

ASSET STRATEGY

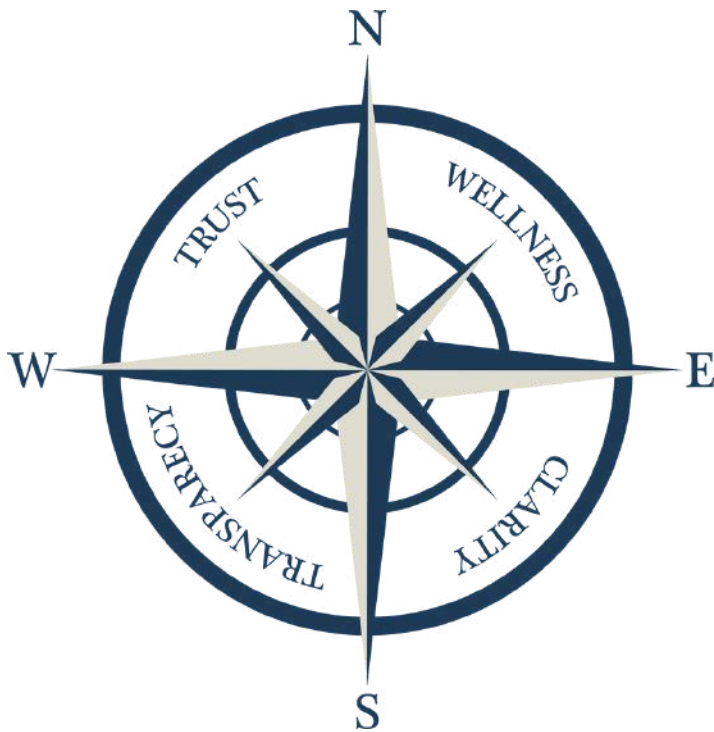
Helping You Create, Manage, Protect, & Distribute Wealth®

2026

**LET'S EXPLORE THE
PRIVATE MARKET
UNIVERSE!**

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Public vs. Private Markets in the Media

Every day, **public markets**, with their daily fluctuations and high-profile coverage, dominate the financial news cycle, capturing the attention of investors and the general public alike.

The constant stream of updates on indices like the S&P 500, Nasdaq, and Dow Jones creates an environment where public markets seem to be the primary driver of economic health.

However, a heavy industry focus on public markets can result in **less attention to private markets and alternative investments**, which some investors use to broaden portfolio exposure. Private markets are often underrepresented in individual portfolios; they have the potential to contribute diversification and, over certain time horizons and on a risk-adjusted basis, **may deliver different return and volatility characteristics than public markets**. Tradeoffs such as reduced liquidity, longer investment horizons, and valuation uncertainty should be considered alongside these opportunities.

Source: <https://www.amundi.com/institutional/files/nuxeo/dl/27324e78-408b-4a9b-b194-4a063f7fc1db> as of 4.21.25



The allure of real-time data, immediate results, and the transparency of public markets contribute to their media dominance. This leaves the **more complex and less visible** world of private markets underrepresented **despite their potential for diversification, higher returns, and lower volatility**.

In this guide, we will cover the foundations of private markets and how they may enable investors to make more educated financial decisions.

Private Markets Overview

Private equity is capital stock in a private company that does not offer stock to the general public. In the field of finance, private equity is offered instead to specialized investment funds and limited partnerships that take an active role in the management and structuring of the companies. **Private markets enable the movement of capital in and out of privately held companies.**

To understand the private market landscape, it's useful to first identify the key components involved:



A)

To run daily operations and expand their businesses, **private businesses and asset owners often need capital.**



B)

Financial institutions or capital providers establish and administer investment funds, which **allocate resources on behalf of a pool of investors.**



C)

These private funds **allow investors who seek more attractive returns and diversification/reduced risk** to invest in companies that are **not available on public markets.**

Why Many Businesses Choose to Stay Private

This decision is typically driven by a desire for **flexibility and control**. Raising capital through public markets, such as an initial public offering (IPO), entails a flurry of **regulatory requirements**, **increasing public scrutiny**, and the **pressure to meet quarterly earnings projections**.

These variables can occasionally shift a business’s focus away from long-term growth and toward short-term performance measurements, thus jeopardizing long-term value generation.

Conversely, private capital can enable businesses to secure necessary funding and may reduce exposure to short-term public market volatility, but it can involve greater illiquidity, valuation uncertainty, and other risks.

Private-market strategies are diverse and are often described in industry literature as falling into **three broad groups**:



1)	Private Real Estate
2)	Private Debt
3)	Private Equity

1) Private Real Estate

Real estate can offer diversification, current income, capital appreciation, and a potential partial hedge against inflation. However, there is no guarantee of these outcomes. Real estate investments carry risks, including illiquidity, property-level and market fluctuations, and possible loss of principal.

