CIBC GLOBAL
ASSET MANAGEMENT

Unlocking private markets: Moving beyond traditional portfolios

A practical guide to building more resilient portfolios

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Overview

- Private markets can add enhanced performance drivers beyond public markets, including enhanced income, value creation, and stronger diversification
- A disciplined three-step approach can help incorporate private markets more effectively, starting with portfolio objectives, then allocating purposefully toward those objectives, and selecting managers diligently
- Starting with a 10% allocation to private assets and gradually increasing it to as much as 30%—funded intentionally from equities and fixed income—can meaningfully strengthen total portfolio outcomes
- Using historical performance data and forward-looking return expectations, adding private assets has led to stronger risk-adjusted returns than a traditional public-only portfolio
- Private markets are not meant to be a replacement for traditional public investments; however, they can complement them by helping build more resilient portfolios in an increasingly uncertain market environment

Why the traditional portfolio is under pressure

The traditional mix of public equities and fixed income has long provided a reliable foundation for portfolio construction. But today's market environment is challenging, and some of the assumptions that have historically supported that approach are fading. For example, stock-bond diversification has become less reliable in an inflationary environment, public equity markets have grown more concentrated, and companies are seeing a larger component of their growth before their initial public offering (IPO). On top of that, persistent inflation and geopolitical uncertainty have introduced new sources of portfolio risk. Ultimately, focusing solely on public markets does not provide a complete view of the opportunity set available to investors.

a. Stock-bond diversification has become less reliable

For most of the past two decades, investors benefited from a powerful portfolio dynamic: when equities sold off, bonds often provided a cushion. This negative stock-bond correlation helped make the traditional 60/40 portfolio (60% equities and 40% bonds) an effective source of diversification. However, during periods of elevated and persistent inflation, that correlation can increase or even break down entirely. As a result, stocks and bonds may come under pressure simultaneously, challenging a key assumption that has historically underpinned traditional portfolio construction.

Figure 1. S&P 500 / US 10-year Treasury correlation

Rolling 12-month correlation based on monthly total returns

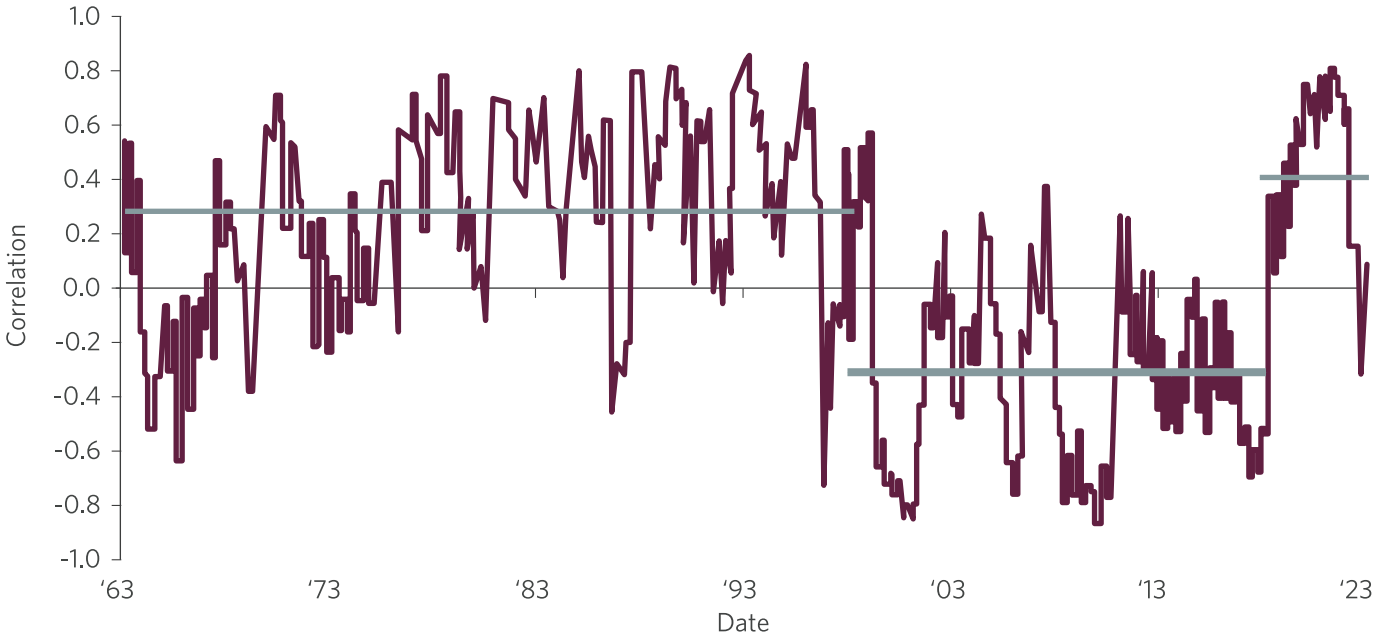
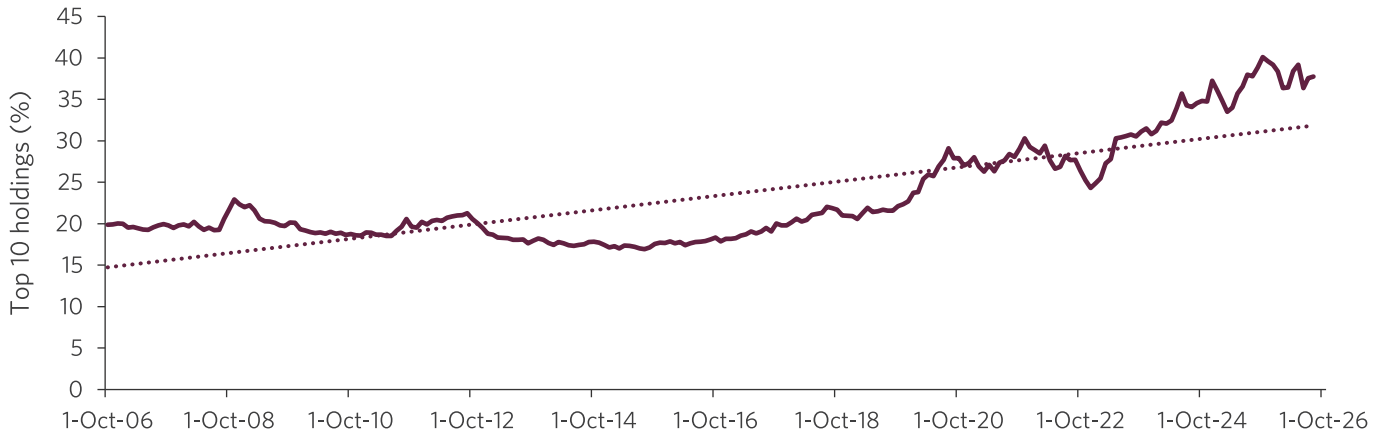


