CAIS Live | Vail

Top Five Takeaways

Our **CAIS Live** event in Vail gave advisors an elevated perspective of some of the key trends impacting the world of alternatives while allowing them to speak directly with asset managers and bank issuers on the features of their strategies. Alternative investment leaders from firms like Apollo, Vista, Morgan Stanley, and Partners Group took the stage to share their views on risks and opportunities that may lie ahead across the alts landscape.

Here are the top five takeaways from the event:

1 Jonny Moseley: Lay the Groundwork First

At the Winter Olympics in 2002, world-champion skier, Jonny Moseley, landed a trick that nobody in freestyle skiing was doing at the time: the dinner roll. Though this revolutionary off-axis jump would earn him accolades as a gamechanger in his sport for years to come, in Salt Lake City it only earned him a disappointing fourth-place finish—in part due to the judges' underappreciation of the skill and innovation he demonstrated that day.

A major lesson according to Moseley: when you're introducing something new, don't assume that other people will simply "get it." Instead, take the time to lay the groundwork, communicate extensively, and provide context for the changes you're working toward.

2 Don't Underestimate the Power of Staying the Course

A number of panelists highlighted the value of getting invested and staying invested when comparing alts structures and strategies for their portfolios. Drawdown funds call capital over time, allowing managers to wait to find better opportunities before putting capital to work, potentially leading to higher internal rates of return (IRR). By contrast, evergreen funds tend to be fully invested from the start, and because of compounding over time, it's possible that evergreen strategies with lower net returns can target the same net multiples on invested capital (MOIC) as their closed-end drawdown counterparts over time.

As one panelist noted, though subject to certain risks including loss of investment principal, structured notes can similarly allow investors to gain immediate market exposure and then reinvest distributions to potentially benefit from longer-term compounding effects.

3 Private Credit Is Still in Its Early Innings

Several panelists pushed back on the notion that the opportunity for private credit investing has come and gone, arguing that we're still in the second or third innings for the asset class and that a variety of drivers are still in effect to potentially continue momentum.

For one, the global demand and appetite for private debt strategies are expected to keep growing. In addition, the waning IPO market could continue to leave a gap in financing that private credit funds can fill, especially as more companies choose to stay privately owned. Panelists also noted the opportunity to finance founder-led companies and/or lesser-known but influential B2B-focused companies, which can sometimes be more resilient amid market volatility.

4 Don't Resist Asking the Tough Questions—Especially of Managers

Throughout the day, investment team leaders and asset managers alike shared tips for advisors when performing due diligence on alts strategies. For instance, when considering more evergreen strategies, advisors should ask tough questions of managers, especially around what they're doing with their liquidity sleeve. For private markets strategies more broadly, advisors were encouraged to ask managers and look for disclosures on how they do valuations and which independent third parties they use. One chief investment officer also urged advisors to ask managers about their competitors' products, calling that "a treasure trove of information."

Finally, several panelists highlighted the importance of asking peers—like their fellow CAIS Live attendees—to share their best practices and favorite private markets or structured investment strategies. The likelihood that another advisor they meet is a direct competitor is relatively low, so it's worth reaching out to kick off a knowledge-sharing relationship.

5 Value Creation May Eclipse Financial Engineering in Private Markets Today

Certain private markets managers highlighted the role of value creation in their investment approaches, noting that, in their opinion, relying on leverage or multiple expansion no longer tends to produce the results seen in past market environments. In private credit, value creation may mean intervening early and working directly with borrowers to help them grow more sustainably. In private equity, it could mean specializing in a certain sector and then building a dedicated value creation team that understands how successful companies in that particular sector operate.

This focus on value creation can also help firms source opportunities as prospective portfolio companies may seek out the expertise and resources they can offer.

CAIS Live

CAIS Live | Vail brought advisors together to enjoy the scenic Rocky Mountains and learn how the potential opportunities and risks related to alternative investing continue to shift. Advisors had the chance to build new relationships that can help them further refine their alternative investing strategies and aim to better serve their clients.