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Monthly Market Update

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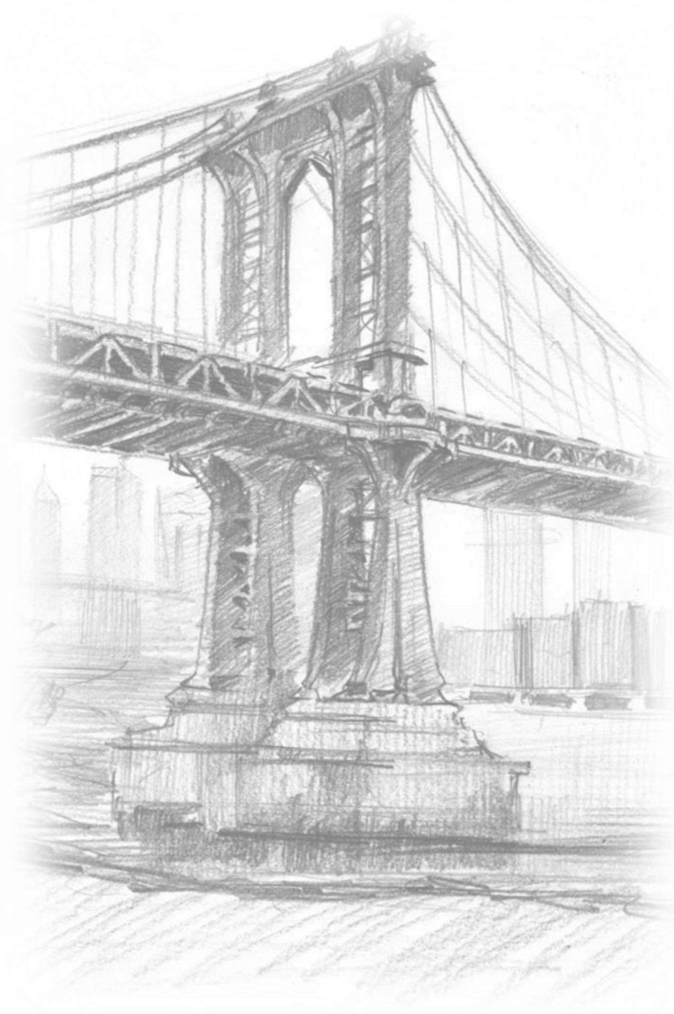
Best Practices for Investing Through Market Dislocation

By: Frank A. Burke, CFA, CAIA
Chief Investment Officer
PPB Capital Partners

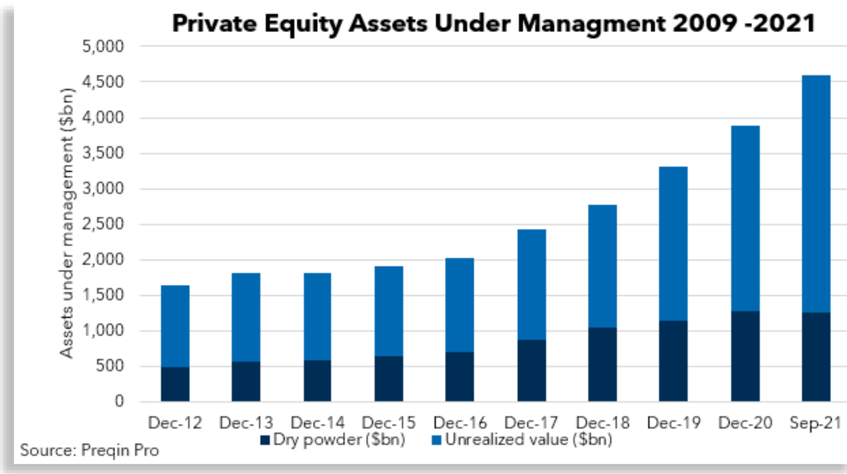


With volatility continuing to deteriorate investor confidence, and inflation pressures demonstratively impacting corporate profits last week, public equities have continued their downward slide thus far in 2022.

Regardless of the chosen adjective—be it valiant, noble or bold—the Federal Reserve's aggressive effort to combat inflation at all costs will have implications for all risk assets through what is likely the remainder of the year. Through all the market noise, the want for more alternative investment strategies is apparent, making hedge funds once again the trend.

In our recent posts, much of the discussion has been about the robustness of certain strategies in the hedge fund space. Additionally, global macro, multi-strategy and market-neutral managers have delivered excellent volatility protection so far this year. It's not surprising that anything related to commodities has been the biggest beneficiary of such a heightened inflationary environment. Beyond hedge funds, the appeal of private strategies to help mitigate much of what we are hearing in the market has never been more apparent.

Real estate has also been a focus in recent posts because of its natural inflation hedge. While on a recent conference call with a real estate fund, the portfolio manager indicated he foresees the extraordinary possibility of



rent growth rates eclipsing 20% in their portfolio—an unbelievable way to hedge against rising inflation and interest rates.

While hearing that number is staggering, it bears both good and concerning news. The good news: it has the potential to be a boon to investors as rent growths will far outpace inflation and the strategies should continue to perform well. The concerning news: when considering how such rent increases may impact the cost-of-living on Main Street, it makes the likelihood of a recession even more palpable.

It is something we should follow closely. Additionally, with borrowing costs up 50% since the beginning of the year*, it appears to be the end of the line for the free ride many investors have had since the culmination of the credit crisis.

Fundamentals clearly matter again. Real estate cap rates have moved a bit in connection with rate increases. As such, we believe investors should aim to be more disciplined and targeted in their real estate allocations. Certain real estate sectors—affordable housing, for instance—are expected to continue to do well. With escalating costs and lingering supply chain challenges, developers are still struggling. With that, the fundamental supply/demand imbalance is expected to continue into the foreseeable future.

Regarding private equity, funds should be well positioned to take advantage of the valuation adjustments across the investment landscape. According to Preqin, dry powder (assets that have been committed to a fund by investors but have not been allocated to an investment) for private equity assets remains near all-time-high levels—nearly $1.3 trillion. With this knowledge

and the level of financial support from their investor base, private companies may be better positioned moving forward, especially compared to their public counterparts.

It's possible that the illiquidity premium will likely increase in this environment. But early-stage venture capital strategies may give investors the potential for higher growth with little correlation to how public markets perform in the near term. On top of this, many of the long-term technology and decentralized finance themes on which we are most bullish have been oversold in this correction. Maintaining a disciplined asset allocation and continuing to deploy capital in the private markets can help advisors navigate the current public market noise while providing clients a less-volatile return stream.

With the current level of dislocation in the public markets, many institutions are facing the denominator effect of watching private allocations jump as a percentage of their portfolios. This will likely limit the ability to allocate into their chosen managers at the same level and could create opportunities that, historically, have been limited for smaller investors.

The possibility of this has many fund sponsors looking to diversify their investor base to include more high-net-worth investors.

This dislocation could create additional capacity across some prominent private managers throughout 2022. If that comes to pass, our advisory firm clients will be well positioned to fill those seats at the diversification table.

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 and builds/ operates feeder funds and customized fund-of-funds for wealth advisory firms.

For more information on PPB's alternative fund platform, please contact:

Frank Burke, CFA, CAIA
Chief Investment Officer

484.278.4017 Ext. 108
fab@ppbadvisors.com

Important Disclosures

*https://fortune.com/2022/03/31/mortgage-rates-skyrocket-fastest-four-week-increase-ever-home-prices/