

The background is a complex, layered abstract composition. It features a cityscape, including a prominent skyscraper with a spire (resembling the Empire State Building), rendered in a dark, almost black silhouette. This cityscape is overlaid on a background of thick, textured paint strokes in vibrant colors: bright yellow, deep blue, and rich red. The paint layers are peeling and overlapping, creating a sense of depth and movement. The overall effect is a dynamic and textured visual field.

UC San Diego

RADY SCHOOL OF MANAGEMENT
The Brandes Center

INVESTING IN PUBLIC & PRIVATE ASSETS

ROUNDTABLE SUMMARY

Investing in Public and Private Assets: Roundtable Summary

In September 2025, The Brandes Center hosted a webinar with experts in private and public asset management. The complete video is available [here](#). Our panelists:

- [Rachel Farrell](#), CFA, Director of Public and Private Markets at UK-based [Nest Pensions](#)
- Dr. [Lisa Larsson](#), Partner at [StepStone Group](#) Inc.
- [Dan Rasmussen](#), Founder and Portfolio Manager at [Verdad Advisers](#)

The webinar was moderated by Bob Schmidt, Executive Director of The Brandes Center. Among the highlights of the conversation:

Executive Summary

On Private Equity

- Farrell: “Private markets have a very important part in a portfolio. They offer access to different parts of the economy, different types of companies. You do have to make sure you understand the managers that are doing it, because there is a more active role for that manager to play. They definitely have a place in a portfolio, assuming you have the ability to take on a long-term investment and you don't have any liquidity needs.”
- Larsson: “Liquidity is the most important factor that should go into how you size your private markets portfolio.”

- Rasmussen: “All of these former investment bankers suddenly became the saints of capitalism and public markets became the villain. I don't understand it.”
- Larsson: “For a particular GP [general partner], does their strategy make sense? Have they done well at it before? Are they staffed to execute on it? Or are they trying to do something different going forward? How do they incentivize their team? Are their past funds doing well enough that their team is going to stay for the next 10 years?”
- Rasmussen: “If private equity shows up in your 401(k), find another 401(k) plan sponsor. This stuff is not suitable for individual investors.”
- Farrell: “401(k) investors have been pretty limited in terms of where they can put their assets. Private equity, if it's done well, does give you exposure to a growing part of the global economy.”

Panelists:

- **Rachel Farrell, CFA**, Director of Public and Private Markets at UK-based Nest Pensions
- **Dr. Lisa Larsson**, Partner & Head of Portfolio Management at the StepStone Group Inc.
- **Dan Rasmussen**, Founder, Managing Partner and Portfolio Manager at Verdad Advisers

Executive Summary

On Public Equity

- Rasmussen said there is something remarkable about a handful of U.S. mega-cap companies driving global innovation and pushing human progress forward. “At the same time, those companies are extraordinarily richly valued.... And perhaps more concerning, all of those firms are making the same bet—on artificial general intelligence. And they are spending massive amounts.”
- Rasmussen: “There are no large-cap tech companies ex-US, and valuations are relatively attractive, ex-U.S. as well. For an investor worried about [the United States], just take your U.S. exposure down and overweight internationally.”
- “Farrell: “We have been talking about this for a long time, but [non-U.S. diversification] has not delivered better performance in the past 10 or 20 years. We look at a lot of European private equity because we think that's a pretty attractive part of the investment landscape.”

“For an investor worried about [the United States], just take your U.S. exposure down and overweight internationally.”

--Dan Rasmussen

A Summary of The Conversation

The Private Equity Market Environment

Farrell said capital markets are changing. Public markets are shrinking and private markets are growing as companies “...are seeing the advantage of staying private longer.” She added the debate between public and private assets “is not an ‘or’ discussion. This is an ‘and’ conversation. We want to have both in the portfolio because they both can provide exposure to slightly different things.”

Rasmussen stated early in the webinar that he would relish the role of the contrarian. He noted the private equity market is about 4-5% of the total market value of the S&P 500 Index and roughly equal to the size of the Russell 2000 Index—but includes six times as many companies as the latter index.

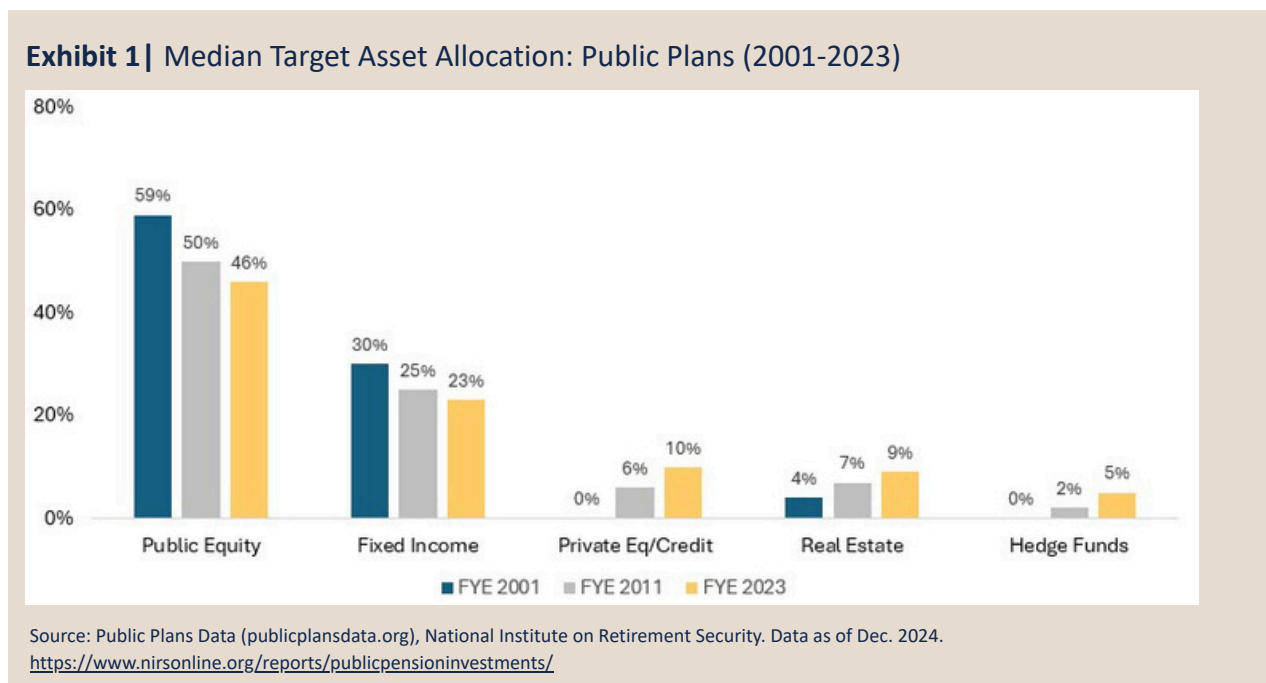
“So, what you're looking at is an asset class comprised of very, very small companies. When you're buying into private equity, first and foremost, you're buying an immense exposure to the size factor.”

