

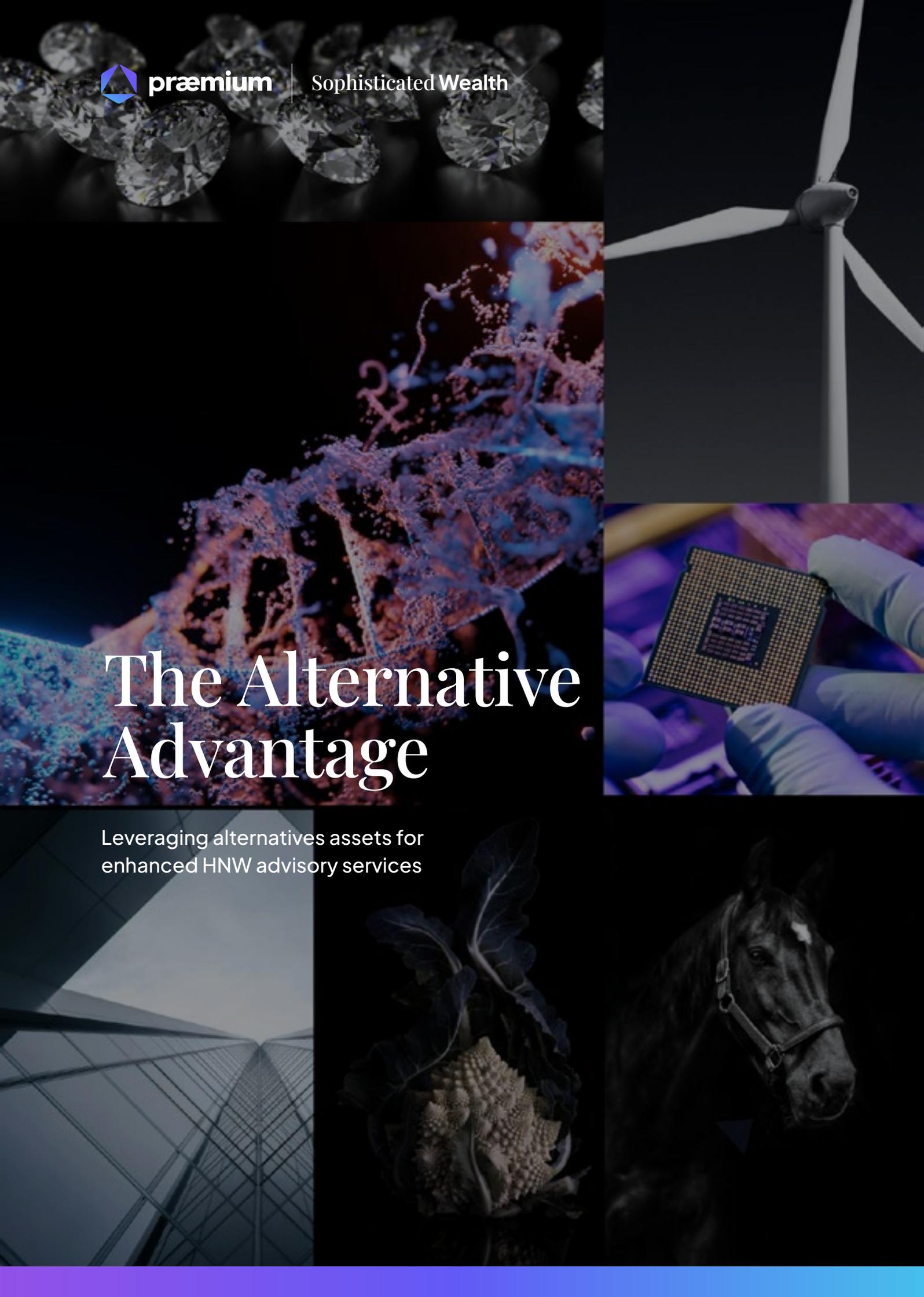


præmium

Sophisticated Wealth

The Alternative Advantage

Leveraging alternatives assets for enhanced HNW advisory services



Alternative investments, once considered niche, have now become essential components of sophisticated portfolios. High-net-worth (HNW) investors are increasingly turning to alternative assets to diversify their holdings, enhance returns and gain access to exclusive opportunities. For wealth advisers, understanding and effectively implementing alternative investment strategies is no longer optional - it is a necessity.

