

Singer Wealth



Asymmetrical Returns

Asymmetrical returns refer to the phenomenon where the potential gains of an investment significantly outweigh the potential losses. This is contrary to symmetrical returns, where the gains and losses are proportionally similar. All rational investors should be seeking investments with above average risk adjusted returns.

The most successful investors seek opportunities where the downside is limited, but the upside is substantial. This concept is particularly appealing in volatile markets, where the ability to capitalize on significant price movements can lead to outsized gains.

One of the more underutilized investments with asymmetrical returns is called private credit. Private credit funds make secured floating rate loans to companies that are not publicly traded. There are about 18000 private US companies that have over \$100 million in annual revenues versus only 3000 public companies with at least \$100 million in annual revenues. Private credit has been the best performing income asset class over the last two decades, currently yielding over 10%.

If the returns of private credit were symmetrical the asset class would have more investment risk than high yield bonds and more interest risk than treasuries since both of those types of bonds have much smaller yield. However, the reality is that private credit has far less default risk than high yield bonds and much less interest rates than treasury bonds.

If you were holding bonds to lower the risk of your portfolio, you are creating asymmetrical risk in your portfolio. Many bonds have relatively modest yields with considerable levels of risk. This is the opposite of what we want to do. If you are an investor who owns bonds or bond funds, seriously consider using private credit instead to reduce volatility and increase returns.

By focusing on opportunities where potential rewards significantly outweigh the risks, investors can enhance their portfolios and achieve substantial growth. This approach not only maximizes returns but also ensures a more resilient investment strategy in the face of market uncertainties. One of our favorite investments with asymmetrical returns is private credit, especially for income investors.

Have you heard about our Vision Quest Process? Watch the video below to learn more!

Singer Wealth

www.singerwealth.com

561.998.9985



We are committed to helping you achieve your financial goals. Please feel free to contact us with any questions, comments, or a more in-depth discussion.

Sincerely,
Keith Singer

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