



The Truth Revealed, **Fact 1:**

The private markets universe is less concentrated and larger today than any other time in history.

What you should know

- Private equity has experienced exponential growth over the last several decades.
- The universe of private equity investors has increased, particularly among the UHNW segment.
- The number of privately held companies in the U.S. dwarfs that of public companies, which translates to considerably more opportunities for private market investors.

Once considered speculative, private markets continue to evolve, especially as the structural hurdles for ultra-high-net-worth (UHNW) investors have come down. Still, no matter the level of expertise or the market environment, investors and advisors who understand this segment of the market are well positioned to make informed and comprehensive decisions about their portfolios.

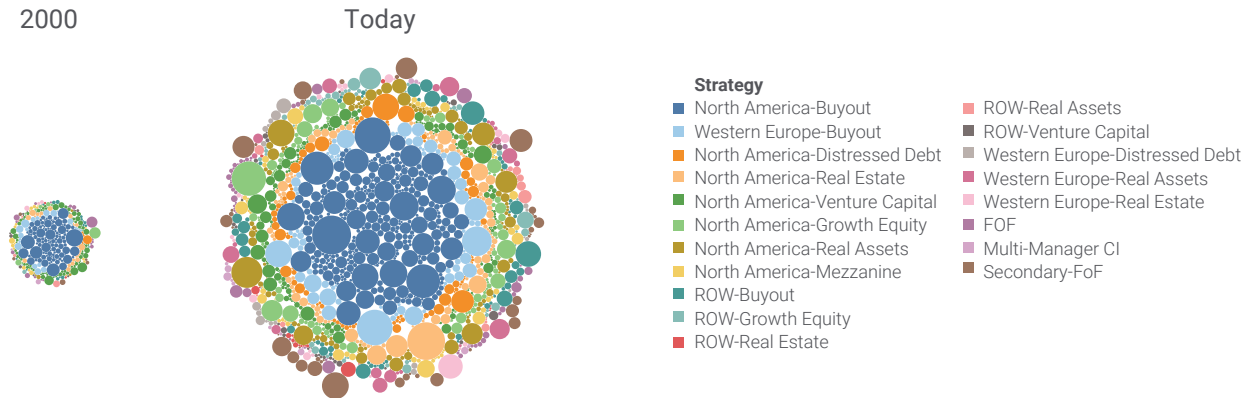
This Truth Revealed series explores private market investing with three objectives in mind:

- To dispel some of the incorrect notions about private markets
- To help investors and advisors better understand private markets' potential to outperform public markets
- To assist investors and advisors as they consider how private markets investing may align with their investment objectives

Global participation in private markets has swelled from \$600 billion in AUM in 2000 to \$9.7 trillion in AUM in 2022

Private Markets Industry Manager Landscape

Bubbles Sized by Total Exposure



Source: Hamilton Lane Data, August 2022

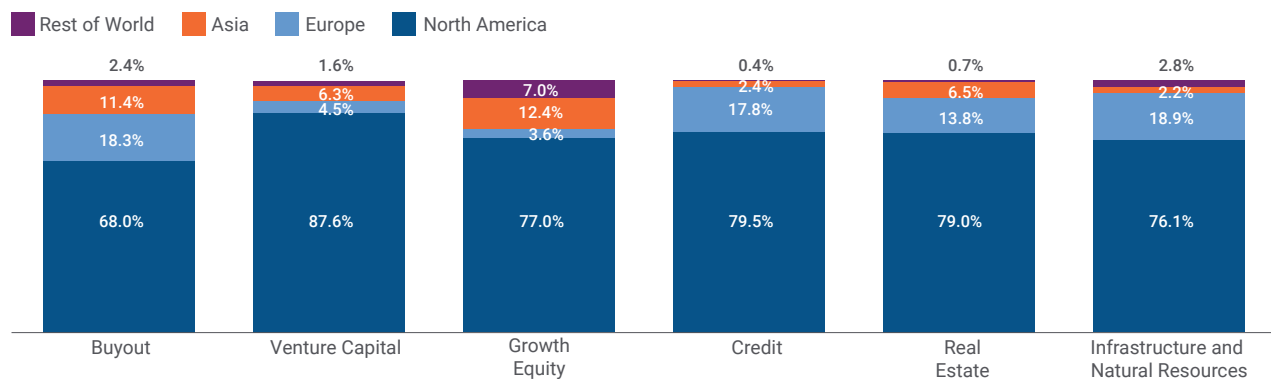
Over the last several decades, there’s been an explosion in private market investments opportunities. At the same time, there’s been a deluge of incorrect information circulating in investor circles. This may stem from the fact that, for many decades, only Institutional investors and very UHNW investors had access to private markets. Furthermore, this asset class had complex regulatory and structural hurdles. This left a large swath of investors and advisors on the sidelines, many of whom grew skeptical about the potential residing in private markets.