Exhibit: S&P 500 / U.S. 10-Year Treasury rolling 12-month correlation. Source: Morningstar Direct as of August 31, 2026, in CAD. MSCI All Country World Index and FTSE Canada Universe Bond Index.

b. Public markets are becoming more concentrated

Public markets have become increasingly concentrated, with a relatively small number of large-cap stocks driving a disproportionate share of index performance and overall market returns. This dynamic can reduce diversification, increase exposure to business-specific risks tied to a handful of companies or sectors, and make broad market benchmarks less representative of the wider investment universe. As a result, relying exclusively on public markets may provide a narrower view of available opportunities.

Figure 2. Top 10 stocks as a percentage of the entire S&P 500 Index



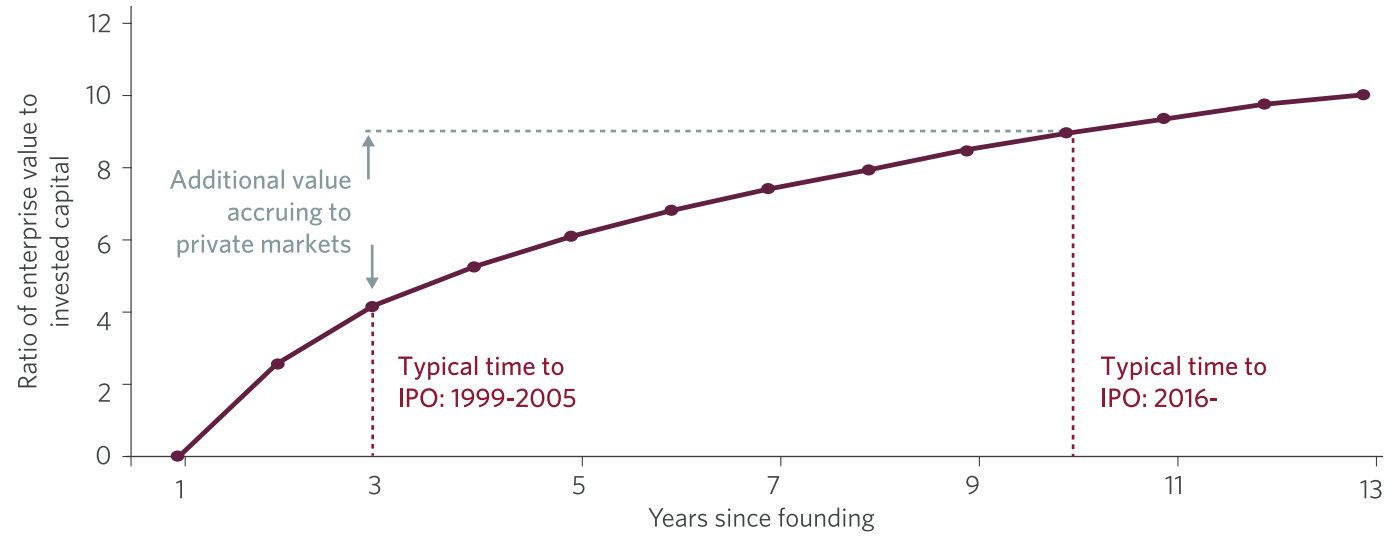
Source: Morningstar. Data as of August 31, 2026.

c. Companies are taking longer to IPO—capturing more growth in the private stage

The opportunity set available in public markets has narrowed considerably. For example, the number of publicly listed companies has declined roughly 50% since 1996, while companies are remaining private for longer. The median age of a US IPO has nearly tripled, from 5 years in 1999 to 14 years in 2026. Today, private companies with more than $50 million in revenue outnumber public companies approximately 13:1. For investors, expanding beyond public markets can provide access to a broader set of companies and return opportunities that may otherwise be missed.

Companies are increasingly able to access substantial capital without entering the public markets, allowing them to stay private longer. Remaining private can give management greater flexibility to focus on long-term growth without the pressure of quarterly earnings expectations, and can reduce the regulatory, disclosure, and administrative burdens associated with being publicly listed. At the same time, deeper private capital markets have expanded the financing options available to companies at every stage of growth.

Figure 3. Early entry ~80% of value creation typically occurs pre-IPO



Source: The Carlyle Group. Data as of September 2020.

How private markets can help

Private markets can help address these gaps by introducing return drivers that are less dependent on public markets. Private markets tend to be more closely tied to contractual income, operational improvement, asset scarcity, manager skill, and long-term structural trends. For investors, the opportunity is straightforward: use private markets purposefully to help portfolios perform better than an exclusively traditional stock-and-bond mix.

What makes private assets "alternative"?

