



JALTECH'S ALTERNATIVES INVESTMENT SURVEY REPORT



Executive summary

Jaltech conducted a comprehensive survey to explore the South African alternative investment market, with data collected from over 1300 participants. The survey aimed to gain insights into the mindsets, trends, approaches, and behaviours of individual investors and financial advisors towards alternative investments.

The findings of the survey revealed that alternative investments are highly favoured by both individual investors and financial advisors in South Africa. This popularity is driven by various factors, including the need for diversification, the potential for higher returns, and the opportunity to invest in financial assets that are not correlated with traditional markets.

The results of the survey highlighted that among the different types of alternative investments, structured products, hedge funds, and cryptocurrencies have historically been the most popular choices for individual investors. However, looking towards the future, alternative investments such as renewable energy, technology/AI, and cryptocurrency are emerging as the asset classes that individual investors and financial advisors are most interested in. These asset classes are seen as having significant growth potential and are generating considerable attention in the South African investment landscape.

To ensure the continued growth of alternative investments in the South African market, certain challenges need to be addressed. One of the significant obstacles faced by individual investors is the lack of access to information about the available alternative investment options in the market. Many individual investors feel that they lack the necessary knowledge and resources to make informed investment decisions in this asset class.

Similarly, financial advisors who do not currently offer alternative investments to their clients cited the lack of necessary licenses from the Financial Sector Conduct Authority (FSCA) as the main reason for not including these options in their offerings. This regulatory requirement poses a barrier for financial advisors who are interested in providing alternative investment options to their clients.

Despite these challenges, the survey findings indicate that there is significant interest and participation in alternative investments among both individual investors and financial advisors in South Africa. The majority of respondents expressed their intent to increase their allocation to alternative investments over the next 12-24 months, demonstrating a positive outlook towards this asset class.

Financial advisors are also actively considering alternative investments for their clients, with 78% of them planning to increase their clients' exposure to alternative investments in the future. This reflects a growing recognition among financial advisors of the potential benefits of diversifying portfolios with alternative investments.

In summary, while there are challenges to be addressed, the survey findings suggest that alternative investments are gaining traction in the South African market, with individual investors and financial advisors showing increasing interest and participation in this asset class. Addressing the barriers to information access and regulatory requirements can further promote the growth of alternative investments in South Africa.

Key takeaways from over 1300 participants

64%

of individual investors
invest in alternative investments

65%

of financial advisors offer
alternative investments to their
clients

79%

of individual investors plan to
increase their allocation to
alternative investments

78%

of financial advisors plan to increase
their clients' percentage weighting to
alternative investments

Methodology

Jaltech, an alternative investments specialist, undertook the survey, and it was promoted through various media partners. The research comprised an online survey and was completed by over 1300 respondents. None of the respondents were remunerated for their participation, however, they were all entered into a draw to win a retail voucher.

The survey targeted two groups of respondents: individual investors and financial advisors. Each cohort offers a different perspective on the market, and their answers helped illuminate their position and approach to alternative investments.

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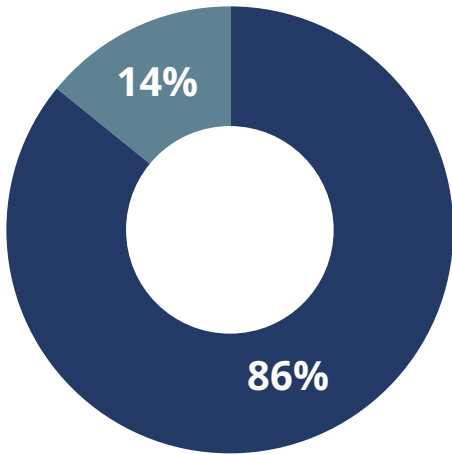
Participant profile

More than 1300 respondents participated in the survey, of which over 1100 were individual investors and over 200 were financial advisors.

The majority of individual investors were male (81%). From an age perspective, the largest individual investor group (39%) were between the ages of 30-40, followed by 52+ year olds making up 37% of the total responses.

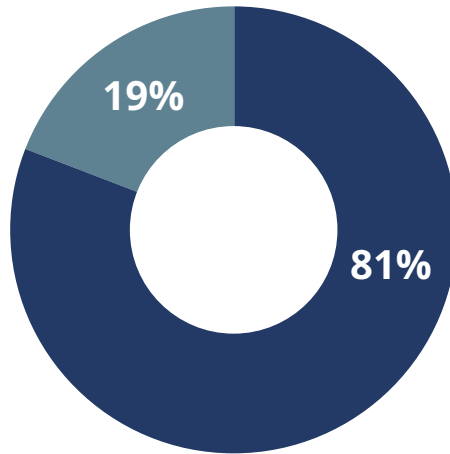
64% of individual investors surveyed are currently invested in alternative investments, while 65% of financial advisors offer alternative investments to their clients.

Participants



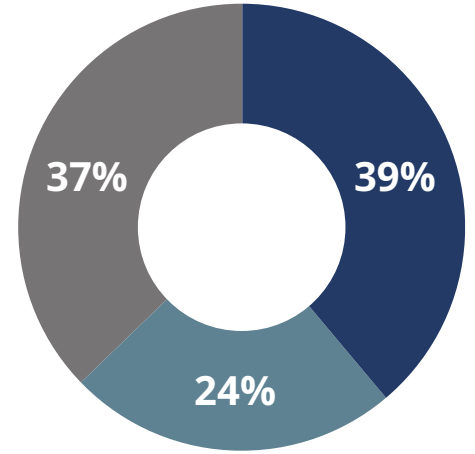
■ Individual Investors ■ Financial Advisors

Investor genders



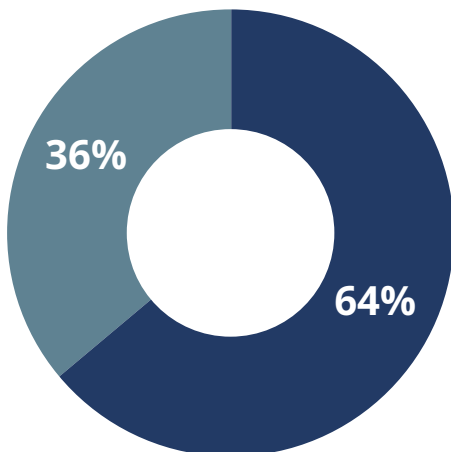
■ Male ■ Female

Investor age group



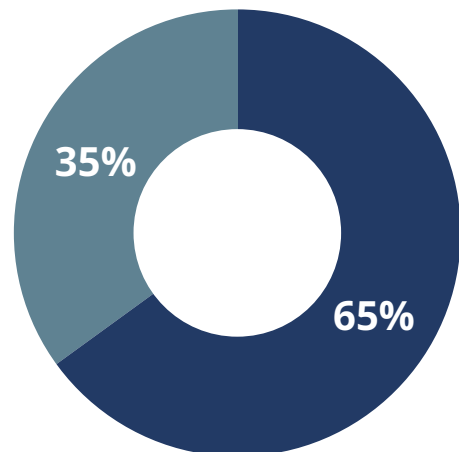
■ 30-40 ■ 41-51 ■ 52+

Percentage of individual investors investing in alternative investments



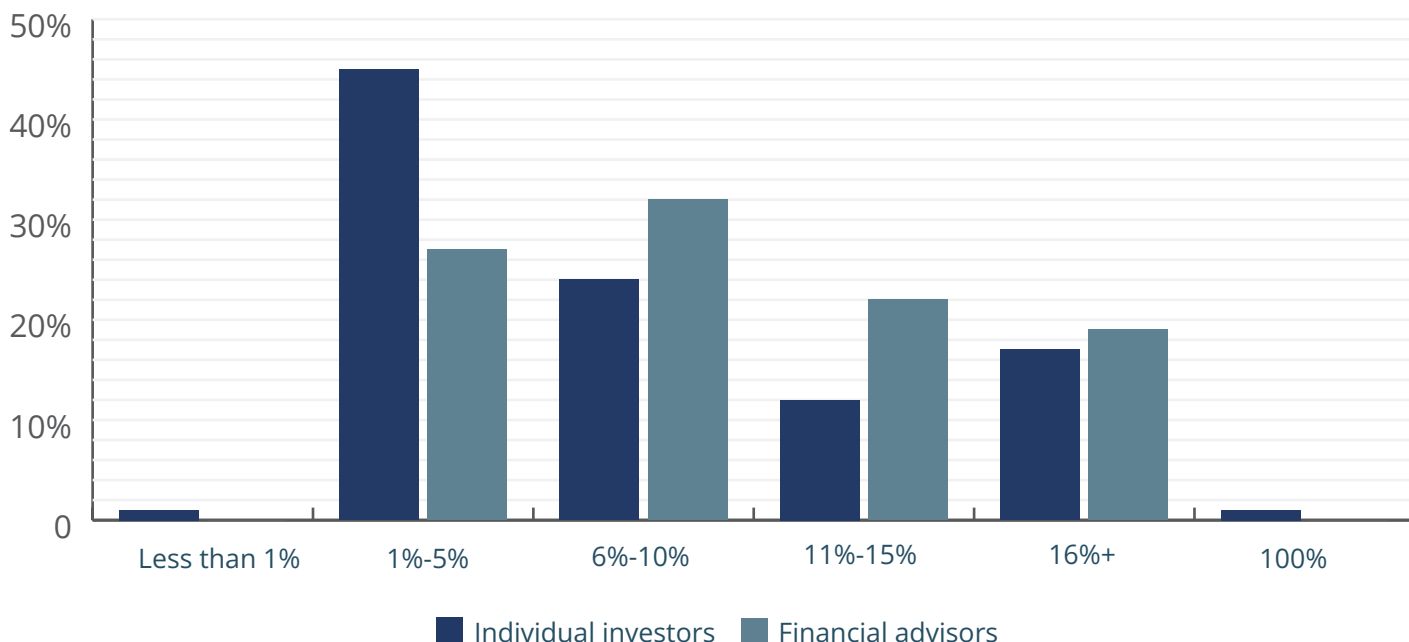
■ Investing ■ Not investing

Percentage of financial advisors offering alternative investments to their clients



