



INTRODUCTION TO PRIVATE MARKETS

Essentials of Investing in Private Equity, Private Credit, and Real Assets

Danny Fuller
Managing Director at DCA Family Office

William Lesik
Director at DCA Family Office

Executive Summary

Private markets have historically been the domain of institutional investors but are now increasingly accessible to ultra-high-net-worth individuals (“UHNWIs”). These investments offer the potential for superior long-term returns, reduced volatility, and access to unique opportunities — though they require patience, due diligence, and expertise.

This white paper provides an overview of private markets, their benefits and risks, and how investors can access these investments.

Key Topics Covered:

- Why invest in Private Markets
- Evolution of Private Markets
- Types of Private Markets
- Benefits of Private Markets
- Risks of Private Markets
- Strategies for Accessing Private Markets
- Outlook for Private Markets

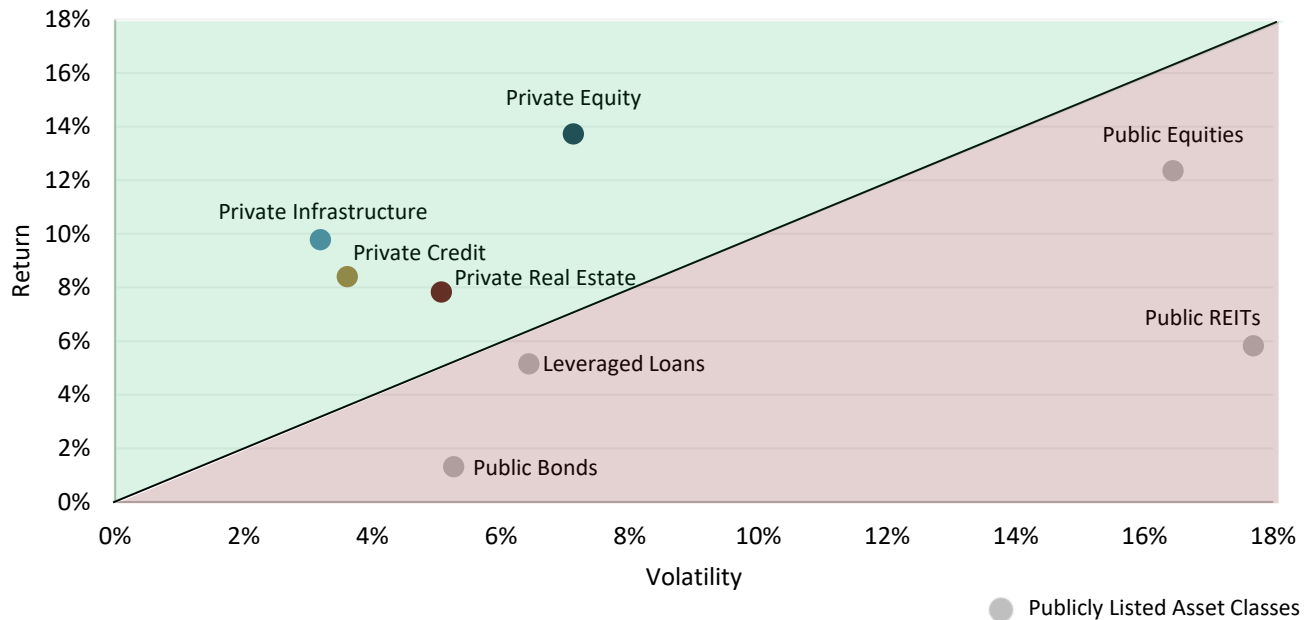
The Compelling Case to Include Private Markets in your Portfolio

Stocks and bonds have long been considered the fundamental components of a well-diversified investment portfolio, traditionally allocated in an approximately 60%/40% ratio to harness the growth potential of stocks while benefiting from the income and stability of fixed-income assets. However, relying solely on this traditional allocation may fail to provide sufficient diversification to effectively manage market volatility and optimize returns across economic cycles.

Public markets, while easily accessible and liquid, often suffer from greater volatility, limited return generation, and short-term performance pressures. Many investors seek alternative strategies to increase returns and reduce volatility. Private markets offer a broader investment universe and the ability to capitalize on inefficiencies that are less prevalent in public markets, thereby providing a means to achieve more attractive risk-adjusted returns, as shown in *Exhibit 1*.

