Boardroom Briefings: shaping the future of investing with open-ended funds

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Open-ended funds incorporating private asset and private credit strategies, as well as Environmental, Social, and Governance (ESG) funds, are increasingly appealing to investors.

These funds offer unique benefits such as higher yields, diversification, sustainability, and alignment with ethical values. Ogier Fund Administration provides a full suite of fund administration and accounting services to support these funds, ensuring efficient operations, compliance, and transparency for clients and investors.

The appeal to private asset and private credit strategies

Higher yields

- **Attractive Returns**: Private credit funds, particularly those involved in direct lending and distressed debt, offer higher yields compared with traditional fixed-income investments. Similarly, private asset funds often target high-growth potential companies and alternative investments, promising substantial returns
- **Risk-Adjusted Returns**: These funds typically provide attractive risk-adjusted returns, appealing to investors seeking higher income in a low-interest-rate environment

Diversification benefits

- **Reduced Market Correlation**: Investments in private assets and private credit often have lower correlation with public markets, providing diversification benefits and reducing portfolio volatility
- **Alternative Opportunities**: These funds offer access to opportunities not available in public markets, such as private companies, real estate, and infrastructure projects, enhancing portfolio diversification

Structural flexibility

- **Enhanced liquidity**: Unlike traditional private equity funds with long lock-up periods, open-ended fund structures provide more liquidity, allowing investors to enter and exit the fund more flexibly
- **Continuous capital deployment**: Open-ended funds allow for continuous capital raising and deployment, which is more appealing to investors compared to the capital call and drawdown structure of closed-ended funds

Market and institutional demand

- **Institutional interest**: Pension funds, insurance companies, and endowments are increasingly allocating to private credit and private equity strategies to achieve higher returns and diversify their investment base
- **Market maturity**: The private equity and private credit markets have matured, with established fund managers and improved regulatory frameworks, making them attractive to a broader range of investors

The appeal of ESG funds

Growing awareness and sustainability

- **Environmental and social impact**: investors are increasingly concerned about climate change, resource depletion, and social issues. ESG funds align investments with these values, supporting companies with strong environmental and social practices
- **Corporate governance**: good governance practices, including transparency and accountability, are important to investors. Companies with strong governance are perceived as less risky and more likely to deliver sustainable long-term returns

Regulatory and policy support

- **Government initiatives**: policies and regulations promoting sustainable finance, such as the EU’s Sustainable Finance Disclosure Regulation (SFDR), are encouraging ESG investments
- **Incentives**: tax incentives and subsidies for green investments make ESG funds more financially attractive

Changing investor demographics

- **Millennial and Gen Z investors**: younger generations, prioritise sustainability and ethical considerations in their investment choices, driving demand for ESG funds

- **Institutional investors**: large institutional investors who are increasingly incorporating ESG criteria into their investment mandates, recognising the impact of ESG factors on financial performance

Evidence of financial performance

- **Competitive returns**: studies show that ESG funds can deliver competitive returns and may even outperform traditional funds over the long term. Companies with strong ESG practices often exhibit better risk management and operational efficiency
- **Risk mitigation**: ESG factors help identify risks not captured by traditional financial analysis, such as regulatory fines for poor environmental practices or fraud risks in companies with poor governance

Stakeholder pressure and corporate responsibility

- **Consumer demand**: consumers are demanding sustainable and ethical operations from companies, driving corporate behaviour changes and increasing ESG investment opportunities
- **Shareholder activism**: shareholders are actively demanding better ESG practices and reporting, influencing corporate governance and sustainability efforts

Technological advancements and data availability

- **Improved data and analytics**: advances in technology have improved the availability and accuracy of ESG data, making it easier to assess and compare ESG performance
- **Enhanced reporting**: better reporting standards and frameworks providing reliable and comparable ESG information, supporting informed investment decisions

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