

On The Mark

November 2025

From a Pond to an Ocean

Key Takeaways

- The universe of investable options **expands greatly when private markets are considered** alongside public markets.
- The General Partner (GP) selecting private investments for a fund can have a **significant impact on the returns** seen in private market funds.
- **Due diligence is critical** when selecting private market investments and understanding how the General Partner adds value to the deal over time.

For decades, investors have primarily fished in the same "pond"—the public markets. These markets, although deep and liquid, are highly concentrated and represent only a fraction of investable opportunities. The number of U.S. public companies peaked in 1996 with around 8,000 companies, and over the past 30 years, it has decreased by 50%.¹ Public markets capture roughly 10–15% of global companies by total count,² leaving the vast majority of economic activity to occur in the private sphere. This transforms that pond into an ocean of potential.

A Larger Opportunity Set

Many of today's most innovative and fastest-growing businesses—particularly in technology, healthcare, and sustainability—remain private for longer periods or never list on the market. By adding private market exposure, investors gain access to this much broader universe of opportunities, expanding diversification across company size, growth stage, and capital structure.

Investing in the Real Economy

Private markets investing connects portfolios more directly to the real economy. Whether it's financing the construction of data centers, backing emerging growth companies, or providing capital for business expansion, private investments support tangible growth and innovation. Private companies offer the opportunity to invest in higher-growth potential companies, whereas public markets tend to see steadier, more mature growth.

Diversification Beyond Public

Public markets are increasingly driven by macro factors—interest rates, central bank policy, and sentiment. Private assets, in contrast, are valued less frequently and often held over multi-year horizons, which can smooth portfolio volatility. This diversification can be especially valuable during periods of market stress or dislocation.

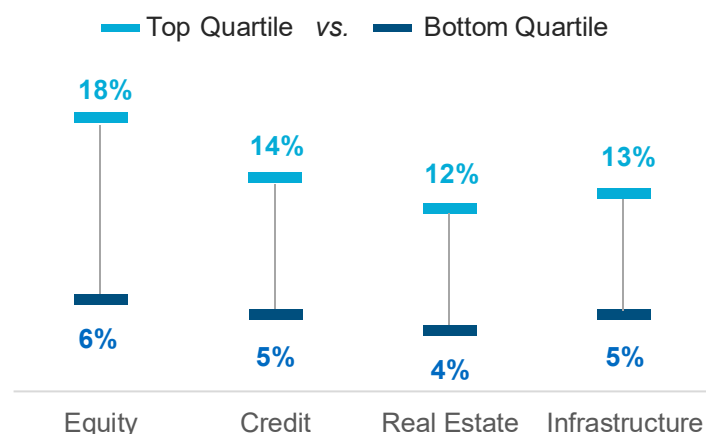
Potential for Enhanced Returns

Private markets have historically delivered a performance premium over public markets, reflecting the illiquidity investors accept and the active management of General Partners (GPs). Skilled GPs can identify undervalued companies, improve operations, and create value through strategic initiatives that are typically unavailable to passive public investors. Over full cycles, this value creation can translate into higher risk-adjusted returns.

The Importance of the Fisherman

The GPs are like the fishermen in the ocean, looking for opportunities in the vast ocean. Today, the number of GPs is large—there are more GPs than McDonald's franchises (over 40,000).³ Some are expert fishermen, consistently catching big returns, while others barely manage a nibble. The spread between the top-quartile performing GPs and the bottom quartile is fairly wide, as seen below, ranging from 8% to 12% on an annualized basis.

Range of Returns for Top & Bottom Quartile
Private Managers (net IRR over 10-20 years)



Source: Cambridge Associates

It's vital that you have strong due diligence to find the quality GPs and understand what is driving the returns. You need to ensure that the right people are in place with the right strategy and the right structure. Looking at the sourcing and analysis of deals and how many of them are rejected, understanding the operational skill and risk management of the GP, along with how they manage liquidity, and alignment of the GP's interests with investors are all key points for review.

The Ocean Mindset

While the count of public market companies has shrunk, they still represent \$115 trillion in equity market value and \$150 trillion in debt market value.⁴ In comparison, private equities represent a market value of \$15 trillion, and private debt represents \$2 trillion.⁵ It's not a question of public or private, but rather a combination of both.

Adding private markets broadens the investable landscape from the limited pond of publicly traded securities to the vast ocean of global enterprise. Without GP due diligence, though, investing in private markets is like fishing in an ocean without knowing the currents or the fish—while possible, the catch will mostly be luck. With proper diligence, you understand the ecosystem, pick the best nets, and dramatically increase your chance of success.

¹World Bank, Center for Research in Security Prices (CRSP)

²The World Bank's *Enterprise Surveys* and *World Development Indicators*

³Apollo Asset Management

⁴WFE Q2 2025 and SIFMA 2025 Global Bond Market Report

⁵Prequin Global Private Capital Report 2025

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