Private real estate is the direct investment in physical real estate outside publicly traded funds. This market encompasses a diverse range of building types, including **residential, commercial, industrial, and special use.**

With properly planned strategy and management, private real estate can be a consistent, inflation-resistant component of a diversified investment portfolio.

Low Correlation – Diversifying Private Real Estate – (2003-2023)

Historically, **real estate’s correlation to stocks and bonds has been relatively low** and may deliver different return and volatility characteristics, but correlations can change and diversification does not eliminate loss.

Past performance is not indicative of future results.

	U.S. Equities	Int’l Equities	Public Real Estate	U.S. Fixed Income	Pvt. U.S. Real Estate
U.S. Equities	1.00	0.89	0.76	0.07	0.04
Int’l Equities	—	1.00	0.69	0.11	(0.01)
Public Real Estate	—	—	1.00	0.23	0.14
U.S. Fixed Income	—	—	—	1.00	(0.26)
Pvt. U.S. Real Estate	—	—	—	—	1.00

Source: Brookfield Oaktree / The Alts Institute, 20-year period ending December 31, 2023



The Four Key Strategies of Private Real Estate

1) Core Real Estate Investments

Core investments generally focus on high-quality, well-located properties and seek to provide steady income with the potential for modest appreciation. There can be no assurance these outcomes will occur; returns are not guaranteed and may fluctuate based on market and property-specific risks.

2) Core Plus Investments

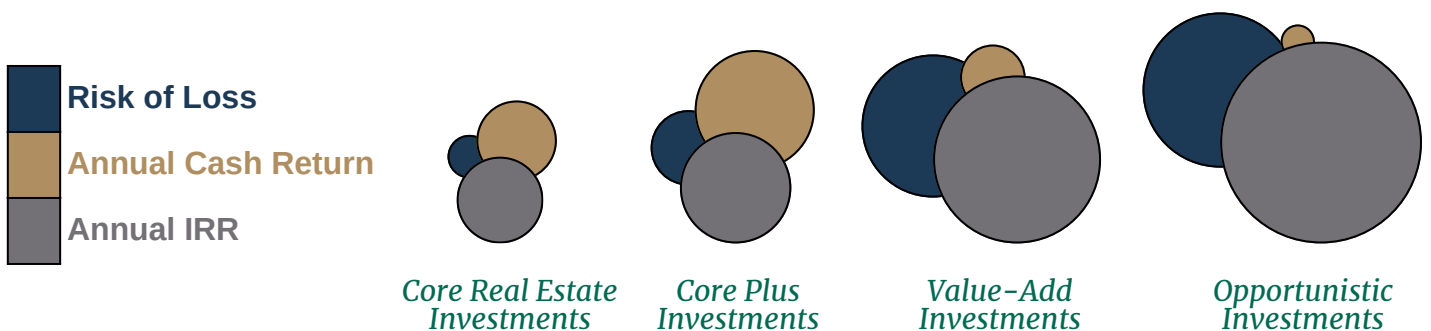
Core Plus Investments seek returns that may be modestly higher than Core by accepting additional risk. There is no guarantee the objective will be achieved; higher expected returns may involve greater volatility, reduced liquidity, and a higher risk of loss.

3) Value-Add Investments

Value-Add investments involve properties with moderate to high risk that require significant improvement, such as repositioning, refurbishment, lease-up, or operational overhaul. These deals aim for higher returns through value creation rather than purely stable income and often carry greater leverage and execution risk.

4) Opportunistic Investments

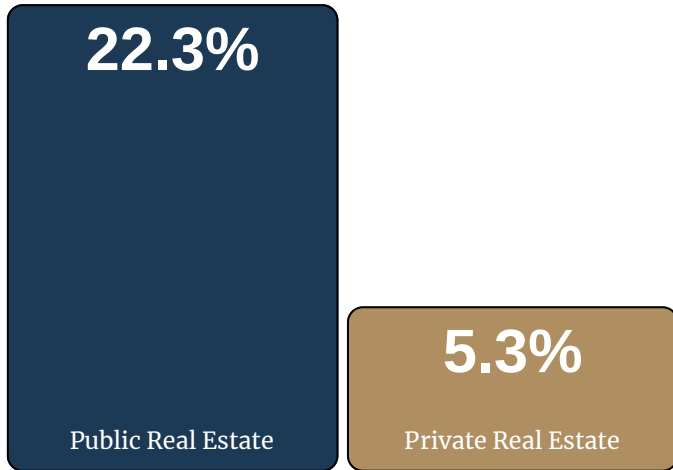
Opportunistic investments represent the highest end of the risk-return spectrum. They may involve ground-up development, major redevelopment, raw land, or highly underperforming assets in emerging markets. While there may be a delay in cash flows, high leverage, and significant risk, those who are willing to accept the uncertainty stand to gain the greatest potential returns.



