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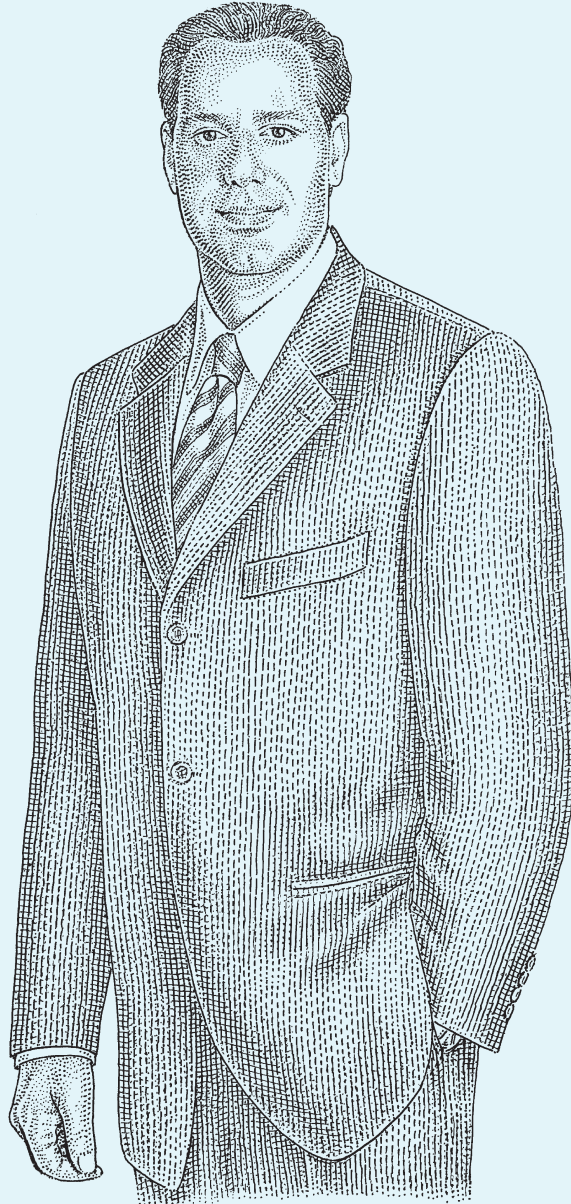


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What's the best way to invest in a maturing bull market?

BY THEODORE E. SAADÉ

 **IF I WEREN'T A WEALTH ADVISOR, I'D BE A...**
Real estate developer



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ountaineers call the area above 26,000 feet on Mount Everest the death zone because, without the aid of precautionary measures (e.g., supplemental oxygen), the human body rapidly begins to shut down in that rarefied air.

While I certainly don't wish to equate the current state of the market to that sort of dangerous environment, there's no arguing with the fact that—at least as markets go—we have certainly ascended to a level of extremely thin air. In fact, we are now well into the eighth year of what has become the second longest bull market in our nation's history.

The Dow, S&P 500 and NASDAQ all continue to notch new high after new high, with few drawbacks. Valuations are near historic highs, too, and investor fear (as measured by the VIX) sits near historic lows. So, a word of warning: At this altitude, I believe it's merely prudent to break out a few oxygen canisters.

Alternative assets: downside protection with upside opportunity. Consider this an ideal time to pause for a moment and examine your asset allocation. Think back to your target allocation and risk profile when you first set up your portfolio. Has your current portfolio drifted

from those target allocations? Where are you today in relation to your goals, objectives and timeline to retirement?

It may be time to sit down with your advisor to discuss ways to add a greater measure of downside protection without having to forgo future upside potential. One approach might be to augment and enhance your portfolio by integrating some alternative asset classes—investments that are either negatively correlated to the market or function independently of market forces.

Pay particular attention here to those

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One approach is to augment and enhance your portfolio by integrating alternative asset classes.

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that deliver yield and dividend tilts.¹ The following are just a few examples of alternative investments that accredited investors may wish to research:

- **Middle market lending.** These are collateral-backed floating-rate debt obligations of mid-sized (\$5 million to \$75 million) private companies with attractive yields relative to credit risk and low default rates. And, because the interest rate is tied to LIBOR, in a rising rate environment, these instruments should carry less downside risk than broadly syndicated loans.

- **Specialized/focused private REITs.** Not only do REITs tend to have a fairly low correlation to equity markets, they can provide an inflation hedge in case of rising interest rates. For greater market protection, consider specialized REITs such as technology data centers, healthcare facilities and student housing complexes, where property function and/or demographic factors should

drive occupancy even during a prolonged market downturn.

- **Interval funds.** These are high-minimum, dynamic-management, risk-adjusted return strategies designed to provide exposure to broad global consumer markets, corporate emerging markets and disciplined value-oriented strategies. Structurally speaking, however, while you can buy them anytime, you can sell only during a specified window every quarter, providing a protection against emotional selling decisions during a sudden market downturn.

- **Insurance-linked securities.** Rather than being driven by market forces, investments in catastrophe bonds and quota shares are driven by Mother Nature—essentially providing positive returns when a particular geographic area doesn't experience a catastrophic event such as a flood or hurricane.

What all these investments have in common is a relatively low correlation to the stock market, which could potentially reduce your overall portfolio beta (a measure of risk) while enhancing your alpha (a measure of return). In conjunction with a well-diversified mix of asset classes and a broad exposure to global markets, you can add a valuable measure of downside protection, given the record highs of this maturing market.

Keep in mind, however, that buying and selling portfolio securities may trigger tax consequences, so you'll want to consider these potential strategies carefully with your advisor and integrate them judiciously into your portfolio. ●

¹ It's important to carefully consider investment objectives, risks, charges and expenses of any investment before investing. Alternative investments are not suitable for all investors and often carry unique risks and expenses. Consult with your investment advisor or other tax, legal or financial professional. Registered representative/securities offered through Signator Investors, Inc., member FINRA, SIPC. 2121 Avenue of the Stars, Suite 1600, Los Angeles, CA 90067, 310.712.2323. SEIA, LLC and its investment advisory services are offered independent of Signator Investors, Inc. and any subsidiaries or affiliates.

ABOUT US

THEODORE E. SAADÉ HAS BEEN IN THE FINANCIAL SERVICES INDUSTRY SINCE 1995. He joined Signature Estate & Investment Advisors LLC in 1997 as the firm was opening its doors. In less than 10 years, SEIA reached the milestone of \$1 billion in assets under management. Mr. Saadé is a certified financial planner, accredited investment fiduciary and a chartered mutual fund counselor. He received a bachelor's degree in economics with a specialization in biochemistry from the University of California—Los Angeles. Mr. Saadé specializes in overall wealth and investment management strategies for affluent individuals, foundations and corporations. He is known for adhering to the saying "strategy is my specialty, integrity is my responsibility." A longtime resident of Los Angeles with his wife and three sons, he is involved in multiple charities throughout Southern California. ●



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