Portfolio Lens: Private Market Valuations

Investor Concern

"How do I know what my private investments are really worth if they are not traded every day like stocks and bonds?"

As interest in private markets continues to grow, investors are increasingly focused on how private investments are valued. Public and private investments are influenced by many of the same forces, including company performance, interest rates and the broader economy. The key difference is how those factors show up in valuations.

Think about a home. Its value doesn't change by the minute the way a stock does, but it's still worth something real. Every so often, an appraiser weighs what similar homes nearby have sold for, the condition of the property, and current market conditions to estimate its value. You don't get a new valuation every day, but the number you get is grounded in real evidence.

Private investments work much the same way. Because they don't trade on an exchange, their values are typically updated periodically, often quarterly, through a formal process that considers the asset's performance, comparable market data, recent transactions and third-party valuations.

Helping your clients better understand these distinctions between public and private investments, and across various alternative investments, can enable them to evaluate private market investments more effectively.

Discussion Points

Explain the valuation differences

	Public Investments	Private Investments
How often is an investment priced?	Continuously and in real time through active market trading	Typically valued quarterly, but can be semiannually or other time frames
Who sets the price?	Buyers and sellers trading on a public market	General Partner or fund manager estimates a fair value through a formal valuation process
What can move the price or valuation?	The price investors are willing to pay in the market at that moment	An estimated fair value as of a specific valuation date, based on available information and established valuation methods

Explain how key drivers translate across public and private markets

	Public Investments	Private Investments
Market sentiment	Can move quickly as investors react to news, expectations and market conditions in real time	Usually reflected more gradually through changes in market data, transaction activity and valuation assumptions
Business performance	Earnings, growth, margins and guidance from companies and analysts can affect the stock price quickly	Revenue, earnings, cash flow, occupancy or asset quality are key inputs in the valuation process
Economic environment	Interest rates, inflation, economic growth and risk appetite can reprice stocks through daily trading	The same economic forces that drive public investment pricing can affect private values through financing costs, discount rates, cap rates, cash-flow expectations and market multiples

Highlight the role of independent oversight

An important consideration is that many, but not all, private investment managers use formal valuation oversight. This may include independent valuation committees, third-party valuation specialists and external auditors to support consistency, governance and transparency throughout the valuation process.

It's helpful to understand the role independent oversight plays in reviewing and supporting an asset's valuation over time, and that valuation changes are a normal part of the process, not necessarily a sign of inconsistency.

Address valuation behavior

The chart on the next page shows how private asset valuations often appear less volatile than public markets because they are typically updated periodically rather than priced continuously through daily trading. These differences can make private valuations look consistent, which can play a stabilizing role in a portfolio and support clients' long-term portfolio strategies.

Discuss the importance of fundamentals

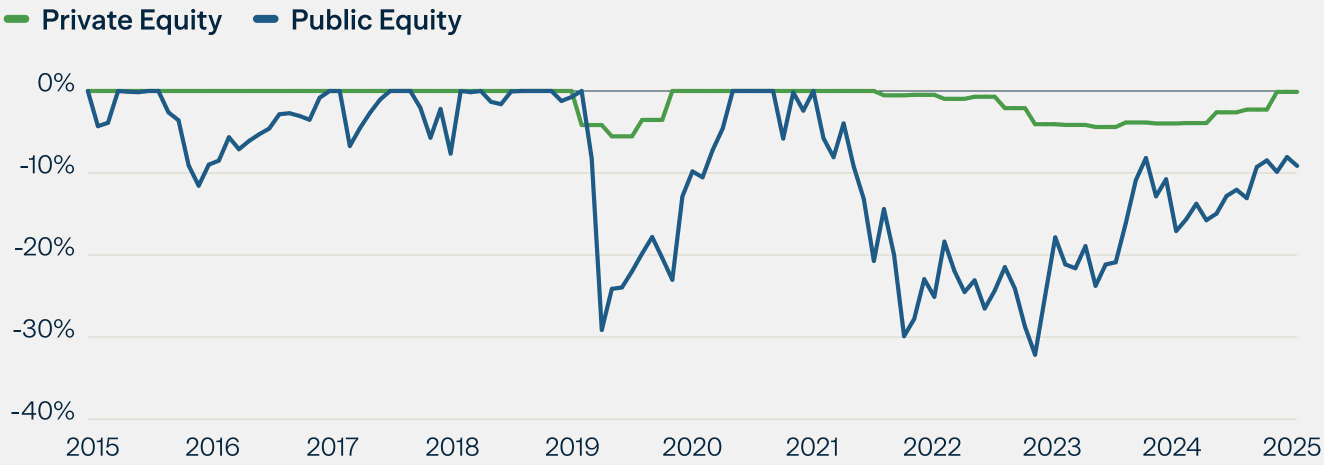
Clients can benefit from understanding why fundamentals matter in valuations. Cash flow, earnings growth, asset quality and comparable transaction activity can help provide a value that is more grounded in the company's or asset's operations, alongside relevant market evidence—not just daily market sentiment or what the broader market is willing to pay at a given moment.

