



## 2024 ALTERNATIVES OUTLOOK

# The coming year could be an inflection point



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### Challenging periods can be the best time to invest in Alternatives. We explain why this is the case.

Looking ahead to 2024, we think it could be an inflection point whereby greater clarity on the macro-environment could provide conditions for the coming period to be a great vintage. Investors might be able to take advantage of lower asset prices, balance sheet restructuring, distressed asset sales and discounts in secondary markets.

### After a challenging 2023, the coming year could prove very interesting

Alternative asset classes have not been immune to what has been going on in capital markets throughout 2023, which have been influenced by a mix of higher interest rates, lower growth and greater volatility that has particularly affected strategies that use leverage.



Consequently, there has been a slowdown in activity: difficult exits, challenging fund raising, slow deployments and tightening credit conditions. This has placed pressure on pricing, especially in real estate, and instilled a cautious mindset in the investor base.

Looking forward to 2024 there is a feeling that we have hit peak interest rates. What is uncertain is the timetable for future rate cuts – from here there will likely be some differentiation in central bank policies and economic outcome return. The US Federal Reserve, for example, is likely to keep interest rates higher for longer than the Bank of England, as the UK economy with its shorter-term mortgage lending structure and greater overall vulnerability to higher rates, weakens sooner. We still expect interest rates to fall globally, but the timing of what happens when will be different.

We expect that there will be some highly attractive investment opportunities going forward. In fact, 2024 could offer up a

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great environment once the factors we have mentioned become clearer. It is going to take a bit longer to get to that point, but when the time comes those investors on the side lines with dry powder will benefit.



What it will take for Alternatives to recover is further repricing, more stability from a credit point of view and a clearer macroeconomic picture.

### **The case for investing in alternatives remains as strong as ever**

The arguments for why you should invest in alternatives are well versed: diversification of risk, lower volatility, and potentially superior absolute returns over time. Both institutional and retail investors should view alternatives as a portfolio enhancer. Clearly, though, the record of outperformance has been challenged by high interest rates.

Fundraising has been difficult year-to-date, not least because bond yields are now attractive. Over the medium to long term, though, we strongly believe that structural tailwinds will be present for Alternatives – whether real estate, private equity, infrastructure or liquid alternatives. Add that to the reasons why 2024 may prove an inflection point, and there is a good case to be made for investing in Alternatives.

### **Alternatives at Columbia Threadneedle**

The expected outlook for 2024 very much plays to the strengths of Columbia Threadneedle Investments' global, multi-faceted Alternatives business. There is a real depth to our investment teams with capabilities spanning real assets, private markets, and hedge fund capabilities. These teams comprise around 140 investment professionals overseeing in aggregate around \$35 billion of assets under management<sup>1</sup>, which serves our clients well.

## **Both institutional and retail investors should view alternatives as a portfolio enhancer**

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