Private Banking - Alternative Investments – Mitigating Risk

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Carlton James on Private Banking

LONDON, UK, UK, October 27, 2016 /EINPresswire.com/ -- Private banking is an industry currently undergoing something of a renaissance. As the balance of economic and geopolitical power between East and West has shifted over recent years, there has been an explosion in demand for private banking services across the Asia Pacific region. The emerging markets of China, Malaysia and elsewhere pushed total global assets managed by the private banking industry in 2015 to $20.3 trillion, up from $18.5 trillion in 2013 and the growth of China into a global power has led to an explosion of wealth within its sphere of influence. Recent analysis by the World Wealth Report1 for example, reveals that the number of individuals with investible assets worth $1 million plus in the Asia Pacific region increased by 17% in 2013, to 4.3 million people. The total wealth held by this group also increased correspondingly by nearly a fifth, to $14.2 trillion.

This growth in the market for private banking has been further assisted by tighter regulation in the post-crash world. Scrutiny and regulation have forced many mainstream and high-street banks out of investment banking, leaving the field open for more specialist and investment driven banks.

Regardless of these dynamics however, striking the right balance between return and risk remains key in the private banking sector.

Building investments…

In the wake of the 2008 crash, and the age of low interest rates and quantitative easing which it ushered in, property has remained the most attractive investment for those looking for significant returns. The reasons for this are clear. Recent research from Savills2 revealed that the total value of property worldwide (currently around $217 trillion) is 36 times more valuable than all the gold ever mined (worth approximately $6tn), 2.3 times the value of outstanding securitised debt ($94tn), and 3.9 times the total value of equities ($55tn). The same report estimated the growth rate of this global asset class to be 1.77%, so there are returns to be made and growth rates in local markets often far exceed this.

Recent data from MSCI shows that US commercial property funds in 2015 grew a staggering 15.6%

according to the PREA/IPD US Quarterly Property Fund Index3. Even more impressive is the fact that investments in US commercial property have seen a cumulative return of 129% over the past six years.

There are downsides to property investment however. Property requires regular maintenance for example and while, on the whole, tenants can be relied upon to not mistreat a property and pay the rent on time, bad tenants can turn an investment into a full time job. Politics can also weigh large in the minds of property investors and housing and property is for many a significant political issue. This ensures that the market is often the subject to policy interventions, and property investors can need to be aware of the political contexts in which they make their investments. Investors in one development in London, for example, have been singled out in the media as being representative of rising property prices and the political frustrations which follow4.

As a result of this kind of rhetoric, rent caps are being considered or implemented in cities including Dublin, New York and Berlin – despite all the evidence against such market intervention.

At the other end of the scale, larger investments through Real Estate Investment Trusts (REITs), while generating decent returns, are not as high yielding as direct investment can be. The fact that these investments are managed by large corporations and investment houses also means that there is often a potential disconnect between returns, and the allocation of those returns to investors. Indeed, a recent report from a research team in Toronto found that, while REITs had the highest net returns amongst a sample of asset classes, investors in REITs saw the lowest allocations – just 0.6% of total asset value5.

…and making them work

Despite the politics property investments continue to outperform other asset classes and so remain popular. Looking again at the US for example, we see that commercial property as an asset class has outperformed US bonds (up 4.39% over the period 2011 to 2015), stocks (up 13.45%), corporate bonds (up 4.72%) and commodities (down 10.93%)6.
So what's the best way to maximise returns, while minimising risk?

Rycal Group have developed a niche which is proving to be increasingly popular with investors. The opportunity is centred around the Carlton James Group, an investment portfolio with a focus on the US's hospitality sector. Over the last five years this portfolio has seen average returns of 17% per annum. With a strategy based upon wide-ranging geographical and market intelligence, Carlton James look also for additional revenue generators – for example taking into account a development's proximity to highways, malls and economic infrastructure – as well as local economics.

Simon Calton, Co-Founder and CEO of the Carlton James Group, says: "Private banks and their clients define themselves by their willingness to consider alternative investments – finding the opportunities that others miss. Making alternative investments work for clients however requires depth of knowledge and understanding in any given market. A portfolio such as ours is a perfect partner for investors looking for opportunities in the US that others have yet to capitalise on."

Carlton James is proud to sponsor the Spear's Private Banker of the Year Award at the Spear's Wealth Management Awards (WMA) November 1st at The Dorchester, London, UK.

For more information on the Rycal Group and Carlton James investments please visit http://www.rycalgroup.com/newinvestors. To arrange an interview or comment from Simon Calton, CEO, please contact Liam Thompson at lthompson@sks-london.co.uk, http://sks-of-london.com, or on +44 (0) 7890 315 537.

1.https://www.worldwealthreport.com/
2.http://www.savills.co.uk/_news/article/72418/198559-0/1/2016/world-real-estate-accounts-for-60--of-all-mainstream-assets
3.https://www.msci.com/documents/10199/e667cc74-b4e2-4f72-8d8a-8b88e283b211
4.https://www.theguardian.com/society/2016/may/24/revealed-foreign-buyers-own-two-thirds-of-tower-st-george-wharf-london
5.http://www.pionline.com/article/20160627/PRINT/160629891/reit-returns-strong-allocations-remain-low-study-finds
6.https://www.bullionvault.com/guide/gold/Annual-asset-performance-comparison

Liam Thompson
Sierra Kilo PR
44 203 290 6001
email us here