■ Offering ■ Not offering

1. Portfolio Allocation: Individual Investors & financial advisor clients



The data demonstrates that most investors (69% of those surveyed) allocate 1-10% of their portfolio to alternative investments, which aligns with the majority (59%) of financial advisors' clients who have the same levels of exposure.



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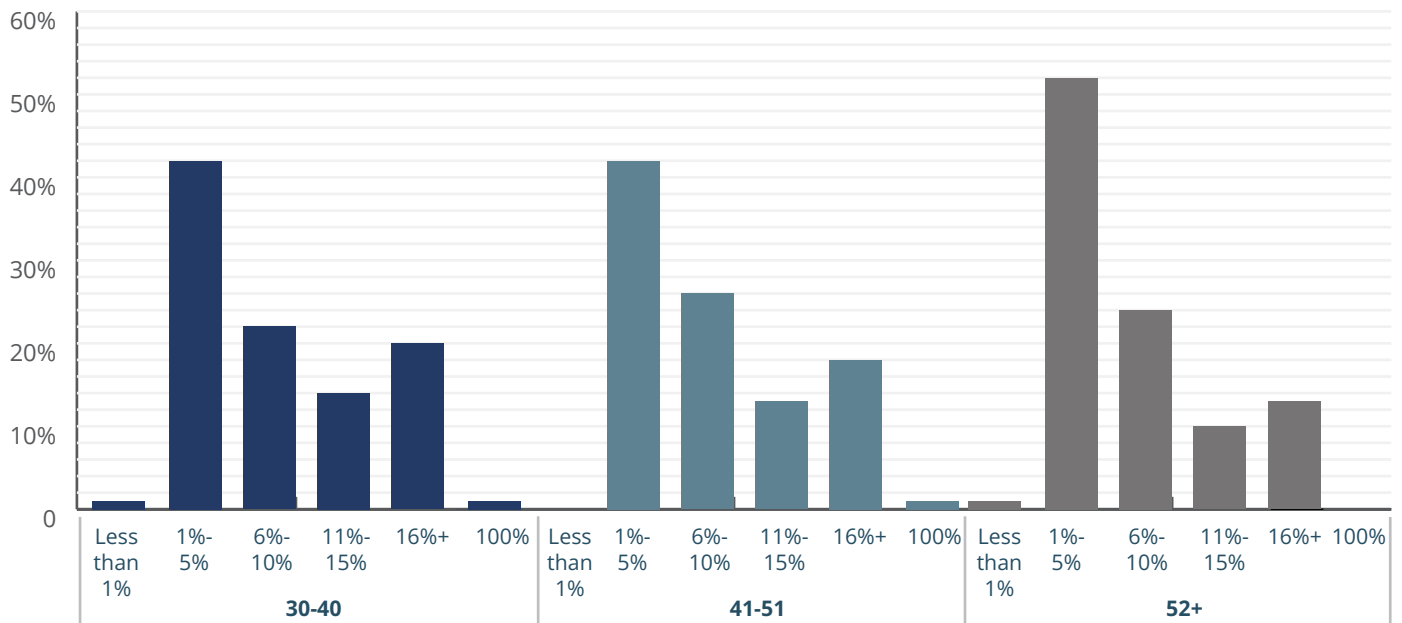
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Jaltech offers investors renewable energy exposure with the added benefit of claiming a 125% tax deduction.

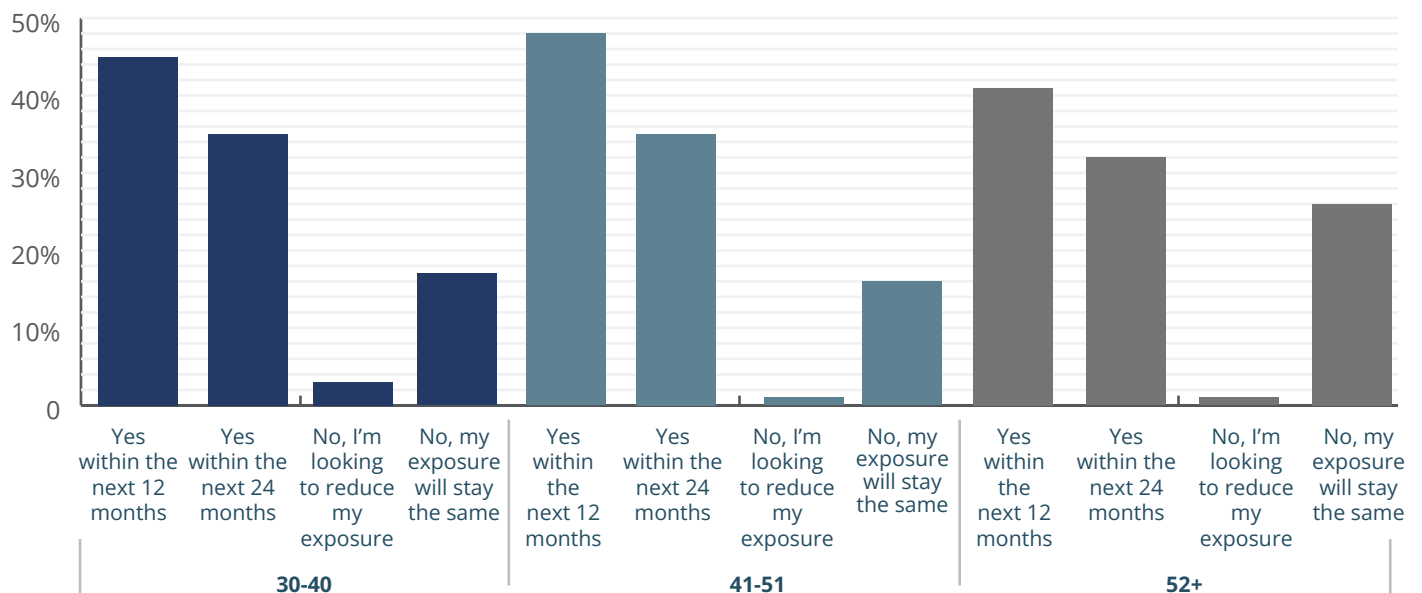
Survey results

Portfolio allocation continued

According to the data below, all three age groups of individual investors have comparable levels of exposure to alternative investments in their portfolio:



2. Do you plan on increasing your exposure to alternative investments:

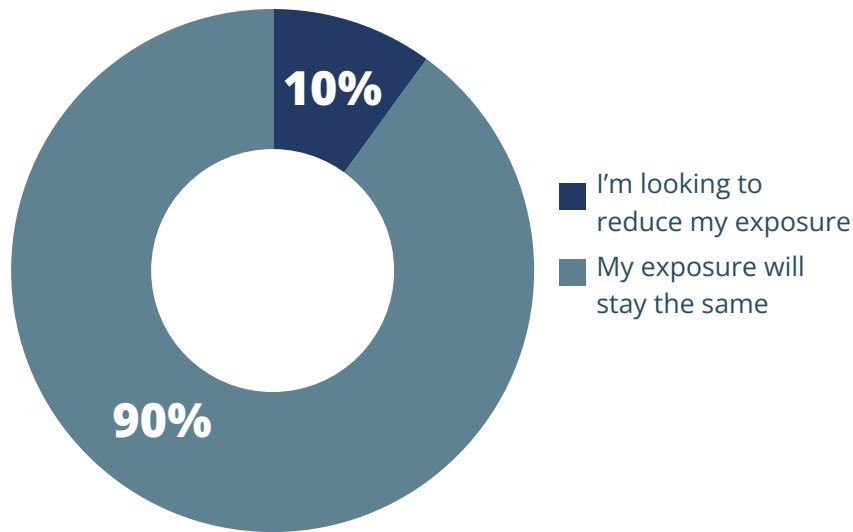


79% of individual investors who already invest in alternative investments plan to increase their allocation within the next 12-24 months.