Characteristic	What it means
Different return drivers	Returns are driven more by manager skill, value creation, and illiquidity than by broad market movements.
Diversification potential	May be less correlated with traditional public assets.
Lower liquidity	Capital is often locked up for years.
Lower transparency	Reporting is typically less frequent and less standardized.
Higher minimums	Often requires larger commitments and may be limited to eligible investors.

How to incorporate private markets: A three-step approach

Step 1: Focus on outcomes, not labels

The first step is to define what the portfolio is intended to achieve. Objectives such as income, capital growth, diversification, inflation protection, and downside resilience should guide portfolio construction alongside the investor's risk tolerance, time horizon, and liquidity needs. Establishing these priorities upfront provides a framework for determining where private markets may add value.

Private markets play different roles depending on the objective

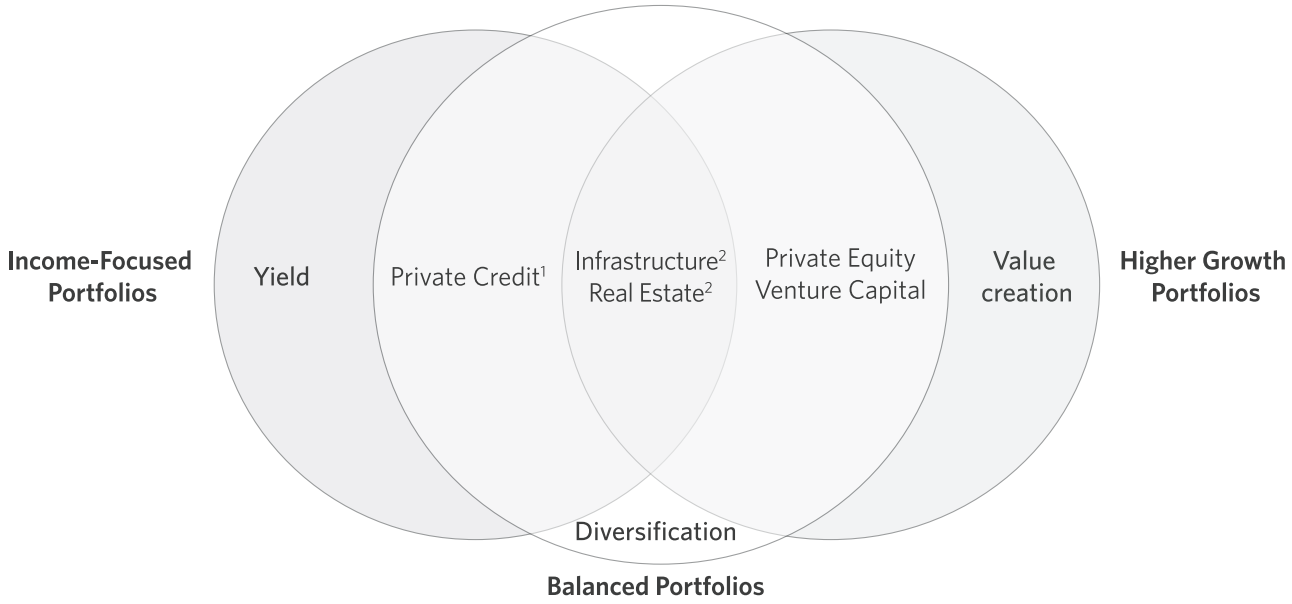
Private markets encompass a broad range of asset classes with different risk, return, and liquidity characteristics. Rather than viewing alternatives as a single allocation, investors can consider the role each investment is intended to play within the portfolio.

Asset class	Diversification	Inflation protection	Defensive characteristics	Income generation	Capital appreciation
Private equity	✓				✓
Venture capital	✓				✓
Private credit	✓		✓	✓	
Private infrastructure	✓	✓	✓	✓	✓
Private real estate	✓	✓		✓	✓

Source: CIBC Global Asset Management, as of October 22, 2026. For illustrative purposes only.

The appropriate mix of private assets therefore varies by portfolio objective. An income-oriented portfolio may emphasize private credit or infrastructure to support cash flow generation and inflation protection; a balanced portfolio may blend income, diversification, and inflation sensitivity; and a growth-oriented portfolio may place greater emphasis on private equity or venture capital for long-term appreciation. The key is to allocate with purpose: each private market exposure should address a clearly defined portfolio need, rather than simply serving as an undifferentiated "alternatives" allocation.

Figure 4. Allocating to private markets: An outcome oriented approach



[1] This example does not include distressed debt
[2] These examples do not include non-core real assets

Step 2: Assess the private market opportunity

Once objectives are established, the next step is to determine the strategic asset allocation, including the role of private assets. Using long-term expected returns within a total portfolio framework, blending public and private markets can improve portfolio efficiency by enhancing risk-adjusted return potential and expanding the efficient frontier relative to a public-markets-only portfolio.

