

PLAINSCAPITAL BANK

# ALTERNATIVE PERSPECTIVES



Alternative Commentary  
March 2025

By Steve Low, CFA, CAIA, FDP

## Executive Summary

- The volatility from Trump administration policy uncertainty has not been limited to only equity and fixed income markets, but also more alternative asset classes
- Green shoots of growth in M&A volume have been seen, especially with marquee deals like Wiz/Alphabet and the private equity consortium purchase of the Boston Celtics
- Some private equity sponsors are exploring dividend recapitalization to provide some distributions back to investors, in contrast to megadeals
- Power infrastructure constraints are creating unique investments across real assets in data centers, utilities, pipelines, and natural gas
- Cryptocurrency has the administration's attention, and proponents are hopeful for positive guidance on regulation, even if the strategic reserve announcement was regarding already-held tokens rather than new government purchases

## Dedicated Investment Team

Andrew Cunningham, CFA®, CMT®, ChFC®  
Chief Investment Officer  
512.457.7534 | [andrew.cunningham@plainscapital.com](mailto:andrew.cunningham@plainscapital.com)  
Central Texas

Kendall Parker  
Manager of Investment Services  
214.252.4165 | [Kendall.parker@plainscapital.com](mailto:Kendall.parker@plainscapital.com)  
Dallas

Stephen Schaller, CFA®, CFP®  
Market Manager, Portfolio Manager  
713.749.8113 | [stephen.schaller@plainscapital.com](mailto:stephen.schaller@plainscapital.com)  
Houston/ Coastal Bend

Jerrold Dawson, CFA®  
Manager of Investment Strategies and Portfolio Management  
214.252.4150 | [jerrod.dawson@plainscapital.com](mailto:jerrod.dawson@plainscapital.com)  
Dallas

Steven Low, CFA®, CAIA®  
Senior Portfolio Manager  
214.252.4063 | [steven.a.low@plainscapital.com](mailto:steven.a.low@plainscapital.com)  
Dallas

Victor Tanguma, AIF®  
Senior Portfolio Manager  
956.661.5466 | [victor.tanguma@plainscapital.com](mailto:victor.tanguma@plainscapital.com)  
McAllen/ Rio Grande Valley

Larry Smith  
Senior Portfolio Manager  
806.791.7256 | [larry.smith@plainscapital.com](mailto:larry.smith@plainscapital.com)  
West Texas

Irene Silva, AWMA®  
Portfolio Manager  
817.258.3818 | [irene.silva@plainscapital.com](mailto:irene.silva@plainscapital.com)  
Fort Worth

Triana Ramon  
Analyst  
214.252.4166 | [triana.ramon@plainscapital.com](mailto:triana.ramon@plainscapital.com)  
Dallas

## Alternative Asset Return Snapshot:

12/31/2019 to 2/28/2025 Monthly Data		Calendar Year: Annualized Return (%)						
Description	2020	2021	2022	2023	2024	2025 YTD	5YR Annualized	Max Drawdown
Credit Suisse Hedge Fund (CSHF) Index Global Macro	6.53	9.60	15.89	-5.19	5.52	3.53	7.42	-15.54
CSHF Index Event Driven	6.95	12.92	-6.80	9.30	13.03	1.58	7.75	-15.93
CSHF Index Long/Short Equity	7.86	8.35	-5.77	10.93	14.78	2.53	8.42	-11.17
CSHF Index Managed Futures	1.86	8.19	19.12	-2.78	2.87	-0.55	5.53	-11.28
Wilshire Focused Liquid Alternative Index (since 12/31/21)	--	--	-7.31	0.16	2.10	1.09	-1.34	-7.31
Bitcoin	298.99	63.30	-64.69	156.58	116.83	-8.54	57.33	-76.67
Bloomberg Commodity Index Spot	11.83	26.57	6.83	-11.18	6.27	4.73	10.96	-28.31
S&P GSCI Gold Price Return	24.42	-3.51	-0.13	13.45	27.47	7.86	12.70	-17.38
Alerian MLP	-36.44	28.94	21.63	16.91	15.78	10.64	13.49	-58.17
FTSE Nareit All REITs	-9.38	35.57	-27.87	6.50	0.03	5.11	1.10	-36.32
Bloomberg US Aggregate	7.51	-1.54	-13.01	5.53	1.25	2.74	-0.52	-17.18
S&P 500	17.75	28.16	-18.51	25.67	24.50	1.38	16.31	-24.14

Source: FactSet

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Alternative Asset Market Highlights

Alternative investments are experiencing a dynamic shift in 2025, marked by high-profile acquisitions, innovative strategies, and emerging opportunities in real assets. These developments highlight both optimism and dispersion in the space under the second Trump administration.

