Austin Root – The Virtues of Alternative Investing

Austin Root - the Chief Investment Officer of Stansberry Asset Management - thinks it’s time for qualified investors to consider alternative assets.

Alternative assets include investments like gold, crypto currencies, art, diamonds, and cars. And investments like private real estate, hedge funds, and privately traded stocks and bonds.

These investments are typically reserved for high wealth individuals – starting with accredited investors that make at least $200,000 to $300,000 (depending on marital status) or have a $1 million net worth.

The drawback of alternative assets is that they tend to be less-liquid, potentially have higher risk, and managers tend to charge higher fees.

The benefit of alternative assets is that investors get the opportunity to expand their investment landscape and earn higher returns.

Root says that of course a perfect situation would be “heads I win and tales I don’t lose” type of investment. But those investments almost never come up.

At this point, Root believes private bonds are the next best alternative. He’s sees them as having the best set-up in terms of upside capture and downside protection among alternative assets.

That because investors can earn great equity-like returns – high yields around 12% to 13% while owning secured (backed by assets) bonds to protect them on the downside in case something goes wrong. In other words, you have the potential for large consistent gains with limited risk to the downside.

Root refers to billionaire businessman Steve Schwarzman – who also thinks private credit is a great place to invest right now. Schwarzman says “If you can earn 12%, maybe 13% on a really good day in senior secured bank debt, what else do you want to do in life?

Schwarzman is also quoted as saying “If you are living in a no-growth economy and somebody can give you 12%, 13% with almost no prospect of loss, that’s about the best thing to do.”

Private credit typically involves debt investing in pre-existing financial assets or direct lending – originating new loans to borrowers.

Only investors with $1 million in net worth, long-term investment horizons, who understand the advantages and disadvantages, and are looking to diversify their portfolio should invest in private credit.

Overall, the private credit market is tiny and largely focuses on floating rate debt.

Stansberry Asset Management offers products for qualified investors to pool their money and to invest in private credit – allowing investors to enter investments that they might not otherwise have access to – while reducing fees in the process.

Interested investors can reach out to friendly folks at Stansberry Asset Management for more details. They are always happy to take calls, discuss products, and answer questions.