CLIENTS INCREASE THEIR EXPOSURE TO CASH AND ALTERNATIVES, SAYS NEW STUDY OF CANADIAN WEALTH MANAGERS AND FINANCIAL ADVISORS

- Three quarters (72%) of Canadian wealth managers and financial advisors say clients have increased their allocation to cash over the past two years
- Almost nine in 10 (86%) say they've been increasing their clients' overall allocation to alternatives
- Over half (54%) believe contributions from high-net-worth individuals, wealth managers and retail investors will reach 10% of the alternative asset management industry's global AUM by 2025 or 2026

Canadian wealth managers, portfolio managers, financial advisors and financial planners say their clients have significantly increased their allocations to cash and alternatives in the past two years – and more plan to invest in alternatives over the next two years, according to new research* from Ortec Finance, the leading global provider of risk and return management solutions for professional investors.

The study among Canadian wealth managers and financial advisors whose organizations collectively manage approximately $370 billion, found 72% have seen clients increase their allocation into cash in the past two years, taking advantage of recent rate rises, with 8% witnessing a dramatic increase. Some 26% say their clients have kept the same allocation to cash and just 2% say their clients have decreased their allocation.

Over the past 12 months, around two thirds (62%) of advisors say they've been investing their clients' money into a wider range of asset classes than normal – and almost nine in ten (86%) have been increasing their clients' overall allocation to alternative asset classes.

The study by Ortec Finance, carried out among 50 wealth managers and financial advisors in Canada, reveals in representing their clients 82% have increased their allocation to private equity in the past 12 months, followed by 74% who have invested more in venture capital and 72% who have increased their allocation to hedge funds.

Table to show the allocation to alternatives during the past 12 months

	Increased dramatically	Increased slightly	Stayed the same	Decreased	Don't know
Private equity	32%	50%	18%	0%	0%
Venture capital	42%	32%	24%	2%	0%
Real estate	34%	36%	26%	0%	4%
Hedge funds	36%	36%	26%	2%	0%
Infrastructure	28%	42%	24%	4%	2%
Private debt	22%	48%	24%	6%	0%

When looking at the next two years, 90% of wealth managers and financial advisors see their clients increasing allocations to venture capital, followed by 86% who see their clients investing more in private equity and private debt over the next two years.

Table to show the allocation to alternatives changing over the next two years

	Increased dramatically	Increased slightly	Stayed the same	Decreased	Don't know
Private equity	28%	58%	12%	0%	2%
Venture capital	64%	26%	8%	0%	2%
Real estate	36%	20%	38%	4%	2%
Hedge funds	32%	46%	18%	0%	4%
Infrastructure	38%	36%	24%	0%	2%
Private debt	22%	64%	14%	0%	0%

The top reasons given by Canadian wealth managers and financial advisors as to why they are increasing their clients' allocation to alternatives is that they have performed well in recent years and have developed a more robust track record (cited by 64% of survey respondents) as well as there being more opportunities to invest in these asset classes (62%). Advisors also believe they can offer attractive returns, with lower correlation to equities markets (50%).

Contributions from high-net-worth individuals, wealth managers and retail investors currently account for around 5%, or roughly $750 billion** of the alternative asset management industry's global AUM. Given these predicted increases in allocations, over half (54%) of Canadian advisors believe this will reach 10% by 2025 or 2026. One in 10 (10%) believe this will be as soon as 2023, and almost a quarter (24%) believe this will happen in 2024. 12% believe this will happen sometime between 2027 and 2029.

Ronald Janssen, Managing Director Goals-Based Planning at Ortec Finance said: "Our research shows a significant move into cash and alternatives over recent years, with more Canadian clients set to increase their allocations into alternatives in the near future. This is quite a significant shift in clients' investment strategies so it's essential that advisors have the right tools in place to effectively review investments to ensure they are on track to achieve their personal goals. This can take up a significant amount of time so investing in the best, scalable technology is essential, to enable advisors to effectively manage more clients and deliver more value with the approach of Goals-Based Investing."

For banks and wealth managers seeking to scale Goals-Based Investing, Ortec Finance is the proven industry leader in simplifying the complexity of investment decision-making resulting in superior client engagement. Find out more: www.ortecfinance.com/en/insights/product/opal

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Notes to editors:
* Independent research company PureProfile interviewed 50 wealth managers and financial advisors located in Canada, whose organizations collectively manage around $370 billion worth of assets for clients. The survey was conducted during June 2023.

** Data by Prequin

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About Ortec Finance
Ortec Finance is the leading provider of technology and solutions for risk and return management. It is Ortec Finance's purpose to enable people to manage the complexity of investment decisions.

This is accomplished via the delivery of leading technologies and solutions for investment decision-making to financial institutions around the world. Ortec Finance's strength lies in an effective combination of advanced models, innovative technology, and in- depth market knowledge. This combination of skills and expertise supports investment professionals in achieving a better risk-return ratio and thus better results.

Headquartered in Rotterdam, The Netherlands, Ortec Finance has offices in Amsterdam, London, Toronto, Zurich, Melbourne, and New York. Ortec Finance helps 600+ clients manage their $15 trillion assets under management. www.ortecfinance.com