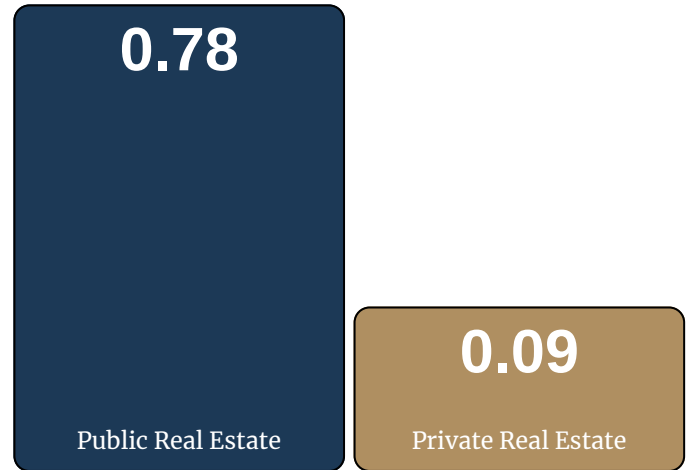
	<i>Core Real Estate Investments</i>	<i>Core Plus Investments</i>	<i>Value-Add Investments</i>	<i>Opportunistic Investments</i>
Risk of Loss:	Much Lower	Lower	Medium	Higher
Return Composition:	Current Income	Current Income + Capital Appreciation	Current Income + Capital Appreciation	Capital Appreciation
Asset Strategy:	Buy and Hold	Light Renovations Re-Leasing	Heavy Renovations Major Re-tenanting	GroundUp Redevelopment Major Rehabilitation
Hold Period:	10+ Years	5-7 Years	5-7 Years	<5 Years

Over 1-, 5- and 10-Year Historical Periods, Private Real Estate Has Generally Provided Diversification, Exhibiting Lower Volatility and Lower Correlation With Public Markets on a Net-of-Fees Basis Past performance is not indicative of future results.

Last 15 Years - Volatility



Last 15 Years - Correlation to Equity



Source: This data is from Bloomberg as of 6/30/2023. Public real estate is represented by the FTSE NAREIT All Equity REITs. Private real estate is represented by the NCREIF Property Index. Gross performance is shown before management fees and expenses; net performance reflects the deduction of actual management fees and expenses.

Potential Benefits and Risks of Private Real Estate

Private real estate **offers significant diversification benefits** through low correlation with stocks and bonds, plus the potential for **tax-advantaged income** and **inflation protection**.

However, it carries trade-offs: limited liquidity, opaque valuations, and heightened sector-specific risks. Outcomes aren't guaranteed.



2) Private Credit

Private credit is often defined as **non-bank lenders providing credit directly to private companies**. Over the last decade and a half, the **private credit market has grown significantly**. According to the IMF, the global private credit market reached nearly **\$2 trillion in assets under management** (*IMF, Apr 2024*). Meanwhile, banks' role in direct lending has shifted... regulatory pressures and tighter bank balance-sheet considerations have been cited as factors contributing to increased financing through non-bank channels. (*Federal Reserve, May 2025*)

Sources:

- <https://www.imf.org/en/Blogs/Articles/2024/04/08/fast-growing-USD2-trillion-private-credit-market-warrants-closer-watch> as of 4.7.24
- <https://www.federalreserve.gov/econres/notes/feds-notes/bank-lending-to-private-credit-size-characteristics-and-financial-stability-implications-20250523.html> as of 3.23.25



Private credit providers fill the vacancy by arranging and issuing different kinds of loans and then passing on periodic interest payments to their investors through distributions. **These loans are not syndicated or sold on the secondary market**; instead, the lenders **hold them until maturity (usually 5-7 years)**.

From the viewpoint of investors, private credit can provide income at a higher return than public fixed income while also being less sensitive to interest rates relative to public debt.

Similar to the mix of private equity solutions, private credit provides a variety of ways to invest in the debt of private companies.

The Three Key Strategies of Private Credit

#1: Direct Lending

Direct lending involves non-bank lenders making loans directly to businesses without using traditional banks as intermediaries. This strategy has become the dominant segment of the private credit market as banks have reduced their participation in certain bands of corporate lending. Private credit funds thus play a key role in providing tailored financing solutions such as acquisition finance, debt refinancing, or business expansion loans. These lenders often focus on senior debt at the top of a company's capital structure and have increasingly partnered with private-equity sponsors to fund buyouts and growth transactions.