Key report insights

62%

of advisers are recommending alternatives to their clients.

85%

of HNW investors with alternatives are likely to further invest in alternatives in the next 12 months.

15%

of global AUM will be invested in alternative assets by the end of 2025 with family offices and institutions leading adoption.

45%

of HNWs invest in venture capital and hedge funds, making it their leading alternative investment choice.

2x

HNW clients are twice as likely to invest in alternative asset classes.*

Source CoreData Alternative Investor Survey March 2025. *Source: Praemium/Investment Trends HNW Investor Report 2024

From niche to necessity

Investment in alternative assets has increased notably over the last few years, with high-net-worth (HNW) investors driving the charge in search of diversified risk-adjusted portfolio performance and opportunities for yield where traditional asset classes may underperform.

In partnership with CoreData, we surveyed both advisers and investors on their use of alternative investments, and the findings show that the asset class is quickly transitioning from niche to necessity, reshaping the wealth management landscape. 22% of HNW investors have already integrated alternative assets into their portfolios, with each holding an average of 2.8 different alternative asset types.

The allocation of alternatives varies widely. 30% of investors dedicate 36%-50% of their portfolios to alternatives, and 15% commit more than 50%.

However, advisers are lagging, with 41% reporting that alternatives make up less than 20% of their total client assets under management (AUM). Still, adoption is increasing - 67% of advisers actively recommend alternative investments, a sharp rise from 40% five years ago¹ and 69% of HNW-focused advisers view alternative assets as essential for future alpha generation.²

HNW investors' demand for alternative investments is only likely to grow over the coming years. The younger demographic is showing the most willingness to invest in the asset class, presenting advisers with the opportunity to grow their HNW client base and attract the next generation of clients.

While perceived barriers and challenges are often curbing advisers from having a conversation on alternatives with their clients, with the right information, client education support and platform partner, these hurdles can be overcome.

This can free advisers to craft a tailored portfolio aligned with the investors' unique goals and risk profiles, enhance client engagement and create the collaborative adviser/client partnership HNWs are increasingly seeking.



2.8

is the average number of asset types in a HNW investor alternative portfolio.



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69%

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Motivations beyond traditional returns

The driving forces behind this shift to alternative assets are multifaceted and nuanced. Portfolio diversification stands as the primary motivation, with 58% of investors seeking risk-adjusted returns beyond traditional asset classes.

However, the story is far more complex. Investors are increasingly drawn to exclusive opportunities (43%), tax efficiency (40%), and exposure to innovative projects (40%).

Venture capital, hedge funds, and private debt have become the new frontline of sophisticated investment strategies. Venture capital and hedge funds lead the pack, with 45% of HNW investors holding these assets, followed closely by private debt at 40% and private equity at 35%.

Advisers recognise the need to integrate alternatives to remain competitive, with many expanding their expertise in private equity, hedge funds, venture capital, and private debt. Notably, 61% of HNW investors prefer private investments, while 48% look to managed funds and ETFs as a way to access alternative strategies with liquidity benefits. Advisers who fail to engage with these asset classes risk losing relevance, as next-generation investors increasingly expect customised and sophisticated portfolio construction.

Key Insights

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30%

of investors dedicate 36–50% of their portfolios to alternatives.

1 Source: CoreData/Praemium The Hunt for Alpha Research August 2024

2 Source: CoreData/Praemium The Future of Private Wealth October 2024

Engaged and informed

Our research revealed another compelling trend: HNW individuals who incorporate alternative investments into their portfolios tend to exhibit greater engagement, are significantly more connected with their advisers, and have a thirst for seeking out information about opportunities.

