# Private Assets Outperform

April 29, 2024

*Asset class returns through December 31, 2023, are now available and show the benefits of private alternatives to long-term investors. An **equal weight of private alternative asset classes produced a return 4% per year higher than an equal weight of traditional public asset classes** (excluding cash) covering a period just short of 20 years.[1] Over the most recent 10-year period, private alternative asset classes produced a return 5% higher than public asset class returns.*

Exhibit 1 displays return and risk for seven traditional public asset classes and four private asset classes considered "alternative" by most investors.[2] The September 2004 start date was selected because it is the earliest date returns for all four private asset classes are available. The red and blue plotted lines represent the best fit risk-adjusted return line for the public and private asset classes, respectively.

Exhibit 1: Long-Term Asset Class Performance (Sep 2004 to Dec 2023)

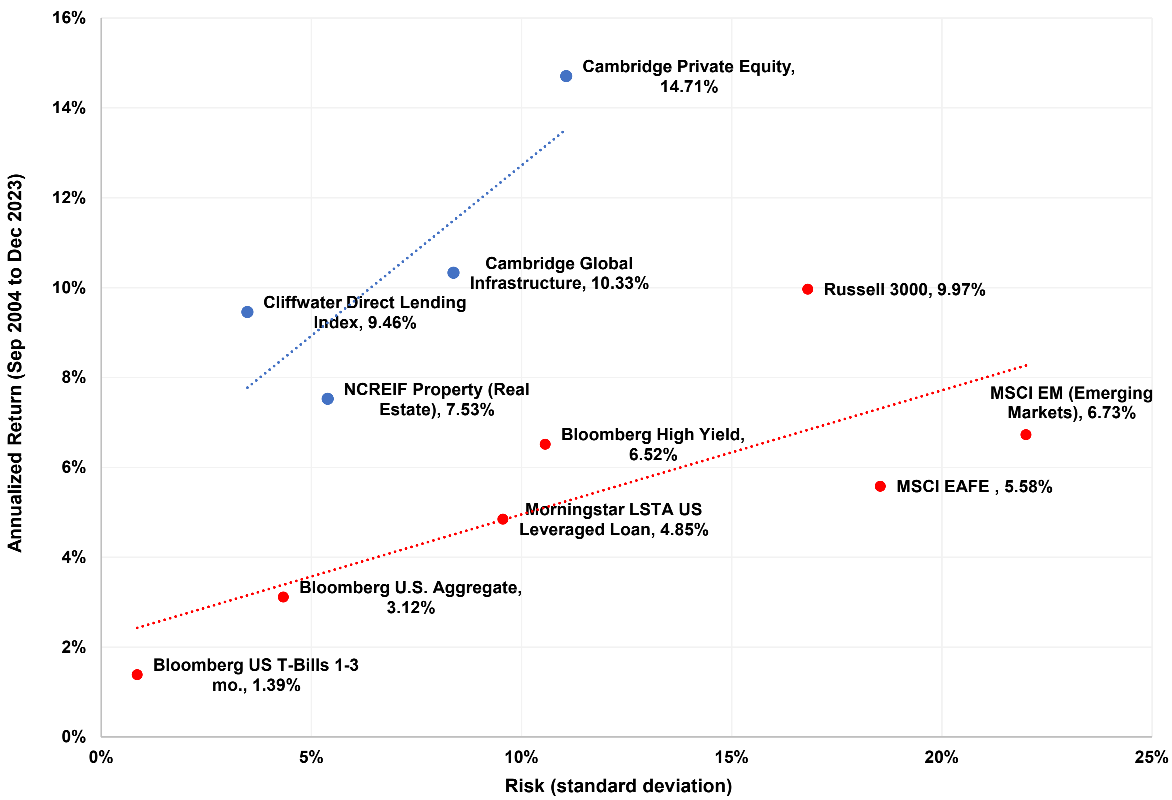
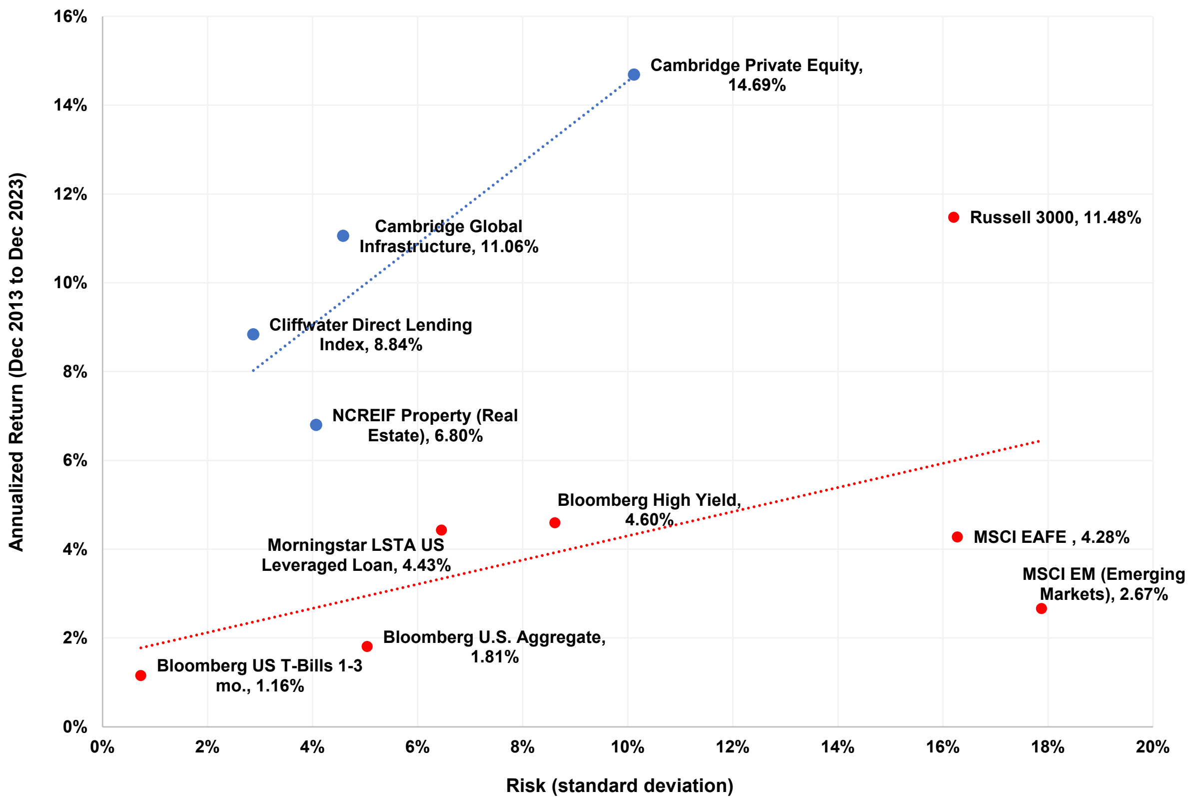



Exhibit 2 displays a similar portrayal but covering just the last 10 years. A few outspoken investment professionals[3] have pushed the "convergence narrative" that benefits from private assets, if they existed in the past, are now arbitraged away, leaving just higher investment costs with little or no excess return.

[1] Returns for the Cliffwater Direct Lending Index (aka CDLI) begin September 31, 2004.
[2] Returns for private equity and global infrastructure are from Cambridge Associates which maintains the largest and longest databases. Equity real estate returns come from NCREIF, the largest and longest database for institutional real estate.
[3] See, for example, Richard M. Ennis, *Have Alternative Investments Helped or Hurt?* Journal of Investing, Jan 2024.

Exhibit 2 shows just the opposite, that returns from private assets have exceeded those for public asset classes even during a recent period of relatively strong public markets.

Exhibit 2: 10-Year Asset Class Performance (Dec 2013 to Dec 2023)




Exhibits 1 and 2 look strikingly similar, contradicting the convergence narrative. In fact, the excess return from private alternatives was higher over the last 10 years compared to the approximately 20-year period.

Predicting the future is humbling at best. But if studying the past is at all useful, and we think it is, then allocations to private alternatives should be a meaningful part of an overall portfolio mix for long-term investors.

Stephen Nesbitt, CEO

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