#2: Mezzanine Financing

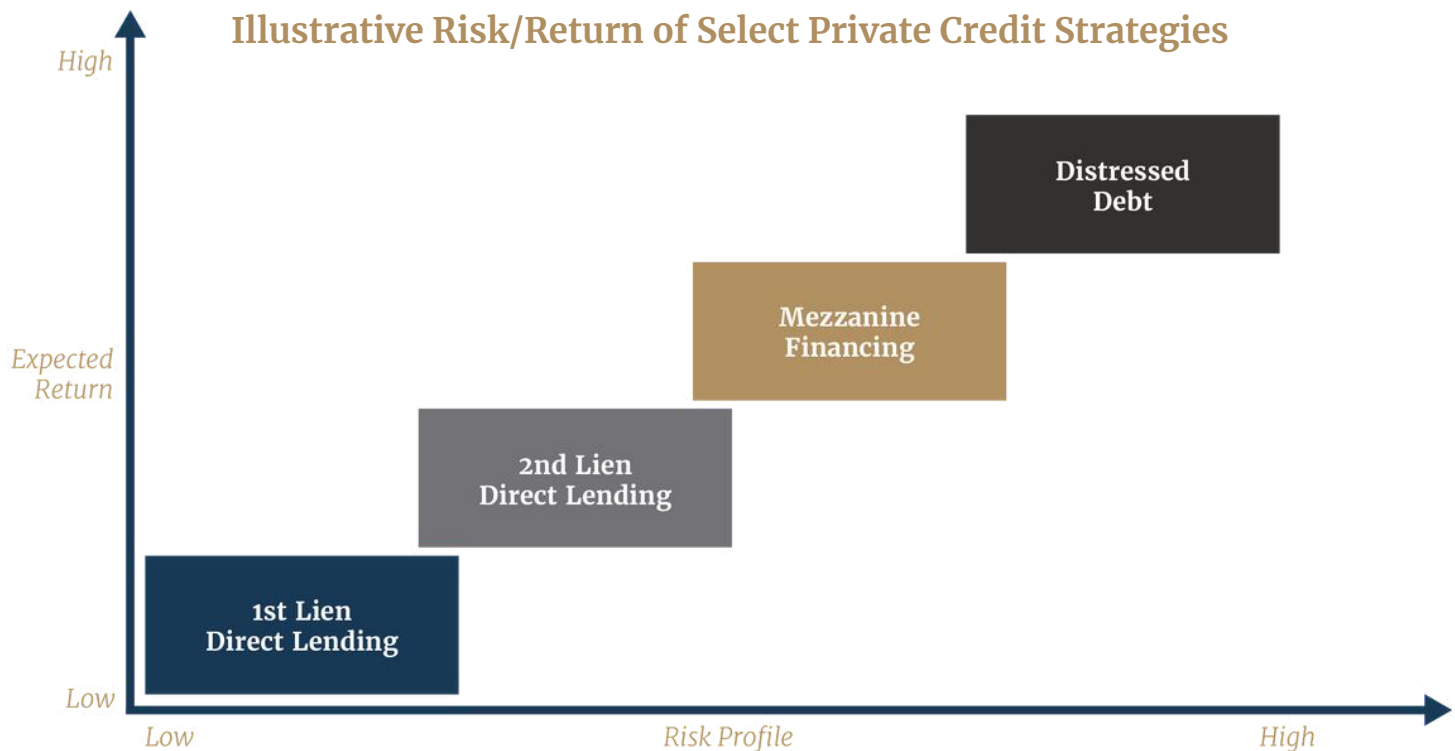
Mezzanine financing occupies a hybrid position in a company's capital stack between senior debt and equity. Because it is subordinated to senior loans, it carries higher risk, which is compensated through higher interest rates or return components. Mezzanine investments often include equity features like warrants or conversion rights, offering upside potential if the borrower performs well. This structure gives borrowers access to additional capital without diluting ownership as much as traditional equity financing.

#3: Distressed Debt

Distressed debt investing involves acquiring the debt of companies that are experiencing financial distress or are on the brink of bankruptcy. The goal for investors is either to purchase debt at a significant discount and profit if the company recovers or to gain control of assets during restructuring or liquidation. This strategy demands specialized expertise in credit analysis, restructuring mechanics and legal frameworks and generally carries high risk but also potentially high reward.

Sources:

