

Alternative Asset Classes

Beyond the four core blocks — the expanding universe of alternative assets, and what they share.

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The expanding investable set

Alternative asset classes are investments that fall outside the traditional public equity, bond and cash universe (private equity, private credit, real assets and infrastructure, hedge funds, and commodities and collectibles), valued by allocators for diversification, income and low correlation with listed markets. That definition is settled, and it is where most coverage of the subject stops.

Where that universe ends, though, is a moving boundary. The established classes are well documented; the frontier widening around them is not, as private credit scales, litigation finance and royalties become investable, and sports franchises trade as institutional assets. This page defines the category, lists the canonical classes, and then maps where the investable universe is expanding.

IMS Group, a private markets investment group and partnership of family offices, reads the category through an allocator's lens rather than a retail one. Private markets investing has moved from the periphery of an institutional portfolio toward its core, and the category page is the right altitude to take a position on why. So rather than restate the seven types, this page sets out [the firm's house view on private capital](#) at the category level, and shows where the next generation of owners is putting capital to work.

What Are Alternative Asset Classes?

Alternative investments are defined by contrast. Traditional portfolios are built from publicly traded equities, fixed income and cash; an alternative is anything that sits outside that set and behaves differently from it. The defining characteristics are consistent across the literature: lower liquidity, a longer holding period, less daily price transparency, and returns that are less tied to the public market cycle. Those features are the reason allocators hold them: uncorrelated return streams and an illiquidity premium that listed markets do not offer.

The canonical taxonomy is compact. Most institutional sources converge on five core classes, even where retail listicles stretch the count to seven or nine by separating sub-strategies. The table below sets out the established classes and what each contributes to a portfolio.

The "five versus seven versus nine classes" question turns on how finely sub-strategies are split, not on any real disagreement; the five above are the backbone, and the rest are subdivisions of them. On the perennial question of which is the best alternative asset class to start from, the answer depends on the mandate, but by sheer scale, private equity remains the largest alternative asset class, a point iCapital makes in its category overviews. The count matters less than the direction of travel, and the direction is where the taxonomy alone stops being a sufficient guide.

The Expanding Frontier: What's Newly Investable

The established classes are the part everyone lists. The more consequential development gets less attention: the investable universe is widening, and three areas at its edge are moving from niche to institutional. This is a frontier opening up, and the classic portfolio is being extended by it rather than replaced.

Private credit: the fastest-growing class you can't buy on an exchange

[Private credit](#) has moved from the margins of the alternatives universe to one of its largest and fastest-growing segments. As banks retrenched from middle-market lending after the post-2008 reforms, non-bank lenders stepped into the gap, and allocators followed the yield. The appeal to a family office is structural rather than tactical: floating-rate income, direct security over the borrower, and a return stream with limited correlation to public credit. The cyclical caveat is real, in that deployment cools when rates and spreads move, but the structural expansion of the asset class has compounded across cycles, and the recent year-on-year softening in new lending is better read as cyclical than as a reversal of the trend. It is also the clearest example of the frontier's defining feature: you cannot buy it on an exchange, which is precisely why allocators reach for it, since the return comes from sourcing and underwriting rather than from a quoted price. The mechanics of how the class works are set out in the firm's view on [private credit investing](#), and it sits at the centre of how [IMS Capital Management](#) deploys institutional capital.

Litigation finance, royalties and IP: sizing the fragmented frontier

Further out sits a cluster of genuinely uncorrelated exposures. [Litigation finance, royalties and IP](#) share one quality that allocators prize: their returns are tied to legal outcomes or contractual cash flows, not to the equity cycle at all. Litigation finance funds the costs of a legal claim in exchange for a share of any award. Music and media royalties pay an income stream as a catalogue is used. Intellectual property is licensed for recurring fees. Each is real, investable today, and difficult to size precisely, because the market estimates are fragmented and best given as ranges. The point for an allocator is not the exact figure but the character of the exposure: income and return that sit outside the market beta

How Allocators and Family Offices Access and Re-Weight

Spotting the frontier is the easy part; reaching it is harder. Allocators access alternatives through three broad routes, each with a different trade-off between control and convenience. Commingled funds offer diversification and a manager's selection discipline for a fee and a lock-up. Co-investment lets a family office put capital alongside a manager in a single deal, with more control and lower aggregate cost but greater concentration. Direct investment offers the most control and the most demanding diligence burden, and is the preserve of larger, more capable offices. The route chosen is rarely a matter of taste; it follows the size of the office, the depth of its team and the mandate it is investing against, and most allocators run a blend of all three. The illiquidity that runs through them is not a flaw to be tolerated but the source of the premium; it is what the return is paid for, and the market prices it accordingly. The same logic increasingly reaches further down the market, as defined-contribution and pension structures begin, cautiously, to admit private-market exposure that was once the preserve of institutions alone.

