

The current financial crisis rivals 2008 with inflation near a 40-year high and recession is here. Alternative fixed-income investments offer the same safe haven they did back in 2008.

Jeffrey Sweeney, Chairman and CEO at US Capital, discusses the strengths of alternative fixed-income investments and the opportunities they present to generate steady and higher interest rates, with reduced risk and long-term stability.



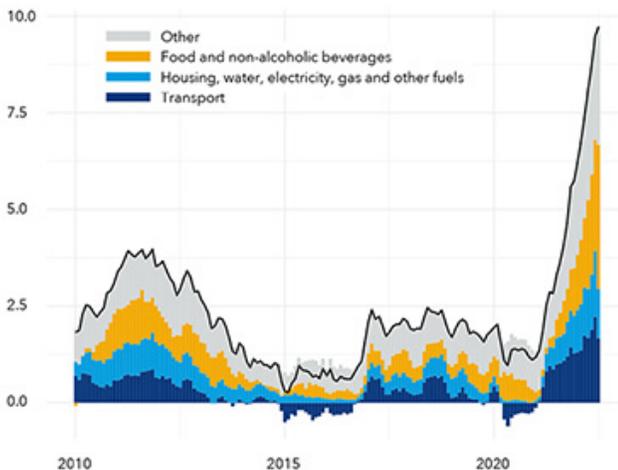
I saw a very successful run of alternative fixed-income products, including our own, from the mid-2000s through 2015, when I successfully exited the General Partner of an alternative private investment fund. The long bull run in the stock markets reduced the appeal of alternative fixed-income products until recently, when that run abruptly ended. Now, with the average global cost of living having risen more in the 18 months since the start of 2021 than it did during the preceding five years combined, alternative fixed-income products are back with a vengeance. Aggressive stimulus measures in 2020 and 2021, rising demand for goods and services coupled with supply chain disruptions, and Russia's invasion of Ukraine are some of the contributors to rising inflation, which has altered the landscape

for investors.

Given this global inflation surge, investors are actively seeking higher interest rates for their fixed-income investments. Investors have been more attuned to the importance of balancing traditional fixed-income portfolios with alternative fixed-income investments ("alternatives"). While this trend had been growing steadily over the years, rising inflation has been fueling an accelerated adoption of this investment thesis. In looking for ways to mitigate the effects of rising inflation and weather the market's ups and downs, more investors are turning to alternative fixed-income investments.

Inflation drivers

Food and energy prices continue to drive the global inflation surge.
(percent, median inflation rate)

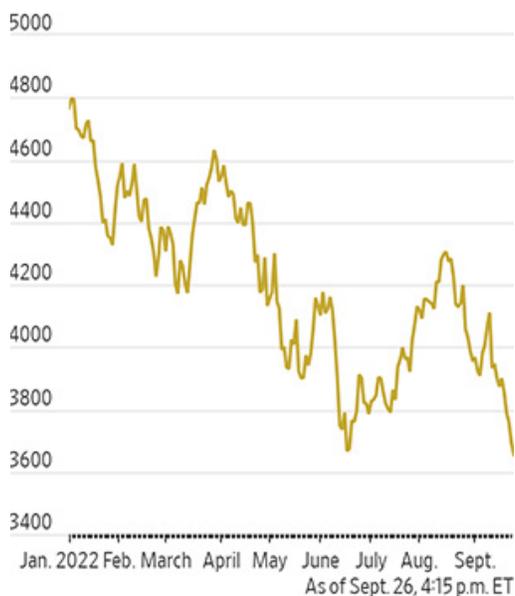


Source: IMF CPI database and IMF staff calculations.
Note: Chart shows median total inflation and in select categories across 88 countries, including 28 advanced economies and 60 emerging and developing economies.

A natural interest rate hedge to reduce volatility-based risks

Alternative fixed-income investments – such as private debt, business credit funds, venture debt, convertible notes, and more – differ significantly from the traditional asset classes of stocks, bonds, and mutual funds offered by more conventional investment advisors. Alternatives are distinct in their ability to reduce exposure to volatility and generate steady returns. Backed by salable assets, alternatives generally have a low correlation to the stock market and general economy and are largely undisturbed by share price fluctuations.

S&P 500 Index



Source: FactSet

Meanwhile, [the S&P 500 has fallen for three consecutive quarters](#), the kinds of losses investors have not faced since 2009. In this volatile climate, those with foresight – or perhaps hindsight from the previous crisis – have been able to thrive through the diversification of their portfolios. Alternative fixed income continues to produce a steady passive income despite stock market fluctuations.