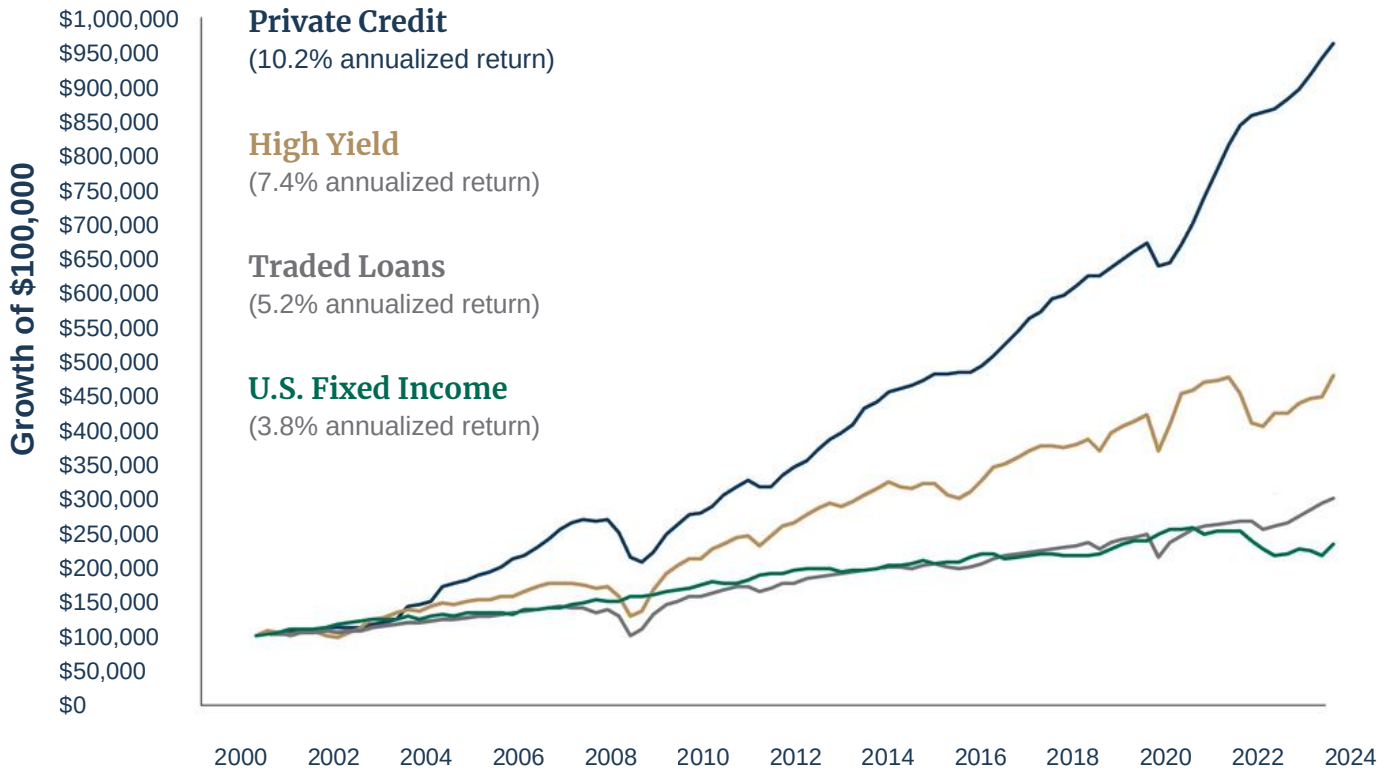
- https://www.morganstanley.com/im/publication/insights/articles/article_evolutionofdirectlending.pdf as of 2.21.25
- <https://www.cfainstitute.org/insights/articles/private-debt-market-trends> as of 9.17.25





Private Credit has Historically Provided Premium Returns, Driven by Income

See disclosures for index definition and fee treatment.



Source: Bloomberg, Preqin as of 12.31.23. Private Credit is represented by the Preqin Private Debt Index. High Yield is represented by the Bloomberg Barclays High Yield Index. Traded Loans are represented by the S&P/LSTA Leveraged Loan Index. U.S. Fixed Income represented by the Bloomberg US Aggregate Bond Index. Past performance is not a guarantee of future results. An investor cannot invest directly in an index. Index performance does not reflect fees and expenses, which may include management fees, access fund expenses, and administrative fees. Returns are shown gross and net of fees.

3) Private Equity

Private equity refers to **making investments in the equity of companies that are not listed on a public stock exchange.**

Managers

Private equity managers establish investment funds in which they find, research, purchase, and manage assets in private companies on behalf of their clients.

- Their purpose is to add value by actively managing or restructuring businesses over a 4-7 year period in order to generate a profit for shareholders upon exit.

Investors

Private equity seeks to provide investors with **long-term capital appreciation** and, for certain strategies and over longer investment horizons, may exhibit **lower measured volatility than public equity.**

These outcomes are not guaranteed; results vary by manager, vintage year, strategy, and market conditions, and past performance is not indicative of future results.

Private equity covers a **wide range of strategies**, but they can be broadly classified based on the stage of the business life cycle in which target investments are made.



The Four Key Strategies of Private Equity

#1: Venture Capital (VC)

Venture capital refers to equity investments in early-stage businesses that may offer high growth potential; such investments are typically highly illiquid and subject to substantial risk, including the loss of invested capital. These companies often operate in innovative sectors and may lack a proven track record or significant revenues, which means there is an elevated risk of failure. VC firms provide capital in exchange for ownership (typically a minority stake) and support the firm's growth with the intention of exiting through a sale or IPO.

