

Foundations of Alternatives

Glossary of terms

Alternatives – “Alternatives” is often used as a catch-all phrase to mean any non-traditional asset class or investment strategy. The alternatives category includes private equity and private credit, private real assets such as real estate, infrastructure, transport and timber, and alternative investment strategies such as those used by hedge funds and liquid alternatives.

Shock – A “shock” refers to an unexpected or unpredictable event that has a significant impact on an economy, causing significant changes to economic indicators such as GDP, employment or prices.

Growth shock – a growth shock is an unexpected event that causes a significant change in the growth rate of GDP.

Inflation shock – An inflation shock refers to an unexpected event that causes a significant change in the rate of inflation.

Public markets – Public markets are financial markets where securities, such as stocks and bonds, are bought and sold in public exchanges. They are characterised by their accessibility to the general public.

Private markets – Private markets refer to segments of the financial markets where financial assets are traded or held privately, rather than being listed on public exchanges.

Initial public offering (IPO) – An IPO is when a private company becomes public by selling its shares on a stock exchange.

Investment vehicles – An investment vehicle is a product or account used to facilitate investing activity. In the context of alternatives, the European Long Term Investment Fund (ELTIF) and the UK’s Long Term Asset Fund (LTAF) are regulated investment vehicles designed to offer retail investors access to alternative asset classes and investments.

Defining alternative asset classes

Private equity – Private equity typically refers to equity investments in companies whose shares are not listed on public stock exchanges.

Private credit – Private credit, or direct lending, typically refers to non-traditional lenders (such as private credit funds or hedge funds) lending directly to small and medium-sized companies.

Private real estate – Private real estate typically refers to direct or indirect (via an unlisted fund) equity investments in real estate properties. Real estate investments can include assets such as office buildings, retail units, logistic warehouses, apartments and hotels.

Private infrastructure – Private infrastructure typically refers to direct or indirect (via an unlisted fund) equity investments in infrastructure assets. Infrastructure investments include assets such as roads and bridges, power and water utilities, telecommunications and energy.

Private transport – Private transport typically refers to direct or indirect (via an unlisted fund) equity investments in transportation assets. Transport investments include assets such as ships and rail networks. Transport is sometimes referred to as moving infrastructure.

Timber – Timberland investing refers to acquiring or managing a forest as an asset to generate financial income and returns, primarily through the production and sale of logs.

Hedge funds – A hedge fund is a limited partnership of private investors whose money is pooled together to invest in a wide variety of assets, often using complex strategies aimed at generating higher returns. As unlisted investment funds, hedge funds are less regulated than listed investment funds.