“Private Markets provide a means to achieve attractive risk-adjusted returns”

Exhibit 1 - Risk-Adjusted Performance of Public vs. Private Markets¹

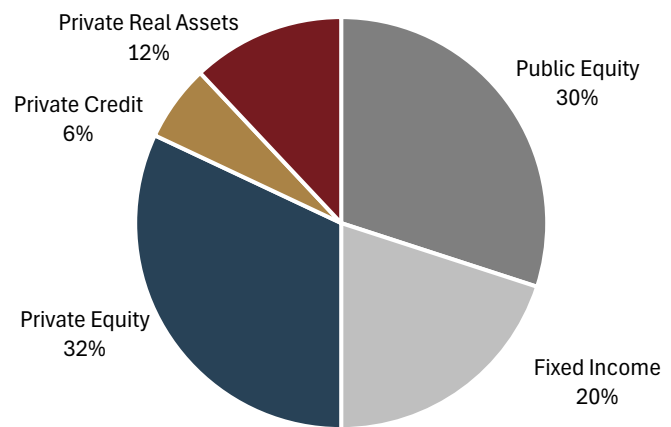
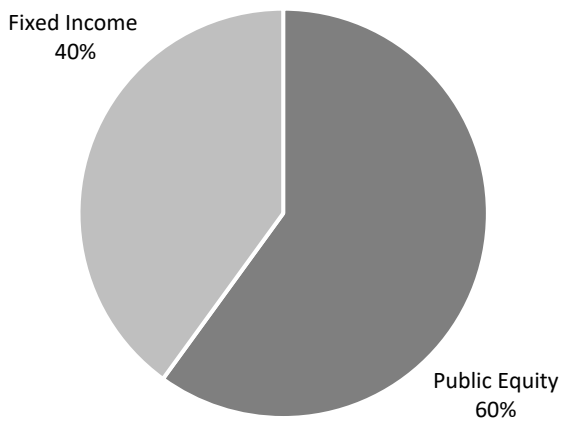


¹ Annualized return and volatility for each asset class are calculated over the 10-year period from 12/31/2014 to 12/31/2024 and are based on quarterly returns. Volatility is represented by the standard deviation. Volatility is just one measure of risk; see later section for other relevant risks involved. Return and volatility of the asset classes presented are based on the following indices: Private Equity: Preqin Private Equity. Private Credit: Preqin Private Credit. Private Real Estate: Preqin Real Estate Value Added. Leveraged Loans: Morningstar LSTA US Leveraged Loan. Investment Grade Bonds: iShares Core US Aggregate Bond ETF. Public REITs: FTSE Nareit All Equity REITs. US Public Equities: iShares Russell 3000 ETF. The line intersecting the chart marks the midpoint of the graph for reference.

Further, incorporating private markets investments into a broader portfolio provides an opportunity to improve the overall return while simultaneously reducing volatility, as shown in *Exhibit 2* below.

Exhibit 2 - Impact of Incorporating Private Markets Into a Portfolio²

	60/40 Public Portfolio	Portfolio Including Private Markets ^a
Annualized Return	8.3%	10.4%
Annualized Volatility	11.0%	7.4%



History and Evolution

Private markets have a rich history dating back to early investment vehicles such as the Dutch East India Company, which was among the first to raise private capital for commercial ventures. Over the past few decades, private markets have evolved into a sophisticated ecosystem encompassing private equity, private debt, and real assets, each offering distinct advantages, challenges and opportunities, as summarized in *Exhibit 3* below.

² Annualized return and volatility are calculated over the 10-year period from 12/31/2014 to 12/31/2024. Private Markets portfolio allocation based on 2024 UBS Global Family Office Report’s global strategic allocation consisting of 64% Preqin Private Equity, 24% Preqin Real Estate Value Added, 12% Preqin Private Credit. Volatility is represented by the standard deviation. The portfolio construction is composed of the following indices: Fixed Income: iShares Core US Aggregate Bond ETF. Public Equity: iShares Russell 3000 ETF. Private Equity: Preqin Private Equity. Private Credit: Preqin Private Credit. Private Real Assets: Preqin Real Estate Value Added.