Two significant announcements have underscored the vibrancy of private equity investment. Google’s \$32 billion acquisition of cybersecurity firm Wiz represents the largest deal in its history, signaling strong confidence in cloud security and AI-driven services. This acquisition aligns with broader trends in tech-focused private equity, which accounted for over 20% of total buyout value in 2024. The deal reflects optimism about the growth potential of technology, particularly in cloud computing and AI applications.

Largest PE/VC-backed investments in identity and access management companies announced in 2025\*

Target	Buyer/investor	Announcement date	Transaction value (\$M)
De La Rue PLC	Disruptive Capital GP Ltd. and Pension SuperFund	01/09/25	470.5
Verkada Inc.	General Catalyst Group Management LLC and Eclipse Ventures LLC	01/07/25	200.0
INITECH Co. Ltd.	ROI Investment Partners Co. Ltd. and Simon J & Company Co. Ltd.	01/22/25	58.6
Orchid Security Inc.	Capital One Financial Corp., Intel Capital Corp. and Team8 Labs Ltd.	01/14/25	36.0
ClosingLock Inc.	Sageview Capital LP, Headline and RWT Horizons venture	01/17/25	34.0
SGNL.AI Inc.	Cisco Investments, M12, Costanoa Venture Capital Partners LLC and Brightmind Ventures Management LLC	01/24/25	30.0
ThreatMark SRO	Riverside Co., Octopus Ventures Ltd., Springtide Ventures Fund I LP and SpringTide Capital Management LLC	01/07/25	22.8
OneID Ltd.	ACF Investors	02/13/25	20.1
Llamaindex Inc.	Greylock Partners and NVP Associates LLC	03/04/25	19.0
TrustLogix Inc.	NVP Associates LLC, Hive, Westwave Capital LLC and Alter Venture Partners	01/28/25	13.0

Transaction sector ● Financials ● Industrials ● TMT

Data compiled March 11, 2025.  
Year to date through March 10, 2025.  
TMT = technology, media and telecommunications.  
Analysis includes 10 largest global whole-company acquisitions, minority stake acquisitions, asset acquisitions and rounds of funding announced between Jan.1, 2025, and March 10, 2025, where the target is focused on identity and access management, according to its topic tag, and the buyer/investor is or includes a private equity or venture capital firm.  
Identity and access management topic tag is associated with companies that provide services and products for managing identity access, authentication and authorization to secure enterprise systems and data. This includes identity management solutions, access management software and access management systems that automate identity management processes.  
Topic tags are niche industry classifications generated by S&P Global Market Intelligence based on business descriptions.  
Excludes terminated deals, deals where the transaction value is unavailable and add-on acquisitions.  
Source: S&P Global Market Intelligence.  
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Similarly, the high-profile bid on the Boston Celtics NBA team by a private equity consortium demonstrates renewed interest in sports franchises as lucrative assets. These megadeals showcase private equity’s adaptability to diverse sectors, buoyed by favorable macroeconomic conditions, including more stable interest rates and anticipation of relaxed regulations under the Trump administration.

Alternatively, vintaged private equity funds are still exploring ways to juggle investor capital beyond recent continuation funds and secondary offerings. Dividend recapitalizations have gained traction as a partial monetization tool, enabling sponsors to extract returns without entirely exiting their investments. This approach increases fund IRR while retaining control over portfolio companies. However, it carries risks, such as heightened leverage and potential default scenarios if