#2: Growth Equity

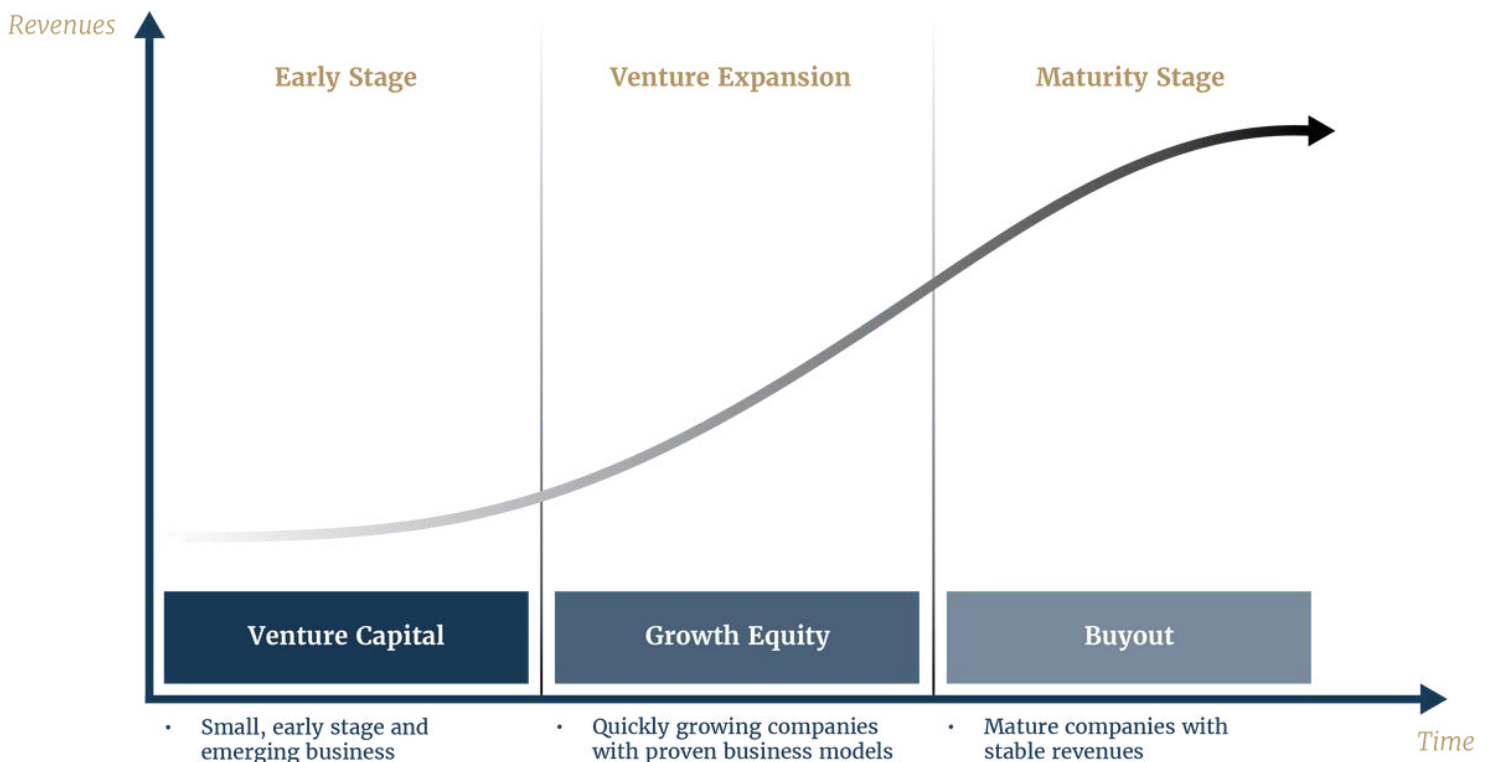
Growth equity lies between venture capital and buyouts and generally provides capital to scale operations or enter new markets; these investments can support growth but are subject to execution, market and financing risks that may affect outcomes.

