



Unlocking Opportunity: A Deep Dive into the Evolving Private Equity Landscape



Private equity has captured the attention of institutional investors and family offices for decades due to its potential to generate high returns, provide access to exclusive deals, and add diversification to investment portfolios. The reasons behind its appeal are multi-faceted, as private equity operates in an environment where companies benefit from less market scrutiny, more flexibility, and the opportunity to scale over a longer time horizon. The following discussion explores Sand Hill's approach to investing in public and private markets, a new private equity fund structure that has made the asset class more accessible to a wider range of investors, and how private markets have evolved to become one of the largest investable asset classes.

Sand Hill utilizes public market investments for the majority of our portfolios, leveraging their inherent advantages such as daily liquidity and pricing transparency. Public markets provide clients with a vast array of investment opportunities, allowing for swift portfolio adjustments in response to economic changes and market volatility. The liquidity of public markets plays a key role in Sand Hill's strategy, enabling operational flexibility, efficient cash flow management, and rapid capitalization of market opportunities.

Additionally, the relatively low fees associated with public market investments have contributed to the firm's long-standing preference for this asset class. With lower management fees and minimal transactional costs compared to private investments, public market exposure helps maximize net returns. Unlike traditional private equity funds, which impose high fees and capital calls, public investments provide a streamlined and cost-effective approach. While public companies can be volatile, they continue to present attractive investment opportunities based on valuation and earnings growth.

Historically, private equity opportunities were limited to Qualified Purchasers - defined as individuals with \$5 million or more in investments (excluding primary residence) and institutional investors with \$25 million or more in investments. Following five years of private market underperformance relative to US large cap public equities, we view this period as a good opportunity to incorporate private equity into qualified portfolios, particularly through evergreen solutions which are open to a wider variety of investors, while carefully managing liquidity risk.

An evergreen private equity fund is a continuously reinvesting vehicle that allows for ongoing subscription and redemptions. Unlike traditional drawdown private equity structures, which are often marked by significant capital calls and complex administrative processes, evergreen funds eliminate these barriers, offering a smoother investment experience. One of the most compelling advantages of evergreen funds is their ability to deploy capital immediately upon investment and minimize the "J curve" effect, which allows for the immediate compounding of returns. This feature not only enhances the

potential for long-term value creation but also reduces the friction typically associated with waiting for capital calls to be made in traditional private equity structures.¹

Evergreen funds also provide greater liquidity compared to traditional private equity funds. While still considered long-term investments, evergreen funds offer periodic redemption opportunities, allowing investors to access liquidity multiple times a year. This is achieved by maintaining a portion of the portfolio in a liquidity sleeve to meet redemptions if needed. While there is no guarantee of a fund being able to meet 100% of its investors' liquidity needs, this liquidity sleeve helps mitigate one of the primary concerns associated with private equity—the long lock-up periods—and allows investors to better manage cash flows.

Diversification is another advantage of evergreen funds. Unlike traditional funds that focus on a single vintage, evergreen funds invest across multiple years and a broad range of companies. This diversification helps mitigate both concentration and idiosyncratic risks as well as business cycle risk that can occur from poor market environments in certain vintages.

Additionally, evergreen funds cultivate a patient, long-term investment approach by eliminating the need for frequent fundraising or exit timelines. Unlike traditional private equity funds that typically have a defined life cycle and a set timeline to target exits, evergreen structures enable investors to remain involved in its portfolio companies for as long as needed, allowing businesses the time to grow and reach their full potential and exit when market conditions are favorable. Additionally, evergreen structures allow for reinvestment of returns back into the fund, creating a compounding effect that can positively impact returns over time. For private equity firms and investors, these structures reduce the pressure to exit or liquidate holdings prematurely, leading to more strategic decision-making and the ability to capitalize on opportunities as they arise. By focusing on sustainable, long-term value creation, evergreen structures foster stability and growth, benefiting both businesses and investors alike. In an era where the IPO market has been sluggish, evergreen structures offer flexibility, allowing investors to wait and capitalize on a potential exit while nurturing the businesses in the fund's portfolio.

Evergreen funds can potentially offer investors the rare opportunity to work with institutional managers who have historically had high barriers to invest due to investment structure, LP relationship access, and significant minimum investment requirements. This

¹ The "J-curve" describes the typical pattern of returns over time, characterized by an initial period of negative returns followed by a subsequent sharp upward trend, resembling the letter "J" when plotted on a graph. This pattern reflects the investment process of private equity funds, where initial costs and fees lead to losses, but these are later offset by the growth and realization of investments.

gives individual and institutional investors alike the ability to access strategies that were once reserved for larger institutional investors. In this way, evergreen funds are better poised to bridge the gap between individual investors and the sophisticated managers that institutions have long relied on to navigate the complexities of private equity.