Exhibit 3 - Investment Strategies³

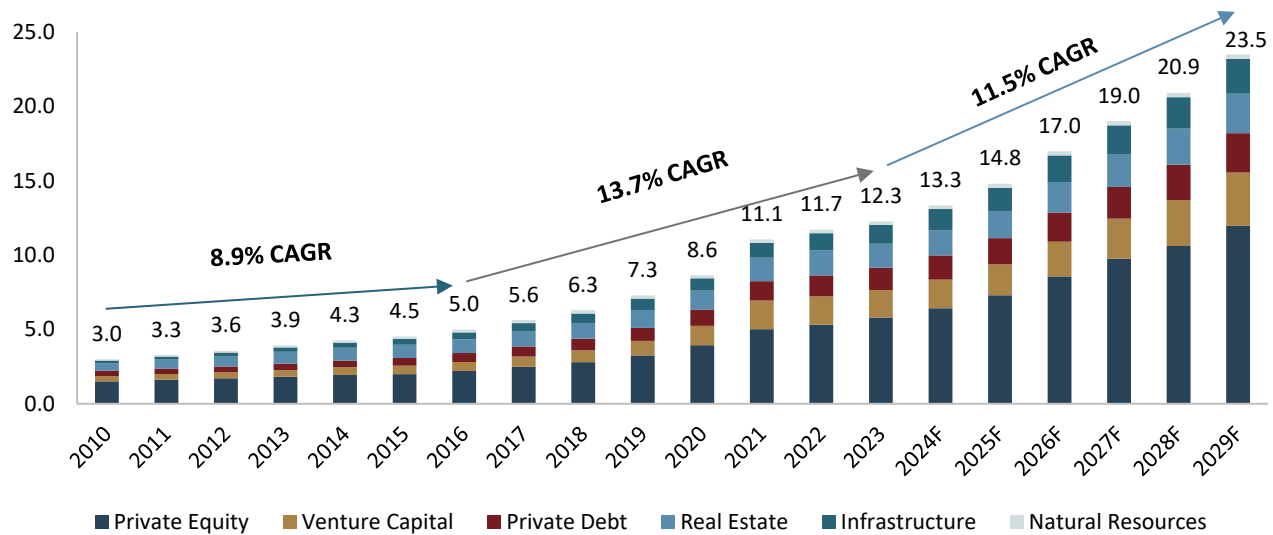
Type	Sub-Strategies	Characteristics	Key Considerations
Private Equity	Buyout	Buyouts involve acquiring controlling stakes to improve performance.	Long investment horizons; investments are illiquid.
	Growth Equity		
	Venture Capital	Growth and venture capital target emerging or earlier-stage companies.	Active ownership and operational improvements drive value.
	Distressed		Less efficient markets and strategic management may enhance return potential relative to public equity.
	Secondaries		
Real Estate	Core	Direct ownership or partnerships in commercial or residential properties.	Property values can fluctuate with interest rates and the economy.
	Core+		
	Value-Added	Includes office, multifamily, retail, hospitality, and industrial sectors.	Can provide steady income and long-term appreciation.
	Opportunistic		Asset-specific risks require thoughtful diversification.
Other Real Assets	Infrastructure	Investments in physical infrastructure (e.g., utilities, toll roads).	Assets are long-lived and may generate inflation-linked income.
	Energy		
	Natural Resources	Also includes farmland, timber, energy, and natural resources.	Often seen as stable or defensive investments. May involve regulatory or commodity-related risks.
Private Credit	Direct Lending	Private loans made to businesses (non-bank lending).	Less liquid than public bonds.
	Mezzanine		
	Distressed	Includes senior, junior, or distressed debt opportunities.	Can generate steady income with floating interest rates.
	Alt Yield		Offers higher yields but requires careful underwriting of credit worthiness.

Given the characteristics and opportunities highlighted above, institutions and high net worth investors continue to allocate larger proportions of their portfolios to private markets. As shown in *Exhibit 4* below, global assets under management (“AUM”) in private markets has grown rapidly in recently years and is expected to almost double in the coming years to more than \$23 trillion in 2029.