Survey results

Portfolio allocation continued

Of the 21% of individual investors who will not be increasing their investments, the following reasons were provided:



90% of these investors seem to have a “buy and hold” mindset rather than a desire to reduce their exposure.

Note that this may be influenced by the lock-in periods typically associated with alternative investments, resulting in individual investors being unable to reduce or increase their exposure due to liquidity restrictions.

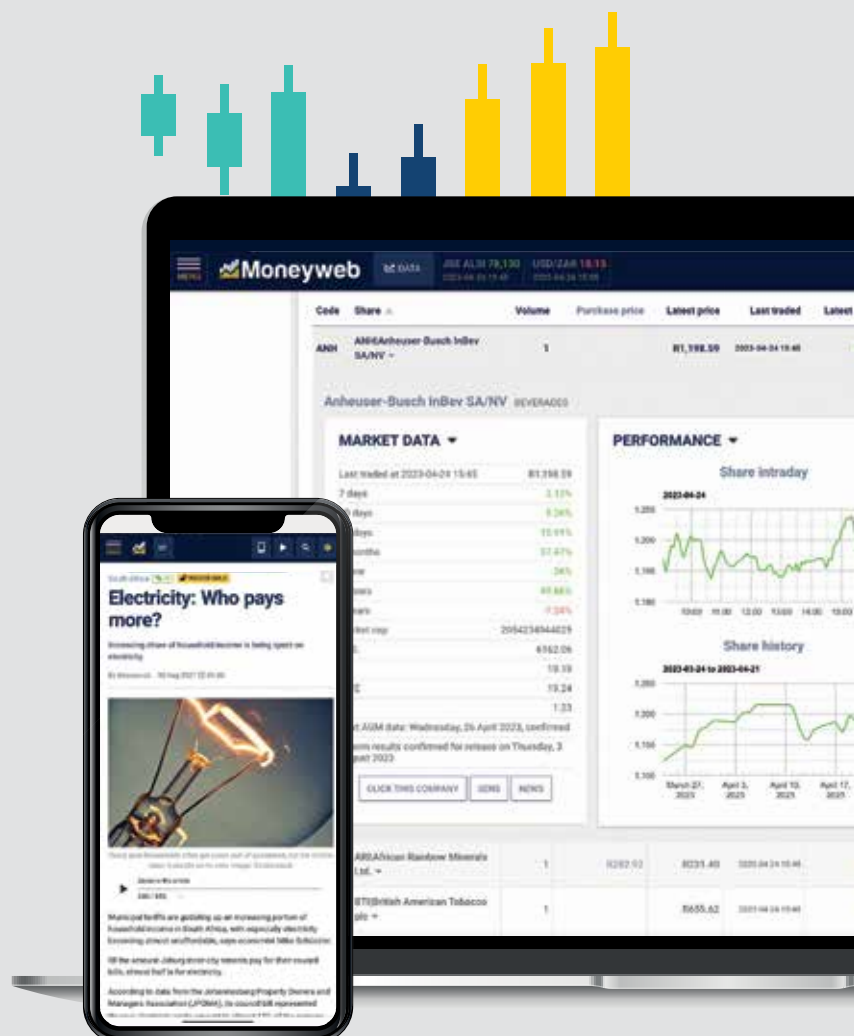

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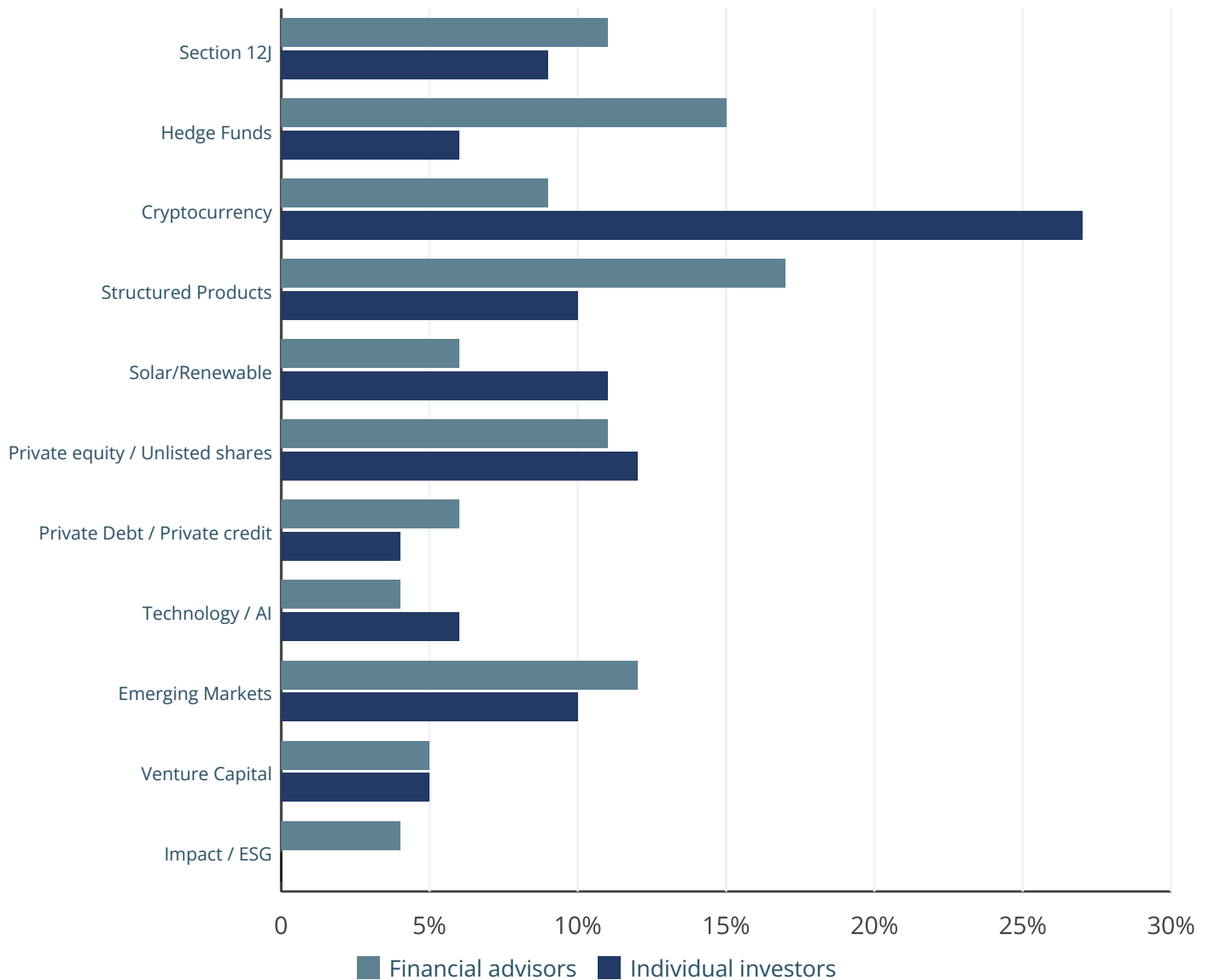


Survey results

Portfolio allocation continued

3. Which alternative investments are you/your clients invested in?

(Respondents had the option of choosing multiple investments)



The results from the survey illustrate that cryptocurrency (27%) is the most popular alternative investment amongst individual investors, followed by private equity (12%) and solar/renewable energy (11%). Given that the investors have indicated below that their main reason for investing in alternative investments is the potential for higher returns, it's no surprise that such a large portion of investors are investing in cryptocurrencies, given the considerable returns generated in this asset class over the past 8 years. However, due to the lack of cryptocurrency regulations in South Africa, financial advisors reported significantly lower exposure of their clients to this asset class.

