

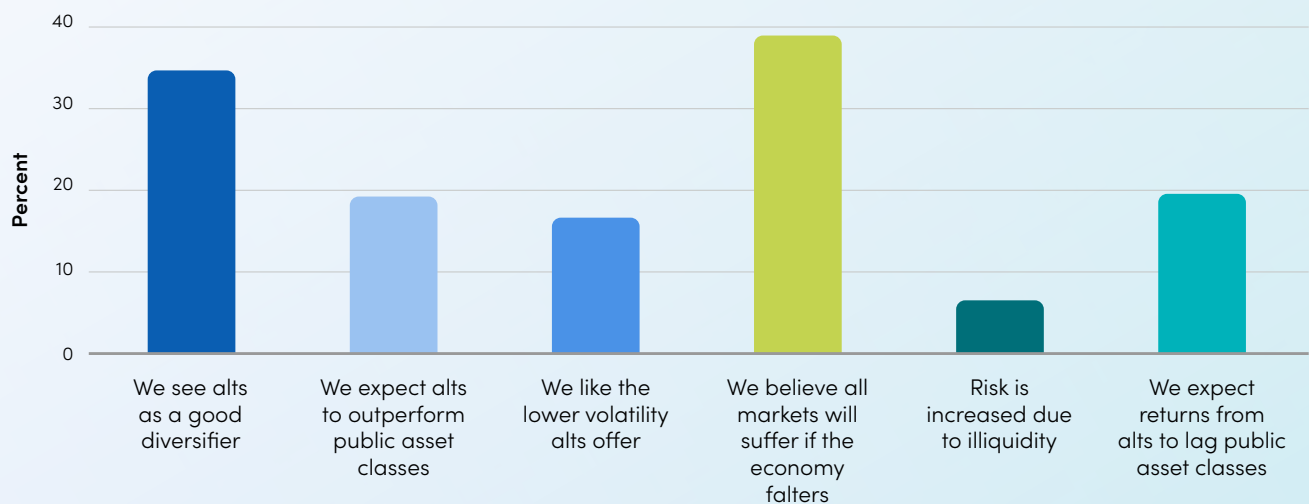
2023 Investor Pulse:

Alternative Investors Undeterred by Economic Uncertainty Study

From an overall uncertain economic outlook to dramatic increases in interest rates and inflation and recent challenges in the banking sector, investors are dealing with strained markets. We surveyed more than 200 investors to learn what impact this might have on their interest and investments in alternatives – an area of increased investment in recent years.

Alternative allocations given the uncertain economic outlook

Our survey asked if the overall economic backdrop, including the banking challenges, changed investors' appetites for alternatives. Investors surveyed indicated mostly positive views of these asset classes – only 28% had negative views on alternatives, leaving 72% neutral to positive on alternatives despite these headwinds.



When asked about specific alternative **asset class allocation**, given this backdrop

60%

Increase or no change on **private debt**

58%

Increase or no change on **real estate and infrastructure**

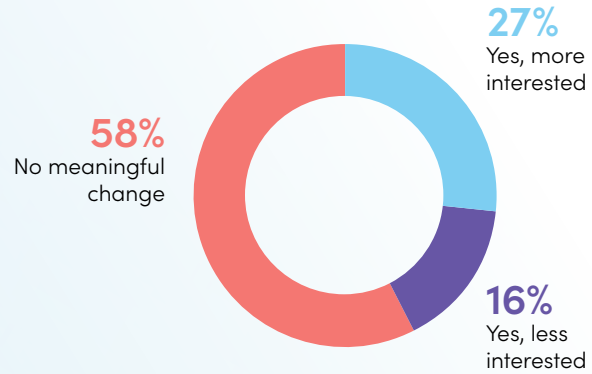
54%

Increase or no change on **private equity**

Higher interest rates and alternatives

We know that the extended period of low interest rates following the Great Recession drove investors toward alternatives. That begs the question:

Q: Now that rates are high, has that changed investor sentiment to the alternative asset category?

