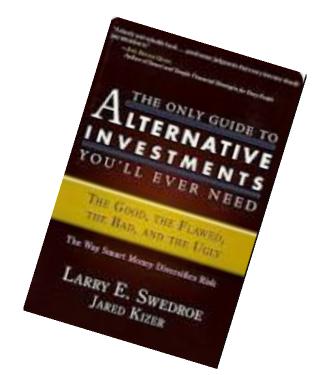
# ALTERNATIVE INVESTMENTS: THE GOOD, THE FLAWED, THE BAD, & THE UGLY OF THE CORONAVIRUS CRISIS

Based on: The Only Guide to Alternative Investments You'll Ever Need

by Larry Swedroe



#### WHAT IS AN ALTERNATIVE INVESTMENT?

- An alternative asset could be anything outside of domestic stocks, high quality bonds, and banking instruments that is expected to make a return on investment.
- Good alternative investments can provide diversification and flexibility.
- Alternative investments also bring complexity and risk, and some bring more trouble than they are worth.
- The Coronavirus crisis has impacted every asset class, with few providing a positive return amidst the crisis.
- Do alternative investments belong in your portfolio?

#### ALTERNATIVE ASSETS

- Real Estate
- Gold/Precious Metals
- Commodities
- International Equities (Emerging Markets/Int'l Small Cap)
- TIPS
- High Yield Bonds, Preferred Shares, and Convertible Bonds
- Cryptocurrency

#### QUESTIONS AND ANSWERS

- At the end of each slide, I will pause for a brief Q&A on any of the material presented.
- A dedicated Q&A will be available at the end to discuss any and all questions on the presentation.

#### REAL ESTATE – REITS AND RENTAL PROPERTIES

- Real Estate offers equity-like risk and returns, and low correlation.
- Real Estate is varied REITs, Rental Properties, etc.
- Commercial and residential property sectors are both under extreme duress due to halted rent/mortgage payments.
- Eviction crisis is unfolding.
- Commercial real estate is at a high risk.



#### GOLD AND PRECIOUS METALS



- Gold and precious metals are often marketed as stores of wealth that can hedge against inflation, market collapse, and government collapse.
- Gold and precious metals are not income producing assets.
- Despite that, Gold has flourished due to inflation fears and monetary policy.
- Silver is on a wild, speculative ride.
- The remaining precious metals have not broken out.

#### TIPS & I BONDS



- Treasury Inflation Protected Bonds and I Bonds are bonds whose distributions adjust with inflation.
- What are you defending against?
- TIPS have had steady returns during the crisis.
- Will falling commodity prices and wages cause deflation?
- Will global economic stimulus cause inflation?

#### COMMODITIES

- Commodities are often touted for their negative correlation to stocks and bonds. In theory, they can save the day in a crisis.
- However, the Coronavirus crisis was coupled with an oil crisis.
- Disrupted economic activity, trade tensions, and sweeping industrial changes challenge almost all Commodities.
- Commodity prices are 'recovering,' but it is exaggerated.

## INTERNATIONAL EQUITY EMERGING MARKETS AND INT'L SMALL CAP



- Emerging Markets and Int'l Small Cap are high risk/reward assets with low correlation to other equities.
- Each country's response to the virus is different.
- Countries still struggle to reopen, and some countries face a 'second wave'.
- This may be the most uncertain time in global economic history.

### HIGH YIELD BONDS, PREFERRED SHARES, CONVERTIBLE BONDS

- High Yield Bonds, Preferred Shares, and Convertible Bonds offer diversification, but each have their own flaws.
- Preferred Shares are trading at low prices due to high risks.
- Convertible debts are being issued by companies that can't afford regular debt.

Junk Bonds bought by Fed do not hold value for long, highly

speculative.

Bond Rating		Grade	Risk
Moody's	Standard & Poor's	Graue	L/19K
Aaa	AAA	Investment	Lowest Risk
Aa	AA	Investment	Low Risk
A	Α	Investment	Low Risk
Baa	BBB	Investment	Medium Risk
Ba, B	BB, B	Junk	High Risk
Caa/Ca/C	CCC/CC/C	Junk	Highest Risk
С	D	Junk	In Default

#### CRYPTOCURRENCY

- Cryptocurrency are decentralized digital currencies.
- Interesting technology, but way too risky.
- Cryptocurrency is too new to make any evidence based observations.
- Cryptocurrencies are rising in value through the crisis.
- Despite proponents, they offer speculation, not safety.



#### QUESTIONS AND ANSWERS

