

When I talk about **alternative private investments**, I am talking about investments that are NOT on the electronic stock markets that get reported on at great length, hour after hour, day after day, and month after month. Private investments are put together by private companies, are not subject to the same rigour by regulators as public stocks and bonds, but do require some sort of disclosure documents such as **'offering memorandums'**. It takes more work to invest in these vehicles, and clearly one has to do their 'due diligence' before getting involved. For me, they have consistently preserved my capital and at the same time provided me with 6 to 10% per annum cash flow, delivered monthly to my bank account.

They take many forms, and I will try to name a few of them so we all know what I am talking about:

1. **Direct fee simple ownership of real estate** [residential, commercial, industrial etc] ... this one has served me well with over 40 personal investments, and over 10 pension fund consulting recommendations over the years. For my personal investments, I always preserved and usually increased my capital, plus maintaining an ongoing positive monthly cash flow. For my pension fund recommendations, I luckily was always correct in my recommendations, although the funds did not always listen to me.
2. **Real Estate Investment Trusts [REIT's]** ... I have one of these, it has served me well even through the downturn of 2008-09 with good capital preservation and good monthly cash flow. Other types of income trusts are being phased out at the end of 2011 per the Federal Government legislation of 2006
3. **Limited Partnerships in real estate, oil and gas, other operating companies, etc** ... I have two of these in real estate specifically, and they also have served me well even through the downturn of 2008-09 with good capital preservation and good monthly cash flow.
4. **Mortgage Investment Corporations [real estate]** ... I obtained one of these in early 2010 and have been very happy with its performance and the company underlying it. In doing 'due diligence' on this MIC, I found that during the downturn of 2008-09 it preserved capital value and didn't miss a beat on monthly cash flow. One can't ask for more than that!
5. **Direct second mortgage investments** ... I know how to do these, by father was big into them and made tons of money; however, they take some work and involve a bit more worry, so I will be careful regarding this option. Interestingly, some syndicated [split in pieces] 2nd mortgage investments are available; I did one, lost big, my only RE error over the years; live and learn!
6. **Commodities** ... there clearly is great potential for long-term growth here with the evolving middle class of the developing countries like China, India, Brazil, and others. John Stevenson in his recent book **'Shell Shocked – how Canadians can Invest after the Collapse'**, examines how one can more safely do this with Canadian share purchases, rather than futures trading on the Chicago exchange.

7. **GIC's** ... a secure option with a large and reputable firm; security of capital; reasonable cash flow if one looks at more sophisticated types and seeks the best income tax efficiencies; a good book to read regarding GIC's is '**Enough Bull – How to Retire well without the Stock market, Mutual funds, or even an Investment Advisor**', by David Trahair, C.A.
8. Certain assumptions need to be made with either public or private investments; here are mine:
- Expect **deflation** in the short term on things we don't need; expect **inflation** on things we need; expect governments to keep telling us inflation is very low, when we know it is not!
 - **Printing of money** will soon move Western governments into inflation fighting lasting from 2 to 10 years; coincidentally, inflation becomes a positive for them fiscally because they pay off their debts with money that is worth less, soon to be worth far less in the USA.
 - **Short term interest rates** in Canada will start rising marginally in 2011, but in the US, they will not start rising until inflation starts to rise again. The recovery is so fragile there, that government will keep them low for as long as possible.
 - **Long term interest rates**, dictated by the private bond markets, are already starting to rise; European countries are already paying more for their new bond issues. Canada is rolling over its bond debt at equal rates, as we are pretty much the healthiest country in the G20 now. For the USA, it remains to be seen if they will experience a similar situation to Europe; stay tuned!!

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