CHANGING THE PERCEPTION OF THE ALTERNATIVE INVESTMENT MARKET

Alternative Investing. It's quite a broad term, covering a range of investments and, on occasion, not without controversy: misselling, poor returns, improper dealings. But there are also firms operating in this space successfully, offering good returns. So how do you separate the wheat from the chaff? We put that question to Hunter Jones Co-Founder, Dean O'Neill.

"*Alternative investment is anything that isn't traditional and isn't your mainstream norm*, "said Mr O'Neill.

"Traditional lending and investments are bank-based investments, bonds, stock and, of course, cash.
"Anything outside of that, such as vanilla property, buy to let, renovating housing or niches areas, such as hedge funds, commodities, property backed structures and debt financing, all fall under the umbrella term of alternative investing. "

But while this term covers a multitude of instruments, the name has been tarnished on occasion.

"Hedge Funds for example, they have a bad name among some circles. Some wealthy investors got badly burnt by the fees. The returns were ok in the good times but in the bad, the returns were less than you got in the bank."

And earlier this month, the Financial Conduct Authority sought to bar Alistair Burns, the former chief executive of TailorMade Independent, from any senior management role amid claims he offered "inadequate" advice on alternative investment schemes such as Caribbean resorts, farmland and biofuel.

Dean suggests that companies need to put their head above the parapet and be proud of the work they do in order to change perceptions of the sector.

"*This negative perception has filtered out across the whole of the Alternative Investment space and that's what we're championing to change. There are really good investments to be had, you just need to pick the right ones. In short, you need to be smart*."

But what steps can an investor take to ensure that they are putting their money into a reputable firm.

"*You need to look at the people you are doing business with. Do you believe in* *them? Do they have a passion and clear vision in what they do? If they have, it will be very obvious – but if you walk into a hedge fund - and all they are concerned about is where the 2% management fee is coming from, or all they talk about is the good years - then that should raise alarm bells*."

"*What you are looking for is a company that is transparent in what they do. In our sector – real estate – you would look for a company that would be happy to take you to the site, meet the developers share analysis, due diligence and answer your questions satisfactorily. If you've given yourself the mental ticks that make you happy as an investor, you should commit."* added Mr O'Neill.

But there are warning signs that investors should look out for. There is something to be said for the cliché 'if it's too good to be true, it probably is'. That's not to say good returns aren't achievable, after all that is how banks make their money when they lend to developers, but there are some simple rules of thumb you can apply.

In the property space, a developer makes about 40% per annum on its spend. So if they were spending £1m on a project, they would end up with £1.4m at the end of the year (assuming it was a one-year development). If their developer lacks liquidity – perhaps it's tied up in another scheme – and turn to investors, the upside must be shared. From the developer's point of view, giving away more than half the return on the development doesn't leave them with enough skin in the game. So anything over 20% would cause eyebrows to be raised; over 25% and the alarm bells should sound because the annual return is just too high and it would lose an approval tick.

"We're responsible introducers and no client sends any funds directly to us" said Mr O'Neill. "*We introduce people to instruments they can invest in. And there are three things people have to decide before they go ahead*."

"*You have to believe in the person you're buying from, you have to believe in the company you're investing in and you have to believe in the investment itself."*

"For us, once an investor has approached us, we take them to see the track record, for example completed projects and the site itself. From that meeting they find out that their investment manager is both qualified and passionate in what they do. It's this that makes clients comfortable proceeding."

"We know this model works – it has done since we founded the company – which is why we have, to date, 100% client retention rate because everyone - so far - who signed up to a fixed return investment has received the returns due, on time."

Of course, every investment is a trade-off between risk and reward. But Dean thinks that, after the credit crunch, banks have become overly risk adverse.
"*The government has pumped in liquidity but while banks were happy to trade, they still aren't too keen to lend it out to small and medium developers."*

"*If you're Berkeley Homes or British Land Group then you can access these headline lending rates that are at an all-time low. But for small and medium sized companies*

– those with less than £50 million in assets – then the banks are not servicing them. It's this gap in the market we're filling" added Mr O'Neill.

Founded three years ago, Hunter Jones introduces investors to innovative property opportunities.

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