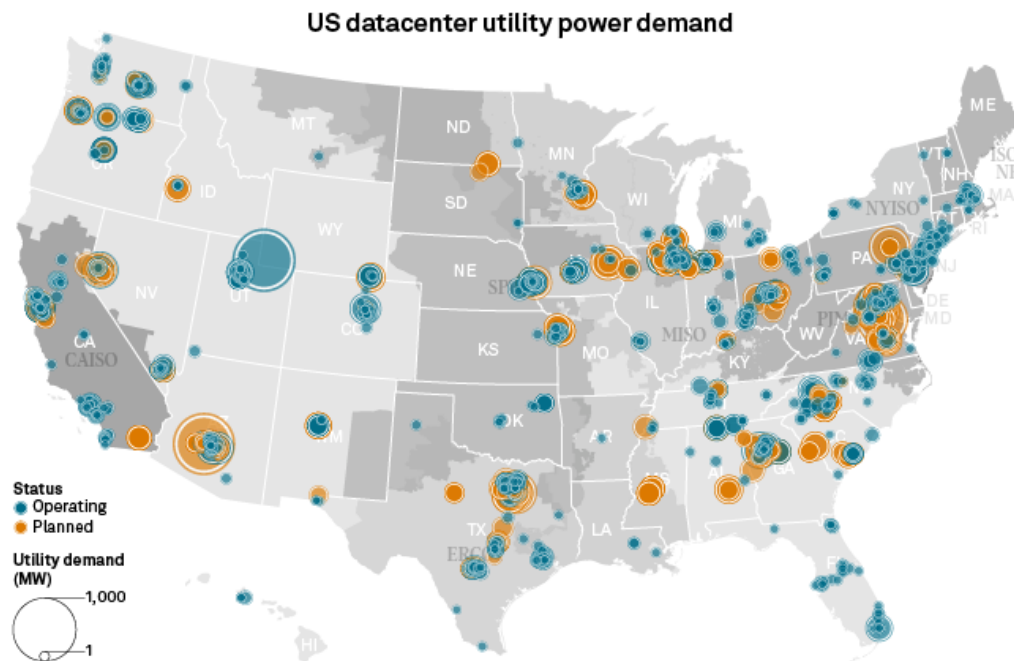
Alternative Markets Key Callouts

- Executing positions based on investor sentiment Hedge funds significantly increased bearish bets on U.S. stocks, marking the highest level of pessimism since 2020.
- Despite broad market volatility, merger arbitrage, and event-driven hedge strategies produced positive returns
- Real asset trends globally are being driven by what can be summed up as the "Three Ds"—deglobalization, digitalization, and decarbonization.
- Real estate opportunities are seeing some distressed property deals due to lending constraints in traditional sectors
- Many real estate investors are shifting to newer property sectors like life sciences, self-storage, and manufactured housing, diversifying away from traditional gateway markets though

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companies underperform after the recap. This dispersion reflects varying risk appetites among managers, underscoring the complexity of navigating today's private equity landscape.

On a different note, the deployment of artificial intelligence is at a nexus with real economy investments, such as natural gas pipelines, utilities, and real estate. Investment opportunities are emerging as physical infrastructure expansion is required to scale up software-driven efficiencies, creating unique investment prospects. For instance, the Stargate Project announced early in the administration that it is looking to develop a data center in Abilene, TX, where Atmos Energy, a Texas natural gas utility, may provide gas, according to S&P Commodity Insights. This gas could be used in collocated generation and consumption by the data center. Such projects offer new investing opportunities spanning several sectors of the economy.



Data compiled Feb. 12, 2025.  
 Includes estimated datacenter campus demand.  
 Excludes crypto-mining datacenters and enterprise-owned datacenters with the exception of Meta, Google, Microsoft, Amazon and Apple.  
 Source: S&P Global Market Intelligence 451 Research; Q3 2024 Data Center Knowledge Base.  
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Not to be overlooked, the Trump administration has prioritized cryptocurrency innovation, announcing a strategic reserve in digital assets and appointing officials who are pro-crypto. This regulatory shift aims to position the United States as a global leader in blockchain technology while promoting responsible growth. The reserve has already influenced market sentiment, contributing to price volatility. While the reserve holds seized tokens instead of making purchases, investors nonetheless anticipate more explicit regulatory frameworks. While much still needs to be clarified, cryptocurrencies and their underlying blockchain applications are maturing.

The early months of 2025 showcase a dynamic private equity landscape characterized by optimism; however, like many other asset classes, there remains a significant amount of uncertainty about the longer-term policy landscape. Simultaneously, cryptocurrency developments under the Trump administration add another layer of complexity for investors seeking growth amid evolving regulatory conditions. These are just a few of the trends that collectively highlight the dispersion of opportunities and performance across alternative investments this year. Understanding the role alternatives play in a portfolio, whether as alpha-seeking, income-generating, or diversifying risk exposures, can help investors navigate uncertain times.

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