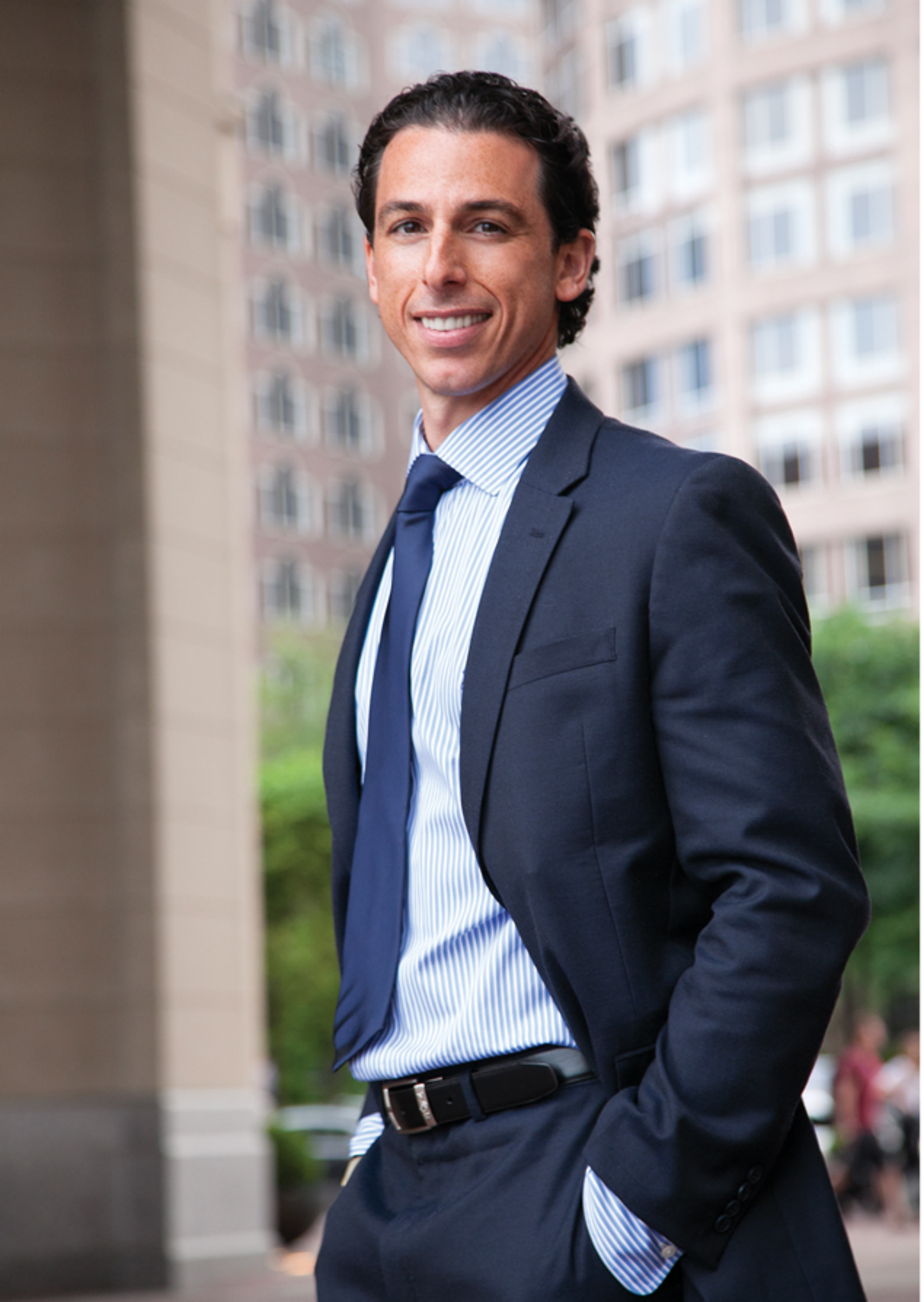
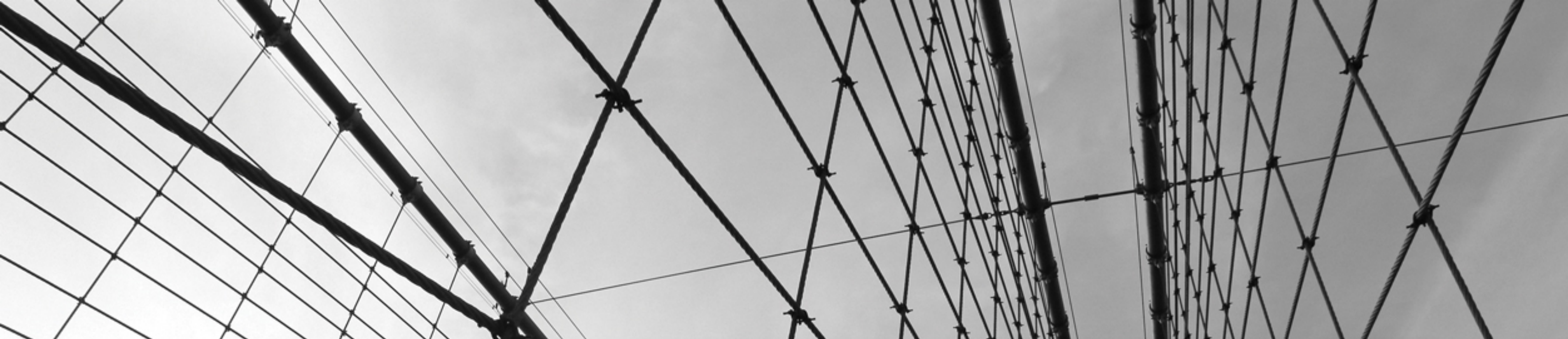