What has changed is not only the menu but the appetite. The next generation of family offices is re-weighting toward alternatives as a matter of conviction, starting from a higher baseline allocation to private markets than the generation that built the wealth. Allocation surveys of younger high-net-worth owners consistently show larger target weights to private equity, private credit, real assets and digital assets, and a corresponding willingness to hold positions that an older, listed-heavy portfolio would never have carried. This is [how family offices re-weight toward alternatives](#) in practice: not a tactical tilt but a structural reset of what a core portfolio looks like, with private equity and private credit treated as core holdings rather than satellite positions. That behavioural shift connects directly to [the next generation of allocators](#) re-mandating capital across the wider market, the demand engine beneath the entire frontier.

Why Now: The Direction of Travel

The timing is not incidental. Two structural forces are widening the universe at once, and both are sourced rather than asserted. The first is generational. Bank of America research finds that 72% of younger investors, those under 44, no longer believe it is possible to achieve above-average returns using only traditional stocks and bonds, against just 28% of investors over 44 who feel the same way. That 72%-versus-28% split is a sentiment divide between cohorts, not a demographic headcount, and it points capital toward alternatives as the receiving generation gains control of it.

Behind that sentiment sits the largest reason it matters: a vast handover of capital is under way. Cerulli Associates projects roughly 84 trillion to 124 trillion US dollars transferring between generations in the United States through the late 2040s. That figure is a projection, stated here as a range across vintages rather than a settled number, and a US estimate rather than a global one. As those balance sheets pass to younger owners, the asset mix they fund changes with them, and the frontier classes are where the new preference is most visible. The direction is clear even if the magnitude is contested, which is the right way to hold any number a portfolio is built on.

The second force is infrastructure. The same shift that opens the frontier raises a practical question of how unlisted, hard-to-verify assets are priced, authenticated and accessed at scale, which is where [the tokenisation of real-world assets](#) and the broader technology layer enter the story. That bridge is a topic in its own right, addressed elsewhere in the firm's work; here it is enough to note that the widening of the investable universe and the maturing of the technology to support it are happening together, not by coincidence.

Conclusion

The category is settled in its definition and widening at its edge. The established classes (private equity, private credit, real assets, hedge funds, commodities) remain the backbone, but the investable universe now extends into private credit at scale, litigation finance and royalties, IP, and sports franchises held as institutional assets. The allocator's job is not to memorise the taxonomy. It is to map the frontier, size each new exposure soberly as a range, and judge where uncorrelated return is actually on offer.

That is the work IMS Group does across its divisions. To see how the firm invests across the frontier, explore how [IMS Capital Management](#) deploys private credit and alternatives, and how [IMS Sports Capital](#) operates in the capital structures behind sport: the frontier read by an allocator, not a list.

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Frequently asked questions

What are the main alternative asset classes?

The five core alternative asset classes are private equity, private credit, real assets and infrastructure, hedge funds, and commodities and collectibles. Retail lists sometimes show seven or nine by splitting these into sub-strategies, but institutional sources treat the five as the backbone. They share lower liquidity, longer holding periods and returns that are less correlated with public equity and bond markets.

What is the largest alternative asset class?

By assets, private equity is the largest alternative asset class, according to category overviews from iCapital. It covers equity stakes in private companies through buyout, growth and venture strategies. Private credit has grown rapidly and is now among the largest segments, but private equity remains the biggest single class within the alternatives universe by total assets under management.

What are alternative assets in a pension or institutional context?

In institutional portfolios, alternative assets are allocations to private markets and uncorrelated strategies held alongside listed equities and bonds to improve diversification and long-term return. Pension schemes, endowments and family offices use them for income, inflation linkage and exposure that does not move with public markets. Access is typically through funds, co-investment or, for larger allocators, direct investment, accepting illiquidity in exchange for the associated premium.

How do family offices access alternative asset classes?

Family offices reach alternatives through three main routes: commingled funds, which offer diversification and manager selection for a fee and a lock-up; co-investment alongside a manager in a single deal, with more control and concentration; and direct investment, which offers the most control and the heaviest diligence burden. The route chosen depends on the office's scale, capability and mandate.

Sources & important information

1. iCapital (2024). Alternative Investments Education — asset class overviews. Source for "the largest alternative asset class is private equity" and the core-class taxonomy. iCapital.
2. Preqin (2024). Alternative Assets — industry structure and definitions. Source for the traditional-versus-alternative definition and the characteristics of the established classes (illiquidity, holding period, low correlation). Preqin.
3. Bank of America (2024). Bank of America Private Bank Study of Wealthy Americans. Generational sentiment divide: 72% of investors under 44 versus 28% of investors over 44 doubt that traditional stocks and bonds alone can deliver above-average returns. Bank of America Private Bank.
4. Cerulli Associates (2024). U.S. High-Net-Worth and Ultra-High-Net-Worth Markets. US intergenerational wealth-transfer projection of approximately \$84 trillion (earlier estimate, through 2045) to approximately \$124 trillion (updated 2024 projection, through 2048); stated here as a range and labelled a US figure. Cerulli Associates.
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Point-in-time figures are volatile and should be re-verified on the date of publication.

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Alternatives, read from
the buy-side —
uncorrelated,
contractual or scarce.

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