*Alternative Assets*

Alternative Assets are investments that are non-\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, that is, not stocks, bonds, and mutual funds. These alternative investments have grown in popularity in the last 20 years.

*Real Estate*

Perhaps you know someone in your family who owns a rental property, a residence that is purchased and rented out to a tenant for a year or two (maybe longer). This is an example of a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ investment. Investors with a large amount of capital can buy commercial property, like an office building or shopping mall, and rent out the space to businesses. Another popular real estate investment is a publicly traded \_\_\_\_\_\_\_\_\_\_\_\_\_\_ (real estate investment trust); this is a stock that is backed by real estate assets that pass along the cash flows to the investor and if the value of the property rises, the stock price can appreciate.

*Hedge Funds*

A hedge fund is an investment partnership that can only be sold to “\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ investors”, investors like large institutions or very wealthy individuals. Hedge funds can hold securities and use strategies that ordinary mutual funds cannot hold due to their inherent \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. Hedge fund managers earn 2% of assets and 20% of the profits, which is much more \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ than other compensation structures in the investment world. The wealthiest investment managers in the world earned their money in the hedge fund industry.

*Private Equity*

Sophisticated investors can also invest in Private Equity funds, which are partnerships that purchase entire \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (rather than just a few shares like a mutual fund would buy), and fix them up and sell them in a few years. The principle is the same as all types of investing, that is, buy \_\_\_\_\_\_\_\_\_\_ and sell high. It’s like house flipping, but with companies. Private equity funds look for companies that are undervalued and buy the entire firm; this is known as taking a public company “\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_”, since its shares will no longer trade in a public market after a private equity fund purchases all the shares.

*Farmland*

In recent years there has been great demand for \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ as an investment. This is due to the growth in global human population and a decrease in arable land around the world. In addition, the burgeoning middle class in Asia requires a higher quality diet than it did 20 years ago, hence a greater demand for agricultural products.

*Futures*

Futures contracts are \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to buy or sell a commodity at a certain price on a specific date. For example, if you thought the price of wheat was going to rise in the next six months, you would buy a futures contract for purchase of wheat of a specific price. If the price of wheat is higher in six months than you contracted price, then you make a tidy profit. Futures contract are known as “\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ securities” because their payoffs are derived from an underlying asset, like wheat in this example.