

iCapital®

BEYOND 60/40

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WELCOME TO OUR MONTHLY NEWSLETTER.

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

Coming into 2023, commercial real estate (CRE) continued to face significant pressure, resulting from a rapid increase in interest rates and weakened post-pandemic demand, combined with fears of an economic slowdown.

The banking sector, particularly regional banks, is contributing to growing concerns around the CRE sector. Regional banks account for 70% of total bank CRE loan exposure. Given the increased strain on regional banks over the past two weeks, there is further concern that these banks will no longer serve as an important source of capital to operators and developers.

As a result, we expect CRE to face more downward pressure. Real estate operators will encounter increased challenges in financing projects, including refinancing of existing credit facilities. Further, expectations of an economic slowdown will force weaker operators to accept significantly less attractive forms of financing.

But these challenges are creating opportunities for value-minded real estate investors.

We therefore believe opportunistic real estate presents investors with an attractive buying opportunity, as fund managers can purchase quality properties at discounted levels.



Steve Houston

Managing Director
Head of Investment Products

MONTHLY MARKET ROUNDUP



[Distressed and Opportunistic CRE Funds: Explained](#)

Get a breakdown of the differences between the two types of funds in terms of strategy, targeted returns, and investment horizons.



[Global Private Equity Report 2023](#)

Bain examines how macroeconomic uncertainty has put an end to the extraordinary surge in dealmaking over the past several years and explains what to expect from the year ahead.



[M&A in private equity: Firms get selective in acquisitions](#)

The start of 2023 has seen a period of refinement in acquisition activity by private equity PE firms, with buyers proceeding selectively in their approach.



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

Read why private equity can be additive to traditional portfolios, especially for investors who are concerned about inflation and/or do not face meaningful near-term liquidity constraints.

WEEKLY MARKET PULSE

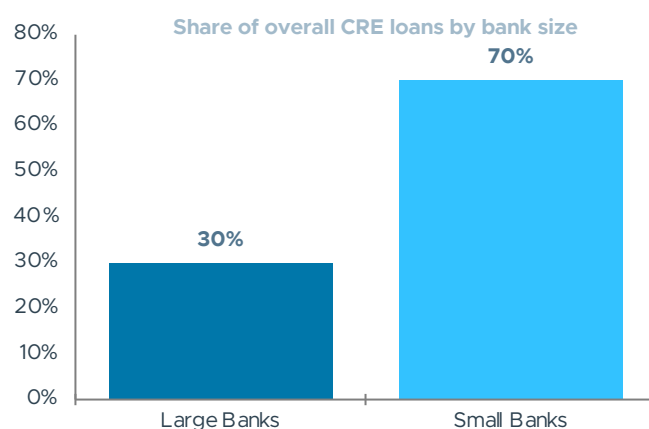
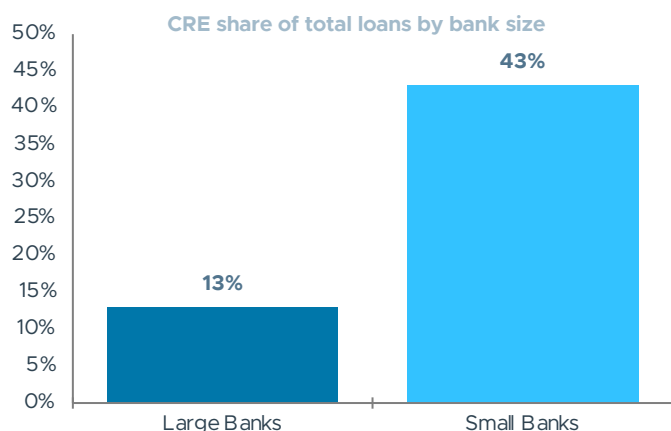


Regulators moved quickly to address the risk of SVB uninsured deposits, but we think additional risk factors may still be at play for regional banks. In Chief Investment Strategist [Anastasia Amoroso's Market Pulse](#), we break down the five factors that may continue to be a challenge for regional banks.

