PIM CAPITAL

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FUNDamental

A MONTHLY UPDATE FROM PIM CAPITAL

The rise of alternatives, and why structure matters

For decades, global portfolios have been anchored in public equities and bonds, but that **paradigm is changing fast.** Capturing the opportunity created by the **rise of alternatives** requires more than conviction.

Faced with persistent geopolitical uncertainty, trade and supply chain disruption, and widespread volatility, along with stretched valuations and low yields, **investors are turning to alternative assets**, such as private equity, private credit, real estate and infrastructure, as new sources of growth and resilience.

Since the GFC, banks have reduced lending and balance sheet support to corporates and other alternative projects. This has created a **new market for participants** within the capital stack with the **appropriate risk appetite** and **time horizon**s to meet the demand for capital outside of public markets or traditional finance.

Alternative assets are no longer considered niche. Institutional and private investors alike are increasing allocations to assets that offer diversification and uncorrelated returns. **Inflation, rate uncertainty** and **geopolitical risk** are **reinforcing the appeal** of investments that are less tied to public markets.

What's driving this trend is more than performance; it is increasingly baked into portfolio construction. Investors are **building resilience through diversified income streams** and **reduced correlation**, and alternatives are providing the toolkit.

Structural challenge

Accessing alternative investments introduces various new layers of complexity. Managing and optimising fund governance, cross-border compliance, liquidity management and investor reporting all demand particular **expertise** and **dedicated infrastructure**.

PIM Capital Group   +230 490 1402   info@pimcapitalgroup.com