

Can Alpha Grow?

BY DANIEL FLYNN ON 28/05/2019



Alpha Growth on the unique opportunities presented by senior life settlement investments

Shares in alternative asset manager Alpha Growth have fallen significantly since hitting highs of 4.65p last November, currently sitting at 1.75p each. Despite this drop, the period has seen the business roll-out a steady stream of products, acquisitions, and partnerships centred around its core strategy of investing in senior life settlements. Here, Alpha's chief executive Gobind Sahney and chief operating officer Danny Swick explain why they feel the organisation's current £2.5m market cap does not reflect its true value.

Alternative Investment

Alpha Growth was set up by a team with a record of managing esoteric specialist alternative investments for institutional investor clients requiring bespoke services in niche markets. Specifically, the firm centres around the senior life settlements industry, which it believes to be a fragmented but expanding area where it has an opportunity to emerge as a dominant player with an established brand. Since listing in London at the end of 2017, Alpha has been expanding its advisory and business services areas through acquisitions and joint ventures in the UK and US, working towards achieving commercial scale.

The company says the main benefits of investing in senior life settlements are the provision of long-term yields and returns uncorrelated to conventional equity and commodity markets. Sahney says this latter point has generated considerable interest in Alpha's products since listing. This is because factors like Brexit, the US/China trade war, and commodity market uncertainty have given rise to excessive levels of volatility in more traditional asset classes like equity and fixed income.



'If an investor does not want to deal with the volatility of traditional financial capital markets, then life settlements and longevity assets can be a great alternative,' Sahney adds. 'Whether stock markets or oil prices go up or down or politics move around, our asset class is uncorrelated. That is why we have seen a good response to our category of alternative assets.'

Swick adds that the investment style provides a degree of stability that cannot be matched by most other investments, alongside exposure to the US's ageing population trend:

'What is unique is that we are buying life insurance policies on seniors, and at some point in time, people will pass away. At this point, these policies are backed by these large, well-established, big-brand name insurance carriers. There has never been a time that a life insurer did not pay a death benefit on a valid insurance policy. So, as long as an investor is willing to take a long-term approach, we provide a non-correlated investment and something that is extremely secure because at one point in time you are going to see a death benefit.'

Making Progress

Alpha has taken many steps forward over the past two years. Shortly after listing, the outfit secured an initial mandate with a private wealth manager that intended to issue a €15m bond to invest into longevity assets. This was postponed for 'internal reasons'. However, Alpha said in a recent update that the mandate remains in place.

Following this, in July last year, Alpha acquired established a tax-efficient presence in the British Virgin Islands by purchasing a locally domiciled business linked to CEO Sahney called ALM for £1. Then, in March this year, the company acquired an actuarial service provider to the senior life settlement industry called Colva Insurance Services. The £77,727 acquisition has given Alpha access to Colva client-base, which is based primarily in the US, and saw the outfit's founder Rajiv Rebello come on board as its chief actuary and director of investment analytics.

Alpha has also been busy bolstering its product range to meet the needs of an increasing variety of investors. In February last year, it launched a High Yield Return security, which it

offers to insurers and institutional investors. The product is a debt-equity hybrid investment coupled with risk management and quality-rated collateral, which Alpha claims to provide diversity and safety in return to a range of investors and insurers. The product was designed to meet the needs of investors requiring a product that would have minimal impact on their regulatory capital requirements while providing predictable, attractive, and minimally-correlated returns.

Following this, last month saw the business announce the launch of its BlackOak Alpha Growth fund as part of its joint venture with SL Investment Management. The open-ended product invests in life settlements and is available to qualified global investors. It has a minimum investment requirement of \$250,000, targets a return of between 10-14pc, and provides liquidity through quarterly redemption windows. Elsewhere, the fund has a management fee of 1.5pc a year and an annual performance fee calculated as 20pc of all returns in excess of a 7pc hurdle rate. Sahney tells us this approach to fees is unique among Alpha's peers in its transparency.

'Our approach to creating these strategies is to be as transparent and accountable to our clients and investors as possible,' he says. 'We feel this open-ended fund is more investor-aligned than its market peers. This is because our performance fees are calculated on realised gains as opposed to unrealised gains, so we actually see that as being an incredible sales point. We devise our strategies to be transparent and investor-aligned, which we think attracts more capital for us to have under management. We think that is a winning combination.'

Finally, Alpha is collaborating with Devonshire Warwick to facilitate introductions and distribution to ultra-high net worth (UHNW) and family office investors. In March, the firm said this partnership has led to discussions with certain investors with regards to separately managed account investments with a minimum allocation of \$10m.

Cashed Up

Alpha's most recent development came at the end of last month when it raised gross proceeds of £450,000 by placing shares at 1.5p each. The business said the cash would fund its existing operations over the next 12 months and strengthen its cash position as it rolls out its product suite and continues its efforts to establish a US position.

Alpha has previously given several indications as to what these efforts could entail. Notably, in March it said it was in continuing engagement with two insurance companies around its hybrid security investment product. It added that discussions with one firm had matured to very advanced stages and hopefully towards closing with a nine-figure sum to be allocated for life settlements.

Meanwhile, last month saw Alpha announce that it would roll out a comprehensive marketing strategy targeting family offices, UHNWs, private wealth managers, and fund of fund investors for its open-ended funds. Sahney tells us that the funds raised this month will allow Alpha to continue its progress in these areas alongside other marketing efforts.

'The placing allows us to allocate our resources to a higher degree of marketing for the open-ended fund,' he says. 'We also have several opportunities to accelerate some of the other strategies with some other partners. The capital will be put to good use, and what we

are looking to do is continue to go from strength to strength in terms of gaining clients and gaining assets under management now that our foundations are in place.'

Finally, Sahney says he does not believe that Alpha's current £2.5m market cap reflects the company's actual value, adding that he hopes that investor awareness of the company's business model will continue to increase as the business continues to grow. *'This awareness will be reflected in our share price as we continue to grow and growth is an objective we are 100% committed to'* he adds.