Figure 5. Public and private assets together could improve risk-adjusted returns

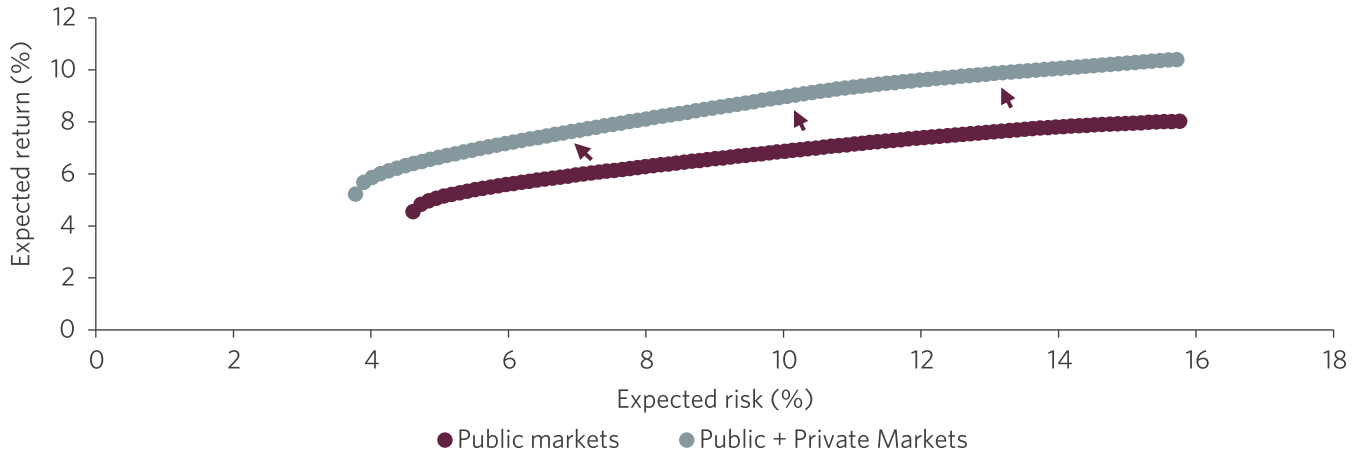


Exhibit: Public and Private Assets Together Could Improve Risk-Adjusted Returns (expected return vs. expected risk). Source: CIBC Global Asset Management and J.P Morgan Asset Management, as of October 22, 2026. For illustrative purposes only.

Why start at 10%?

The 10% private asset allocation used throughout is meant as a practical starting point for illustrative purposes, not necessarily as a universal target or an optimal allocation. This allocation is large enough to have a impact on portfolio outcomes while remaining mindful of liquidity, since private assets generally do not offer the same daily liquidity as traditional public-market investments.

The 10% allocation is used consistently across the Income, Balanced, and Growth portfolios below because it provides a simple, methodical way to illustrate how private market exposure can be introduced responsibly. From here, the appropriate private allocation can be toggled up or down for any individual investor depending on their objectives, time horizon, liquidity needs, risk tolerance, and existing exposure to private markets.

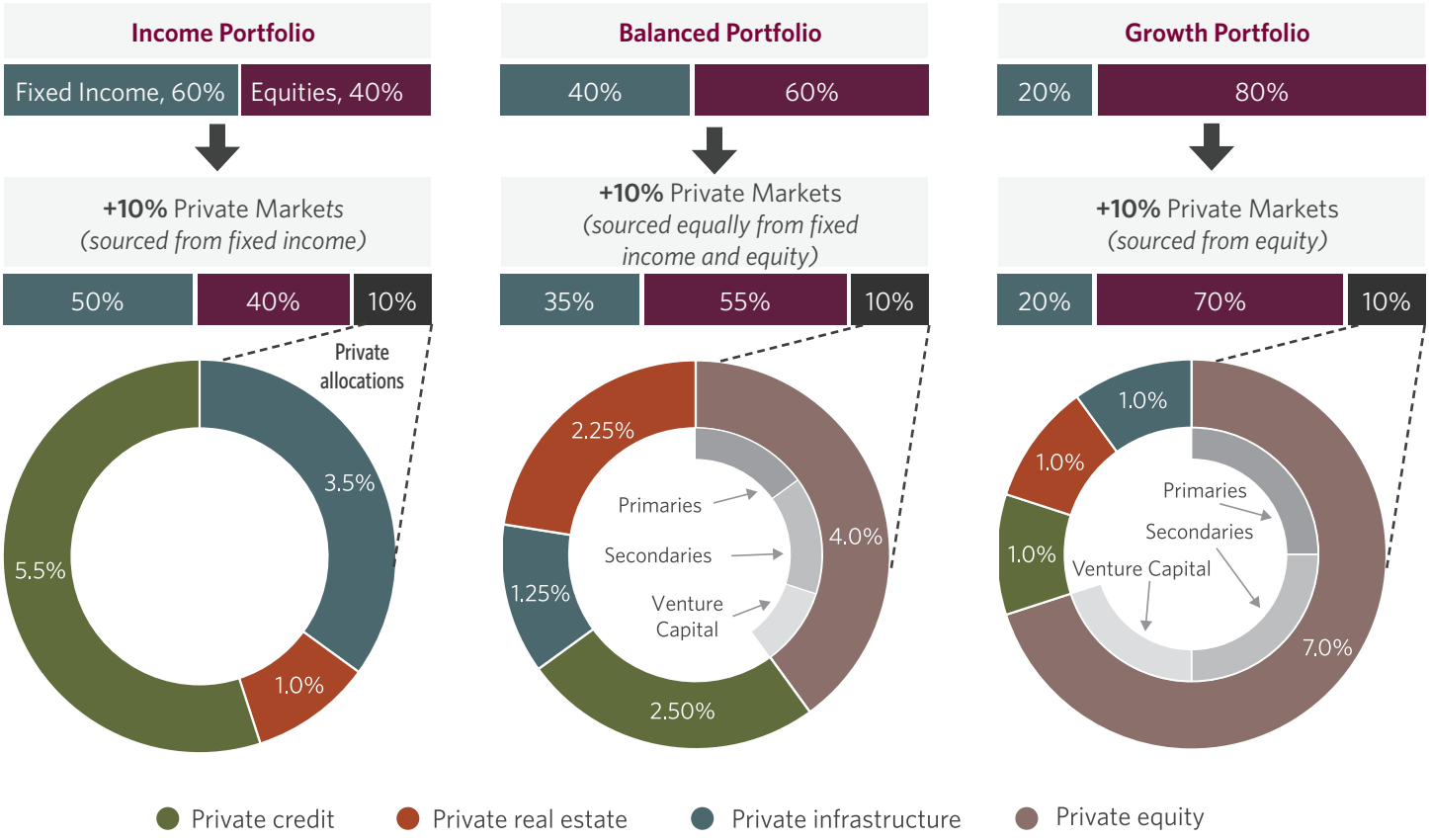
For investors with existing private markets exposure

While a 10% allocation provides a practical starting point, investors already familiar with private markets may consider increasing their allocation to 30%, subject to their investment objectives, liquidity needs, time horizon, and risk tolerance. A higher allocation can provide greater exposure to the diversification and return potential of private assets.