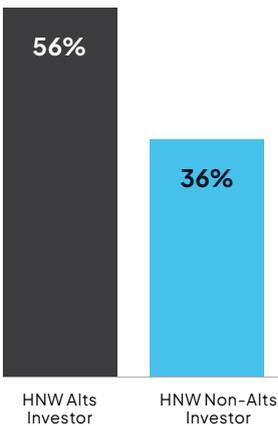
Alternative investments foster deeper client-adviser relationships, as they require more active engagement and expertise. 56% of alternative investment clients maintain ongoing relationships with their advisers, compared to just 36% of traditional investors.³ This signals that clients who invest in alternatives see the value of professional guidance and customised portfolio strategies.

HNW investors who hold alternatives and work with an adviser are well versed in their options, with 81% familiar with the range of alternative investment options available. This level of familiarity is also likely to instil confidence in future allocation to the asset class, with 85% reporting they are likely to invest further in alternatives over the next 12 months - with 25% stating it was very likely they would further their investment in alternatives.

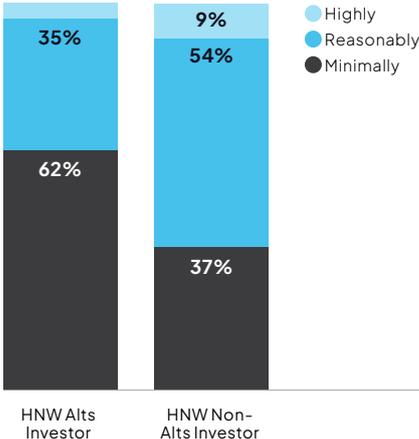
However, advisers must compete for influence - only 50% of investors rely on their adviser as their primary source of alternative investment insights, while 43% turn to peer networks and 38% attend industry events. This demonstrates that investors are increasingly self-educating and networking to gain insights into alternatives, requiring advisers to be proactive in delivering value-added insights and research.

Despite advisers being the primary information source, 55% of non-alternative investors still cite knowledge gaps as their main barrier to investing in alternatives, representing an opportunity to bridge the knowledge gap effectively.

Clients who have an ongoing relationship with a financial adviser



Level of engagement in investing activities



³ CoreData Alternative Asset Research April 2024

Recommending alternatives

While a significant portion of HNW advisers (62%) are recommending alternative investments the research reveals a disconnect between what investors are seeking and what advisers are recommending.

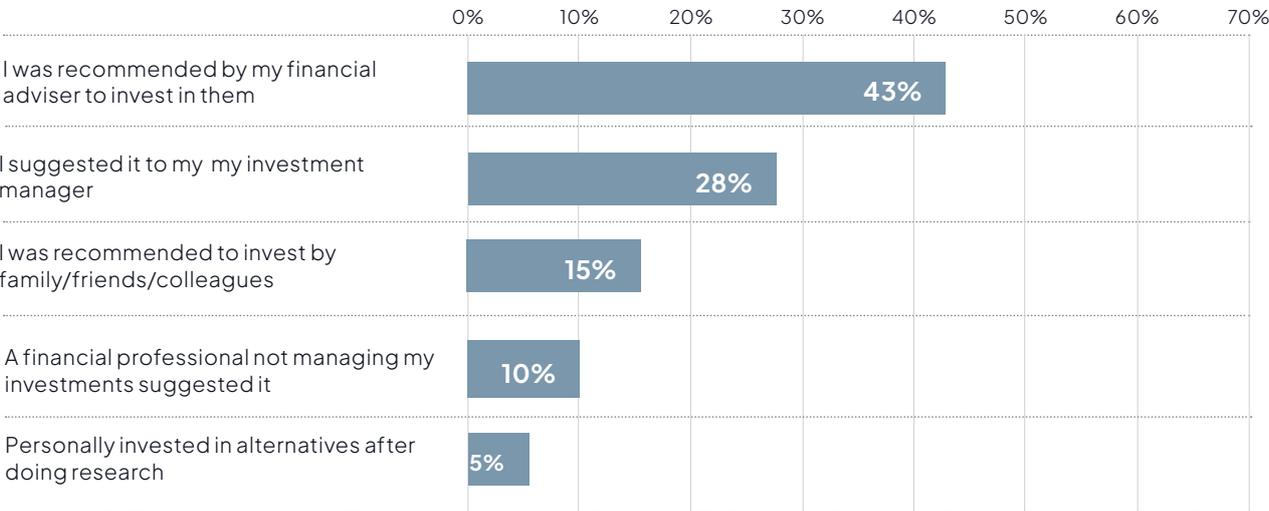
Among advisers who recommended alternatives, infrastructure (85%), private equity (51%) and private debt (47%) were the top 3 recommended options. Reasons for recommending these included portfolio diversification (78% recommended for this reason), higher return potential than traditional assets (44%) and mitigating risk (35%). Infrastructure, despite overwhelming adviser endorsement, represents only 23% of HNW investor holdings, highlighting a potential gap between adviser recommendations and actual investor allocations.

