GSFM FUNDS MANAGEMENT

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Private markets becoming a core allocation as listed markets narrow

Structural changes in global capital markets have reshaped the investment landscape, and investors are increasingly viewing private markets as a core portfolio allocation, according to GSFM CEO, Damien McIntyre.

But as private markets continue to mature, manager selection and portfolio construction will become even more important, McIntyre says.

"Private markets are no longer a niche allocation reserved for large institutions. More companies are choosing to stay private for longer, meaning investors relying solely on listed markets are accessing a smaller proportion of the global opportunity set."

McIntyre says private markets now encompass a broad range of asset classes, including private equity, private credit, infrastructure, real estate and venture capital, providing investors with additional sources of diversification and return.

"By investing across all private markets, it is possible to build more resilient portfolios by accessing investments that are driven by different fundamentals to listed markets."

McIntyre says it is not surprising that investor interest in private markets has accelerated in recent years.

"The market volatility experienced during 2022 reminded investors that traditional diversification doesn't always work as expected," he says.

"Public companies often operate under an intense 90-day reporting cycle," he explains.
"Private market investments tend to be valued on underlying business fundamentals rather than daily market sentiment, reducing the impact of short-term noise and allowing managers to focus on long-term value creation.

"Private ownership allows businesses to focus on improving operations, investing for growth and creating value over several years rather than managing for the next quarterly result.

"The advantage is that management teams have ability to execute long-term strategies without the pressure of meeting quarterly earnings expectations that come with listed markets."

But McIntyre says manager selection is an important element of successful private market investing.

"The dispersion between top-performing and average managers in private markets is significantly wider than in listed markets, making manager selection a key driver of long-term returns."

Rather than concentrating exposure in a single private asset class, McIntyre said the CI Global Private Markets Funds take an approach that combines private equity, private credit, infrastructure, real estate and venture capital within a diversified portfolio framework.

"The approach is to diversify across managers, asset classes, investment vintages and liquidity profiles," he says.

"This provides investors with exposure to the breadth of opportunities available across private markets while helping manage portfolio risk."

This is not to say that listed markets do not have a place.

"The role of private markets isn't to replace listed investments but to complement them, improving diversification and potentially increasing long-term risk-adjusted returns."

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