Please refer to the appendix for illustrative portfolio allocation incorporating 30% private markets exposure across Income, Balanced, and Growth portfolios, along with detailed asset class weightings.

Illustrative portfolio examples

The following examples illustrate how a 10% allocation to private markets can be incorporated into three traditional portfolio objectives: Income, Balanced, and Growth.



Source: Global Asset Management, as of October 22, 2026. For illustrative purposes only.
Please note that the allocations to private equity primaries, secondaries and venture capital markets are 1.5%, 1.5% and 1% respectively for the balanced portfolio and 2.5%, 2.5% and 2% respectively for the growth portfolio.

i) Income portfolio

This portfolio is designed to maintain a strong focus on income generation and capital stability while introducing private market exposure. The 10% private allocation is funded entirely from fixed income, preserving the portfolio's 40% equity exposure. Private credit provides an additional source of income and potentially attractive yields, while private infrastructure and private real estate offer diversification and inflation-sensitive characteristics, complementing the portfolio's traditional fixed income exposure while maintaining its defensive, income-oriented profile.

Fixed income asset class	Yield to maturity (CAD-hedged)
US aggregate bonds	5.3%
US high yield bonds	7.7%
Private credit	9.6%[1]

Source: Bloomberg, S&P Dow Jones Indices, as of October 22, 2026.
[1] ASIF Class I's annualized distribution yield at the master fund level, which is in line with the fund's target yield.

ii) Balanced portfolio

This portfolio is designed to balance long-term capital growth, income generation, and risk management. The 10% private allocation is sourced equally from equities and fixed income, resulting in 55% public equity, 35% fixed income, and 10% private markets. The private equity sleeve (5%) is further diversified across primaries, secondaries, and venture capital, providing exposure to different stages of the private equity market, while private credit, infrastructure, and real estate add income, diversification, and inflation sensitivity.

Attractive correlations suggest private markets can improve portfolio diversification

		Canada bonds	US bonds	International bonds	Canadian equity	US equity	International equity	Emerging markets equity	Core real estate	Infrastructure	Direct Lending	Private Equity
Fixed income	Canada bonds	N/A	-	-	-	-	-	-	-	-	-	-
	US bonds	0.85	N/A	-	-	-	-	-	-	-	-	-
	International bonds	0.80	0.78	N/A	-	-	-	-	-	-	-	-
Equities	Canada equity	0.24	0.26	0.13	N/A	-	-	-	-	-	-	-
	US equity	0.36	0.24	0.27	0.66	N/A	-	-	-	-	-	-
	International equity	0.37	0.33	0.20	0.69	0.79	N/A	-	-	-	-	-
	Emerging markets equity	0.29	0.30	0.12	0.65	0.53	0.74	N/A	-	-	-	-
Alternatives	Core real estate	-0.21	-0.17	-0.14	0.15	0.23	0.08	0.08	N/A	-	-	-
	Infrastructure	0.09	-0.02	-0.03	0.05	0.17	0.24	0.16	0.20	N/A	-	-
	Private credit	0.05	-0.22	-0.05	-0.26	0.10	-0.08	-0.20	0.16	0.39	N/A	-
	Private equity	0.07	-0.06	-0.14	0.56	0.64	0.66	0.66	0.20	0.40	0.26	N/A

Source: CIBC Global Asset Source: CIBC Global Asset Management, J.P Morgan Asset Management, as of October 22, 2026. For illustrative purposes only.