“... institutions and high net worth investors continue to allocate larger proportions of their portfolios to private markets.”

³ Sub-strategies, characteristics and considerations include examples and are not comprehensive.

Exhibit 4 - Global Private Markets AUM (\$ Trillions)^b



Benefits of Private Markets

Potential for Higher Returns

Several factors contribute to private markets' return potential over public markets, including:

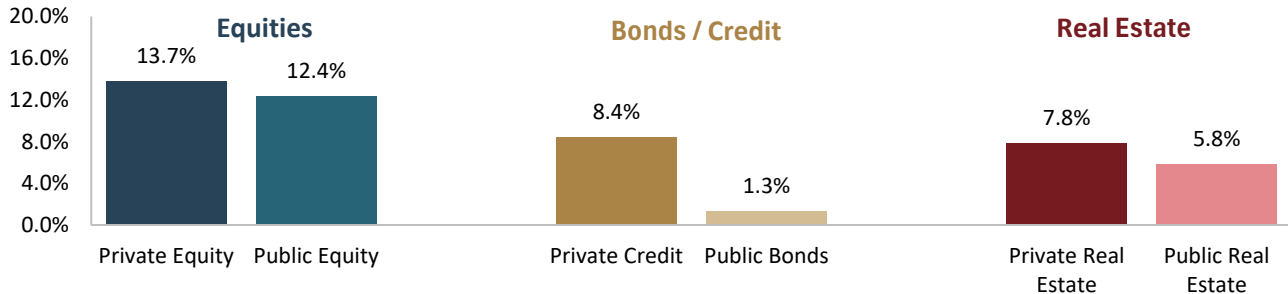
- Active Management & Value Creation** – Private market investors, such as private equity firms, actively manage their portfolio companies, implementing operational improvements, strategic changes, and efficiency optimizations that drive growth and profitability. They often have superior information and ability to affect change than public markets investors.
- Longer Investment Horizons** – Unlike public markets, which are subject to short-term pressures, private market investments are typically held for several years, sometimes even more than a decade. This allows companies to focus on long-term growth strategies rather than quarterly earnings expectations. Longer hold periods also reduce the frictional costs associated with buying and selling assets in the portfolio and amplify the opportunity to compound capital. Lastly, longer investment horizons allow private markets managers to judiciously time their exit when operational and market conditions are good.
- Access to Exclusive Opportunities** – Private markets often provide access to unique investment opportunities that are not available in public markets. These may include equity stakes in smaller companies with mature operating history and superior growth prospects, repositioning a commercial real estate building, or capturing the gains from an earlier-stage venture before it is acquired by a larger peer or goes public.

“... private markets investments have outperformed public markets over the long term”

- Liquidity Premium** – Private market investments are less liquid, meaning they cannot be bought and sold as easily as public stocks. Investors demand higher returns to compensate for this lack of liquidity but should be prepared to hold the investment for a longer period of time.

As a result of these attributes, historical data demonstrates that private markets investments have outperformed public markets over the long term, as shown in **Exhibit 5**. Furthermore, compounding the private markets outperformance over a long period of time can result in dramatically larger gains for the portfolio.

Exhibit 5 - Private Market vs Public Market Historical Returns⁴



Hypothetical Compounding Effect of Including Private Markets in a \$100M Portfolio ⁵	10 Years	20 Years
50% Allocation to Private Markets	+\$47 M	+\$232 M
100% Allocation to Private Markets	+\$81 M	+\$423 M

Reduced Mark-to-Market Volatility

Private market assets are not priced daily like public stocks and bonds, which helps shield investors from short-term market noise. This can result in a smoother return profile and lower perceived volatility, especially valuable during periods of public market stress. For example, during the COVID-19 time period between December 31st, 2019 to December 31st, 2020, the annualized private equity volatility was only 16% contrasted with that of public equities of 35%⁶.