As of March 31st, 2025, the growth of perpetual fund structures has accelerated significantly, reflecting a broader shift in how investors access private markets. Over the past 12 months alone, 46 new perpetual funds have launched, contributing to a total of 228 active funds. These include 170 tender and interval funds, 32 non-listed BDCs, 20 non-listed REITs, and six operating companies. Private credit has emerged as the dominant strategy, accounting for 108 of the funds, followed by 50 real asset funds and 39 focused on private equity. Collectively, these funds manage approximately \$413 billion in assets, with private credit representing the largest share at 49%, followed by real assets at 29% and private equity at 16%. Notably, nearly half of these assets are held by sub-accredited investors, with an additional 22% requiring no minimum qualification, 13% targeting accredited investors, and the remaining 15% distributed across qualified clients and purchasers. This rapid expansion underscores the increasing democratization of private markets through more accessible and flexible fund structures.²

One of the most significant drawbacks to the evergreen structure is cash drag which refers to the performance dilution caused by holding uninvested cash or short-term cash like investments. Since evergreen structures accept continuous capital inflows and aim to provide periodic liquidity, they are required to maintain a cash buffer to meet redemptions and manage underlying flows. However, this idle cash typically earns lower returns compared to the underlying private equity investments, which can depress overall portfolio performance. Managing cash levels effectively is crucial in these structures to minimize drag while still ensuring liquidity and operational flexibility.

The evolution of evergreen funds in private markets introduces structural risks that warrant careful scrutiny. Chief among these is the minimal track record of the evergreen model, leaving uncertainty around its performance and resilience across market cycles. Additionally, the attempt to impose liquidity on fundamentally illiquid asset classes creates a structural mismatch, heightening the risk of forced asset sales or gating during periods of elevated redemptions. This liquidity illusion may lead to valuation challenges and undermine investor confidence during market stress. These potential headwinds paired with dispersion among managers in private markets make management selection paramount to navigate these complexities.

² Perpetual Alternatives Fund Report Q2 2025 Cliffwater

As of December 2024, the average affluent individual investor has only 3% exposure to alternatives compared to 30% for endowments. Within alternatives, private equity represents 17% for endowments and as of December 2023, 22% for family offices. This disparity presents an opportunity for qualified individual investors to close the gap to larger allocators by gaining access to private equity through evergreen funds. As private equity opportunities become more accessible, individual investors can benefit from its historically robust performance, better aligning their return profile with institutional peers.^{3,4,5}

Evergreen funds are reshaping private market investing by offering greater flexibility, continuous capital deployment, and access to institutional-quality strategies. Their ability to reduce administrative friction, smooth the investor experience, and support long-term value creation makes them an attractive pairing or alternative to traditional fund structures. Evergreen vehicles are poised to play an increasingly prominent role in bridging the gap between institutional and individual investors, marking a meaningful evolution in how private markets are accessed and managed. As the structure continues to evolve, careful manager selection and prudent risk management will be essential to fully realize the benefits while mitigating the inherent complexities.

Beyond the structure of evergreen funds, private equity can increase risk adjusted returns. During periods of low growth in the S&P 500, private equity has generally outperformed public markets. As public market valuations reach high points, many investors turn to private equity for superior growth potential, diversification, and higher return potential. This trend will likely continue as more capital flows into the private markets, where opportunities are more diverse and often less correlated to the cyclical and volatile movements of the public markets.

Private equity firms invest in companies that would be classified primarily as small cap firms if they were public. Public small-cap companies are facing headwinds, with nearly half of the Russell 2000 index consisting of unprofitable companies in 2024. Many successful small companies are choosing to remain private due to the following reasons - founders desire to retain control and avoid the scrutiny that comes with public listings, initial public offerings (IPO's) are deferred until the company is more mature in tenure and size (skip small cap indices all-together), larger companies flush with cash offer acquisition opportunities, or accessing public market capital are no longer necessary for

³ UBS Global Office Family Report 2024

⁴ iCapital Alternatives Decoded: Navigating the World of Alternative Investments Q1 2025

⁵ NACUBO: Study of Endowments 2024

growth due to the expansion of private capital. The private equity landscape offers a favorable environment for small companies to scale and realize value.

