

HNW clients looking to alternatives

21 May 2010 | by Angela Faherty



High-net-worth (HNW) investors with portfolios valued at more than \$1 million are looking for increased investment opportunities following the global financial crisis (GFC), with exchange traded funds, commodities funds and contracts for difference cited as possible areas for growth.



According to the **Investment Trends/Centric Wealth** High Net Worth Investor report, only 14 per cent of survey respondents were still accumulating cash while waiting for market volatility to recede, compared to 40 per cent in December 2008.

Half of those surveyed said they were buying undervalued assets on an opportunistic basis while 10 per cent were more focused on diversifying their portfolio than previously. Eleven per cent planned to sell defensive investments to focus on higher growth opportunities versus 8 per cent moving in the opposite direction.

The report also showed the demand for alternative investments was returning following a slump during the GFC. Although Australia typically had a small ETF market, interest in this sector was increasing, with 8 per cent of investors considering this option, along with commodities funds (7 per cent) and contracts for difference (7 per cent).

While 53 per cent of those surveyed held some form of alternative investment, they formed a relatively small part of their portfolios, averaging approximately 6 per cent of all HNW investors' assets overall. However, this is expected to grow, the report said, with investors comfortable allocating a maximum of 12 per cent of their portfolios to non mainstream assets.

Mark Johnston, principal at Investment Trends, said: "For the HNW investor, there is not a heavy reliance on advice for vanilla products. Those definitely out of favour post GFC include agribusiness and mortgage trusts, however, demand for alternatives is broadly returning."

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