Diversification

The inclusion of private markets unlocks additional avenues for diversification to lower correlated assets as well as a wider set of investment opportunities. Correlation is a measure of how closely the value of individual investments rise and fall in lockstep with each other, with a value of 1 meaning that they move equally together and -1 meaning the rise/fall in a completely opposite manner. **Exhibit 6** demonstrates that private markets have historically exhibited lower correlation to public markets (green indicate lower correlation), which is beneficial

⁴ Annualized returns for each asset class are calculated over the 10-year period from 12/31/2014 to 12/31/2024. Return of the asset classes presented are based on the following indices: Private Equity: Preqin Private Equity. Private Credit: Preqin Private Credit. Private Real Estate: Preqin Real Estate Value Added. Public Equity: iShares Russell 3000 ETF. Public Bonds: iShares Core US Aggregate Bond ETF. Public Real Estate: FTSE Nareit All Equity REITs.

⁵ Hypothetical compounding analysis assumes no impact from taxes, no position liquidations and all dividends are continuously reinvested. Changes in any of these factors will result in different outcomes.

⁶ Volatility is represented by the standard deviation. Volatility of the asset classes presented are based on the following indices: Private Equity: Preqin Private Equity Index. Public Equity: iShares Russell 3000 ETF.

for diversification. Incorporating private market investments can help insulate a portfolio against public market fluctuations and ultimately achieve a more balanced risk-return profile⁶, as demonstrated in **Exhibit 2**.

Exhibit 6 - Return Correlations by Asset Class⁷

	Public Equities	Public REITs	Public Corporate Bonds	Public Government Bonds	Private Equity	Private Credit	Private Real Estate	Private Infrastructure
Public Equities	1.00							
Public REITs	0.82	1.00						
Public Corporate Bonds	0.61	0.67	1.00					
Public Government Bonds	0.11	0.30	0.75	1.00				
Private Equity	0.68	0.62	0.35	-0.01	1.00			
Private Credit	0.70	0.70	0.40	-0.07	0.85	1.00		
Private Real Estate	0.28	0.26	-0.09	-0.16	0.67	0.47	1.00	
Private Infrastructure	0.30	0.30	-0.01	-0.10	0.56	0.45	0.66	1.00

Exhibit 7 - Public vs Private Companies⁷



Furthermore, private markets offer a broader investment universe, including sectors and opportunities unavailable in public markets. These investments can range from high-growth startups to stable infrastructure projects, enabling investors to tailor their portfolios based on specific financial objectives and risk appetites. For example, there are ~68,000 private-equity backed companies in the United States, compared to only ~4,000 publicly-traded companies, as shown in **Exhibit 7**.

Risks of Private Markets

Illiquidity

Private market investments typically involve long-term commitments, with holding periods ranging from 5 to 10 years or more. Unlike public securities, they cannot be easily bought or sold on an exchange, which limits an investor's ability to quickly access capital in times of need.

Mitigating factor: Investors can manage this illiquidity by carefully aligning private market allocations with long-term financial goals, using liquidity planning tools, and diversifying across vintage years and investment

⁷ Source: Preqin[®], FactSet, and S&P Cap IQ. Returns for each asset classes are calculated from 12/31/2006 to 9/30/2024 and are based on quarterly returns. Returns of the asset classes presented are based on the following indices: Public Equities: S&P 500. Public REITs: S&P Global REIT. Public Infrastructure: S&P Infrastructure. Public Corporate Bonds: Bloomberg Global Aggregate Corporate. Public High Yield Corporate Bonds: Bloomberg Global High Yield. Public Government Bonds: Bloomberg Global Treasury. Private Equity: Preqin Private Equity. Private Credit: Preqin Private Credit. Private Real Estate: Preqin Real Estate. Private Infrastructure: Preqin Infrastructure. Note: Correlation coefficients range from -1 to 1. A value of 1 indicates a perfect positive correlation, -1 indicates a perfect negative correlation, and 0 indicates no linear relationship. In this matrix, green shading represents negative correlations and red shading indicates positive correlations. Private markets investments tend to exhibit lower correlations relative to public markets, which contributes to their diversification benefits.

structures. Additionally, a robust secondary market for private investments has developed, allowing investors to get early liquidity on investments in many (but not all) situations⁸.

Manager Quality

Manager selection is one of the most critical determinants of successful private markets investing. Unlike public markets where performance among passive and active managers tends to cluster near benchmarks, a much wider dispersion of returns is observed in private markets. For example, private equity funds in the top-quartile outperformed funds in the bottom-quartile by 12% for 2010 to 2020 fund vintages⁹.