[Subscribe to Market Pulse](#)

CHART OF THE MONTH

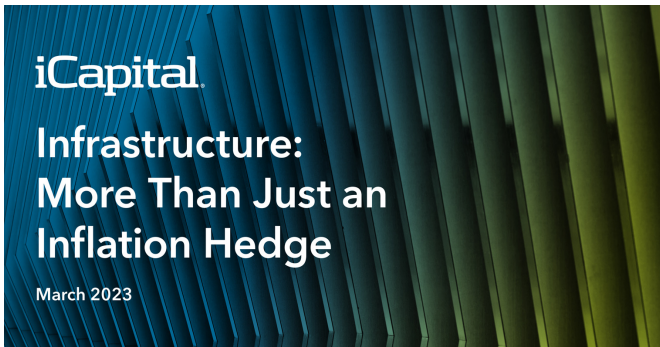
Small/Regional banks are more exposed to CRE loans
Commercial real estate loan breakdown by bank size



Source: JPMorgan, Bloomberg, iCapital Investment Strategy, as of March 13, 2023. Note: Large banks is defined as the top 25 banks in the US. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

Regional banks account for 70% of total CRE loan exposure, with CRE loans representing 43% of all loans for small banks versus only 13% for large banks. Coupled with an upcoming wall of maturities in CRE loans, it is easy to see the risk of rising default risk in CRE portfolios of smaller banks.

IN CASE YOU MISSED IT



From stable cash flows to potential ESG benefits, explore the broader benefits of infrastructure investments. [Read more.](#)



Historical data indicates European private equity offers an outsized return premium over the region's public markets. Learn how diversifying exposure across geographical regions can increase return potential. [Read more.](#)



Your comprehensive source for alternative investment terms and definitions. [Read more.](#)

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NEW AT iCAPITAL



iCapital is proud to be named by Forbes as one of America's Best Startup Employers for the third consecutive year! We're honored to continue to be considered for this award based on our employer reputation, employee satisfaction, and company growth.

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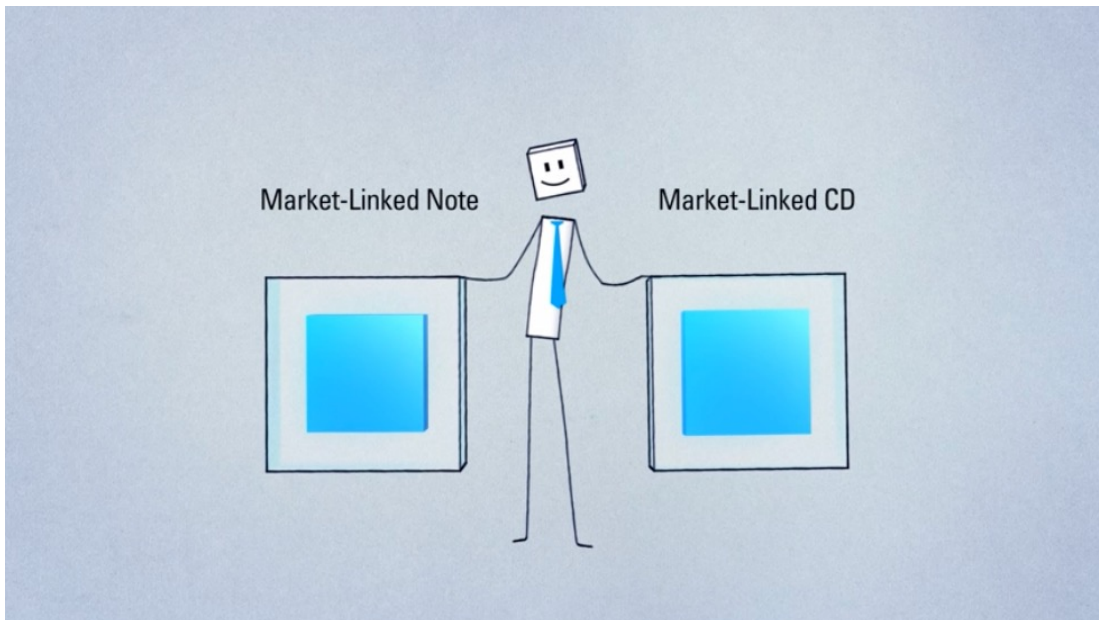
PODCAST: MONEY LIFE



Anastasia Amoroso, iCapital's Chief Investment Strategist, joined the [Money Life with Chuck Jaffe](#) podcast and shared her thoughts about opportunities in private markets, specifically private credit, private equity, and real estate.

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SPOTLIGHT: STRUCTURED INVESTMENTS 101



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