



Diversification Strategies for Private Company Holdings

Non-Liquid Diversification Strategies

- **Private Real Assets:** Investing in private real assets, such as real estate, expands your portfolio beyond your business. Real assets can offer steady income, potential tax advantages, a hedge against market volatility, and capital appreciation. A well-rounded real estate strategy should balance core, value-add, and opportunistic investments to align with your goals.
- **Private Debt:** Private debt offers a wide range of opportunities, including direct and enhanced lending. *Direct lending* means loans primarily to private-equity-backed companies, often featuring floating rates, rate floors, covenants, and first lien or unitranche structures. *Enhanced lending* refers to less correlated strategies, typically backed by non-corporate assets, such as asset-based lending, royalty streams, structured credit, infrastructure debt, real estate debt, and venture debt. Choosing the right mix of these options can help ensure alignment with your portfolio's objectives.
- **Private Equity:** Private equity investments should reflect your risk tolerance and goals. Three options for private equity investments include buyout opportunities, venture or growth opportunities, and opportunistic strategies, which include diversification through secondaries, distressed-for-control deals, sports investing, or GP stakes.

Liquidity Events

Events such as IPOs, mergers, or acquisitions offer opportunities to liquidate holdings and diversify. Conducting thorough due diligence and scenario modeling can show how each option may impact your long-term financial plan.

Enhancing Diversification Through Tax and Charitable Strategies

Managing the tax impact of diversification is critical. Coordinating with all professional advisors will



help ensure tax efficiencies are fully identified and captured. Potential strategies include:

- Spreading the sale of private shares over several years;
- Using tax-advantaged accounts; and
- Leveraging private placement life insurance.

Another option for diversification is to donate private company shares to a charitable trust or foundation. This can diversify holdings while providing tax benefits and supporting causes that are important to you.

Structures such as donor-advised funds, charitable remainder trusts, and charitable lead trusts may be appropriate. We recommend working closely with advisors who specialize in charitable planning to select the right approach.

Five Key Tenets of a Private Investment Program

1. **Vintage-Year Diversification:** Committing a set amount annually helps mitigate risks tied to any one investment cycle.
2. **Strategy Diversification:** Complementary strategies enhance risk-adjusted returns. Flexibility is key to capitalizing on opportunities.
3. **Robust Manager Due Diligence:** Thorough investment, organizational, and operational due diligence is critical due to the illiquidity of private assets.
4. **Global Asset Allocation:** Incorporate your business, real estate, and alternative investments into a unified global portfolio view.
5. **Long-Term Focus:** Building a mature private investment program typically takes five to seven years. Patience is essential.

Remember, diversification isn't just a financial tactic—it's a foundation for wealth preservation and growth. By spreading investments across different asset classes, industries, and geographies, private company owners can reduce risk and unlock opportunities for long-term prosperity.

In today's evolving markets, diversification is a powerful strategy to protect and grow your wealth, ensuring your legacy endures for generations.

Partnering with a trusted financial advisor can help tailor these strategies to your unique financial circumstances.



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