Further, there’s often confusion about what “private markets” actually means. The largest segment of private markets is private equity, which includes buyout, venture capital and growth equity strategies. Because private equity represents such a significant portion of private market activity, they are sometimes used interchangeably – which has unwittingly muddied the waters.

Still, there is much more to private markets than private equity. For instance, the next-largest slice of the private markets pie is private credit, followed by real estate and infrastructure.

Private Markets NAV

By Geography and Strategy



Source: Hamilton Lane Data as of 9/30/2022 (February 2023)

As an asset class, an important turning point for private equity was the Global Financial Crisis, which caused investors considerable pain even though private equity experienced unprecedented growth. This sounds counterintuitive, we know. But remember that between October 2007 and March 2009 the stock market dropped by more than 50%, and investors were losing faith in public markets, real estate and hedge funds. During the same period, private equity-backed firms were continuing to attract investors and performed remarkably well, especially in comparison to their public market counterparts.

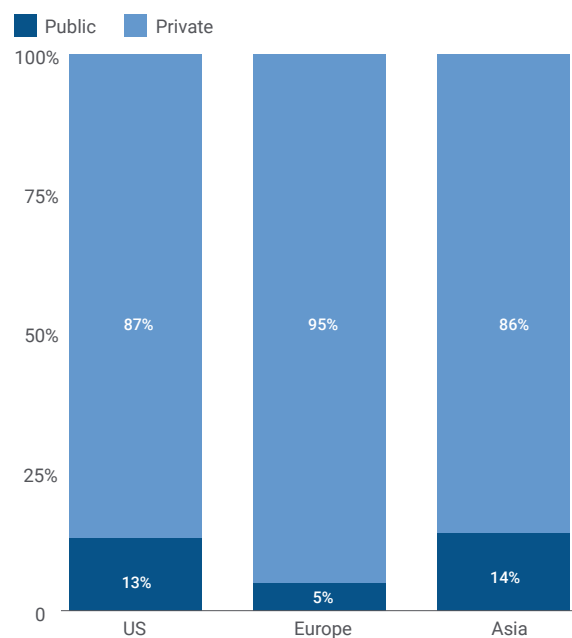
Private market AUM grew to \$9.7 trillion in 2022 thanks to an increasing number of private equity funds and assets, not to mention a larger universe of investors keen on testing the waters. Today, there are also fewer concerns over investing in private markets, such as asymmetric information and manager risk. This, in turn, has increased investor appetite for private equity – especially among those investors who are looking to outperform the public markets but previously thought private equity was out of reach.

As we look more closely, it's easy to see why private equity investing is on an upward trajectory. With more than 95,000 private companies in existence globally with annual revenues over \$100 million, private equity investment opportunities abound. What many people may not realize is how this compares to the universe of public companies: As of February 2022, there were 95,000 private companies with \$100 million+ revenues versus 10,000 public companies with the same annual revenues.

The number of private companies dwarfs the number of public companies

Public and Private Companies

LTM revenue > \$100M



Source: Capital IQ, Feb. 2021 – Feb. 2022

We believe that private market growth—both in size and revenue—will continue. We also believe that HNW investors would be wise to continue educating themselves about private equity and how it may align with their investment objectives.

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As of March 30, 2023