INVESTOR GUIDE: PRIVATE EQUITY

Could adding private equity to your portfolio help you achieve your goals?

Here are a few key considerations.

Private equity seeks to provide enhanced long-term capital appreciation by investing in the equity of private, non-traded companies and helping them optimize operations to drive future growth.

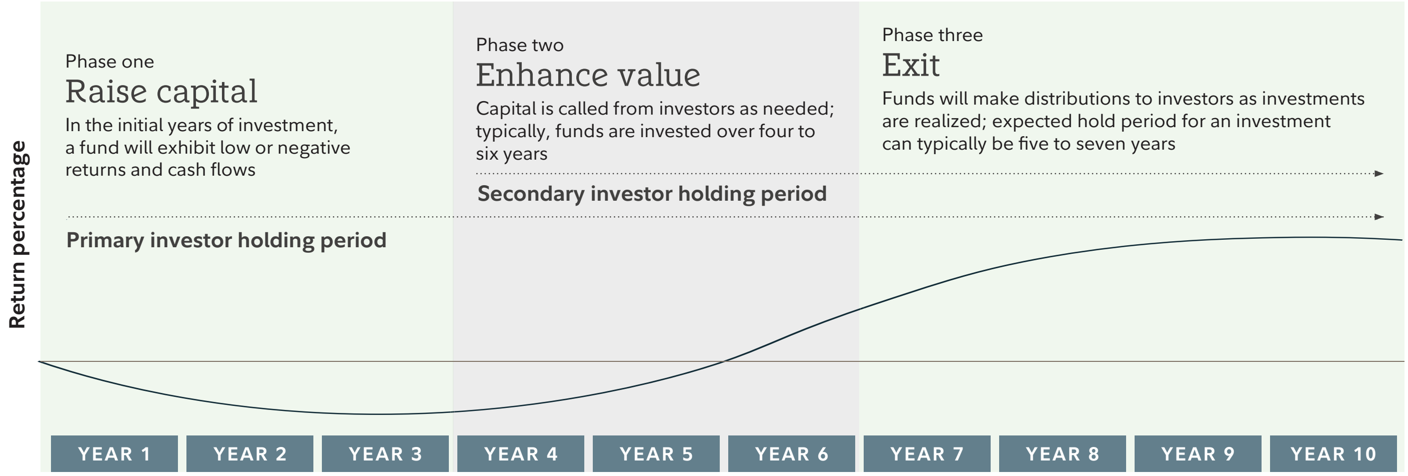
Adding private equity to your portfolio may:

- Help manage risk during market downturns
- Offer access to investments beyond traditional stocks and bonds
- Provide opportunities for higher returns over time

What is the J-curve and why is it important to understand?

Private equity investments often show negative returns in the early years before turning positive later on. This is what's known as the "J-curve effect."

- **This is due to a combination of fees associated with starting a fund and management fees and the time it takes for investments to generate value.** Significant gains, if realized, typically occur in the later stages of the fund's life cycle as private equity managers are able to implement their value creation strategies, and portfolio companies grow and mature.
- **Investors may begin receiving distributions before their full committed capital has been called.** This means that while they haven't yet invested their entire pledged amount, some early investments may already be producing returns.



Private equity fund lifecycle

Most U.S. companies aren't publicly traded. Private equity helps you invest in them.

275,000+ U.S. companies

have more than 50 employees[1]

Fewer than 6,000

are publicly traded[2]

Over 20,000

are backed by private equity[3]

The number of public companies has been **shrinking for 20+ years**

Private equity-backed companies have **tripled since 2000**

[1] Bureau of Labor Statistics, Distribution of Private Sector Firms by Size Class, March 31, 2025.

[2] World Bank, World Federation of Exchanges, 2026.

[3] PitchBook as of 9/30/2025.

Common questions about private equity

How is private equity different from investing in publicly traded stocks?

Private equity involves investing in private companies that aren't traded on stock exchanges. Unlike public stocks, these investments are less liquid and often require a longer time horizon. But they offer access to a broader set of companies and may deliver higher returns due to active management and the "illiquidity premium."

How do I know if private equity investments are right for me?

Private equity could be a fit if you're a long-term investor with a higher tolerance for risk and the ability to lock up capital for 7–12 years. It helps to already have a well-diversified portfolio and stable liquidity from other sources. If you're looking for higher return potential and are comfortable with complexity and delayed payouts, private equity may be worth exploring.

Why do private equity investments lock up my money for so long?

Private equity funds typically hold investor money for 7–12 years. This gives managers time to find, improve, and eventually sell companies at a profit. The long horizon supports a strategic, hands-on approach aimed at maximizing returns over time.

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Investing involves risk, including risk of loss.

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