

Private Markets – Access to exclusive asset classes

What are Private Markets?

Private Markets are defined as financial markets, which are not traded on public exchanges. That means that the value of a particular investment cannot be observed in the market as there is no public price available. That opens the opportunity for professionals like private equity funds, banks or others to find opportunities with unused potential.

Unlike public markets, private investments are not traded frequently and follow a more entrepreneurial approach. That makes it a rather illiquid investment, which is in return rewarded with a so called “illiquidity premium”, an on top return compared to liquid assets. In the case of private equity, institutional investors often buy the companies to improve their operations and hereby actively add value.

Some of the largest companies in the world are non-listed companies, like the food company Mars or the German engineering company Bosch. In addition to equity, you can also find real estate and debt investments within the Private Markets space.

Asset classes that we use

PE

Private Equity

Private Equity is probably the most known asset class within the private market industry. As most investors are familiar with company shares traded on public exchanges, private equity is the non-listed pendant to it. Private Equity investors acquire shares and thus ownership of non-listed firms. Non-listed or private companies are companies whose shares are not traded on public stock exchanges. There are different investment approaches within private equity, with different risk-return relations: Buyouts, growth equity and venture capital.

PD

Private Debt

Private Debt is the name for non-publicly traded debt instruments. In a nutshell, these are loans or credits provided to companies to finance their operations. Private debt investors often step in when traditional banks are not willing to lend money or when they do so only under very unfavourable conditions. Debt is significantly different from equity as it provides periodical interest payments to investors and has a maturity date, when the principal amount is repaid. Another important aspect of debt is its so-called seniority: in the case of the liquidation of a company, debt investors are paid out before equity investors, which makes it usually less risky than equity.

PRE

Private Real Estate

Private Real Estate are classic real estate investments, which enable to invest already with relatively small amounts and without having the administrative burden of managing real estate.

Key facts about Private Market investments

1 Liquidity

There are semi-liquid and illiquid funds. The semi-liquid funds can be bought on a monthly basis and sold usually every quarter. These are very favourable terms to get a taste of Private Markets because the illiquid funds can usually not be exited at an earlier stage.

2 Investment horizon

Private Markets investments should be considered with an investment horizon of at least 4 to 6 years to give the funds time to grow the underlying investments. Also, there can be cost associated with buying and selling of these funds, which is why active trading should be avoided.

3 Ticket sizes

Depending on the product, minimum ticket sizes range from CHF 10'000 to CHF 125'000.

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