It is crucial to note that the stock market does not represent the broader U.S. economy. The top 10 U.S. companies by market capitalization make up approximately 30% of the total market capitalization of the US market but contribute only 20% of earnings before interest and taxes (EBIT), 15% of sales, and 2% of employees. As of September 2024, the U.S. economy is predominantly driven by domestic demand, with over 80% of GDP coming from U.S.-based activity and less than 20% from foreign trade. In fact, the U.S. middle market, which represents roughly a third of private sector GDP, would be the third-largest economy in the world. This segment of the economy is home to millions of employees and presents immense growth potential for private equity investors looking to gain access to a core part of the U.S. economy.⁶

An increasingly important development in the private equity space is the tendency for companies to stay private for longer periods, or in some cases, never pursue an IPO at all. The landscape of IPOs has shifted significantly over the past few decades. Historically, companies would go public relatively soon after their inception, with the average company going public around the age of 8 years between 1980 and 1999. However, this timeline has expanded in the last two decades-- and companies are waiting until they are closer to 11 years old before considering an IPO. Over this same timeframe, IPO's have decreased from 307 per year to just 125. The reason for this delay and decrease is not arbitrary; rather, it is a strategic choice driven by the pressures and complexities associated with becoming a publicly traded company.⁷

In the past, IPOs were considered the primary exit strategy for companies seeking to access large amounts of capital and gain credibility in the market. However, the IPO process has become increasingly cumbersome due to complex reporting requirements, compliance costs, litigation risks, and regulatory scrutiny that come with being listed on a public exchange. Public companies are expected to meet stringent governance standards, and board members are often pressured to focus on quarterly earnings rather than long-term value creation. The emphasis on short-term earnings—frequently exacerbated by investor expectations for immediate returns and high-frequency algorithmic trading causing significant volatility—can distract companies from executing long-term strategic objectives. This shift toward prioritizing shareholder value over long-term growth has led many companies to rethink the value of going public, choosing instead to pursue private capital for continued expansion.

⁶ FS Investments: Fueling Growth: Mid-market PE and the U.S. Economic Boom

⁷ iCapital Alternatives Decoded: Navigating the World of Alternative Investments Q1 2025

The ease of access to private capital today is another reason why companies are opting to remain private. With the growing availability of private equity and debt financing, businesses must no longer rely on public markets to access the capital needed to fuel their growth. Private equity-backed companies can tap into an ever-growing pool of capital without the burden of complying with the rigorous reporting and governance requirements of the public markets. This enables them to stay nimble, pursue innovation, and invest in long-term growth. Additionally, private equity firms provide value-added services such as strategic guidance, operational improvements, and management expertise, which contribute to the long-term success of these companies, further solidifying the case for staying private.

The implications of this shift are significant for the private equity market. With more companies choosing to stay private, private equity firms are now playing an increasingly critical role in their growth trajectory. In fact as of February 2023, 86% of all US companies that generate more than \$100 million in annual revenue are private. This figure speaks volumes about the privatization trend, particularly in the United States, where between 1992-2022 96% of companies are privately held. During this period, the number of private companies in the U.S. grew by 42%, in stark contrast to the 29% decline in public companies over the same period. As a result, the private equity market is not only growing in size but also in influence, reshaping the way businesses scale and evolve.^{8,9}

A crucial factor that is unique to private equity is the alignment of ownership between investors, management, and employees. When private equity firms invest in a company, they not only provide capital but also ensure that the managers and key stakeholders have a substantial equity stake in the business. This alignment of interests creates a scenario where both the investors and the managers are working toward the same long-term objective to create sustainable value and drive operational growth. Unlike public companies, where management may face the short-term pressure of meeting quarterly earnings expectations, private equity-backed companies are afforded the time and resources to execute long-term strategies. This ownership structure is often the differentiator in achieving more meaningful growth compared to publicly traded companies that are subject to shareholder activism, quarterly reporting, and the inevitable distractions that come with meeting short-term targets.

Another feature of private equity is the access to transparent, more granular information. In private equity, managers typically gain greater visibility into the operations and financials of companies due to their direct involvement in the management of the companies they

⁸ iCapital Alternatives Decoded: Navigating the World of Alternative Investments Q1 2025

⁹ FS Investments: Fueling Growth: Mid-market PE and the U.S. Economic Boom

invest in. With access to more detailed, unfiltered data, private equity investors are in a better position to make informed decisions, intervene where necessary, and help drive changes that improve performance, increase efficiency, and ultimately enhance valuation. By gaining this detailed view, private equity firms are often positioned to navigate risks more effectively and identify new opportunities that might not be available in the public markets, where investors of public companies are often left to interpret earnings calls, quarterly reports, and other public-facing documents.

