

PPB CAPITAL PARTNERS

The Bridge to Alternative Investments



PPB Capital Partners



300

Cumulative Yrs. of Experience

300+

Investments Made

\$2.2B+

Total Capital Committed



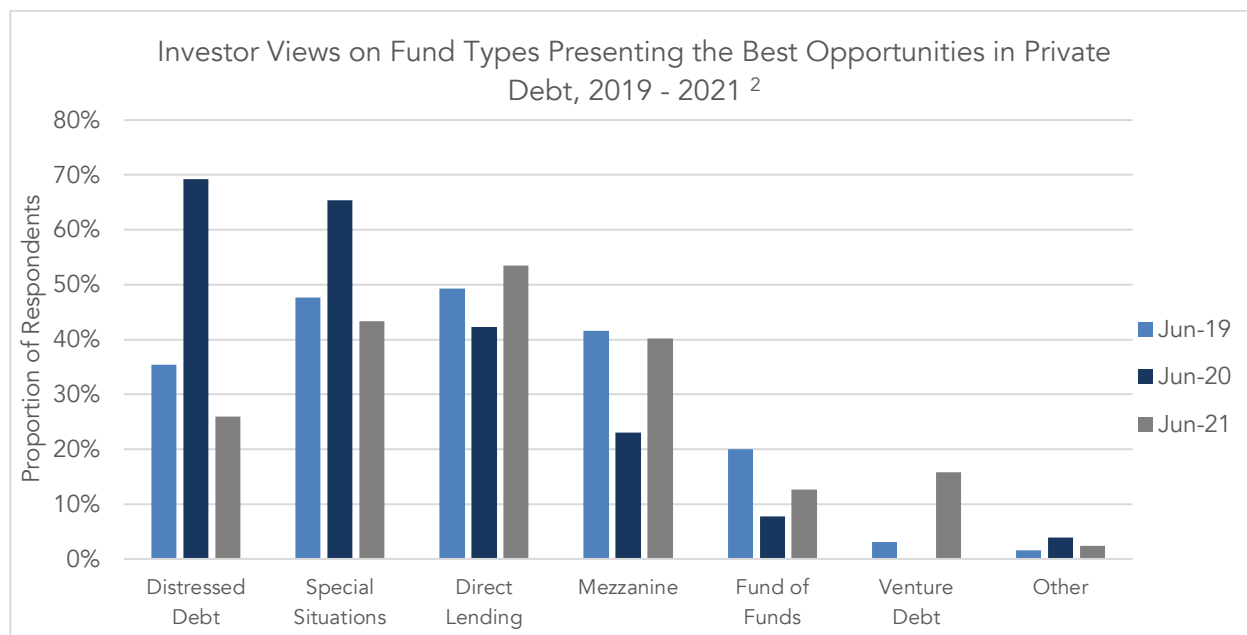
National Footprint

Direct Lending Demand Remains Strong, Hedge Funds Continue to Perform

Conshohocken, PA, September 20, 2021 - As the summer wound down, volatility returned to the markets as investors' concern over the upcoming Fed response to inflation increased. While the pandemic stimulus measures and Fed purchasing kept rates at historic lows and the price of risk assets elevated, the fear of spiraling inflation remains top of mind. The Fed continues to weigh the balance of additional economic support against widespread inflation pressures. With volatility picking up, a market correction could be coming and could result in the Fed beginning to pull away from its purchase program. Accordingly, across the alternative investment spectrum, a few strategies have continued to draw interest because of their ability to provide an inflation hedge, income, and overall diversification.

As we highlighted last month, hedge funds have performed exceedingly well since the market bottom last spring. In fact, according to Preqin data, US based hedge funds were up almost +16% in H1 2021¹. With Fed market support likely to wane, and corresponding market volatility to pick up, hedge funds are getting interesting again for investors. In the interim, while we wait for the Fed to make their policy shift, investors remain starved for yield and growth strategies continue to perform well.

Alternative investments continue to help fill the void for income through strategies such as Real Estate, Infrastructure (with an added boost from the Biden Administration), and Private Credit. In the public markets, allocators have been challenged to take on more credit risk in their traditional portfolios to meet their yield requirements. While Private Credit remains a key strategy, investor appetite within the asset class has shifted dramatically over the past year.



According to Preqin’s recent investor surveys, Distressed Debt and Special Situations were the two areas of most interest to investors during the peak of the pandemic. As such, many sponsors came back to market quickly or launched new offerings during the summer of 2020. As quickly as the US economy has rebounded with all the stimulus measures, the outlook for these strategies is vastly different to investors only one year later.

Compared to last year, Direct Lending, Mezzanine financing and Venture Debt are much more compelling opportunities moving forward. With the recovery underway, Direct Lending has been one of the most popular Private Credit strategies in 2021, especially as private lenders look to replace the plethora of sovereign capital that has been supporting the system and small and medium-sized enterprises (“SME”) since last year.

On the Private Equity side, Growth Capital and Venture Capital have attracted significant investor flows in 2021 and we have seen continued interest across PPB’s platform in both areas. Our past commentaries have highlighted the robust exit environment that has helped spearhead the attractiveness of the asset class.

Even as the Fed considers the wind down of its bond purchase program, we believe the low-rate environment will likely be in place for some time and investors will continue to look for the private markets for increased income opportunities. We anticipate that mainstay private investment strategies such as Real Estate will remain key pieces of allocator portfolios for both inflation protection and yield and that Direct Lending opportunities will remain of particular interest across all industries. In addition, it is likely that the removal of Fed support will lead to a pickup in volatility

where hedge funds will be well positioned to continue their recent strong performance in a more fundamentally driven market environment. Accordingly, we believe that an increase in alternative investment allocations will help ease investors through this Fed transition.

For more information on PPB's alternative fund platform, please contact Frank Burke, CFA, CAIA, Chief Investment Officer, PPB Capital Partners, 484.278.4017 Ext. 108 or at fab@ppbadvisors.com.

About PPB Capital Partners, LLC

Launched in 2008, PPB Capital Partners, LLC (or "PPB" or "the Firm") brings premier alternative investment solutions and streamlined processing to the wealth advisor community. PPB Capital Partners provides a roster of alternative investment managers, as well as builds and operates feeder funds and customized fund of funds for wealth advisory firms.

Important Footnotes and Disclosures

1. *Source: Preqin Markets in Focus, Alternative Assets in the Americas, page 9*
2. *Source: Preqin Investor Surveys, June 2019 – 2021*

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