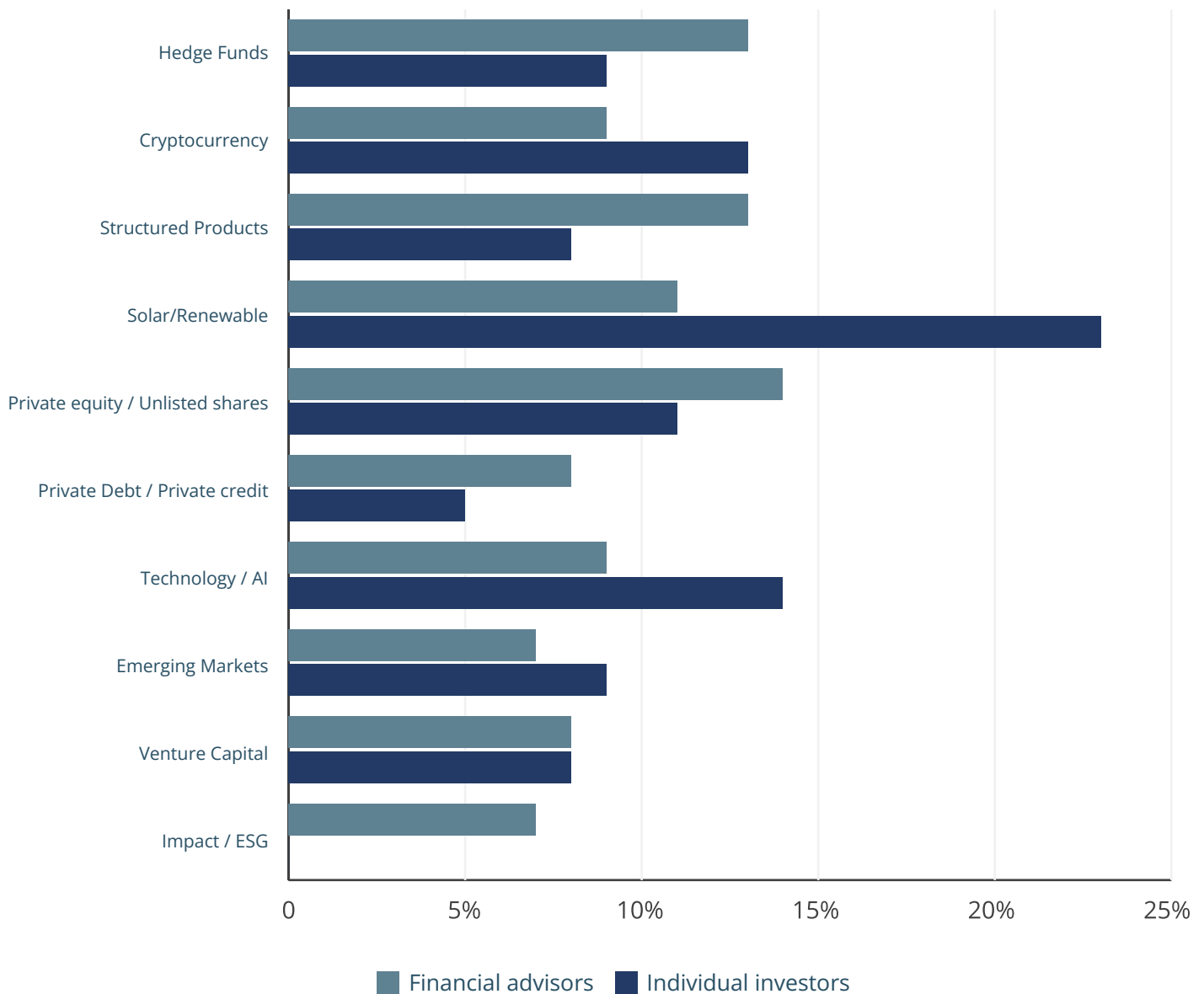
Financial advisors did not exhibit a clear preference, as five of the asset classes surveyed fell within a relatively narrow range of 10% to 17%. The top asset classes among financial advisors were structured products (17%), hedge funds (15%), emerging markets investments (12%), private equity (11%), and Section 12J investments (11%).

A point to note is the lack of investment into Impact/ ESG from investors (0% allocation), while financial advisors do allocate client capital to this asset class.

Survey results

4. Which alternative investments would you consider over the next 24 months?

(Respondents had the option of choosing multiple investments)

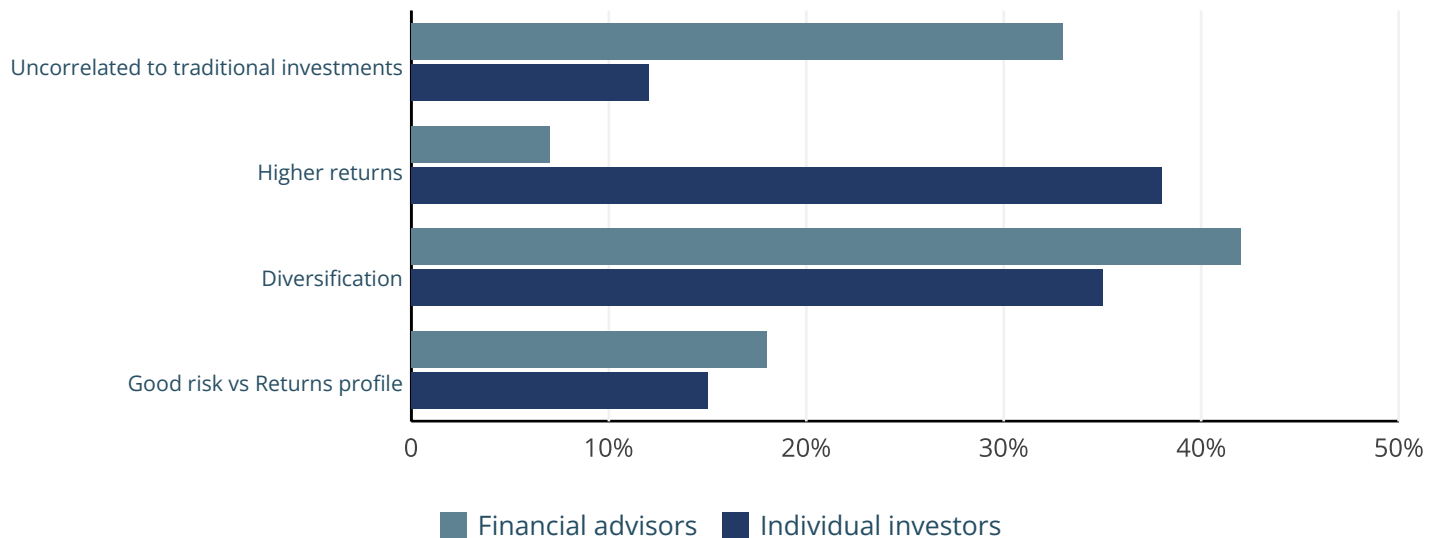


Based on the data, solar/renewable energy is the most sought-after alternative investment segment among individual investors for the next 24 months, with 23% expressing interest in this asset class. This demand is unsurprising given South Africa's current energy crises. Technology/AI (14%) and Cryptocurrency (13%) are also expected to receive investments from individual investors in the near future.

Individual investors continue to show little interest in Impact/ESG investing, whereas financial advisors appear to be maintaining their focus on private equity (14%), hedge funds (13%), and structured products (13%), which align with their traditional investment strategies. However, in contrast to individual investors, financial advisors are increasingly intending to offer ESG/Impact-based investments to their clients, with the percentage rising from 4% to 8%.

Survey results

5. Why do you invest in/offer your clients alternative investments:



As the above graph demonstrates, there is a disconnect between investors and financial advisors as to their reasons for investing in alternative investments. The leading reason for investors investing in alternative investments is the expectation that alternative investments will generate high returns. In contrast, 93% of financial advisors don't consider the return profile of alternative investments as a persuasive factor. Rather, financial advisors regard

diversification as the main reason for promoting alternative investments.

The contrast provides important insights into the decision-making factors of each group in that they show that financial advisors first look to understand the needs of a client's portfolio as opposed to the potential for generating a high return for their clients.