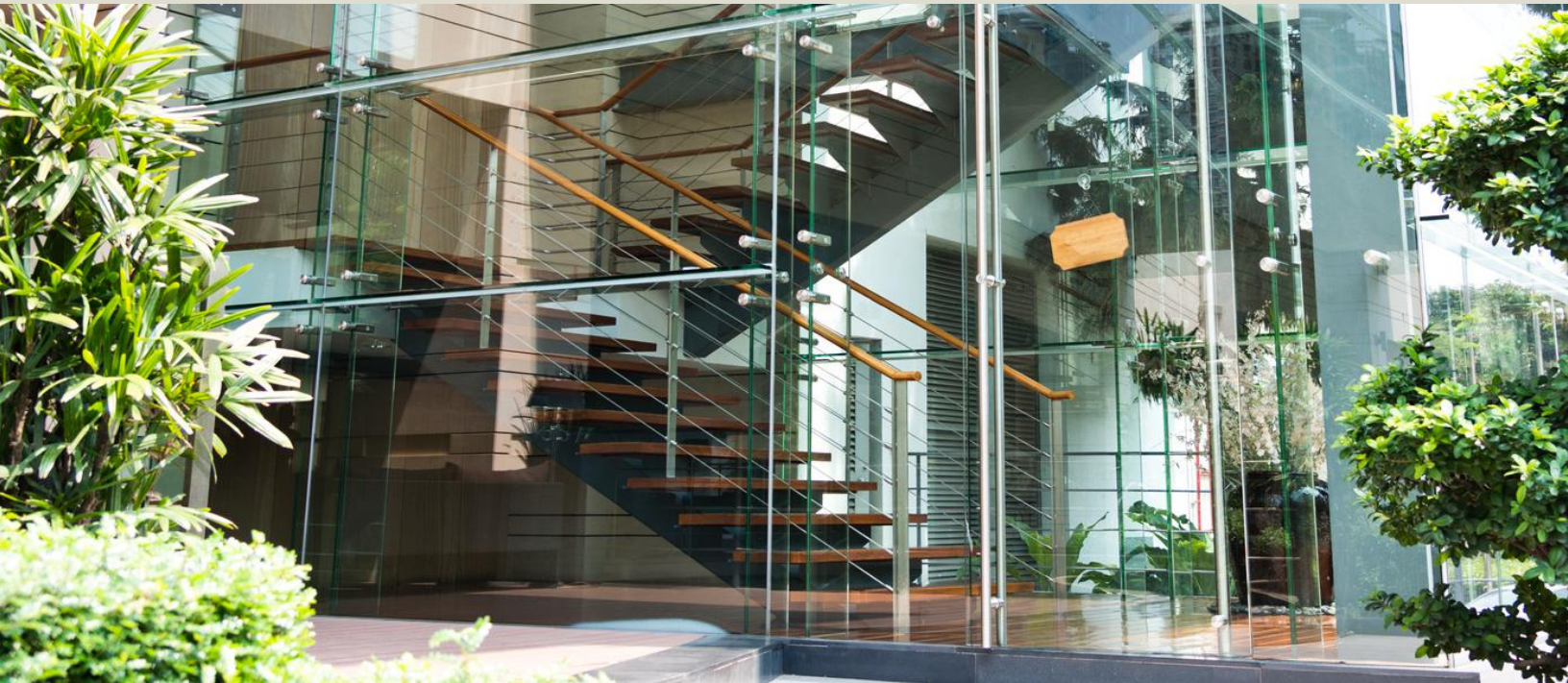
#3: Buyouts

Buyout strategies involve acquiring a controlling interest in a company with the objective of enhancing operations and driving value creation; successful exits are not guaranteed and results depend on factors such as management execution, market conditions, and timing.

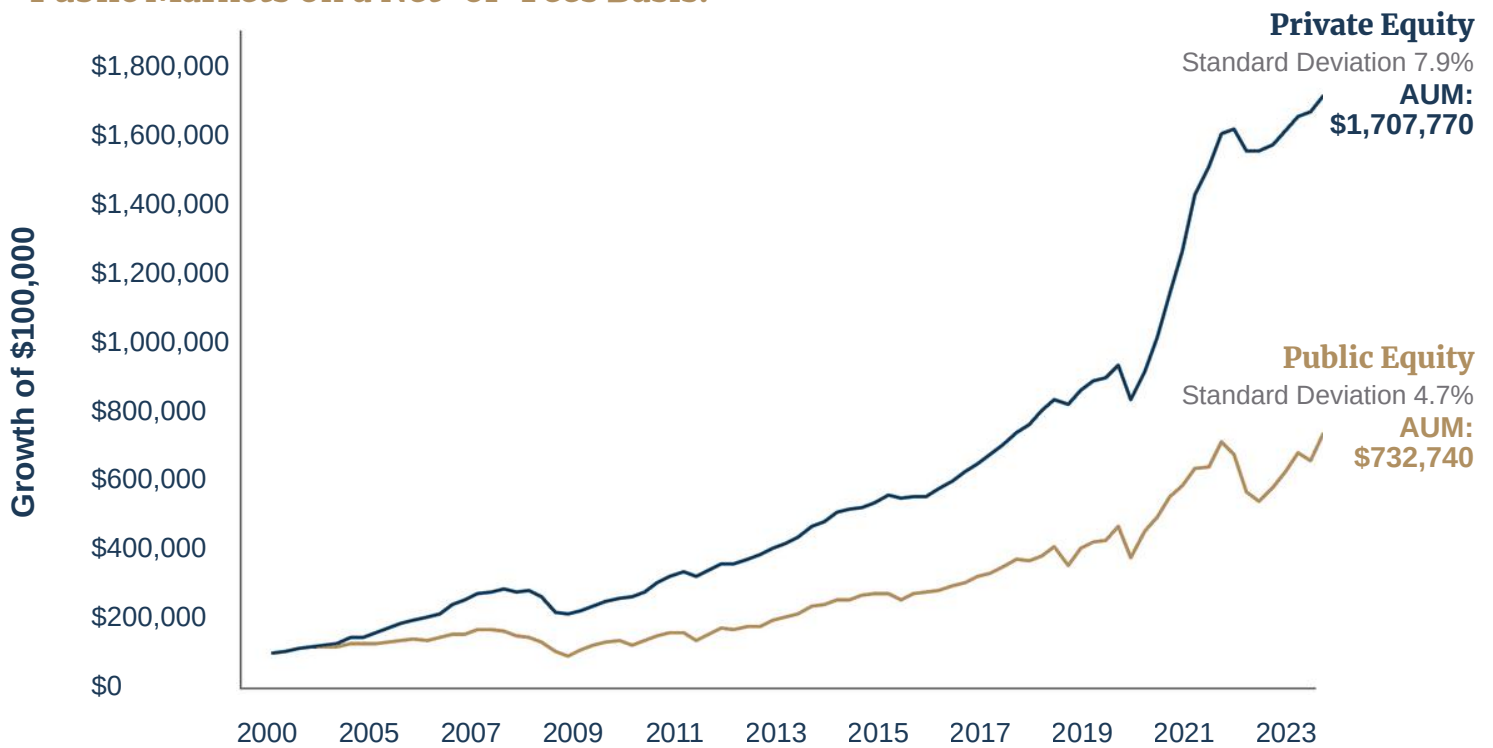
#4: Secondaries (not depicted in the graph below)