One quarter of advisers stated that their reason for recommending alternatives was based on the clients' personal interest in this asset class, aligning with the 28% of HNW investors who independently sought alternative investments.

This suggests that while investor demand for alternatives is growing, advisers may not be engaging clients in these discussions as frequently as needed.

While ensuring investments remain appropriate, the findings highlight the importance of proactively discussing alternatives with clients. Without these conversations, clients may pursue opportunities independently, potentially without professional guidance. Additionally, discussions about alternatives encourage more frequent touch points between advisers and clients. Since alternatives often require a more hands-on approach, whether through due diligence, performance tracking, or liquidity management, advisers who specialise in these assets can provide much sought after education and knowledge that strengthens long-term client relationships and positions them as indispensable partners in wealth creation.

Motivation to invest in alternatives



Source: CoreData HNW Investor Research March 2025

Generational & market dynamics

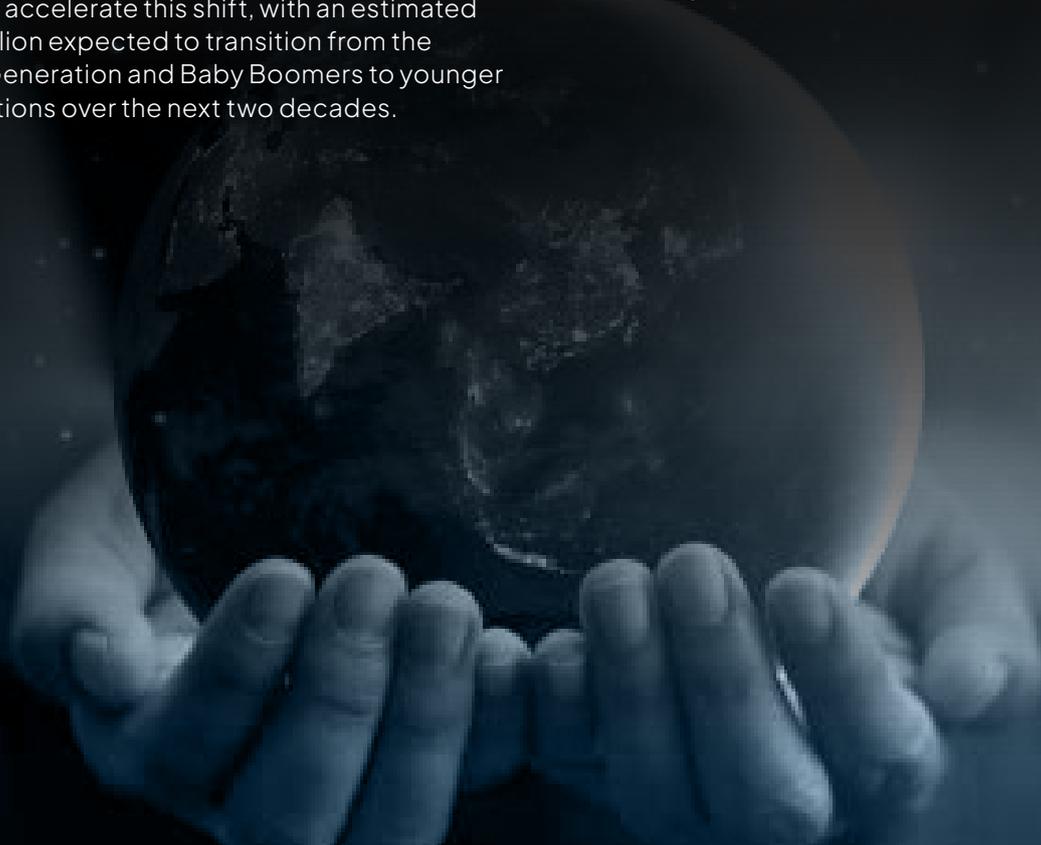
The broader market for alternative assets is evolving, with alternative investments projected to represent 15% of global assets under management by 2025. Institutional adoption has accelerated, with large family offices leading the charge into private markets.