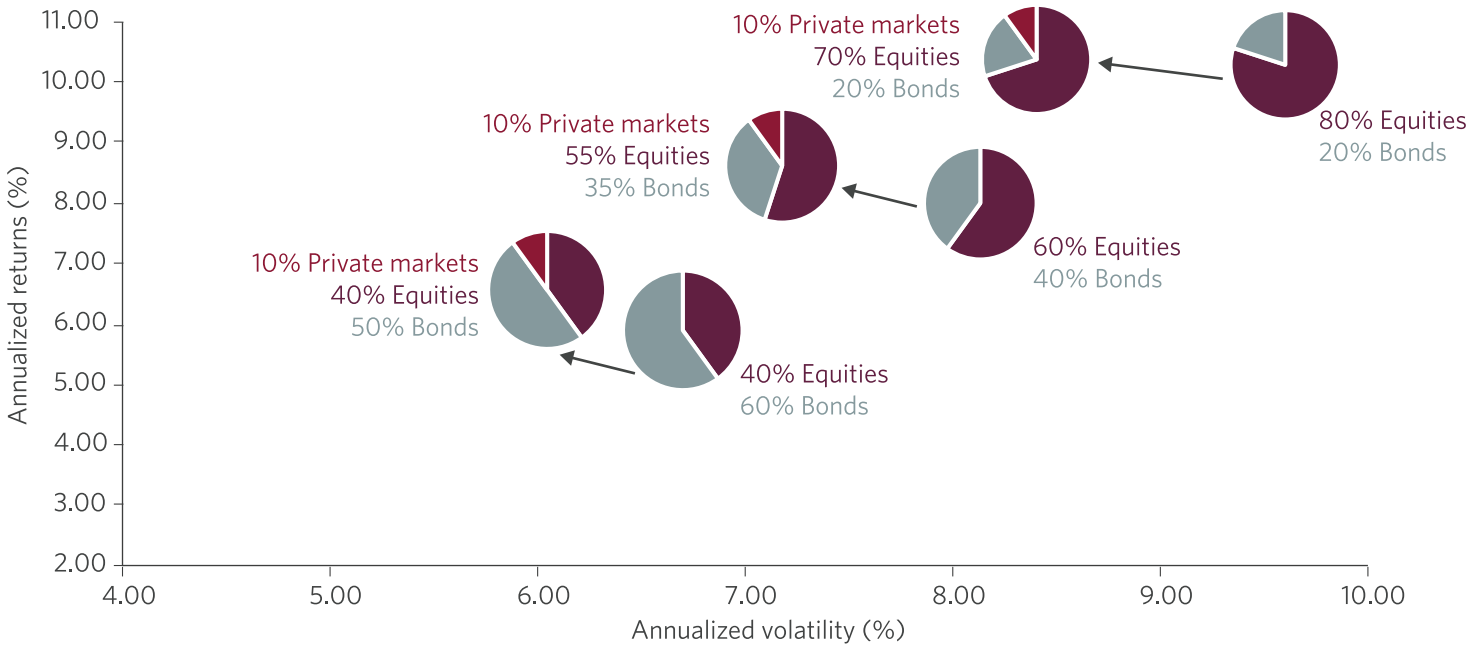
iii) Growth portfolio

This portfolio is designed to emphasize long-term capital appreciation. The 10% private allocation is funded entirely from equity, resulting in 70% public equity, 20% fixed income, and 10% private markets. The larger private equity allocation (7%, split across primaries, secondaries, and venture capital) reinforces the portfolio's growth orientation, while private credit, infrastructure, and real estate provide complementary sources of income, diversification, and inflation protection.

Evaluating portfolio outcomes

In each case, adding private markets enhanced return potential while lowering overall portfolio risk, improving risk-adjusted returns across all three portfolio profiles. Based on historical returns for major public and private asset classes, a 10% allocation to private assets resulted in a more efficient total portfolio than a traditional public-markets-only approach.

Figure 6. 10 year risk/return



Portfolio	Allocation	10 year (1/2016-12/2025) Risk	10 year (1/2016-12/2025) Return	10 year (1/2016-12/2025) Return/risk
Income	40% Equities / 60% Bonds	6.72	5.99	0.89
Balanced	60% Equities / 40% Bonds	8.06	8.07	1.00
Growth	80% Equities / 20% Bonds	9.61	10.30	1.07
Income	40% Equities / 50% Bonds / 10% Privates	6.14	6.68	1.09
Balanced	55% Equities / 35% Bonds / 10% Privates	7.20	8.52	1.18
Growth	70% Equities / 20% Bonds / 10% Privates	8.37	10.34	1.24

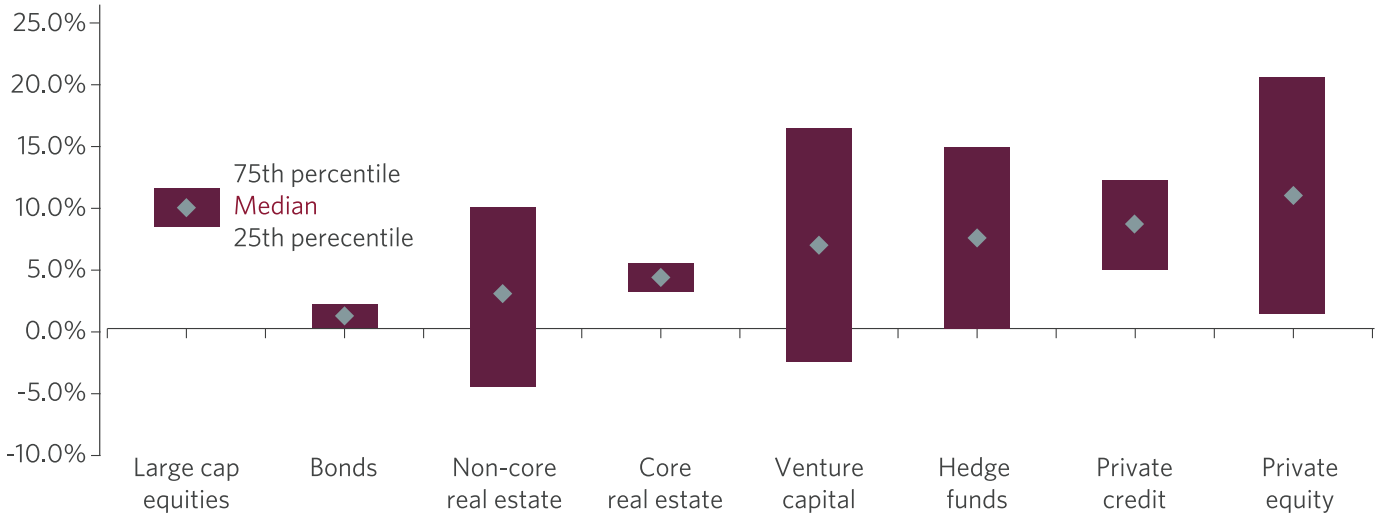
Exhibit: 10-Year Risk/Return — traditional 40/60, 60/40, and 80/20 equity/bond mixes vs. their 10%-private equivalents. Source: CIBC Global Asset Management; traditional equities represented by the MSCI ACWI Index and traditional bonds by the FTSE Canada Bond Universe Index. Private market data was represented by PitchBook Private Equity Benchmark for private equity primaries, PitchBook Secondaries Benchmark, PitchBook Venture Capital Benchmark, PitchBook Private Debt Benchmark, PitchBook Real Assets Benchmark for infrastructure, PitchBook Real Estate Benchmark as of December 31, 2025.