Moreover, private equity's long-term orientation remains a cornerstone of its success. Investing in private equity requires understanding that creating value in a company takes time, and unlike public equity investors who might be motivated by the desire to see immediate returns, private equity investors are focused on generating value over an extended time horizon. This long-term outlook enables private equity firms to implement strategic initiatives such as operational improvements, technology investments, and talent acquisition that are designed to drive sustainable growth over full business cycles. In essence, private equity's approach is not about capitalizing on short-term market trends but about setting the stage for potential future success through patient, methodical growth.

One of the key differentiators of private equity is its acquisition multiples, which offer significant potential for future multiple expansion. As of Q4 2024, middle market private equity (\$500M-\$1B in EV) trades at an average EV/EBITDA multiple of 10.5x and large cap private equity (\$1B to \$5B in EV) prices an average 13.1x EV/EBITDA compared to a 16.1x multiple observed in the S&P 500. Once in control, private equity firms can drive value creation initiatives to position businesses for strong returns on investment and multiple expansion. Furthermore, private equity-backed companies are expected to grow EBITDA at a faster rate than their publicly traded counterparts. Mid-market private equity firms are projected to grow EBITDA by 9.3% that is in line with the expected growth of the S&P 500 and above expected growth of the Russell 2000. This disparity underscores the growth potential that private equity firms can derive while being conscious of valuation.¹⁰

Between 2015 and 2023, private equity buyout has offered higher risk-adjusted returns than public equity indices. The Preqin private equity buyout benchmark has generated returns of 15.5% over this time period, with a relatively low standard deviation of 10.7%. In comparison, international benchmarks such as the MSCI ACWI ex-US has returned 4.7%. United States indices, Russell 2000 and the S&P 500, have returned 7.4% and 11.9% respectfully, but with higher volatility of 16.3% and 16.9%. The Sharpe ratio is industry standard to compare performance across funds and assets classes but is subject to its

¹⁰ FS Investments: Fueling Growth: Mid-market PE and the U.S. Economic Boom

own limitations and can be skewed by its input like any measurement, including standard deviation. Private equity is often marked quarterly unlike its daily traded public counterparts, which can skew volatility to the downside and thus increase the Sharpe ratio measurement. However, it can still be a useful performance gauge and private equity's long-term Sharpe ratio statistics show the favorable risk-adjusted return of the asset class. With a Sharpe ratio of 1.3 (measured between 2015 to 2023), private equity outpaces public markets, where the Sharpe ratio for the S&P 500 is 0.62, MSCI ex-US is 0.22, and for the Russell 2000, it stands at 0.37.^{11,12,13}

In our view, the re-shifting of global supply chains, catalyzed by tariffs and geopolitical tensions, should provide a competitive edge to domestic businesses. Rising tariffs on imported goods create a direct incentive for U.S. companies to reshore production. Domestic manufacturers are gaining an edge in both cost structure and speed to market. U.S.-based middle-market businesses, unlike larger multinational corporations, are more insulated from exchange rate swings, offering certain resilience in the current uncertain global economic environment. PE-backed companies in industries like manufacturing, technology, and logistics are primed for growth as they capitalize on the reshoring trend, potentially capturing a larger share of the market.

Reshoring trends are not only motivated by tariffs but also by increased demand for onshore production and services. Companies are focusing on securing more resilient and cost-effective supply chains that minimize exposure to international risks. The ongoing trend of reshoring directly benefits small and medium-sized enterprises (SMEs) as they become the backbone of these reshaped supply chains. As demand for locally produced goods and services rises, the potential for rewarding investments in these businesses grows, making them highly attractive to private equity.

We expect that the regulatory environment under the new administration should promote both deregulation and tax reform that will ease compliance burdens, reduce costs, and provide greater operational flexibility for companies. This environment should be particularly advantageous for SMEs that rely on agility and adaptability. Lower compliance and tax costs will allow businesses to invest more in innovation, growth, and market expansion, improving the prospects for private equity-backed companies. This expected reduction in regulatory complexity and tax burden should be a driver of efficiency and profitability in the middle market.