Secondaries investing refers to the acquisition of existing private equity fund interests or portfolios of direct private company investments. This strategy has grown rapidly as managers and investors seek liquidity, continue value creation beyond the initial fund life cycle, and transfer ownership of high performing assets through continuation vehicles. It provides alternatives in exit scenarios and can help extend value creation timelines.





Over 1-, 5- and 10-Year Historical Periods, Private Real Estate Has Generally Provided Diversification, Exhibiting Lower Volatility and Lower Correlation With Public Markets on a Net-of-Fees Basis.



Performance (annualized, Gross / Net): 1-yr, 5-yr, 10-yr: [GROSS % / NET %]

Source: Bloomberg, Cambridge Associates for the period 6/30/2003 to 6/30/2023. Public equity represented by the S&P 500. Private equity represented by the Cambridge U.S. Private Equity Index. Net performance is shown after advisory fees and trading expenses. Standard deviation and returns are calculated using monthly returns for the period 6/30/2013–6/30/2023. Past performance is not indicative of future results.

Greater Growth

There is a reason why alternative investments have been a staple in institutional investors' portfolios for decades. **Private markets are robust, with numerous investable opportunities across asset classes and strategies that can provide a variety of potential benefits, including attractive returns, increased income, lower volatility, increased diversification, and the comfort that comes with long-term wealth accumulation and capital preservation.**



Over the past years, **Asset Strategy has noticed that the drive behind the private market expansion is evident.** Private equity, private credit, and private real estate are expected to add billions of dollars in assets under management in the coming years as these investments, which institutions have previously had access to with great success, become more accessible, beneficial, and organized for individual investors.

Despite the benefits private market investing offers, many investors are still unaware of these opportunities, **overlooking what should be viewed as key components of a well-rounded, diverse investing strategy.**



Ready to explore the unique opportunities that private market investing can offer?

Asset Strategy is here to guide you every step of the way.

Set up a 15-Minute Discovery Call at:

www.assetstrategy.com/contact

www.assetstrategy.com

781-235-4426

info@assetstrategy.com

Disclaimer:

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Because investor situations and objectives vary this information is not intended to indicate suitability or a recommendation for any individual investor.

To be an accredited investor, an individual must have had earned income that exceeded \$200,000 (or \$300,000 together with a spouse) in each of the prior two years and “reasonably expects the same for the current year”, according to the SEC. Or, the individual must have a net worth of more than \$1 million, either alone or together with a spouse. With the passage of the Dodd-Frank Act, this now excludes a primary residence as being an eligible part of an investors net worth (investors who had existing accredited investments but who now fail the net-worth test without their residence being valued were grandfathered.)

This is for informational purposes only, does not constitute individual investment advice, and should not be relied upon as tax or legal advice. Please consult the appropriate professional regarding your individual circumstance.

Potential cash flows/returns/appreciation are not guaranteed and could be lower than anticipated. Diversification does not guarantee a profit or protect against a loss in a declining market. It is a method used to help manage investment risk.

Institutional-grade properties generally refer to a property of sufficient size and stature to merit attention from large national or international investors, and typically have the characteristic of high-quality assets in major markets and at price points beyond the reach of individual investors and smaller partnerships.

A Real Estate Investment Trust (REIT) is a security that sells like a stock on the major exchanges and invests in real estate directly, either through properties or mortgages. REITs receive special tax considerations and typically offer investors high yields, as well as a highly liquid method of investing in real estate. There are risks associated with these types of investments and include but are not limited to the following: Typically, no secondary market exists for the security listed above. Potential difficulty discerning between routine interest payments and principal repayment. Redemption price of a REIT may be worth more or less than the original price paid. Value of the shares in the trust will fluctuate with the portfolio of underlying real estate. Involves risks such as refinancing in the real estate industry, interest rates, availability of mortgage funds, operating expenses, cost of insurance, lease terminations, potential economic and regulatory changes. This is neither an offer to sell nor a solicitation or an offer to buy the securities described herein. The offering is made only by the Prospectus.

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