Jaltech Launches South Africa's first alternative investment platform

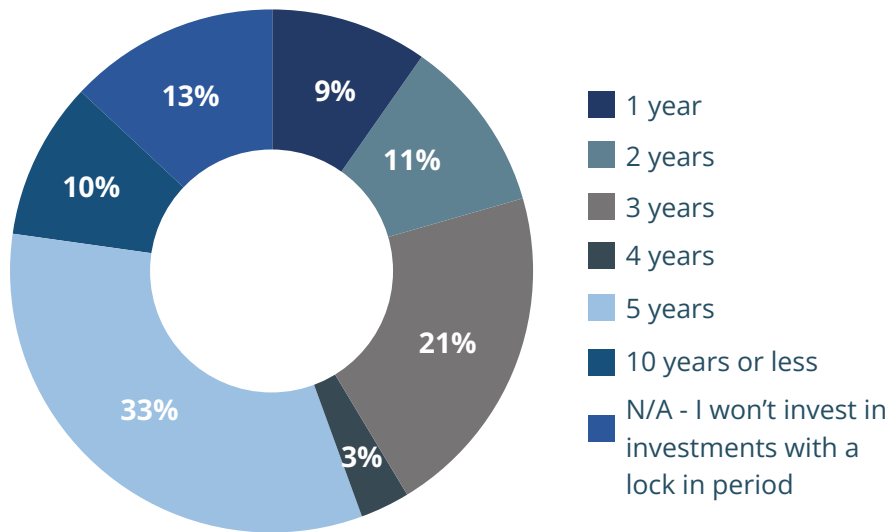
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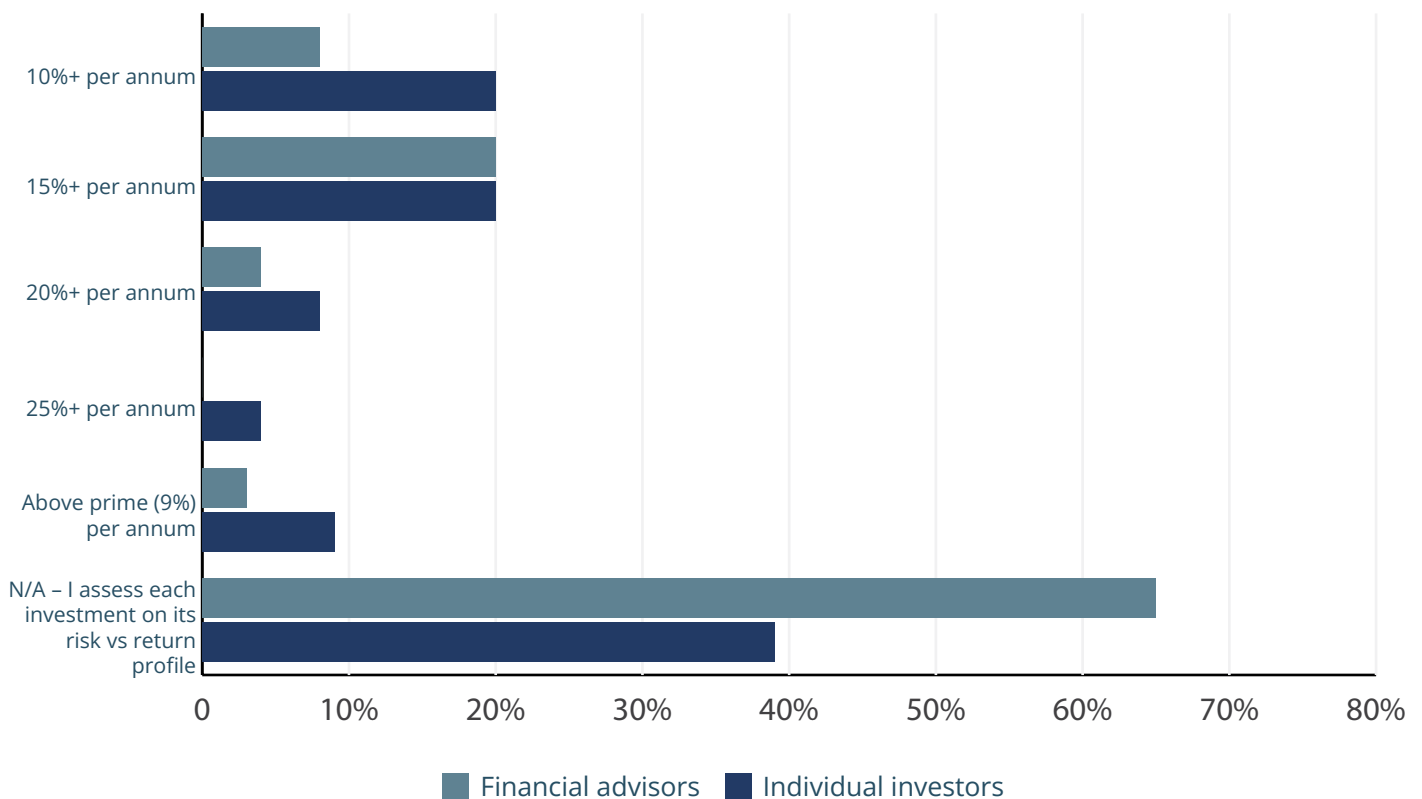
Survey results

6. Maximum fixed-term investors would be comfortable with:



Most investors have a long-term view on alternative investments, with approximately half responding that they are comfortable with a lock-in period of 4+ years.

7. Alternative investments return expectation:

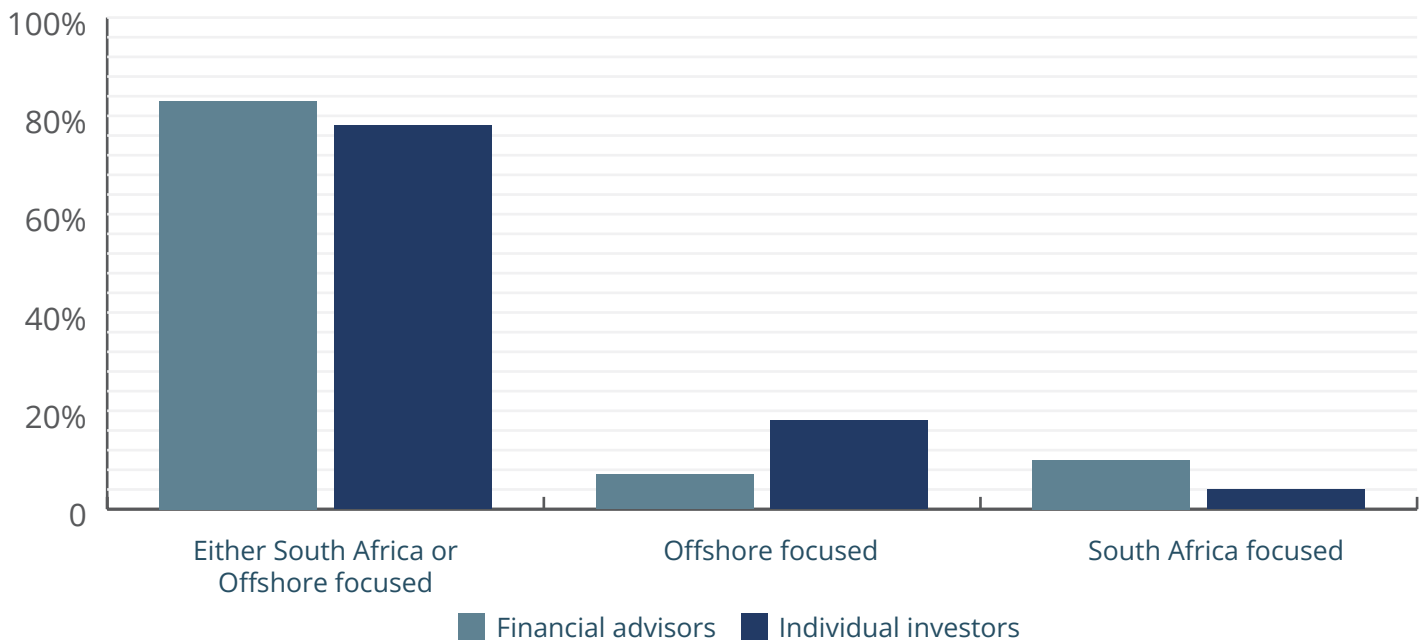


Individual investors, as illustrated by earlier data are far more returns focused than financial advisors, with 61% of individual investors targeting a specific return percentage as opposed to assessing investments on their risk vs return profile.

On the other hand, 65% of financial advisors reported that they assess each investment on its risk vs return profile rather than being focused on a specific return range. This is once again in line with previous data showing that financial advisors do not consider the return profile as being the deciding factor in offering their clients alternative investments.

Survey results

8. Investment jurisdiction:



The majority of individual investors (78%) and financial advisors (83%) don't have a preference as to whether the alternative investments are located locally or offshore.

Interestingly, individual investors and financial advisors differ over having complete offshore

exposure, as 18% of individual investors favour this allocation while financial advisors would advocate for a more concentrated allocation to South Africa. Specifically, nearly all (93%) of the financial advisors are opposed to having 100% offshore exposure to alternative investments.

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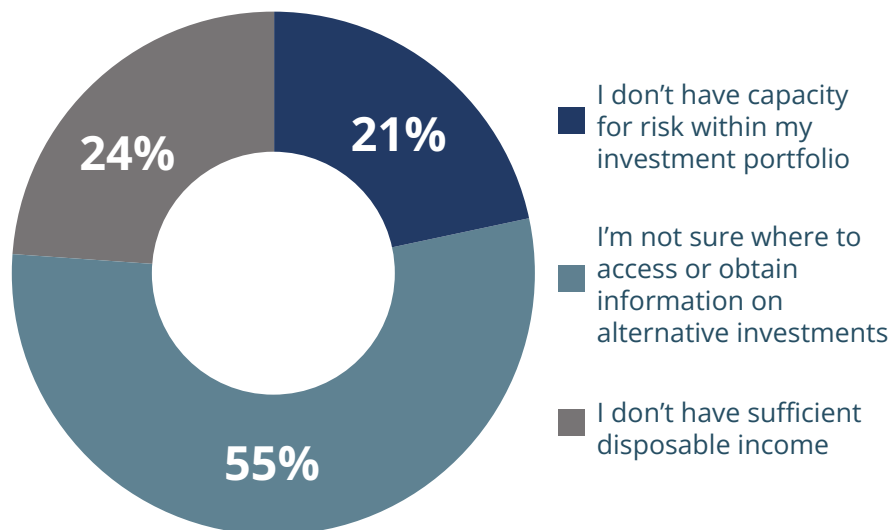
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Part 2 - Investors & financial advisors who do not invest/promote alternative investments

Of the investors surveyed, 36% do not invest in alternative investments, and of the financial advisors surveyed, 35% do not offer alternative investments to their clients. This section of the report considers the