Mitigating factor: A dedicated and experienced advisor or investment team can help to successfully execute the rigorous sourcing, due diligence, portfolio construction, negotiation, and structuring required to build a high-quality portfolio.

Lack of Transparency

Investments in private markets often lack the standardized and frequent financial disclosures found in public markets. Valuations may be infrequent, based on internal models or manager estimates, and portfolio company performance is not always readily visible.

Mitigating factor: Managers in private markets traditionally have control or preferential governance and information rights that facilitate superior knowledge of the asset compared to public market investors who must rely on standardized reporting and disclosure. Investing alongside experienced advisors and institutional-quality managers can significantly reduce the transparency gap and result in robust reporting, third-party audits, and proactive communication.

Concentration Risk

Private investments are typically made in fewer, larger positions compared to public portfolios, where purchase of a single index can result in exposure to hundreds or thousands of companies. Thus, private markets investing can lead to outsized exposure to individual companies, sectors, or strategies. If one investment underperforms, it can disproportionately impact the overall portfolio.

Mitigating factor: Thoughtful portfolio construction across diversified funds, asset classes (e.g., private equity, real estate, credit), strategies (e.g. buyout, core, value-add), sectors, vintage years, and geographies can help reduce concentration risk and improve resilience.

J-Curve Effect

Private markets and other closed-end fund strategies often experience a J-curve effect, where early returns are negative due to the impact of fees and startup costs, with positive returns emerging later as investments mature and are realized. This can create a temporary drag on portfolio performance in the initial years.

⁸ The private markets secondary market, where managed pools of capital will purchase investors' otherwise illiquid stakes to provide early liquidity, has grown from \$28 billion to \$162 billion of annual transactions between 2013-2024^e.

⁹ Preqin most up-to-date benchmark returns for private equity fund vintages 2010 to 2020 as of June 3rd, 2025.

Mitigating factor: Staggering commitments across multiple vintages and including investments in certain strategies that put capital to work more efficiently (e.g. co-investments, directs, secondaries) can help smooth the J-curve and accelerate the path to positive returns.

Perceived vs. Economic Volatility

As noted above, private market investments generally appear less volatile than public markets because they are not priced daily, which shields them from short-term market swings. However, this can mask real underlying risks tied to company performance, macroeconomic shifts, or timing of exits, which can still affect the long-term value of these investments.

Mitigating factor: Investors should look beyond reported volatility and focus on fundamentals, cash flow resilience, and manager discipline. Diversification across asset types and ensuring managers use conservative underwriting assumptions and reasonable leverage can help manage the impact of economic volatility over time. Experienced managers are able to hold assets until market conditions are strong for realizing value.

While investing in private markets does carry risk (like any form of investing), these risks can be managed by building a diversified portfolio of private markets assets with experienced advisors and managers. It is also worth highlighting that, despite the reputation that alternative investments are “high risk”, private investments are not inherently higher risk and are not all the same from a risk perspective (as shown in *Exhibit 1*). For example, investing in a diversified portfolio of private equity buyouts of mature companies with positive cash flow or a basket of core real estate or stable infrastructure assets carries meaningfully lower risk than investing in a small number of early-stage venture capital deals or certain publicly traded companies.

Accessing Private Markets

Private Market Funds

Institutional investors have traditionally accessed private markets through closed-end funds with high capital requirements, illiquidity, and regulatory constraints. These fund structures enable investors to gain diversified exposure with professional management while mitigating risks associated with direct investments or having to manage individual deals.

Alternative Structures

Private market investing is evolving with new structures designed to cater to different investor needs. Feeder funds allow smaller investors to participate in large private equity deals by pooling their capital, while co-investment vehicles provide direct access to individual transactions alongside experienced managers. Co-investment or direct investments can also allow investors to more tactically tailor the portfolio to areas of interest, have greater influence and involvement, and reduce the j-curve often associated with fund investments. Moreover, hybrid structures blending private and public market attributes offer investors a balance between liquidity and return potential. These developments are making private markets increasingly adaptable and investor friendly.