Gaining the competitive interest edge

The expansion of one's portfolio into alternative fixed-income investments not only protects against such volatility but opens opportunities to participate in some of the generation's greatest new businesses. As an eligible accredited investor, you can capitalize on opportunities through private alternative fixed-income investments that are not yet in the public markets but available directly from asset managers and registered broker-dealers like US Capital Global Securities or from the more progressive investment advisors we supply opportunities to for their clients.

US Capital Global Securities offers a number of alternative fixed-income investments in a variety of sectors. Our banner investment vehicle, [US Capital Global Lending LLC](#), provides senior secured, asset-backed credit facilities to lower middle-market businesses. The company has audited returns from 2020 of 8% per annum with quarterly liquidity. Moreover, it has recently boosted its fixed-income interest from 8% to 10% per annum for a period of 24 months for new subscriptions (further details available on request).

Investors sticking to standard asset classes can be caught in a long-term low-interest-rate product when inflation springs up like we see today. With the support of an investment bank skilled in due diligence and innovative investment advisors who allocate to these products, investors in fixed-income alternatives can respond to global changes as they arise while generating potentially higher gains than traditional investments.

What are the risks and rewards of alternatives?

Counterparty risk and underlying assets and cash flows are the primary drivers of risk in alternative fixed income. Before US Capital Global Securities considers distributing an alternative fixed-income offering, it conducts extensive due diligence to help ensure the management, assets, and cash flows are reliable and resilient, as stated in the offering materials.

Preferred alternative fixed-income investments typically have one or more of the following characteristics:

- Product sales in the marketplace with a diversified customer base
- Cash flow necessary to service debt
- Assets sufficient to liquidate in the event of default
- Adequate capital invested in the company or sponsors that will support the company
- Seasoned management team with sector expertise

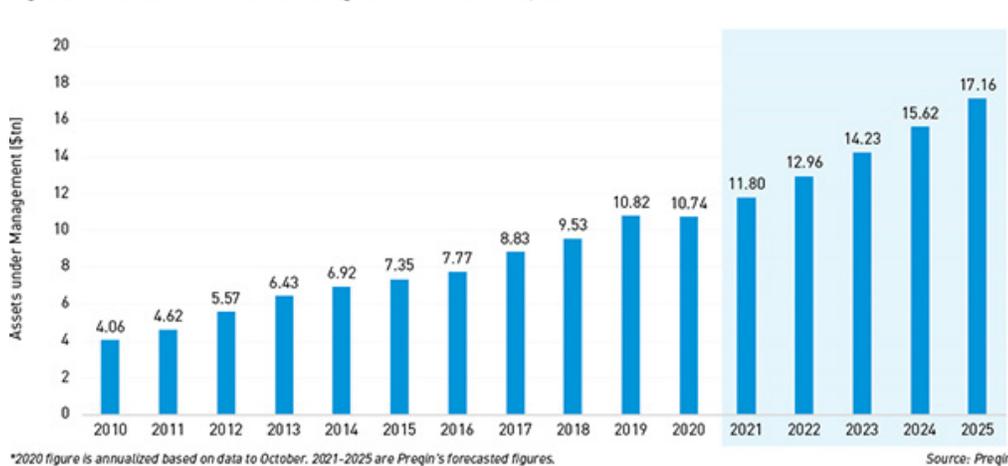
Moreover, investors are able to mitigate their risk by investing in an alternative investment fixed-income fund, like [US Capital Global Lending LLC](#), thereby diversifying their investment across an array of industries and geographical regions.

Unlike publicly traded stocks, an alternative fixed-income credit fund's performance is determined by the fund manager's ability to assess the borrower's creditworthiness, rather than the state of the market that month or other factors unrelated to the company's performance. This approach to determining an investment fund's worthiness obviates the need to continually monitor comparative performance benchmarks and allows one instead to focus on seeking absolute returns, i.e., making a steady income in all market environments.

The continued rapid rise of alternative investments

A study by [Preqin](#) shows that between 2020 and 2025, global assets under management in alternatives are set to increase by 60%, far outpacing global GDP and inflation. The alternatives industry is expected to reach \$17 trillion by 2025, with private equity and private debt leading the way. At US Capital, our fixed-income private investment funds generally have a preferred

Fig. 1: Alternative Assets under Management and Forecast, 2010 - 2025*





net return in favor of Limited Partners of up to 10% per annum, and some have no management or placement fees and quarterly liquidity. These fixed-income funds aim to deliver higher returns without increasing risk, thereby allowing our investors to mitigate the damage to their portfolios caused by rising inflation.

Jeffrey Sweeney is a fund manager with years of experience in corporate finance and asset management. He is Chairman and CEO at US Capital (www.uscapital.com), a full-service global private financial group headquartered in San Francisco with primary offices in Dallas, Philadelphia, Miami, London, Milan, Zurich, and Dubai.

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