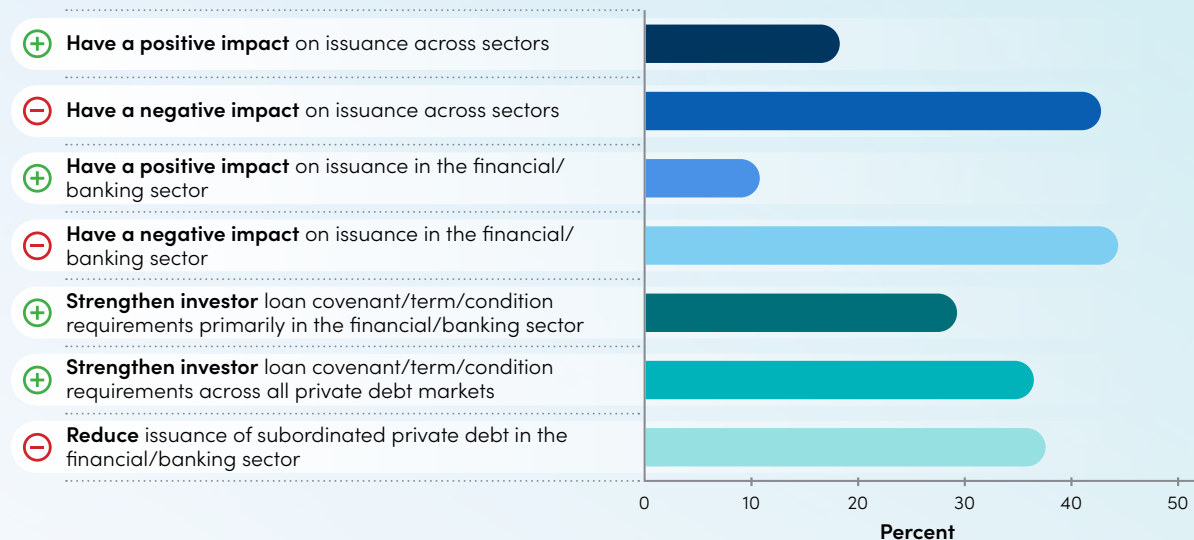


How are alternative investors thinking about the asset segment longer term?

Looking forward, nearly 60% of the respondents think the alternative markets will continue to expand with new asset classes and structures. The growth in interest and investment in alternatives is spurring more ways to bring new capital needs to the market. In our experience with clients and assets on our platform, we see the market clearly expanding. Investors have become more open to alternatives and are willing to explore new types. In turn, we also see demand growing for analytics and accounting for alternatives.

Private Debt Issuance Given Banking Sector Challenges

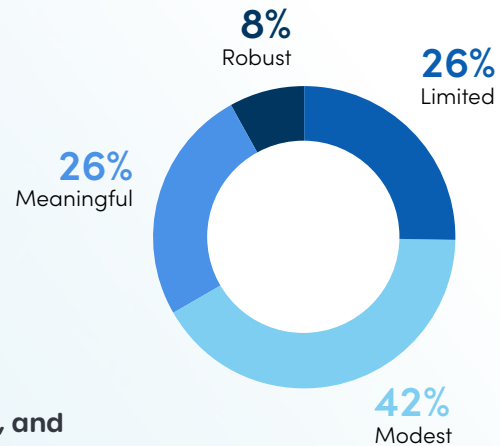
We asked how private debt markets could be impacted by recent banking sector challenges.