¹¹ Preqin Alternative Assets Data

¹² iCapital Alternatives Decoded: Navigating the World of Alternative Investments Q4 2024

¹³ Bloomberg LP

The current administration could also prove to be a business-friendly regime, and the private equity ecosystem would be a likely beneficiary from increased mergers and acquisitions. As of September 2024, deal flow is trending upwards towards the ten-year average of \$393 billion in exits which enhances the exit optionality for private equity. Almost 97% of private equity exits over the last seven years have come from corporate or sponsor acquisitions outside of the IPO market. In addition, many businesses that have matured and achieved scale through PE-backed growth are now ripe for acquisition by these larger private equity funds or mega-cap companies, providing exit opportunities for investors as the environment improves. If the IPO market does remain closed (~1% of private equity exits annualized over the last three years), managers have been able to find alternative solutions to provide liquidity.^{14,15}

As mega-cap private equity managers have experienced tremendous growth by expanding their product offerings, leveraging strong brand recognition, and attracting vast pools of capital, we recognize the growth of the asset class and inherent risks. With this scale, they can command significant management fees on massive asset bases, generating substantial, stable revenues regardless of fund performance. As a result, critics argue that these firms may be less incentivized to aggressively pursue high returns since their business models are increasingly supported by management fees rather than performance-based carry. This dynamic can potentially lead to more conservative investment strategies or prioritization of asset gathering over alpha generation, ultimately resulting in more subdued net returns for investors.

Costs and fees in private equity are among the highest across the private markets, reflecting the complexity and hands-on nature of the investment process. Standard fee structures typically include both management fees and carried interest. Management fees are generally charged on committed capital during the investment period and shift to net invested capital afterward, usually about 2% annually. Carried interest, which is commonly set at 20% of profits above a predetermined hurdle rate, serves to align the interests of general partners (GPs) with those of limited partners (LPs) by rewarding strong performance. In oversubscribed or top-performing funds, these fee terms are often non-negotiable, as GPs with a track record of consistent outperformance command premium pricing power.

Vintage diversification is a critical component of building a resilient private equity portfolio. Just as diversification across geographies, sectors, and company sizes reduces risk, spreading commitments across different vintage years helps protect against the impact of

¹⁴ iCapital Alternatives Decoded: Navigating the World of Alternative Investments Q4 2024

¹⁵ FS Investments: Fueling Growth: Mid-market PE and the U.S. Economic Boom

unfavorable economic or market conditions at any single point in time. Private equity fund performance can vary widely from year to year due to shifts in interest rates, deal activity, valuation trends, and exit environments. For example, vintages raised during the dot-com bust or the global financial crisis often struggled to deliver strong returns. By allocating capital consistently over multiple years, investors reduce the risk of overexposure to any one economic cycle and increase the likelihood of capturing top-performing vintages.

Over recent years, private equity has faced increasing scrutiny due to its inherent liquidity challenges, which have become more pronounced as the asset class has grown and the IPO market has shuttered. Private equity investments are long-term and illiquid, often locking up investor capital for 7–10 years or more in traditional structures. As fundraising volumes surged, the gap between capital commitments and actual deployment widened, exacerbating liquidity pressures. This has led to growing concerns among investors about capital being tied up in underperforming or slow-to-exit investments, particularly during periods of market volatility or economic uncertainty. These dynamics have sparked interest in secondary markets and more flexible structures like evergreen funds.

Across the private equity universe, there are many managers offering “secondary” exposure which has reached record levels for a variety of reasons. Secondaries are deals in private companies or private equity funds where an investor will purchase stakes or shares in the private investment at a discount to fair value to provide liquidity to the underlying limited partners (LP’s) in that investment. The discount can vary based on the underlying assets, time frame, and competition for that deal. These deals can be advantageous for both sides by providing liquidity to the investor who needs the capital returned and the secondary investor who is able to purchase at an underlying discount and know exactly the assets they are buying that are further along in their lifecycle. These secondary investments can either be General Partner (GP) or Limited Partner (LP) led. GP led secondaries usually are the result of General Partners leading a continuation fund and wanting to continue to hold onto “crown jewel” assets to further drive value in the underlying company/companies. LP led secondaries return capital to LP’s who may need the funds to rebalance their portfolios, invest in follow on funds, or need the cash for liquidity needs. 2024 marked the 4th straight year in secondary transaction volume above \$100B with record setting deal flow of \$162B. LPs led \$87B in transactions and GPs followed with \$75B. Following the third consecutive year where the initial public offering (IPO) market has stagnated, the secondary market has become a staple solution within private equity that provides value to both existing LP’s and GP’s as well as new investors.^{16,17}

