



Higher inflation is here. Mitigate the inevitable damage to your portfolio with higher interest rates through alternative fixed income investments.

Jeffrey Sweeney, Chairman and CEO at **US Capital Global**, discusses the strengths of alternative fixed-income investments and the opportunities they present to generate steady and higher interest rates, with reduced risk and long-term stability.



Financial stimulus in response to the unprecedented economic shutdown caused by Covid-19 is driving inflationary pressures, and investors are actively seeking higher interest rates for their fixed-income investments. Investors have been more attuned to the importance of balancing traditional fixed-income portfolios with alternative fixed-income investments ("alternatives"). While this trend had been growing steadily over the years, the sudden economic slowdown of 2020, the unprecedented stimulus, and the corresponding inflation is fueling an accelerated adoption of this investment thesis. In looking for ways to mitigate the effects of rising inflation and weather the market's ups and downs, more investors are turning to alternative fixed-income investments.

A natural interest rate hedge to reduce volatility-based risks

Alternative fixed-income investments – such as private debt, business credit funds, venture debt, convertible notes, and more – differ significantly from the traditional asset classes of stocks, bonds, and mutual funds offered by more conventional investment advisors. Alternatives are distinct in their ability to reduce exposure to volatility and generate steady returns. Backed by salable assets, alternatives generally have a low correlation to the stock market and general economy and are largely undisturbed by share price fluctuations.

The extreme financial stimulus policies by governments around the world are leading to increased rates of inflation, which will continue into the near term. This will exert downward pressure on the value of low-interest-rate bonds, compounding the decline in earnings and value for investors.

Emotional reactions to the Covid-19 pandemic and the uncertainty surrounding its longevity have caused the share prices of many companies to drop, with the FTSE 100 falling by 14% in 2020. Those with foresight – or perhaps hindsight from the previous crisis – have been able to thrive through the diversification of their portfolios. Alternative fixed income continues to produce a steady passive income despite stock market fluctuations.

Gaining the competitive interest edge

The expansion of one's portfolio into alternative fixed-income investments not only protects against interest rate losses but opens opportunities to participate in some of the generation's greatest new businesses. As an eligible accredited investor, you can capitalize on opportunities through private alternative fixed-income investments that are not yet in the public markets but available directly from asset managers and registered broker-dealers like US Capital Global Securities or from the more progressive investment advisors we supply opportunities to for their clients.



US Capital Global Securities offers a number of alternative fixed-income investments in a variety of sectors. Our banner investment vehicle, **US Capital Global Lending LLC**, provides senior secured, asset-backed credit facilities to lower middle-market businesses. The company has audited returns from 2020 of 8% per annum with quarterly liquidity. **Metals House Inc.** is a gold inventory, and cash collateralized credit facility to support gold arbitrage trading. Metals House Inc. has been operating successfully for several years and pays an annual 8% rate of return at 2% per quarter, with a five-year lock up. **US Capital Royal Eagle Green Energy Income Fund, LLC** is a new fund offering 10% interest from investments into smaller green energy projects of high quality but just under the size institutional investors would participate in.

Investors sticking to standard asset classes can be caught in a long-term low-interest-rate product when inflation springs up like we see today. With the support of an investment bank skilled in due diligence and innovative investment advisors who allocate to these products, investors in fixed-income alternatives can respond to global changes as they arise while generating potentially higher gains than traditional investments.

What are the risks and rewards of alternatives?

Counterparty risk and underlying assets and cash flows are the primary drivers of risk in alternative fixed income. Before US Capital Global Securities considers distributing an alternative fixed-income offering, it conducts extensive due diligence to help ensure the management, assets, and cash flows are reliable and resilient, as stated in the offering materials.

Preferred alternative fixed-income investments typically have one or more of the following characteristics:

- Product sales in the marketplace with a diversified customer base
- Cash flow necessary to service debt
- Assets sufficient to liquidate in the event of default
- Adequate capital invested in the company or sponsors that will support the company
- Seasoned management team with sector expertise

Moreover, investors are able to mitigate their risk by investing in an alternative investment fixed-income fund, like **US Capital Global Lending LLC** and **US Capital Global Business Credit Income Fund, LP**, thereby diversifying their investment across an array of industries and geographical regions.