Step 3: Select private fund managers thoughtfully

Adding private funds is not just an allocation decision; it is also an implementation decision. Manager selection is especially important in private markets because risk and return outcomes vary widely across investments. Information is less widely distributed, pricing is less efficient, and sourcing and underwriting skill can have a meaningful impact on returns. As a result, manager dispersion in private markets is often much wider than in traditional public-market categories, where information is broadly available and pricing is generally efficient.

Figure 7. Public and private manager dispersion

Based on returns from 1Q16 to 1Q26



Source: CIBC Asset Management Inc. using the following third-party service providers' data: McKinsey & Company (2022), JP Morgan Asset Management, Lipper, NCREIF, Burgiss, HFRI, PivotalPath. The top & bottom of each bar indicate the top & bottom quartiles of manager performance. The red diamonds indicate median manager performance. Calculated using returns from Q1 2016 to Q1 2026. Global equities (large cap) & Global Bonds dispersion are based on the world large equity & world bond categories, respectively. Data are based on availability as of May 31, 2022. Infra = Infrastructure.

This means the quality of the investment solution matters just as much as the decision to allocate in the first place. At CIBC Global Asset Management, our dedicated team identifies talented managers across global public and private markets, helping to make the selection process simpler and more efficient for clients.

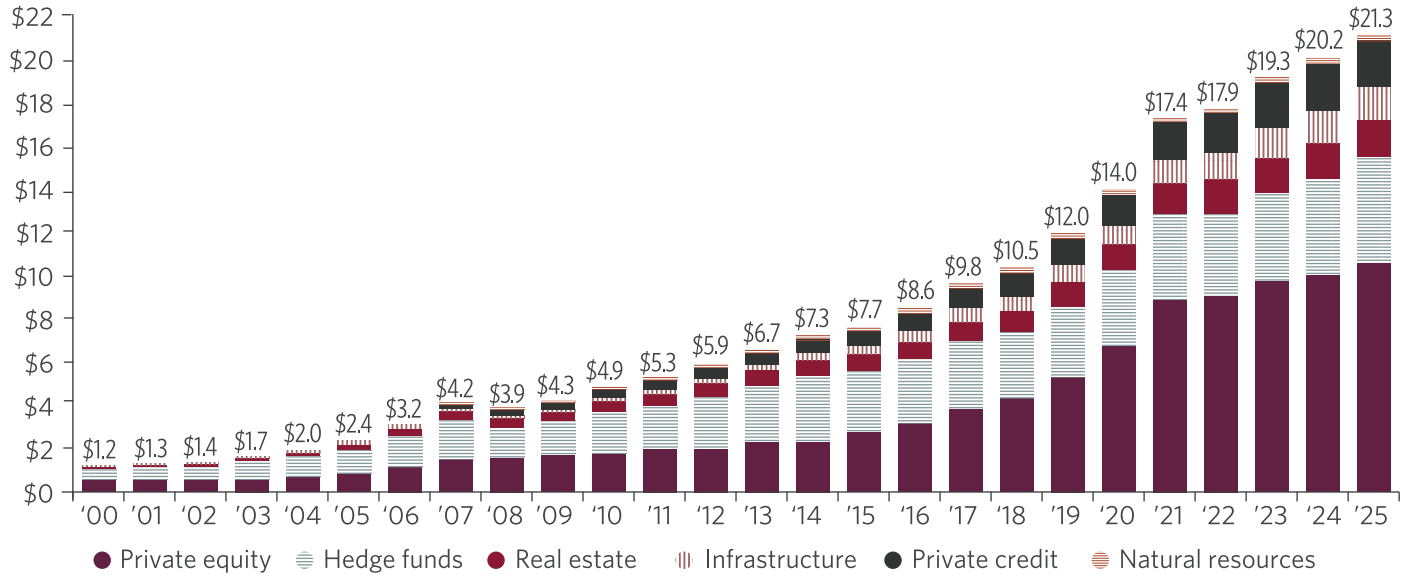
Putting it into perspective

Private assets may still feel relatively new in many individual portfolios, but they have long played a meaningful role for some of the world's largest and most sophisticated investors. Canada's largest pension funds, "the Maple 8," have maintained significant allocations to private markets for decades. Family offices, sovereign wealth funds, foundations, and endowments also tend to allocate more to private assets than the average advisor portfolio, supported in part by their longer investment horizons.

The traditional 60/40 portfolio continues to serve as an important foundation for many investors. However, higher inflation and evolving market and economic conditions, including greater market concentration and changing diversification dynamics, have made it increasingly important to consider a broader opportunity set. This shift has contributed to growing interest in private markets and other alternatives, with global alternative assets under management rising from roughly $1.2 trillion in 2000 to more than $21 trillion in 2025.

Figure 8. Global alternative assets under management

USD trillions, end of period



Source: HFR, Preqin, J.P. Morgan Asset Management.

*2025 data are as of 3Q25. Private credit includes real estate and infrastructure debt. Natural resources includes energy, timberland, agriculture and farmland, metals and mining, water and diversified business. Assets under management is defined as managed assets in private closed-end funds, which includes the latest available valuation of investments (including unrealized value), as well as committed but uninvested limited partner (LP) capital. Guide to Alternatives. Data are based on availability as of April 30, 2026.

Conclusion

For some investors, incorporating private markets can broaden the sources of return, income and diversification available within a portfolio. The objective is not necessarily to replace public equities and fixed income, but to complement them with investments that may behave differently across market environments. When aligned with an investor's objectives, time horizon, and liquidity needs, private markets and other alternatives can help build a more diversified and resilient portfolio for the long term.

