HARVARD
Office of the Vice Provost for Advances in Learning

MODULE 4 UNIT 1
Video 1 Transcript

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What was the motivation to democratize access to private investment opportunities?

MILIND MEHERE: Coming out of the last recession in 2010, I was overexposed to the equity markets, perhaps like most of you. Every product I had – 401K plans, 529 plans, index funds – were all correlated to the broader stock market, and hence very volatile. And most alternative investment vehicles, such as hedge funds and institution funds, have high minimums, and a long, 7 to 10 year holding period, and therefore unavailable to most.

This lack of access wasn't the void that could be filled by my bank, or my financial advisor, it was a whitespace. By using data and technology, we knew we could make a difference, hence, we started YieldStreet as a wealth management platform to provide ubiquitous access to high-yield alternative investments, across multiple asset classes.

What challenges did YieldStreet face in providing alternative investment products to retail investors?

MEHERE: First and foremost, we had to reach and educate the masses on investment types, as most people didn't know this opportunities existed, let alone that they could actually invest in them. As we are an investment wealth tech platform, next was to build trust and credibility.

We build trust and credibility in two ways: one, by providing access to sound investments at low minimums. We have generated 13% IRR since our inception. Number two, having an amazing user experience was critical, not only in reaching and educating our user base, but also making sure the investment process was easy to follow and effortless.

Our investors are loving it; we are growing rapidly; investments sell out in seconds on the platform, and we recently crossed a hundred thousand investor signups, who have invested 600 million dollars to the platform.

The stat I am most proud of, is that we have generated close to fifty million dollars in own interest for our investors. Think about that for a second, this is equivalent of sending 400 kids to four-year college. So we are beginning to have a real impact on our investor community.

What investment strategy does YieldStreet apply?

MEHERE: YieldStreet was founded on an investment thesis, not an asset class strategy. We have a five-point investment philosophy. Number one, assets backed with strong collateral – that is why marine and real estate makes sense, because they are backed by hard collateral, that generates cash flow.

Number two, investments must have low-correlation or no market-correlation, so broader volatility in the market should not impact your investment. In the last year, as the stock market has gone up, and down, YieldStreet investments have provided a steady and predictable income stream.

Number three, our investments are managed by proven asset managers. We work with the pros who have deep industry expertise in that asset class. That helps us not only to offer sound investments, but also surveys them throughout the duration of the investment. Should there be a default, as an example, our originators know how to manage through it.

Number four, the duration should be less than 48 months, so that, you know, you can invest, and then complete your investment in a short duration time frame.

Number five, we look for target annual returns of north of 8%. We would consider traditional marketplace lending opportunities, if they meet this criteria. We have financed some consumer and small business portfolios in the past, but generally speaking, this strong cohesive five-point investment thesis allows us to be decisive about the opportunities we present to our investors.

How does YieldStreet look to target ad benefit investors?

MEHERE: YieldStreet is creating new ways to make the most of your money, irrespective of your net worth. We are currently open to accredited investors in the US, but soon opening to non-accredited, with a few new product offerings. Our mission is to serve retail investors, not just high-net-worth individuals, and not only in the US, but the entire world. This is where we see the most growth.

Some of the benefits investors get are: number one, we offer institutional quality structured investments, with principal protection first. Number two, ubiquitous access across multiple asset classes. Number three, a beautiful platform that is easy to use, and is transparent. Number four, in Q2, we launched our first diversified, multi-asset index fund, and we're also expanding beyond investments, and currently offering a high-yield savings account called YieldStreet Wallet, to all our investors. The wallet will earn you 2% interest, so whenever your money is sitting idle with us, it is generating income for you. So that's how we are benefiting the investors.

How will wealth management and personal finance evolve over the next five years?

MEHERE: Innovation in financial services, and specifically around wealth management, has taken place mostly by giving people debt. Let's think about a financial journey for a minute; you get to college, and you take your credit card debt, then you get an auto loan, then a student loan, and finally a home mortgage. First banks did it, for the last 50 years, and now new FinTech companies are doing it. We need to change that narrative, and get more people to think about investing, versus spending and borrowing, and YieldStreet was founded to just do that.

I feel we're entering the golden age of FinTech, and have barely scratched the surface. There are key drivers for innovation, and they are as follows: number one, mobile – ability to reach audience via mobile, and engage directly, has been a delight. Here we are seeing personal finance and investing getting reinvented again through a plethora of apps. We are actually the first alt-platform with a mobile app.

Number two, technology and data – using data for understanding consumer behavior to help you invest better, is pretty incredible. And that's what people want, they want transparency, and data.

The last point is around transparency and simplicity. Consumer want more transparency in fees, and simple ways to interact with the platform to understand what they're investing in.

Lastly, culturally, if you think about it, money has been a very private topic. Think about going on a vacation, or buying a car – we ask recommendation from our friends on Facebook, or our family. We don't do the same for personal finance. But through mobile, tech and data, and transparency, we have ability to bring personal finance to the forefront, and work towards financial inclusion and prosperity for all.