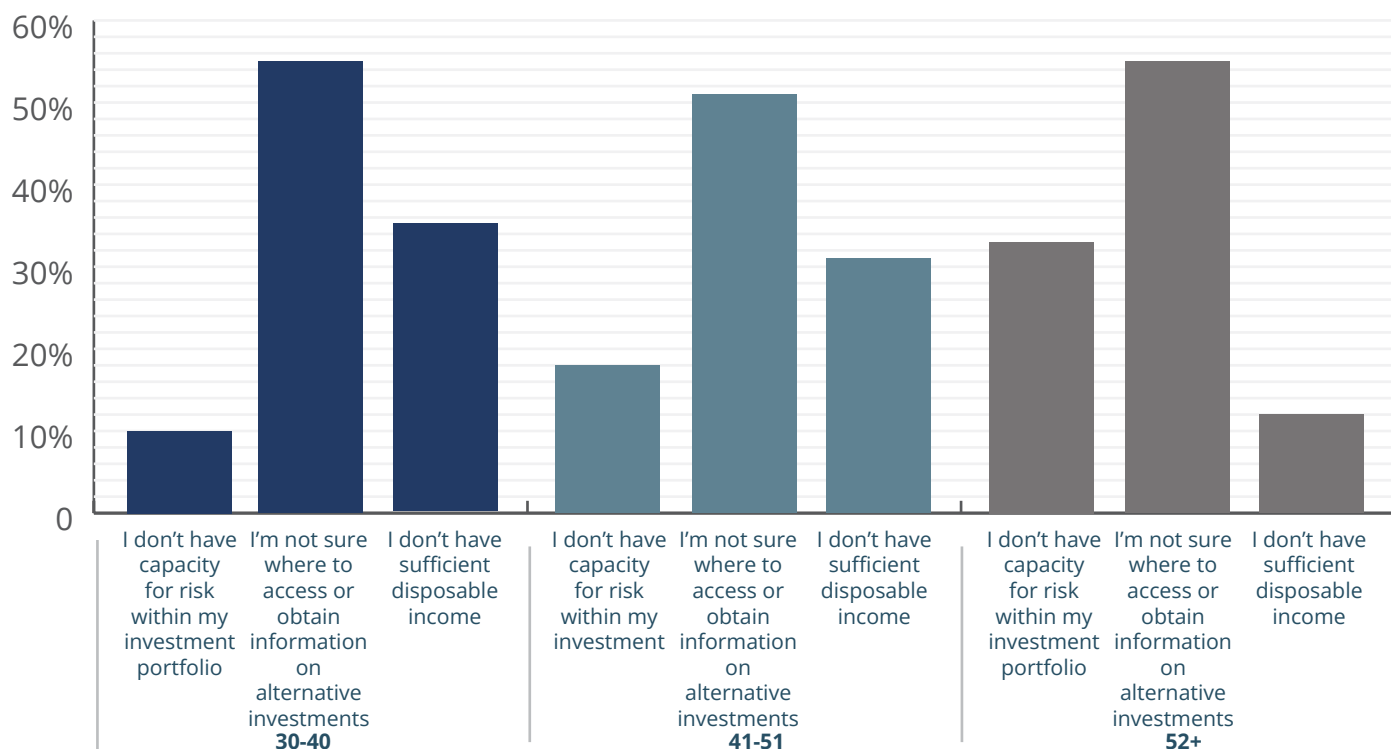
contributing factors in these two cohorts as to the lack of interest in alternative investments.

1. I don't invest in alternative investments because:



Considering the responses of investors, it appears that 79% of individual investors may have invested in alternative investments had they had disposable income or access to information on alternative investments.

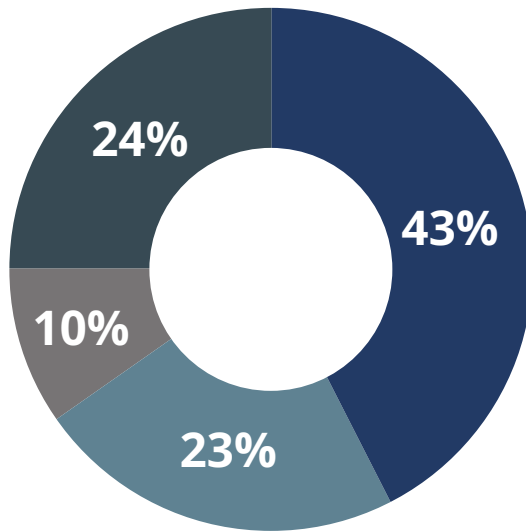
The below graph provides insight into why the different age groups of investors do not invest in alternative investments.



As already noted, a lack of access to information is the main inhibitor for these investors – this is consistent across all age groups. Unsurprisingly, the 52+ age group is more risk-averse than the younger age groups, while the 30–40-year-old cohort had higher responses of “not having sufficient disposable income”.

Survey results

2. I don't offer alternative investments to my clients because:



- I don't have the necessary FSCA licence
- I'm not sure where to access or obtain information on alternative investments
- My client base doesn't have capacity to risk within their portfolio
- The company I work for hasn't approved any

Looking at the financial advisor cohort, the hindrance to offering alternative investments appears that the financial advisors do not have the necessary FSCA license. Linked to this is the fact that a quarter of financial advisors in this cohort work for firms that have not approved alternative investments.



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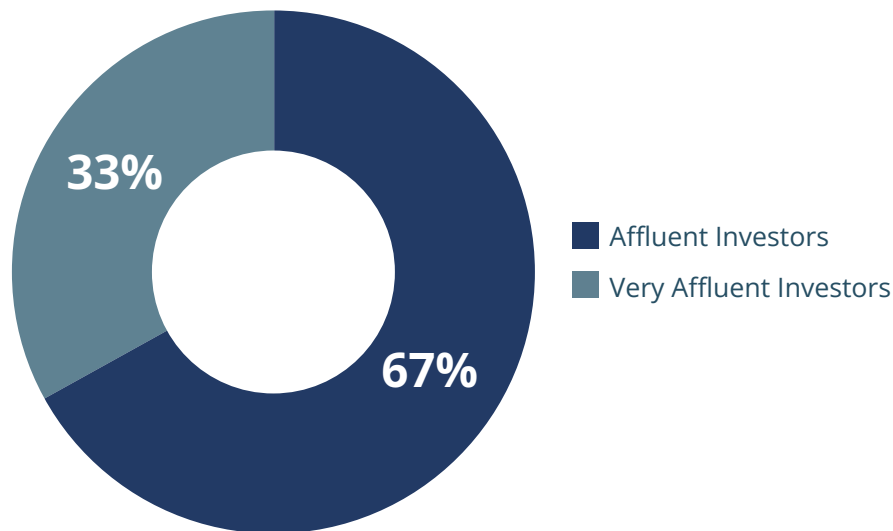
Part 3 - Affluent vs Very Affluent Investors

Further analysis of the individual investors data reveals that 67% of the surveyed investors plan to allocate R50 000 – R100 000 to alternative investments over the next 12-24 months (“Affluent Investors”), and 33% reported that they plan to allocate between R200 000 –

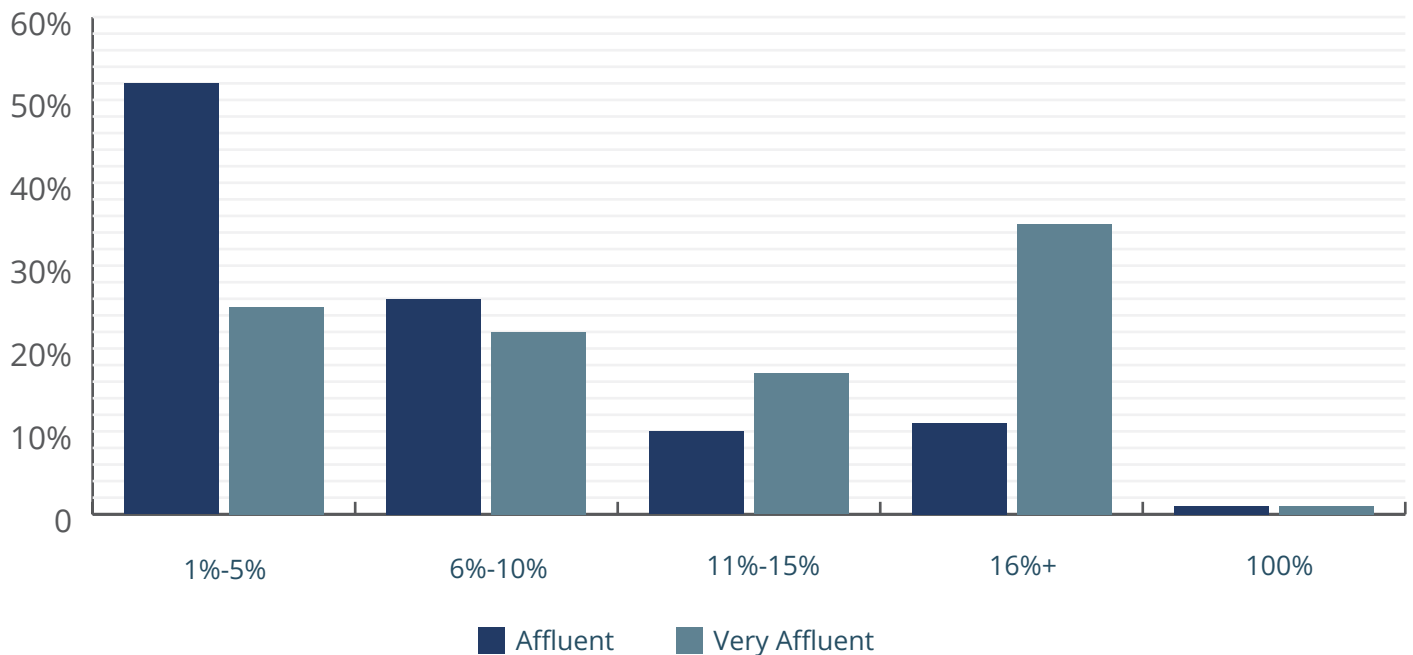
R1 500 000+ to alternatives over the next 12-24 months (“Very Affluent Investors”).