Russ D’Argento On Family Offices, Alternative Investments & the Fed Rate Debate

Russ D’Argento is founder of Cap Hedge Ventures, whose flagship FINTRX Family Office Investor Platform continues to make waves across the alternative investment space and provides proprietary, up-to-the-minute data to some of the world's largest alternative investment groups. We caught up with Russ to get his insights on the family office investor landscape and imminent Fed interest rate hike.



The Fed interest rate debate has been heating up.
How this will affect hedge funds and family offices?

With the recent decision to hold tight on raising rates, it certainly allows things to settle in a bit. I think we all know that raise is around the corner. However for me, it's much less about trying to time the impeding raise, and more about how the dynamics will shift in the alternative investment space and family office arena as a result.

All of the single and multi family offices we provide research and data on within FINTRX allocate capital to alternative investments in some capacity. Locating the trends and flow of capital as the rates ultimately start to creep their way north will be key.

If and when the Fed increases rates, we may see a bit of an increase in true alternative strategies and the real estate transactions pull back a bit.

Theoretically, in a higher interest rate environment, how will rates affect the way hedge funds and family offices begin to allocate capital?

We may potentially see a pullback in family offices allocating capital to hedge funds that employ highly levered strategies if rates rise aggressively.

It's all hypothetical until or if it happens. However, in theory it can become a bit more expensive for funds that use large amounts of leverage in their book. It also can make things a bit dicey as brokers will typically demand a larger amount of collateral from their clients - which in an imperfect world can force the hand of a premature sell off.

What are the short term and long term trends for capital flows / investment strategies in the hedge fund / family office space?

We have seen a myriad of rising trends amongst the family offices we provide data on. There has certainly been a lean towards more family offices taking a bit more control and activity in the direct investment world. Although we have seen this trend across the board, it tends to show itself a bit more in family offices investing directly in sectors they feel knowledgeable in - often the same arena in which they created their wealth. We have also seen a steady interest in family offices wanting to continue to build out their real asset portfolio. This applies to both multi unit residential and single family units. At the end of the day, it's human nature to feel comforted to have real tangible assets that can been seen and touched. We've also noticed an uptick in more responsible investing. An estimated 13-15% of all professionally managed capital globally was allocated to some stem of socially responsible investments. Huge.

What are the greatest growth opportunities over the next 3 years?

Transparency and liquidity are key.

I believe over the next few years you will continue to see liquidity be a tremendously important sticking point amongst family office allocators. The funds that take notice of this and adapt will excel.

To me, longer lockups for managers that need to do so due to their underlying strategy makes sense. However, I certainly believe you will continue to see inflows and growth continue to managers who understand and are willing to adapt to investors' needs.