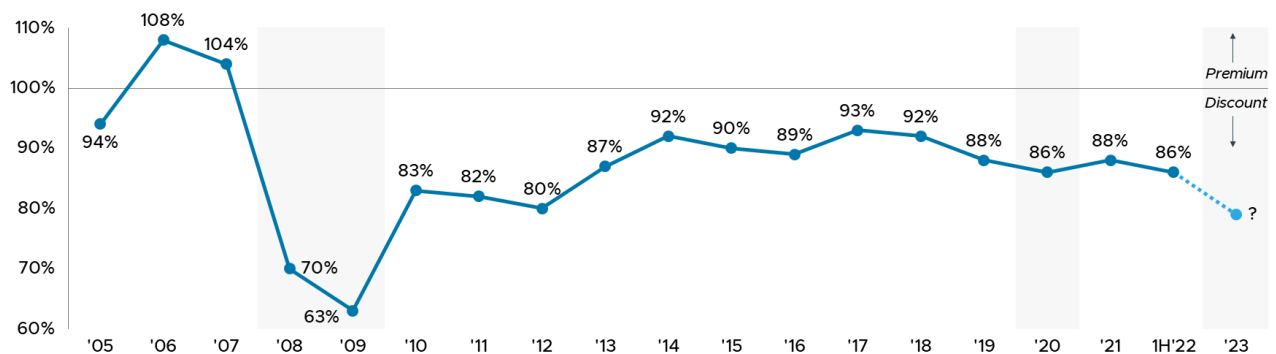
The markets have an obsession right now – the recession obsession. The slowdown we’ve all been waiting for might happen in the next two quarters, which means that the first half of 2023 might be the entry point back into risk(ier) assets. View the playbook for the patient investor in Chief Investment Strategist [Anastasia Amoroso's Market Pulse](#).

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CHART OF THE MONTH

Recessions provide attractive entry points in the secondary market

Historical pricing for Secondaries (% of net asset value)



Source: Greenhill Cogent, Jefferies Global Secondary Market Review, iCapital Investment Strategy, with data as of August 2022. Note: the 2023 recessionary period and the dotted line shown in the above chart are hypothetical and should not be taken as forecasts or estimates. 2022 data is as of quarter-end June 30, 2022. Secondary pricing is based on LP portfolios. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed. **iCapital**

Secondary pricing becomes more attractive during economic slowdowns. We believe we are in the early stages of a pricing reset as evidenced by the growing discount this year, which is likely to continue in 2023 due to continued economic headwinds.

IN CASE YOU MISSED IT



Alternative investments outperformed a 60/40 portfolio most strongly during weaker markets, strengthening the case for incorporating alts into a well-diversified portfolio. [Read more.](#)



We refreshed our top trending article on private markets with new insights on fees. [Read more.](#)



Rate increases make it likely that equity performance dispersion will increase, which should allow greater room for quantitative funds to find opportunities and inefficiencies in the market. [Read more.](#)

[Gain More Insight](#)

NEW AT iCAPITAL



iCapital is pleased to introduce structured investments on our world-class alternative investments platform. Financial professionals are now able to explore structured investment solutions, including market linked notes and CDs, separately managed accounts, and defined outcome funds. [Explore structured investments.](#)

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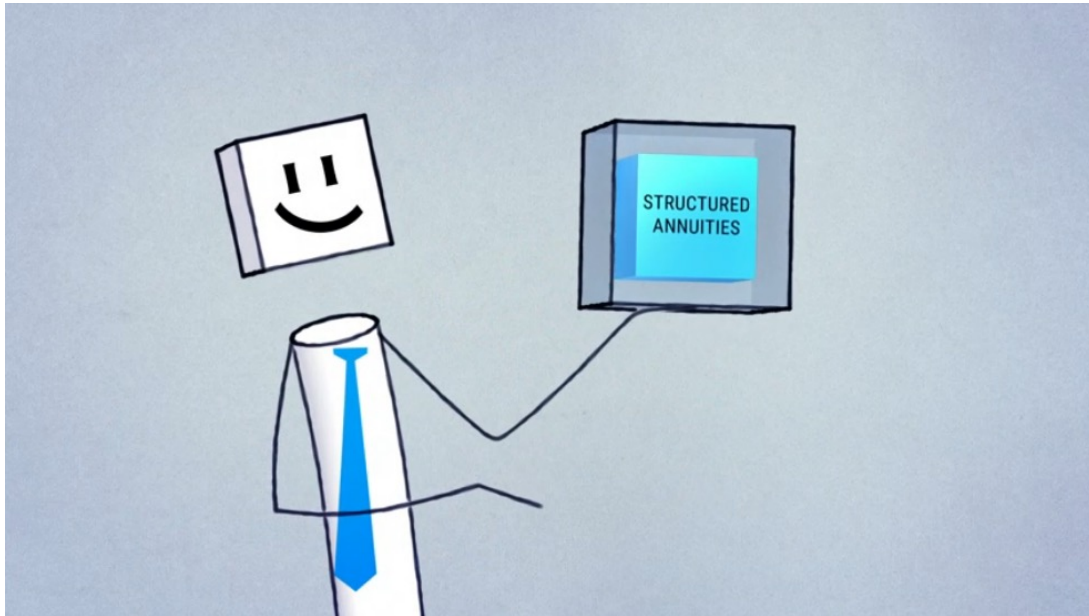
PODCAST: THE TIPPING POINT FOR ALTS



Catch iCapital's [Steve Houston](#) on the Alternative Investment Podcast from [AltsDb](#), as he joined host Andy Hagans to discuss how the iCapital platform is improving the alternative investment experience and supporting the growth of the alternatives industry.

[Listen Now](#)

SPOTLIGHT: STRUCTURED ANNUITIES 101



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