This section of the report considers the behaviour, attitudes, and exposure of these two groups to alternative investments.

1. Split between Affluent and Very Affluent Investors:



2. Portfolio Allocation: Affluent vs Very Affluent investors



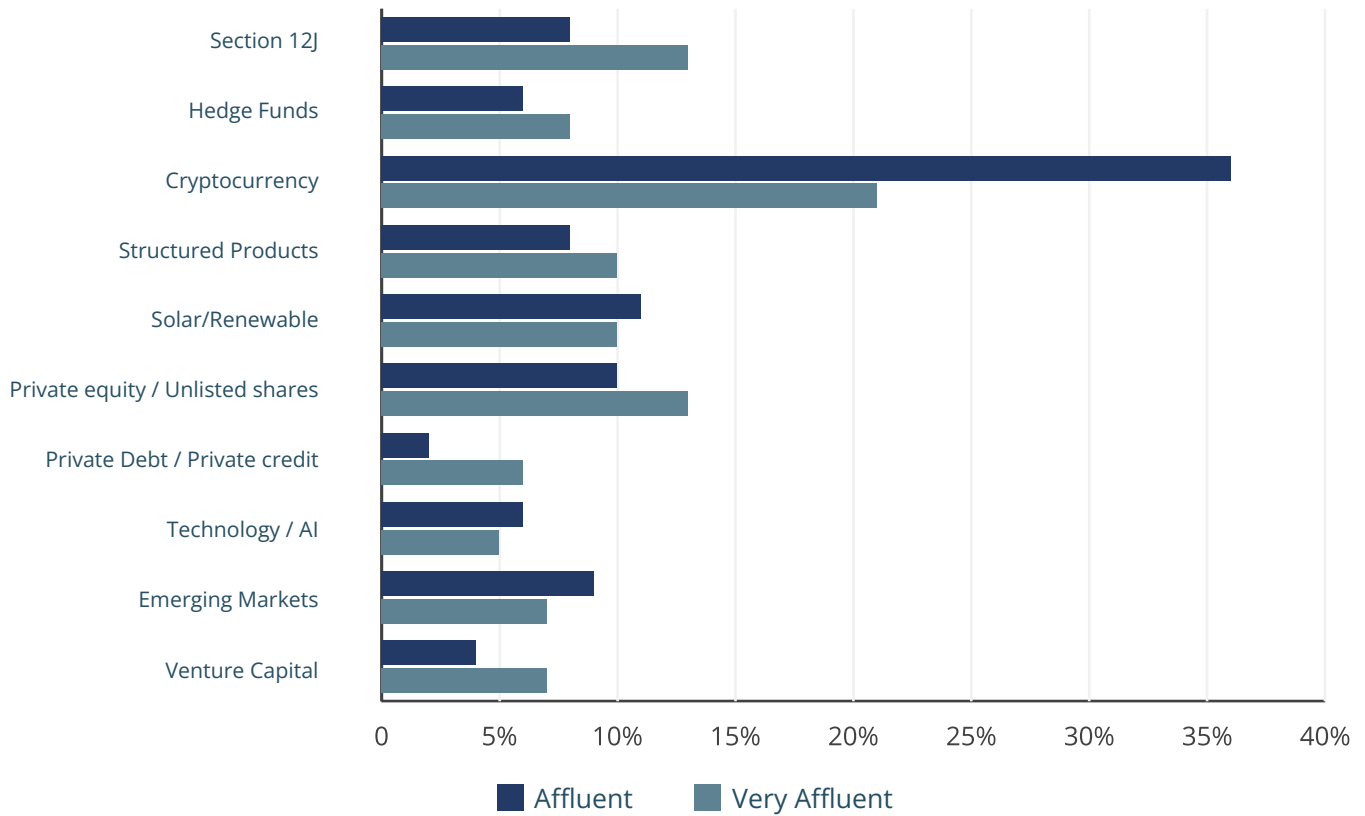
Comparing portfolio exposure to alternative investments of the Affluent Investors vs Very Affluent Investors demonstrates that Very Affluent Investors tend to have a higher exposure to alternative

investments in their portfolio, with 35% of Very Affluent Investors allocating between 11% to 16%+ to alternative investments.

Survey results

3. Which alternative investments are you invested in:

(Respondents had the option of choosing multiple investments)



Above is a comparison between the exposure of Affluent Investors vs Very Affluent Investors to the different types of alternative asset classes.

In considering the data it is clear that cryptocurrencies are less favoured by Very Affluent Investors than their counterparts. However, cryptocurrencies are the most popular alternative investment by some way for both

cohorts when compared to the other asset classes. Very Affluent Investors have considerably higher exposure to Section 12J investments, private debt, venture capital and private equity investments, which is to be expected as these types of investments often carry a higher minimum investment and are less liquid, resulting in these investments being less accessible for investors with less capital to invest.

The Jaltech Developed Markets Autocall

Linked to three global indices, namely the S&P 500, the Swiss Market Index and the Nikkei 225 pays a 15% annual coupon and offers 100% capital protection*

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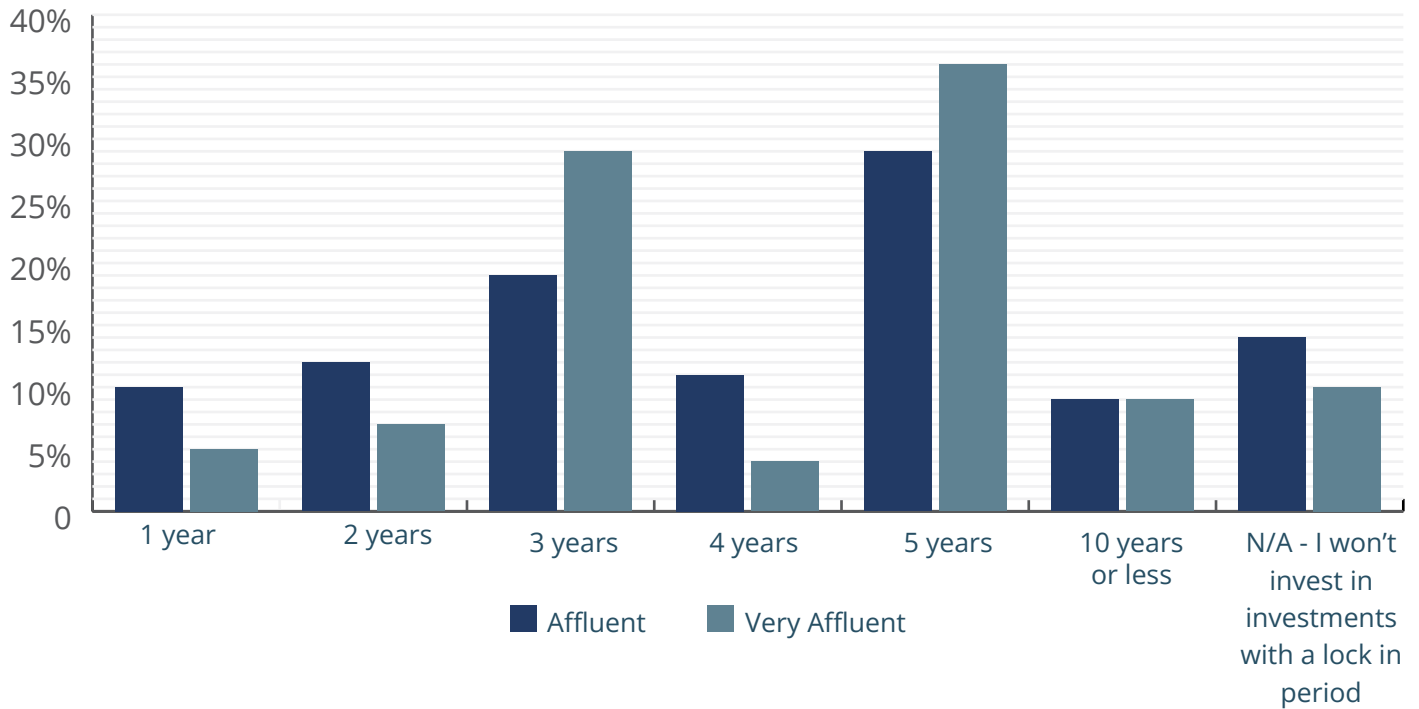
Linked to three global indices

Pays a 15% annual coupon

Offers 100% capital protection*

Survey results

4. Maximum fixed-term investors would be comfortable with:



The data shows that Very Affluent Investors appear to be more comfortable with longer-term investments than their counterparts. This is to be expected due to

the Very Affluent Investors likely not having liquidity concerns.