¹⁶ FS Investments: Fueling Growth: Mid-market PE and the U.S. Economic Boom

¹⁷ Commonfund Blossoming New Era of Secondaries

Primary market deals, in contrast, involve investing directly in private equity funds or companies during their initial capital raise. In these deals, investors provide capital to a fund or company at the beginning of its investment cycle, often gaining access to opportunities that may not be available in the secondary market. Investors in primary market deals generally commit their capital for a longer period, often 7–10 years, and the funds are managed by general partners who make key decisions about portfolio company operations and investments.

We prefer primary market private equity investments over secondary market deals for several reasons. One key factor is the decreasing discounts in secondary market transactions, which have significantly narrowed in recent years. For example, in 2022, LP buyout funds in the secondary market were typically trading at an average discount of 13%. However, as more capital has flooded into the secondary market, this discount has decreased to only 6% in 2024. The increasing competition for secondary deals has led to more efficient pricing, meaning that the attractive discounts that once provided a margin of safety and upside potential has largely evaporated.¹⁸

On the other hand, primary market investments provide a more compelling long-term growth trajectory. In primary private equity, the focus is on driving value and growth at the portfolio company level through a control position. Through improvements in management, efficiency, market expansion, and product innovation, private equity firms can significantly shape a company's operations driving long term value. Secondary transactions can provide a quick performance bump, as the transaction is immediately written to fair value, often showing as an unrealized gain. However, the true long-term value in private equity comes from actively driving growth and value within portfolio companies over time—something that can be more difficult to achieve in secondary market deals, especially in purchasing secondary fund interests, where the assets are often further along in their life cycle and may have limited runway for meaningful expansion from less active management. Thus in our view, primary investments offer the potential for sustained value creation, which is ultimately more beneficial for investors seeking long-term success.

Primary private equity deals typically involve a closer alignment of interests between the private equity firm, the company's management team, and employees. Since private equity firms often invest alongside company management in primary deals, there is a shared commitment to achieving long-term success and growing the business. This partnership creates strong incentives to work together toward sustainable value creation. In secondary private equity transactions, the interests of the selling party (such as a previous investor or

¹⁸ JPMorgan Guide to Alternatives 4Q 2024

fund) may differ from those of the buyer, and the level of alignment between the new investors and management may not be as robust.

Investing in the primary market allows investors to avoid the legacy issues that can come with secondary transactions. Secondary private equity deals often involve buying shares or stakes in companies that have been previously owned by other private equity firms or institutional investors. These deals may carry the baggage of past investments, operational inefficiencies, or strategic missteps that could affect the potential for future growth. In primary deals, private equity firms have the opportunity to implement their strategy from the ground up, addressing issues like management quality, operational inefficiencies, and capital structure without being encumbered by the decisions of prior investors.

Secondary market private equity funds typically entail additional layers of fees compared to primary market funds, due to the complexities of acquiring existing fund interests. In primary private equity, fees are straightforward, consisting primarily of management fees (a percentage of committed capital) and incentive fees (carried interest based on performance). These fees apply directly to the capital committed at the fund's inception. In contrast, secondary market transactions involve extra costs. Transaction fees are levied by intermediaries or brokers facilitating the purchase or sale of private equity stakes. These fees can be substantial, depending on the size of the transaction. Furthermore, investors in secondary market funds often incur ongoing management fees on acquired stakes resulting in a fee structure similar to a fund of funds with fees paid to the secondary manager as well as the underlying GP managers. Additionally, carried interest may be structured differently in secondary market deals. In aggregate, these additional fees can drive further dispersion between primary and secondary funds.

To conclude, private equity presents a compelling case for enhancing portfolio performance through its historically superior risk-adjusted returns, long-term value creation, and resilience in volatile market conditions. While Sand Hill has historically focused on the performance of public markets and has remained cautious about taking on liquidity risk, we recognize the shifting landscape of investment opportunities. As companies increasingly stay private for longer and the value proposition of private equity continues to strengthen, we believe there is a distinct opportunity to enhance portfolio returns by selectively incorporating private equity, specifically through primary exposure, into the mix for qualified investors.

The ability to access premier private equity managers through these evergreen vehicles—who have historically been out of reach for many non-institutional investors—strengthens the firm's access to unique opportunities.

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