

A Public & Private Markets Update

KEY TAKEAWAYS

A PRACTICAL GUIDE TO BUILDING A DURABLE PORTFOLIO IN TODAY'S ENVIRONMENT

Luke Brooks (BMSS Wesson Wealth Solutions), Mark Peterson (BlackRock), and Miguel Sosa (StepStone) discuss how public and private markets function together in a modern portfolio, and how disciplined diversification can help investors navigate volatility, inflation uncertainty, geopolitical risk, and structural shifts in global markets.

Public Markets Outlook in 2026

1. Volatility Is the Price of Long-Term Growth

- U.S. stocks have historically averaged ~10.5%, annualized
- Markets can experience sharp growth and downturn depending on market dynamics
- Reacting emotionally to headlines often harms long-term results.

Takeaway: Staying invested through volatility is essential for long-term wealth creation.

2. Diversification Is Working

- Market leadership has broadened, with international and emerging markets recently outperforming U.S. stocks.
- Market concentration in a handful of mega-cap names is easing.
- Sector leadership is rotating toward value-oriented areas.

Takeaway: Broad global diversification reduces concentration risk and improves portfolio durability.

3. Bonds Are Re-Establishing Their Role

After a historic reset in interest rates:

- Yields are meaningfully higher than in the post-COVID period.
- Income potential has improved.
- Bonds are once again providing stability and diversification.

Takeaway: Fixed income is more attractive today as both an income source and a risk stabilizer.

4. The Economic Backdrop Remains Constructive

- Despite geopolitical tension, the U.S. economy continues to avoid a recession.
- Inflation has moderated from its 2022 highs.
- The Federal Reserve may lower short-term rates if conditions allow.

Takeaway: The macro environment appears to be more balanced than headlines suggest.

Public vs. Private Markets

Public Markets

- Daily liquidity
- Transparent pricing
- Foundation of most portfolios

Private Markets

- Long-term focus
- Limited liquidity
- Access to companies that remain private longer
- Potential for enhanced risk-adjusted returns
- Only about 13% of U.S. companies are public; most opportunities exist in private markets.

Takeaway: Private exposure expands the investable universe.

Why Private Markets Matter

Sophisticated institutions allocate 20–40% to private investments because they have historically:

- Participated less in downturns
- Captured strong upside in recoveries
- Provided diversification beyond public markets

Most individual investors allocate far less.

Takeaway: A measured allocation (often 10–20%) can enhance long-term portfolio construction.

Key Considerations

- Liquidity: Private investments require longer time horizons. Allocation should align with cash flow needs.
- Manager Selection: Performance dispersion is wide. Experience and due diligence are essential.
- Simplicity with Purpose: Keep the core portfolio understandable. Add sophistication only where it improves diversification and long-term outcomes.

The Bottom Line

- A durable portfolio in 2026 blends global public equities, high-quality fixed income, and select private market exposure.
- Success will continue to depend on discipline, diversification, and a long-term plan, not short-term reactions.

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