The Jaltech S&P 500 Autocall

The S&P 500 Autocall pays a 7% annual coupon if the S&P 500 is flat or positive*

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Linked to the S&P 500

Pays a 7% annual coupon

Offers 100% capital protection

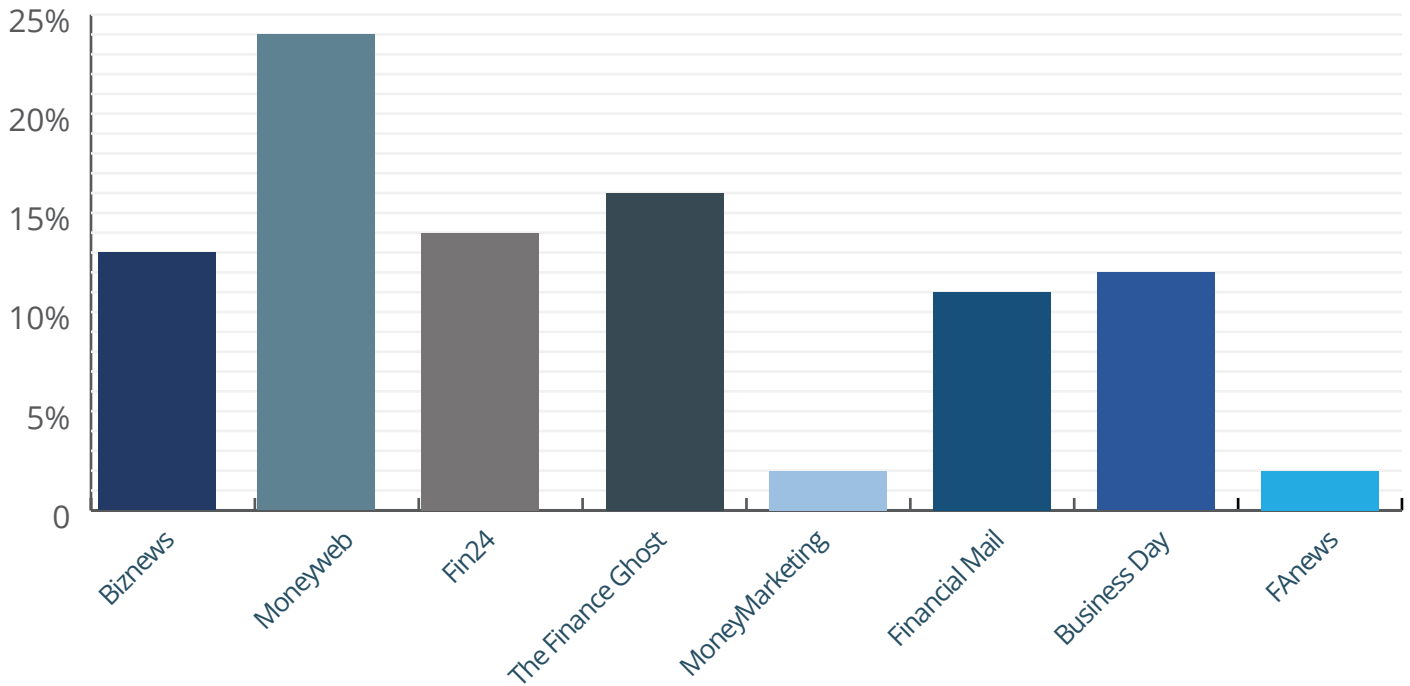
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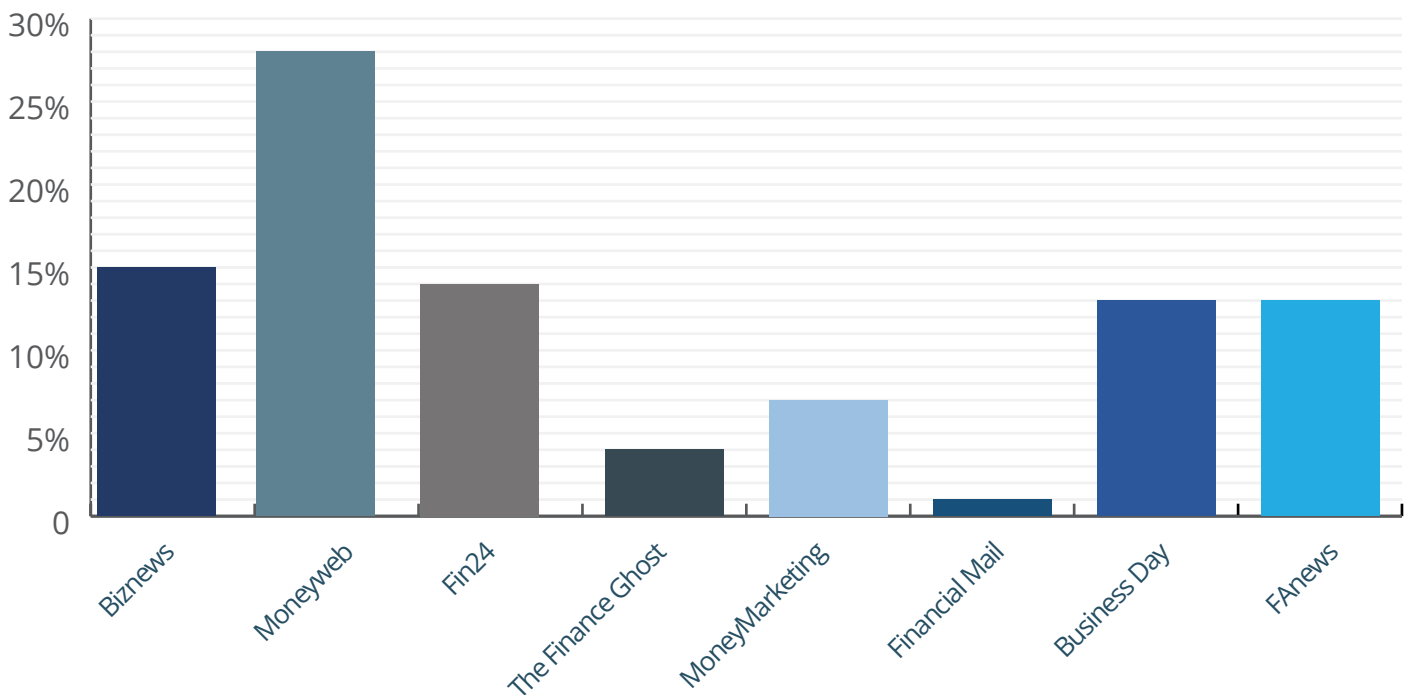
Part 4 - Which media houses each cohort relies on for investment information

To promote participation in the survey, the following media houses agreed to promote the survey, namely; Biznews, MoneyMarketing, FAnews, Moneyweb, and Ghostmail.

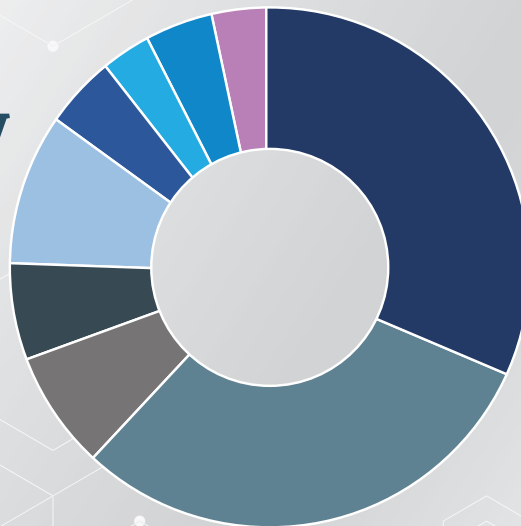
1. Investors' most popular investment sources:



2. Financial advisors most popular investment sources:



Jaltech's Cryptocurrency Basket & Blockchain Technology Basket



Cryptocurrency basket

-  Bitcoin (BTC)
-  Ether (ETH)
-  Solana (SOL)
-  Polkadot (DOT)
-  Polygon (MATIC)
-  Uniswap (UNI)
-  Chainlink (LINK)
-  Avalanche (AVAX)
-  Cosmos (ATOM)



Blockchain basket

-  Ethereum (ETH)
-  Solana (SOL)
-  Polkadot (DOT)
-  Avalanche (AVAX)
-  Polygon (Matic)
-  Cosmos (ATOM)
-  Optimism (OP)


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Founded in 2010, Jaltech is a boutique fund manager within the alternative investment market, with over R1.6 billion under management across 1300+ retail investors.



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 info@jaltech.co.za

 Unit 19, 1 Melrose Blvd, Melrose Arch

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