Unlocking Opportunity

A Guide to Private Investments

Discover how private markets can help achieve your investment objectives

PRIVATE INVESTMENT BASICS:

Private investments are opportunities to invest in companies, real estate, credit, or infrastructure that are not traded on public stock exchanges.

Private Equity

Ownership in private companies, typically through buyout or growth equity transactions

Private Credit

Loans made directly to businesses, often with attractive yield potential and enhanced protections

Real Estate

Income producing properties or development projects

Venture Capital

Early-stage investments in innovative startups

PRIME CAPITAL FINANCIAL'S PROCESS:

Private investments can be intimidating but they require a different level of care due to their long duration. Unlike public funds, transparency, track record, and quality can vary greatly.

Our process gives investors:

1. **Access to Institutional Grade Strategies**
   Many of the world's largest pensions and endowments allocate over 20% of their portfolios to private investments, now individuals can access similar strategies

2. **Can Potentially Offer Heightened Returns**
   Private investments may offer returns above the public markets due to their illiquidity and use of leverage

3. **Can Generate Enhanced Yield**
   Private investments may offer superior yields compared to public bonds

4. **Operational Oversight**
   We maintain, monitor, and report on the governance and activities of the private investments

Private investments, such as private equity, venture capital, hedge funds, private credit, or direct deals, can be attractive for their potential to deliver outsized returns and diversification, but they come with notable downsides that investors should weigh carefully:

1. **Liquidity Risk**

   Private investments are typically illiquid. Investors often face multi-year lock-up periods (5–10+ years is common), meaning you cannot easily sell or access your money before the investment matures.

2. **High Minimums & Limited Access**

   Many private opportunities require significant minimum commitments (often $250k–$1M), limiting access for all but accredited or institutional investors. Even then, the best funds can be difficult to get into without established relationships.

3. **Complexity & Transparency**

   These investments are less regulated and less transparent than public markets. Information about portfolio companies, valuations, or performance may be limited, and you're relying heavily on the manager's reporting.

4. **Fees & Costs**

   Private funds often charge high management and performance fees (the classic "2 and 20" structure—2% management fee plus 20% of profits). When layered with deal-level fees, net returns can be significantly reduced.

5. **Manager Risk**

   Performance varies widely between managers. The dispersion of returns in private equity and venture capital is far greater than in public markets. Choosing the wrong manager can severely impact results.

6. **Valuation Uncertainty**

   Unlike public stocks with daily market prices, private assets are often valued infrequently and subjectively. This makes it hard to gauge "true" performance until an exit occurs.

7. **Concentration Risk**

   Because of high minimums and illiquidity, it can be difficult to diversify across multiple deals or funds. A single poor investment can have an outsized impact on your portfolio.

8. **Economic & Market Sensitivity**

   Private equity or real assets may be highly sensitive to credit conditions, interest rates, or downturns. In stressed markets, exits may be delayed or valuations marked down.

Our role is to help you determine if private investments are right for your portfolio and navigate the complexities, guiding you toward high-quality opportunities and away from unnecessary risk.

Private Investments aren't appropriate for everyone-but for long-term investors seeking enhanced returns, yield, or diversification, private investments can be a powerful tool.

Ready to Learn More?

Let's explore how private investments can help you achieve your goals and ambitions.

Contact a Prime Capital Financial Advisor today.
PrimeFinancial.com/Contact