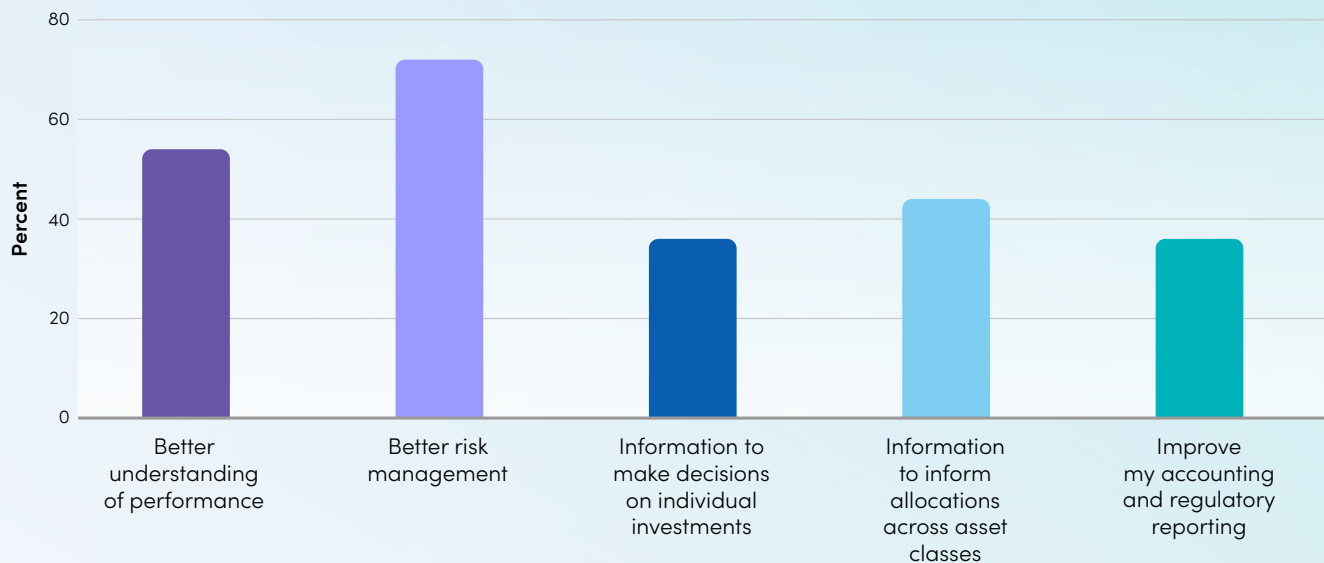
In the wake of recent banking events, investors are increasing the number of banks holding their cash and short-term investments (31%), changing the bank(s) holding their cash and short-term investments (28%), and reducing debt/bond exposure (28%).

The challenges with managing alternatives

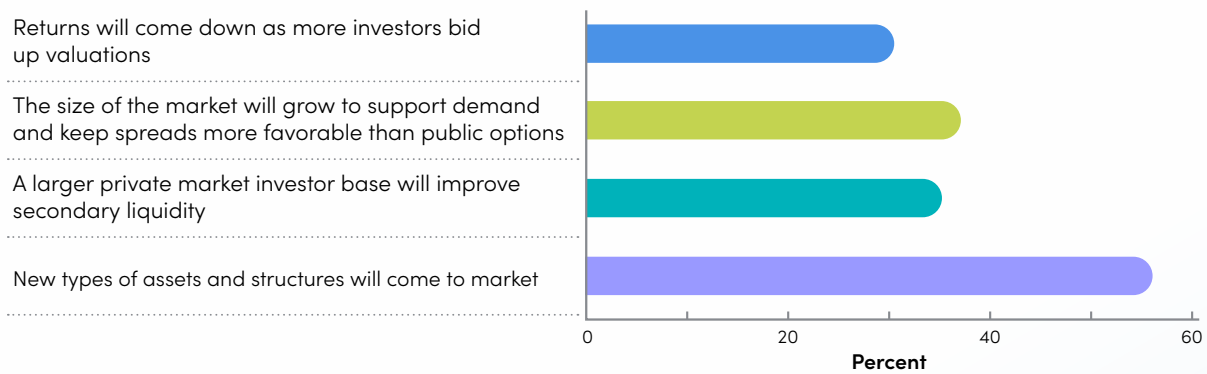
The administrative and accounting challenges of alternatives continue to be an issue we see highlighted alongside these investments. Specifically, infrequent, inconsistent data and a lack of transparency. Investors indicated in our survey there are clear areas for improvement in managing alternatives, with a need for better risk management leading the way



Q: When investing in **LLCs/LPs, structured vehicles, and pools**, what level of transparency do you have now?



Q: If you had **more transparency** into your alternative investments, what benefits would you like to achieve?



Q: How will **private debt** markets be impacted by recent banking sector challenges?

About the study

Clearwater polled more than 200 institutional investors representing \$10 trillion in AUM. Respondents include insurers, wealth and asset managers, corporates, governments, pensions, and endowments.

Steve Doire, CPA, CFA, CPCU, is Clearwater's resident expert on capital markets and insurance and institutional investing. In addition to working closely with clients on their investment technology platforms, Steve works with both the Clearwater team and industry contacts to develop Clearwater's series of polls. He spearheads the creation of the polls and provides in-depth analysis of the results. Please visit Clearwater's Knowledge Center to find the results of other flash polls as well as a wealth of other helpful resources. If you'd like to talk to Steve or other industry experts at Clearwater, click the button below.

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