Generational shifts also play a crucial role in alternative investment trends. Younger investors (18–40) are more open to alternative assets, with 81% not currently investing in alternatives stating they are likely to invest in the next 12 months.

This younger cohort are less risk averse and have a keen interest in digital assets and private markets. This presents a prime opportunity for financial advisers to step in as educators, helping them navigate the complexities of illiquid investments, risk-return trade-offs, and long-term wealth-building strategies.

The impending intergenerational wealth transfer is set to accelerate this shift, with an estimated \$3.4 trillion expected to transition from the Silent Generation and Baby Boomers to younger generations over the next two decades.

Advisers who proactively adapt their approach to educate this generation on alternatives incorporating digital tools, ESG-focused solutions, and personalised engagement strategies will be well positioned to attract and retain this new client base. By doing so, they not only ensure business continuity but also align their service offering with the evolving priorities of the next generation of HNW investors.

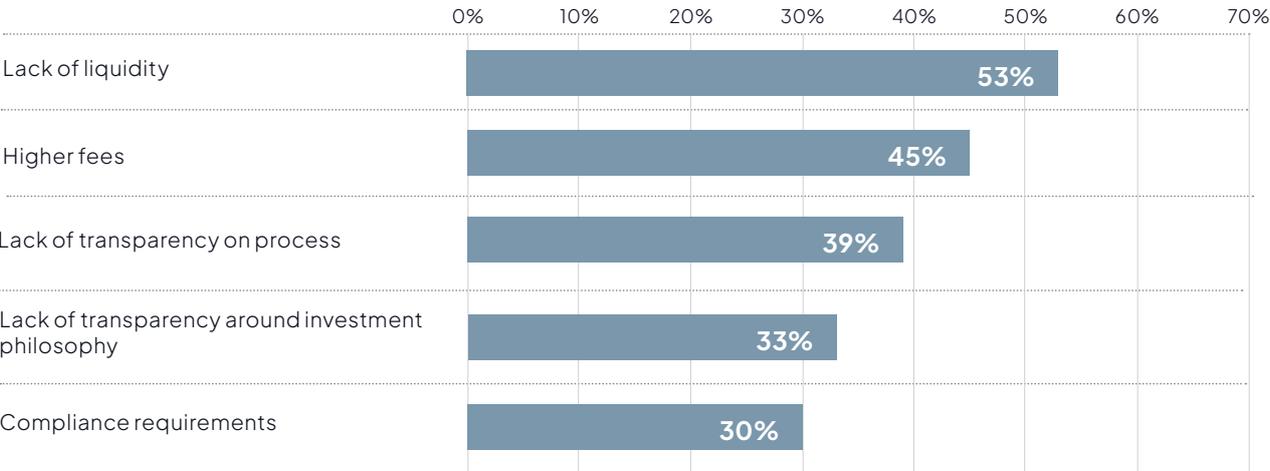


Barriers and challenges to investing in alternatives

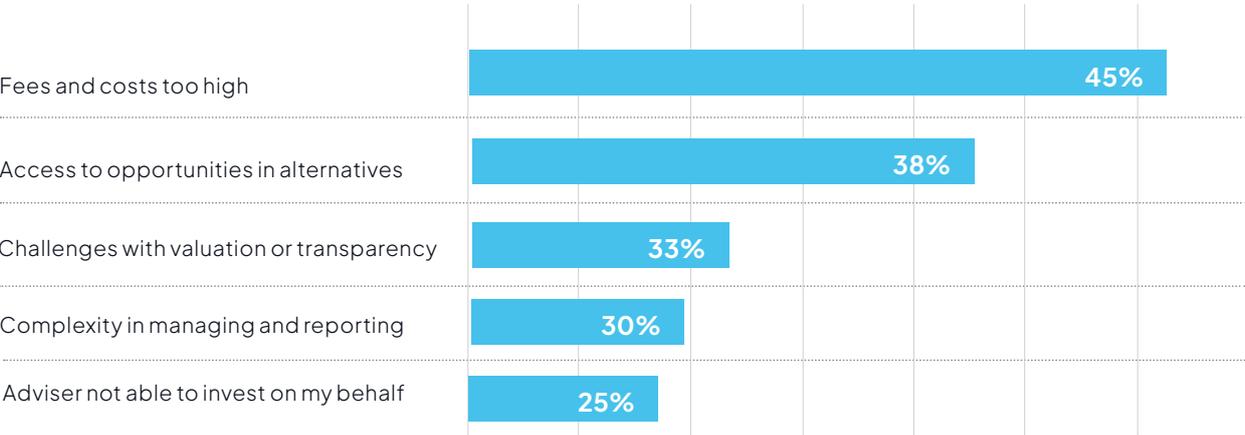
Despite growing interest both advisers and investors identify several challenges and barriers in integrating alternative investments that diminish their ability to fully embrace the opportunity.

Transparency and costs are key challenges for both investors and advisers. Ensuring robust due diligence, careful cost-benefit analysis and clear reporting is critical to overcoming this. Advisers can support investors by building strong networks to gain access and knowledge of opportunities and help educate investors where knowledge gaps exist. By partnering with experienced alternative investment managers, leveraging specialist platforms for trading and execution and reporting, and educating clients on liquidity management, advisers can remove some of the barriers to create opportunities for portfolio growth.

Advisers: Top 5 challenges/barriers to recommending alternative investments



Alternative Investors: Top 5 challenges/barriers to investing in alternative investments



Source: CoreData Investor Research March 2025

The adviser opportunity