Reinforce transparency through reporting

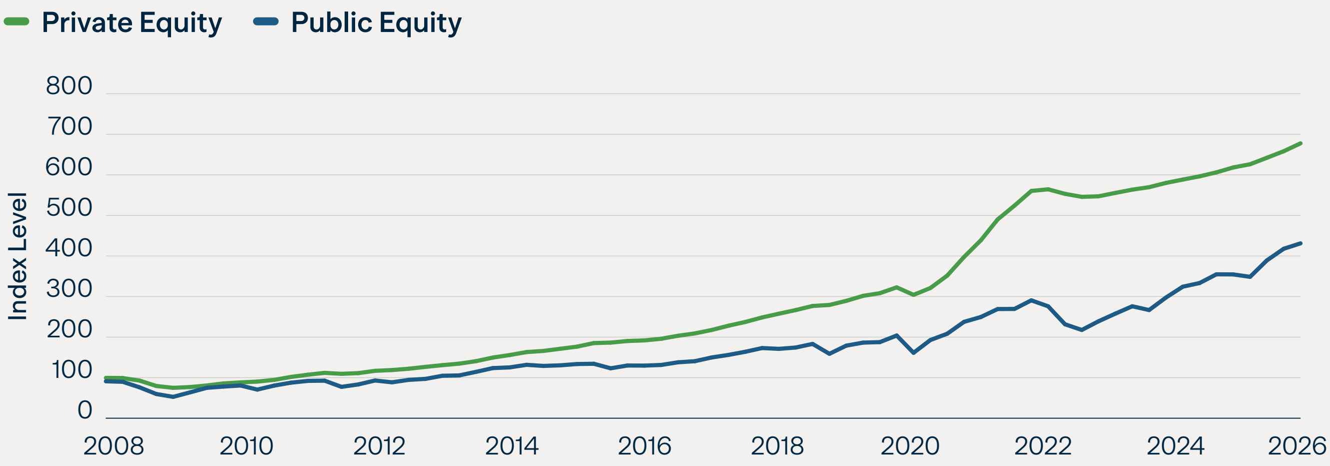
Discuss with clients the importance of evaluating managers who provide detailed reporting, clear valuation methodologies and regular portfolio updates that explain what changed, why it changed and how those changes affected performance and value over time. Because reporting practices can vary across the private markets landscape, it's worth helping clients understand what to expect and ask for.

Same Market Forces, Different Valuation Paths

Market Drawdowns: Public Equity vs. Private Equity



Long-Term Performance: Public Equity vs. Private Equity



Past performance is not indicative of future results. Private equity represented by Preqin Private Equity Index, public equity represented by S&P 500 Index. Indexes are unmanaged and cannot be purchased directly by investors. Index performance shown for illustrative purposes only and does not predict or depict the performance of any investment. See disclosures for full index definitions.

Source: Preqin, S&P. Data from December 31, 2015, through December 31, 2025.

The Opportunity

Discussing private market valuations allows clients to better understand how values are estimated, why private investments may move differently than public markets, and why discipline matters throughout market cycles.

Explaining the mechanics, timing and key inputs behind private asset valuations can help investors interpret performance in a broader context, avoid overreacting to short-term signals and set expectations that align with the long-term nature of private markets. This can support more informed decision-making and greater confidence in staying disciplined over time.

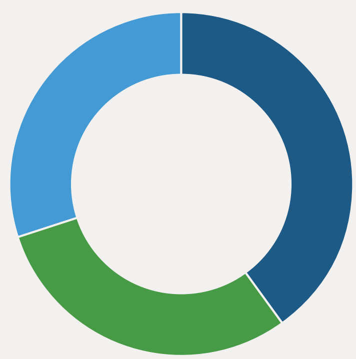
Bottom Line

Private and public investments serve distinct roles within a portfolio, and the differences in their valuation methods reflect a range of investment considerations and opportunities. Understanding a manager's valuation approach is essential when evaluating private investments. An experienced advisor can guide clients in asking key questions, such as who is involved, how frequently values are reviewed, and what third-party checks are in place, and can help put the manager's responses in context.

TRADITIONAL 60/40

Return	6.2%
Risk	11.8%
Sharpe Ratio	0.41

TRADITIONAL PORTFOLIO WITH ALTS



Return	6.6%
Risk	9.0%
Sharpe Ratio	0.58

Past performance is not indicative of future results. Traditional portfolio with alternatives, represented by an allocation of 40% global equities, 30% fixed income and 30% alternatives, with equal weights to private equity, private debt, private infrastructure and private real estate.

Global equities represented by the MSCI World Index, fixed income represented by the Bloomberg Global Aggregate Bond Index, private equity represented by the Preqin Private Equity Index, private debt represented by the Preqin Private Credit Index, private infrastructure represented by the Preqin Infrastructure Index, and private real estate represented by the Preqin Real Estate Index. See disclosures for full index definitions. Indexes are unmanaged and cannot be purchased directly by investors. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment.

Source: Bloomberg, MSCI, Preqin. Data from January 1, 2008, through December 31, 2025.

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Preqin Infrastructure Index captures the average returns earned by investors in their infrastructure portfolios, based on the actual amount of money invested.

Preqin Private Credit Index captures in an index the return earned by investors on average in their private credit portfolios, based on the actual amount of money invested in private capital partnerships.

Preqin Private Equity Index captures in an index the return earned by investors on average in their private equity portfolios, based on the actual amount of money invested in private capital partnerships.

Preqin Private Real Estate Index captures in an index the return earned by investors on average in their private real estate portfolios, based on the actual amount of money invested in private capital partnerships.

MSCI World Index captures large and mid-cap representation across 23 developed markets. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

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