

Alternative Investing

## The Private-Money World Opens Up

Small investors now have more ways to win like the bigwigs.

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Small investors are getting new ways to invest like Wall Street bigwigs. For a long time, the average investor has been shut out of one of the hottest sectors around: private money. This category, which covers everything from hedge funds to private-equity pools, usually takes a minimum investment of hundreds of thousands of dollars or more -- beyond the reach of most individuals.

Now a host of new products are giving small investors a way into the club. The appeal of private-money investments is simple: They tend to zig when the broad stock market zags, reducing a portfolio's overall risk and potentially boosting returns....The amount of money pouring into these investments is staggering. Hedge funds and private-equity firms now collectively control more than \$2 trillion world-wide.

### Private-Equity Strategies

Private-equity firms are also opening up to smaller investors. A number of newly launched vehicles, traded on stock exchanges, pursue the private-equity strategies that have traditionally been open only to very wealthy and professional investors. For instance, **PowerShares Listed Private Equity Portfolio**, an exchange-traded fund launched in October, holds companies whose main business is investing in or lending money to private companies.



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Investors with a bit more cash might consider private-equity funds of funds, which pool money to make investments in private-equity firms like Carlyle Group or Blackstone Group. The funds, available from firms like **Morgan Stanley** and **Lehman Brothers Holdings Inc.**, often require minimums of \$100,000 to \$1 million.

Smaller, but equally as prolific Private-equity firms have raised record sums from investors this year, and some industry experts say the flood of cash is creating stiff competition....In the 10 and 20 years ended June 30, private-equity returns outpaced major stock-market indexes by a wide margin, according to Thomson Financial and the National Venture Capital Association.

Editor's Note: As a true Private Equity Fund, open to accredited small investors with minimums of \$30,000, Cartel Funding exemplifies its Private-Equity Strategy with its current PreIPO offering: Network -a former public company that went private in 2003 to upgrade its search technology- by qualifying additional acquisitions it sites as "targets" for the benefit of diversification and the potential of hedging against loss.