



Beyond Stocks and Bonds:

Understanding the Role of Private Capital in Modern Portfolios



Why More Sophisticated Investors Are Expanding Beyond Traditional Markets

For decades, most investors built portfolios around a familiar mix of publicly traded stocks, bonds, and cash equivalents. But as markets evolve and wealth strategies become more sophisticated, many high-net-worth and ultra-high-net-worth investors are increasingly exploring another segment of the investment landscape: **private capital**.

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While the term may sound complex or exclusive, private capital simply refers to investments made outside of public markets. These opportunities can include private equity, private credit, real estate partnerships, infrastructure investments, venture capital, and other non-public investment structures.

For qualified investors, private capital can serve as a strategic complement to traditional investments—not as a replacement, but as part of a broader, more diversified portfolio strategy.

What Makes Private Capital Different?

Unlike publicly traded investments that can be bought or sold daily on exchanges, private capital investments are generally longer-term and less liquid. Investors typically commit capital for a defined period of time while managers pursue a specific strategy or investment objective.

Because these investments are not traded daily, they may behave differently than public markets. In some cases, private capital strategies seek to provide:

- **Diversification beyond traditional stocks and bonds**
- **Access to unique market opportunities**
- **Potential income generation through private lending or real assets**
- **Reduced correlation to short-term market volatility**
- **Exposure to sectors or businesses not available in public markets**

However, private capital investments also involve important considerations, including liquidity constraints, manager selection risk, valuation complexity, and the possibility of loss of principal.



Insight: *Private capital isn't designed to replace traditional investing. It's designed to access opportunities traditional markets may never offer.*



Who Typically Uses Private Capital?

Private capital strategies have historically been utilized by institutional investors such as pension funds, endowments, insurance companies, and family offices. Over time, access has expanded to qualified individual investors who meet certain income, net worth, or accreditation standards.

These investors often incorporate private capital into portfolios when they:

- **Have a longer investment time horizon**
- **Seek additional diversification**
- **Desire exposure to alternative sources of return**
- **Have sufficient liquidity outside the investment**
- **Are comfortable with increased complexity and reduced liquidity**

Private capital is generally not designed for short-term liquidity needs or investors who may require immediate access to invested assets.

How Private Capital Fits Into an Investment Strategy

Private capital is often positioned as a complement to traditional portfolio allocations rather than a standalone strategy. Depending on an investor's objectives, risk tolerance, liquidity needs, and overall financial plan, private investments may represent a modest allocation within a diversified portfolio.

For example:

- Private credit strategies may be used to pursue income opportunities outside traditional fixed income markets.
- Private equity investments may seek long-term capital appreciation through ownership stakes in private companies.
- Infrastructure and real asset investments may provide exposure to sectors tied to long-term economic development and essential services.

The appropriate role of private capital varies significantly from one investor to another. That is why many investors work closely with experienced advisors who can help evaluate suitability, manager quality, portfolio fit, and risk exposure.

Understanding the Tradeoffs

Private capital strategies can offer compelling opportunities, but they are not without risk. Investors should carefully consider factors such as:

- Limited liquidity and extended holding periods
- Higher fees and expenses in some structures
- Limited transparency compared to public securities
- Market, credit, operational, and manager risks
- The potential for partial or complete loss of invested capital

A More Expansive View of Wealth Management

As investor needs become more sophisticated, portfolio construction continues to evolve beyond traditional asset classes alone. Private capital has become an increasingly important conversation for qualified investors seeking broader diversification and access to opportunities outside public markets.

The key is not simply adding alternative investments for the sake of complexity but understanding how each strategy fits within an overall wealth plan, risk profile, liquidity framework, and long-term objectives. When thoughtfully integrated and professionally evaluated, private capital can play a meaningful role in a modern investment strategy designed to navigate an increasingly dynamic financial landscape.

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Insight:

Some of the world's largest institutional investors allocate more capital to private markets than to publicly traded stocks.



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