

## PGIM ALTS FORUM

## OPPORTUNITIES IN LIQUID STRATEGIES

## Webinar Summary



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The recent surge in volatility and wide price dispersion in global markets should have provided a favorable scenario for hedge fund strategies, but central bank actions around the world have made price discovery more difficult than ever. It's with this challenging climate in mind that PGIM brought together a host of experts across a handful of asset classes for our first installment of the PGIM Alts Forum, focusing on the potential benefits of allocating to liquid alternative strategies. Following are a few highlights of the wide-ranging discussion, which can be watched in full [here](#):

- **The shifting landscape in alts:** The role alternatives play in institutional portfolios has increased dramatically in recent years, driven by a handful of trends. First, the low-for-longer rate backdrop has investors increasingly reaching for yield. There is also a greater awareness that alts are not simply a way to find additional alpha but also provide a way to inject more diversification and lower drawdown risk into a portfolio. Finally, a growing share of the economy is moving towards private assets.
- **Inflation concerns and managed futures:** U.S. money growth, as measured by M1, is at an all-time high. Assets such as gold and inflation-indexed bonds work well in an environment of high and persistent inflation, but in the case of an inflation shock those assets will not perform as well, highlighting the importance of portfolio diversification. One way to achieve that diversification is with the use of managed futures, which can take advantage of large and unanticipated market dislocations.
- **A golden age of healthcare innovation:** COVID-19 will fundamentally alter the way the world views healthcare. The impact of the pandemic has highlighted many of the inefficiencies in the system but also the speed of discovery.

In the future, areas such as telemedicine, alternative sites of care, and the use of technology to address people's increased awareness of health are all likely to grow in importance. On the drug development side, virtual clinical trials are likely to become more commonplace, along with the increased use of advanced technological tools in drug development.

- **Active, long-tenured management is important:** Lopsided investor sentiment sometimes makes for market dislocations, and active managers with a broad and diverse opportunity set can exploit those disruptions. The breadth and depth of a manager's resources within the alts space, allowing them to take advantage of those dislocations in a consistent way, is of paramount importance. It's also imperative that the alpha sources delivered by managers are uncorrelated, particularly in the current environment of very low interest rates and relatively elevated equity prices.

Part II of the PGIM Alts Summit will feature insights from a new set of PGIM speakers, with expertise across illiquid alternatives, and will cover a host of alternatives-related investment themes. To see all of PGIM's thought leadership, visit our insights page [here](#).

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