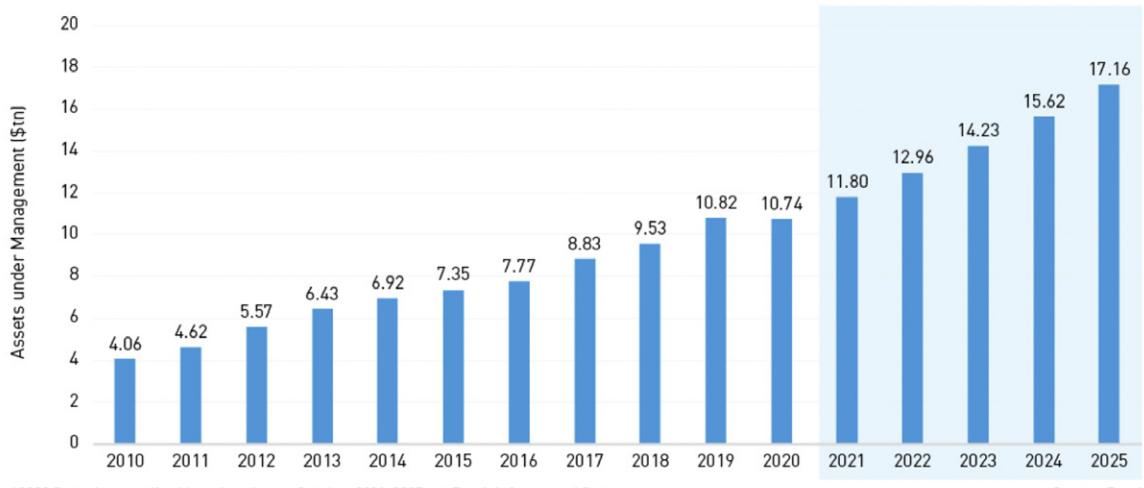
Unlike publicly traded stocks, an alternative fixed-income credit fund's performance is determined by the fund manager's ability to assess the borrower's credibility, rather than the state of the market that month or other factors unrelated to the company's performance. This approach to determining an investment fund's worthiness obviates the need to continually monitor comparative performance benchmarks and allows one instead to focus on seeking absolute returns, i.e., making a steady income in all market environments.

The continued rapid rise of alternative investments

A recent study by Preqin shows that between 2020 and 2025, global assets under management in alternatives are set to increase by 60%, far outpacing global GDP and inflation. The alternatives industry is expected to reach \$14 trillion by 2023, with private equity and private debt leading the way.



Fig. 1: Alternative Assets under Management and Forecast, 2010 - 2025*



*2020 figure is annualized based on data to October. 2021-2025 are Preqin's forecasted figures.

Source: Preqin

November 2020

Aside from an obvious rise in investor attraction to pharmaceutical investments amid the Covid-19 vaccination drive, the FinTech and renewable energy sectors are predicted to benefit from the rise in alternatives. A recent study by the University of Cambridge saw that **12 out of 13 FinTech sectors reported continued year-on-year growth** in the first half of 2020. Meanwhile, some countries, such as the UK, are seeing investments in **renewable energy yielding returns of 75.4%** over a five-year period, compared with fossil fuel's mere 8.8%.

At US Capital Global, we maintain a keen interest in FinTech, renewable energy, and ESG fixed-income alternatives. We pride ourselves in financing companies that address the world's major social and environmental challenges, while generating long-term income and wealth for our investors. Our fixed-income private investment funds generally have a preferred net return in favor of Limited Partners of at least 8% per annum, and some have no management or placement fees with an 8% return and quarterly liquidity. These fixed-income funds aim to deliver higher returns without increasing risk, thereby allowing our investors to mitigate the damage to their portfolios caused by rising inflation.

Jeffrey Sweeney is a fund manager with years of experience in corporate finance and asset management. He is Chairman and CEO at US Capital Global (www.uscapglobal.com), a full-service global private financial group headquartered in San Francisco.

Securities offered through US Capital Global Securities, LLC ("USCGS"), member FINRA/SIPC. This is for your information only and is not an offer to sell, or a solicitation of an offer to buy any securities or instruments. Any such offer or solicitation shall be made only pursuant to the confidential private placement memorandum and supporting documents, as amended or supplemented from time to time. The information has been obtained or derived from sources believed by us to be reliable, but we do not represent that it is accurate, complete, or timely. Any opinions or estimates contained in this information constitute our judgment as of this date and are subject to change without notice. USCGS or its affiliates may provide advice to, be compensated by, or hold debt or equity positions in the companies noted herein. View USCGS' Form CRS at www.uscgs.com/crs.html. 06012021-JS-VG