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Piling Into Private Equity

By JULIE STEINBERG

Some ultra-high-net-worth investors are putting more of their assets into private equity, according to a new survey.

The asset-allocation report for the first quarter of 2013 for TIGER 21, a peer-to-peer network for investors with between \$10 million and \$100 million in investible assets, found that members allocated 22% of their assets to private equity, up from 19% from last quarter and up from 14% a year earlier.

The shift toward private equity isn't sudden: The percentage has been climbing steadily since the fourth quarter of 2010, when investors allocated just 9% of assets to private equity.

Equities have been coming back as an area of interest for investors, says TIGER

21 founder Michael Sonnenfeldt. The increase in allocations toward private equity reflects an overall increase in equity exposure, he says.

Tiger members are mostly current and former entrepreneurs. "It's not surprising that when they decide to increase their exposure to equities, half goes to public and half to private equity," Sonnenfeldt says.

He says members tend to put money in funds of public equities or stocks of large companies. Within private equity, they're increasingly making direct investments into the companies themselves.

The survey also found investors decreased their allocations to real estate to 19%, down from 21% last quarter and 24% a year earlier. Sonnenfeldt says he finds this shift "less meaningful" and

doesn't think it's part of a sustained trend yet. Still, he says, investors might be less optimistic about real-estate investments because interest rates will have to rise sooner or later – which would devalue such investments.

Sonnenfeldt also says some TIGER 21 Members are "keeping belts a little bit tight" and opting not to buy a second or third house.

They view it as a "discretionary product," he says, "not a great investment."

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