Traditional public equities and fixed income remain the foundation of most portfolios. However, in an environment of higher inflation, greater concentration, less consistent stock-bond diversification, and more persistent macro uncertainty, investors may benefit from expanding the opportunity set. When aligned with clear portfolio objectives and implemented thoughtfully, private assets can serve as a practical complement to traditional investments, helping support more diversified and resilient portfolio outcomes over the long term.

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CIBC Global Asset Management's open-architecture platform provides investors with access to leading global alternative asset managers through strategic alliances that combine specialized expertise and innovation with our scale, governance and resources. Together, we can help deliver differentiated alternative investment solutions designed to meet the evolving needs of Canadian investors.

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CIBC KKR Global Private Equity Strategy

Private equity primaries & buy out

Access to a diversified portfolio of global private companies through KKR's private equity platform.
Focused on long-term capital appreciation.

ARES

CIBC Ares Strategic Income Fund

Private credit

Private credit strategy targeting attractive income and capital appreciation through US middle-market lending and secure loans.

J.P.Morgan ASSET MANAGEMENT

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Private infrastructure

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STEPSTONE

Alpine SPRIM™ Private Markets Fund

Private equity secondaries & mid-market

Diversified private markets exposure across buyouts, co-investments and secondary transactions.

STEPSTONE

CIBC SPRING Private Venture & Growth Fund

Venture & growth

Venture capital and growth equity strategy focused on innovation-driven companies and emerging market leaders.

CIBC CIBC GLOBAL ASSET MANAGEMENT

CIBC Alternative Credit Strategy

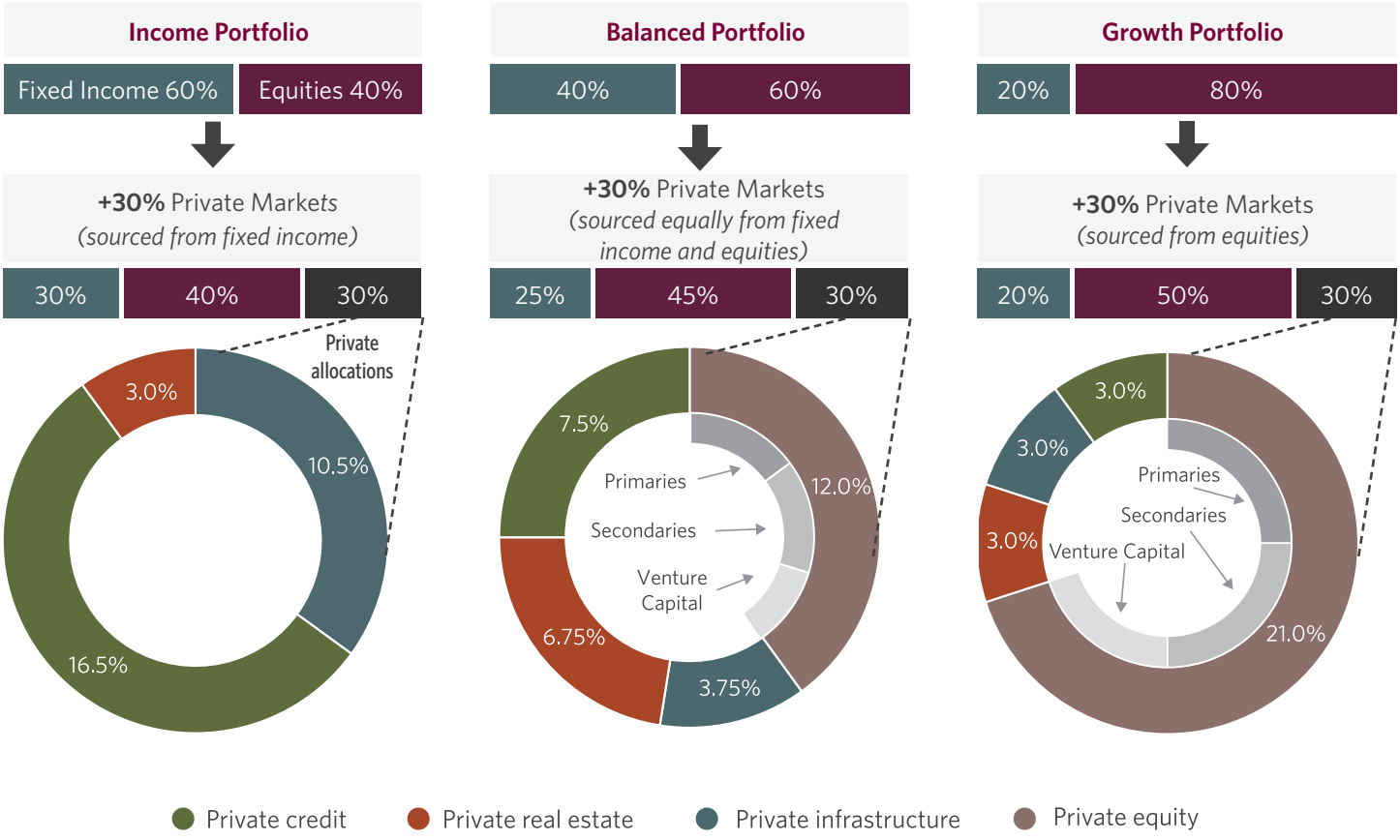
Multi-strategy liquid alternative credit

Active credit management designed to enhance income while reducing interest rate sensitivity and portfolio volatility.

To learn more about CIBC Global Asset Management and our alternative investment solutions, please contact your CIBC Global Asset Management representative or visit cibc.com/gam-alternatives.

Appendix

30% allocation to private markets



Source: CIBC Global Asset Management, as of October 22, 2026. For illustrative purposes only.
Please note that the allocations to private equity primaries, secondaries and venture capital markets are are 4.25%, 4.25% and 3.25% respectively for the balanced portfolio and 7.5%, 7.5% and 6% respectively for the growth portfolio.

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