Advisors

Investors may benefit from partnering with an experienced advisor given the importance of strong manager selection as well as the overall complex, opaque and relationship-driven nature of private markets. The best private markets opportunities are often reserved for institutional investors with established relationships and a seasoned advisor with deep networks among high quality fund managers can unlock institutional-quality opportunities that may otherwise be out of reach. An advisor can also be a valuable partner to monitor and manage the portfolio risk after the investment is made, particularly given that the investments are illiquid, long-term and traditionally lack transparent pricing.

Conclusion and Outlook

Institutional investors are increasingly allocating capital to private markets, driven by higher returns, portfolio diversification, and long-term investment strategies. Sophisticated institutional investors such as pension funds, sovereign wealth funds, and endowments have historically led this trend and are continuing to increase their allocations to private markets^f, while family offices and UHNW investors are now also increasing their allocations to private markets^g.

DCA Family Office can help investors maximize their private market allocations and unlock differentiated returns, manage risk more strategically, and achieve sustainable long-term wealth creation beyond the limitations of public markets.

About Us

DCA Family Office works with a select group of ultra-high-net-worth families to develop and implement a custom-tailored investment strategy which thoughtfully considers the important tax consequences of each investment decision in relation to achieving the family's stated objectives. These bespoke investment strategies span a broad spectrum of private markets asset classes, all within one convenient platform. DCA offers clients exclusive access to interesting, off-market investment opportunities across a broad spectrum of private market asset classes.

We focus exclusively on working with tax-sensitive investors and utilize our proprietary analytic frameworks to evaluate investment opportunities based both on pre-tax return as well as their Tax Equivalent Return^{TM10}. DCA's proprietary Tax Equivalent ReturnTM analytics are designed to provide unique investment insight to help clients make more informed decisions through tax-adjusted performance analysis.

We selectively partner with experienced operators and industry experts who bring unique knowledge, experience, insight and expertise to each investment opportunity. DCA Family Office, LLC is a registered investment advisor ("RIA") registered with the Securities and Exchange Commissions ("SEC")¹¹.



Danny Fuller, Managing Director

Danny Fuller is a Managing Director with DCA Family Office where he focuses primarily on sourcing, analysis, due diligence, and negotiation of investments into private equity-backed operating companies.

Prior to joining DCA Family Office, Danny helped lead alternative investments at CalSTRS and Mercer, where he advised and allocated more than \$10 billion to private markets funds and co-investments for institutional investors. Danny has served in multiple advisory board roles for portfolio companies and private equity funds.

Danny holds a B.S. from The University of the Pacific and an M.S. from Indiana University's Kelley School of Business. He is also a CAIA Charterholder.



William Lesik, Director

William serves as Director of Investment Underwriting for the DCA Family Office. He focuses primarily on identifying, underwriting, and overseeing new investment opportunities across private markets with a particular focus on private equity and low-correlation transactions.

Prior to joining DCA Family Office, William was at Willshire Associates, where he was responsible for sourcing, underwriting and monitoring private markets co-investments, fund commitments, and secondaries for a \$30 Billion AUM private markets platform. Previously he interned at the Desjardin Pension Fund in Quebec, where he focused on private equity and real estate funds as well as public equities.

William holds a Bachelor of Science Degree in Financial Analysis from the California State University of Northridge.

¹⁰ Tax Equivalent Return refers to the equivalent pre-tax return required to achieve a similar after-tax return on an investment lacking tax efficiency.

¹¹ Registration with the SEC does not imply a certain level of skill or training, nor does it constitute an endorsement by the SEC.

