

23rd ISSA Symposium - Context Document

Breakout Session 5: Alternative Investments

HYPOTHESIS

Alternative investments are assets that fall outside traditional categories like publicly traded stocks, bonds, or cash. They're often used to diversify portfolios, seek higher returns, or hedge against market volatility—but they usually come with higher risk, lower liquidity, and more complexity. They can boost returns and diversification—but often require patience, expertise, and a higher risk tolerance.

Alternative investments span a wide range of asset types such as Private Markets (private equity, venture capital, private debt), Real Assets (real estate, infrastructure and natural resources) Hedge Fund, Commodities, Collectibles & Tangible Assets and Digital Assets. We typically think of alternative investments as “everything beyond stocks and bonds.”

Alternative investments typically differ from traditional ones in these ways:

- Low liquidity: Harder to buy/sell quickly
- Higher fees: Management and performance fees are common
- Less transparency: Fewer reporting requirements
- Complexity: Often require specialized knowledge
- Low correlation: Can behave differently from stock markets

Investors include alternatives in portfolios to:

- Diversify risk (reduce dependence on stock markets)
- Enhance returns (access unique opportunities)
- Protect against inflation (especially real assets)
- Access niche strategies not available in public markets

Alternative investments aren't for everyone. Key risks include:

- Illiquidity (your money may be locked up for years)
- Valuation uncertainty (harder to price accurately)
- Regulatory differences
- Higher minimum investments
- Manager risk (performance depends heavily on skill)

The Alternative Investments Breakout Session will split into two sub-groups to discuss the following two sub-themes in greater detail:

- Subgroup 1: **Common characteristics of Alternative Investments**
- Subgroup 2: **Challenges of Alternative Investments**

OBJECTIVE OF THE BREAKOUT SESSION

The objective of the Breakout Session will be to debate the theme of Alternative Investments as well as debate the subgroup topics of:

- Common characteristics of Alternative Investments
- Challenges of Alternative Investments

The session should identify the key issues and the impact of these on ISSA membership. The data of the ISSA Working Group should be reconsidered to provide a new current lens over the earlier paper: [Alternative Investments Working Group](#) and [2014 Paper](#)

QUESTIONS FOR CONSIDERATION

Subgroup 1: Common characteristics of Alternative Investments

Alternative investments remain largely manual, fragmented, and non-STP, particularly across subscriptions, transfers, and lifecycle events. We are currently facing a clear tension between the need for flexibility (to support bespoke deals) and the drive towards standardised workflows.

Discussion Questions:

- When we say 'alternative investments' what are they? The earlier 2014 paper had a set list. Consider refreshing this list and determining what alternative investments we want to consider
- What are the common characteristics of this group of alternative investments?
- What, if any, of these characteristics can be harmonized or grouped together in order to create common standards and processes to begin to remove the manual and fragmented nature of alternative investments?

Subgroup 2: Challenges of Alternative Investments

Alternative investments are inherently challenging, but what makes them so? In Subgroup 1, we explored what constitutes alternative investments and the common characteristics they share.

Building on this, we now need to consider the specific challenges associated with investing in alternative assets and what measures can be taken to mitigate them.

Discussion Questions:

- When we say 'alternative investments' what are they? List alternative investments that we want to consider
- What are the challenges associated with these alternative investments?
- What are possible mitigants and solutions to these challenges generally and that ISSA can take forward?

PRE-READING

Breakout Session participants should read the following collateral to familiarize themselves with the hypothesis prior to the Symposium:

- Introduction to Alternative Investments [content](#)
- Private Markets – Call to Action <https://issanet.org/content/uploads/2022/10/ISSA-Digitization-WG-Private-Market-October-2022-FINAL-1.pdf>
- CFA Institute – Core Characteristics of Alternatives [Alternative Investment Features, Methods, and Structures | CFA Institute](#)
- [Pros and Cons of Alternative Investments](#)
- [Alternative Investments: Increased Accessibility for Investors | Morgan Stanley | Morgan Stanley](#)