For advisers, the rapid shift towards alternatives represents an unparalleled opportunity to differentiate, add value, and future-proof their practice.

The data is clear, HNW investors are actively seeking alternative investments, and those who engage with them have deeper, more enduring relationships with their advisers.

The rising interest in alternative assets among HNW clients provides a strategic advantage for advisers willing to develop expertise in this area. By positioning yourself as a knowledgeable guide in the alternatives space, you can establish yourself as an educational resource on a complex asset class that clients are actively seeking to understand, differentiate your practice with specialised knowledge, attract new HNW clients specifically looking for alternatives expertise, and deepen existing client relationships through collaborative partnerships.

While challenges such as liquidity constraints, valuation transparency, and access persist, innovative solutions and digital platforms are making alternatives more accessible than ever.

By deepening their expertise, leveraging technology, and proactively educating clients, advisers can:

- » Enhance client engagement by offering sophisticated, tailored investment strategies.
- » Access new revenue streams through diversified portfolio management.
- » Attract next-generation investors who prioritise innovation, sustainability, and exclusivity.
- » Solidify their position as trusted partners in an increasingly complex investment landscape.

Advisers who take the lead in alternative investment education, access, and implementation will thrive in the evolving financial ecosystem. Those who embrace alternatives will not only meet growing client demand but also build a more resilient, future-ready wealth management practice.

Methodology

The research on advisers and their use of alternatives was commissioned by Praemium from CoreData and is based on surveys with 150 advisers with a HNW focus i.e. at least ¼ of their clients are HNW with an investment portfolio >\$1m excluding main residence and super or managed a portfolio of over \$6 million. The research was conducted between January 2024 and March 2024.

The research on investors and their use of alternatives was also commissioned by Praemium from CoreData and is based on surveys with 181 HNW investors.

The research was conducted between February 2025 and March 2025.

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