Appendices

References

- a. UBS. (2024). *Global Family Office Report 2024*. UBS.
https://advisors.ubs.com/mediahandler/media/644831/RAPID_GFOreport_DWN.pdf
- b. Preqin. (2024). *Future of alternatives 2029*. Preqin.
<https://www.preqin.com/insights/research/reports/future-of-alternatives-2029>
- c. Markowitz, H. (1952). *Portfolio selection*. *The Journal of Finance*, 7(1), 77–91.
<https://doi.org/10.1111/j.1540-6261.1952.tb01525.x>.
- d. Preqin. (2025). *Preqin's state of the market: H1 2025*. Preqin.
<https://www.preqin.com/insights/research/reports/preqins-state-of-the-market-h1-2025>
- e. BlackRock. (2025). *FY2024 secondary market recap and outlook*.
<https://www.blackrock.com/institutions/en-us/literature/investor-education/fy2024-secondary-market-recap-and-outlook.pdf>
- f. Boston Consulting Group. (2024). *Global principal investors report 2024: Sovereign wealth funds and public pension funds are reshaping private markets*.
<https://web-assets.bcg.com/ff/f1/546dac984f18a0718586db716d9d/gpi-report-dec-2024-edit.pdf>.
- g. UBS. (2025). *Global family office report 2025*. UBS. Provided by UBS over email.



Disclaimer

This material is for informational purposes only and does not constitute investment advice, an offer, or a recommendation. Recipients should use their own judgment and consult with their professional advisors to evaluate any associated risks, legal, tax, or financial implications related to their specific circumstances. Past performance is not indicative of future results. There is no guarantee that the investment strategy will achieve its objectives or avoid losses. The information herein reflects conditions as of the date prepared, unless otherwise noted. It may not reflect current or future developments and should not be relied upon for future investment decisions.

This material contains forward-looking statements based on current assumptions, expectations, and projections. These statements are not guarantees of future performance and involve risks and uncertainties that could cause actual outcomes to differ materially. Words such as "expect," "may," "should," or similar expressions are intended to identify such statements. You should not place undue reliance on these projections.

This material may include hypothetical model performance, backtested results, or projected returns, all of which are for illustrative purposes only. These figures do not reflect actual performance and are based on assumptions that may not hold in real-world conditions. Backtested results rely on the benefit of hindsight, while projected returns are forward-looking and inherently uncertain. No guarantee is made that any outcomes shown will be achieved. These figures should not be relied upon for investment decisions, as actual results may vary substantially due to risks, changing assumptions, or unforeseen circumstances. Results are not guaranteed and should not be relied upon for investment decisions.

Some information presented may have been obtained from third party sources believed to be reliable, but its accuracy or completeness is not guaranteed. No obligation is undertaken to update such information.

Any benchmark indices are shown for illustrative purposes only. They are unmanaged, do not reflect advisory fees or expenses, and investors cannot invest directly in an index. Comparisons have inherent limitations, as private investments may differ significantly in volatility, liquidity, and concentration.

DCA does not provide tax, accounting or legal advice, and does not employ tax or legal counsel. Any tax related statements are for illustrative purposes only. Accordingly, nothing contained herein should be considered tax, accounting or legal advice. Clients are instructed to obtain their own tax, accounting and legal counsel from qualified professionals of the Client's choosing.

This presentation is confidential and intended solely for the original recipient. It may only be shared, copied, or distributed with prior written consent by DCA, and only for informational purposes. It remains confidential and may not be reproduced or further distributed without prior written consent.

Certain investment opportunities are prioritized for our Founding Family client, which creates a conflict of interest for all other clients. DCA Family Office ("DCA") is a registered investment adviser with the U.S. Securities and Exchange Commission ("SEC"). However, such registration does not imply a certain level of skill or training, and no inference to the contrary should be made. For more information regarding our services, fee structure, and conflicts of interest, please refer to our Form ADV Part 2A Brochure, which is available at <https://adviserinfo.sec.gov/firm/summary/322047>, or by contacting us.

DCA Partners, LLC is an affiliate of DCA that provides mergers and acquisition and general business consulting services. DCA Management Company, Inc. is a DCA affiliate that manages private equity funds. DCA clients are not obligated to use the services of our affiliates.

Your comments

Your suggestions will help us continue to improve the accuracy, organization, and overall quality of the user publications. Please send your opinion of this document to: info@dcafamilyoffice.com

If you have issues, comments, or questions about specific information or procedures, please include the title and, if available, the part number, the revision, the page numbers, and any other details that will help us locate the subject that you are addressing.

DCA FAMILY OFFICE

3721 Douglas Boulevard, Suite 350, Roseville, CA 95661 | 916-960-5357 | info@dcafamilyoffice.com | www.dcafamilyoffice.com