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DIVERSIFY

Private Markets

How Our Private Market strategies fit into a diversified portfolio

WHY PRIVATE MARKETS MATTER

For decades, private markets were reserved for pensions, endowments, and the ultra-wealthy. Modern fund structures now open that same access to qualified investors. The shift is structural: companies raise capital and stay private far longer, while banks have pulled back from lending, leaving non-bank managers to fill the gap. The result is a growing share of both corporate growth and lending happening entirely out of public reach. Private equity captures the growth side; private credit captures the income side.

$7T+ INDUSTRY-WIDE
in global private equity assets, and growing

~$3T INDUSTRY-WIDE
in global private credit assets, and growing

Public companies have halved
Down nearly 50% since the mid-1990s as businesses avoid Wall Street.

Capital without going public
Private, venture, and sovereign funds let mature companies raise hundreds of millions privately.

Companies stay private longer
Their highest-growth years now happen before any IPO ever reaches public investors.

A parallel economy
Institutions capture the wealth creation public investors used to share in.

WHAT PRIVATE MARKETS INCLUDE

Two complementary strategies. Private credit lends for income; private equity owns for growth.

PRIVATE CREDIT: LENDING FOR INCOME

1. **Direct Lending**
Senior loans made directly to middle-market companies, earning contractual interest.

2. **Mezzanine**
Subordinated debt that sits below senior loans, with higher yield for taking more risk.

3. **Distressed Debt**
Buying the debt of troubled companies below par, betting on recovery or restructuring.

4. **Specialty Finance**
Asset-backed and niche lending, including equipment, royalties, receivables, and more.

PRIVATE EQUITY: OWNING FOR GROWTH

1. **Primaries**
   Commit capital to a new fund, the foundation, with an early multi-year J-curve lockup while the manager builds the portfolio.

2. **Secondaries**
   Buy existing stakes from other investors at a discount, gaining immediate exposure to mature companies and skipping the early unprofitable years.

3. **Co-Investments**
   Invest side-by-side with a fund into one high-conviction company, usually at significantly reduced or zero fees.

4. **Direct Investing**
   The largest institutions bypass funds entirely, sourcing, buying, and operating companies with their own teams, eliminating management fees.

HOW WE IMPLEMENT IT

STEP 1

Choose the fund

We select the strategy and fund that fit your plan, then open access through your existing accounts.

→

ONE OF TWO PATHS

Interval funds

Some funds are interval funds that invest right away, with your money going in the next business day (T+1 settlement).

or

ONE OF TWO PATHS

Subscription funds

Others require their own subscription paperwork to DocuSign, and full deployment of your capital can take 30 to 90 days.

STRATEGY SPECIFICS

Private Credit	Private Equity
Role. Income, from contractual interest.	**Role.** Growth, from capital appreciation.
Structure. Interval funds & private placements.	**Structure.** Interval funds & private placements.
Fees. 1–1.25% mgmt; some add incentive up to 12.5%.	**Fees.** 1.5–2% mgmt; some add 10–20% incentive.
Yield. 8–11% typical, varies, not guaranteed.	**Yield.** None; returns realized at exit.
Liquidity. Limited windows, not guaranteed.	**Liquidity.** Illiquid, long-term capital.

BENEFITS & TRADEOFFS

Benefits	Tradeoffs
✓ **Two return drivers.** Credit pays contractual income; equity compounds through ownership.	✕ **Illiquidity & long horizons.** Commit capital for the long term; you can't pull out on demand.
✓ **Access.** Reaches private companies and private loans the public can't buy on an exchange.	✕ **Higher fees & complexity.** Layered fees and more complex structures than public funds.
✓ **Downside cushion.** Credit sits senior and secured; equity managers rebuild businesses over years.	✕ **Manager selection risk.** The gap between top and bottom managers is wide. Due diligence isn't optional.
✓ **Diversification.** Valued on business and loan performance, not daily market sentiment.	✕ **Limited retail track record.** Most retail wrappers launched after 2020 and are untested in a deep bear market.
✓ **Alignment of interests.** Managers invest their own capital and are paid on results, not asset-gathering.	✕ **Not for money you'll need soon.** Best for patient capital held through the lockup, not near-term needs.

WHO THIS IS FOR

5+ year horizon
Capital you won't need for at least five years

Varying minimums
Some funds none, others higher

Quarterly reporting
Comfortable with quarterly, not daily, valuations

Tax-flexible
Some funds issue a 1099, others a K-1 with possible delayed filing

Lockups understood
Accepts that lockups and gates are highly likely

Accredited status
Some funds may require accredited investors

OUR UNDERWRITING APPROACH

In private markets, manager selection is everything. We require:

- ✓ **Available at Schwab**
- ✓ **$100M+ in Fund Assets**
- ✓ **Internal Review**
- ✓ **3-Year Minimum Track Record**
- ✓ **$1B+ Sponsor AUM**
- ✓ **Platform Access via iCapital & CAIS**

SPONSORS WE CURRENTLY WORK WITH

AMG Pantheon · Blackstone · Blue Owl · Calamos · Carlyle · Cliffwater · First Trust · Hamilton Lane · iCapital · Liberty Street · Meketa Capital · Partners Group · StepStone

HOW THIS FITS YOUR PLAN

I utilize private market investments to help protect portfolios through prolonged drawdowns. While allocations are case-by-case, I typically recommend a 10% allocation to private markets.

I'm glad to walk through the numbers with you. Curious whether Private Markets belongs in your portfolio? Let's talk!

Book Time With David

Call or Text David at (516) 400-7111

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Statistics and fund data are drawn from publicly available third-party industry sources, including data accessed via Koyfin, and are believed to be reliable but not guaranteed. Yields, fees, and other figures shown are typical ranges that vary by fund and over time and are not guaranteed.

Private credit and private equity investments are illiquid and long-term; they may involve multi-year lockups, capital calls, a J-curve in which early returns are negative before gains are realized, limited or no ability to redeem, and gates on withdrawals, and some funds are available only to accredited investors or qualified purchasers.

These investments do not trade on public markets and are valued periodically using estimates, models, and manager judgment; reported values may differ from amounts ultimately realized, and a smoother reported return path reflects infrequent valuation rather than lower underlying risk. Distributions are not guaranteed, may be reduced or suspended, and may include a return of capital rather than income. Private credit involves credit and default risk of the underlying loans, which are often made to below-investment-grade borrowers.

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