He added that small companies tend to be “more risky and more likely to go bankrupt in a crisis. They're more volatile, they're less diversified, lower margin, etc.” vs. larger companies.

He acknowledged that private equity was an interesting investment in the 1980s and 1990s when there were fewer investors and the “track record of private equity from 1980 to 2005 is astonishingly good.”

But, he cautioned, “People in the institutional allocator community took a good idea and went nuts. You think of something that's 5% of the equity markets. If you're a 60-40 investor, you should have 3% as your market exposure to it. Large endowments took this up to 40, 45, 50 percent. Pension funds generally are in the 15% to 20% range.” He called it a “massive, massive over-allocation to a very high-risk asset class.”

Exhibit 1 shows the growing allocation among U.S. public plans to “alternative” asset classes such as private equity and private credit, among others.

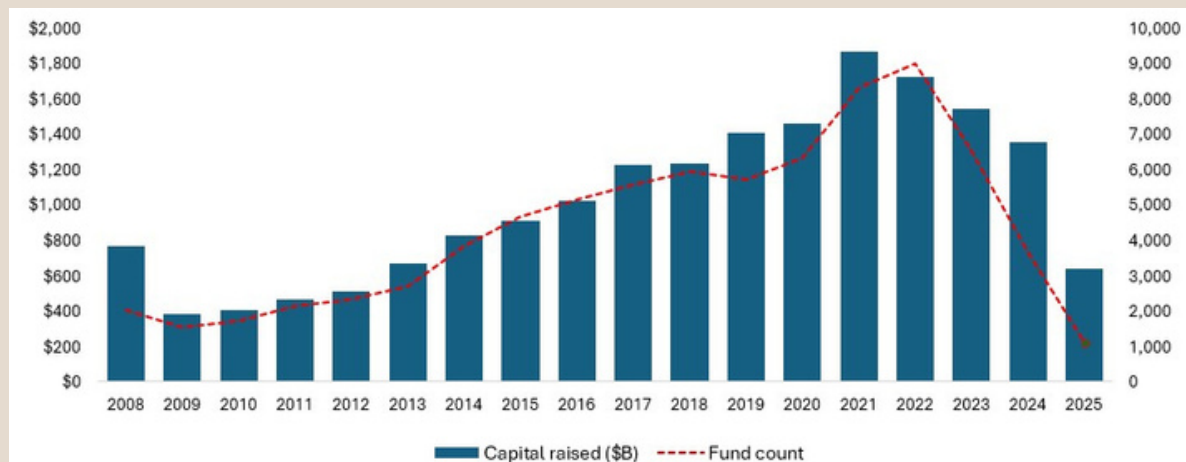


Rasmussen called the current environment a moment of transition. “Fundraising is down for the third year in a row. Performance of private equity on a 1, 3, and 5-year basis is worse than public markets. Those endowments that over-allocated to private markets are underperforming their peers that didn't.”

Now, he said the “smart money is getting out. Endowments and foundations are saying they're over-allocated; they're starting to sell in the secondary market, and now we're seeing a big push to sell this stuff to retail.”

As shown in Exhibit 2, private capital fundraising has fallen each year since 2021.

Exhibit 2 | Private Capital Fundraising (2008 to 6/30/2025)



Source: PitchBook, as of 6/30/2025

Pricing, Illiquidity and Volatility

Farrell noted that a lack of frequent pricing for private assets, often considered a drawback, could actually be an advantage. “Public markets don't always price perfectly fairly,” she said. “They price very quickly, but sometimes get it wrong and create a lot of unnecessary volatility. You get a bit of a pass on that in private markets.”

Rasmussen said, “For institutional investors, one of the reasons they love private equity is the volatility laundering. If public markets have a 16% fall and investment-grade bonds have an 8% fall, you look at private equity as it's marked, it has an 8% fall.”

He wondered how “a portfolio of levered microcaps that are mostly cash flow negative could have lower volatility than investment-grade bonds. You think, ‘That’s nuts. These [holdings] should be more volatile than small caps.’”

Rasmussen cited [research](#) he published recently with Richard Ennis. The duo investigated private equity firms that have been listed on the London Stock Exchange. He acknowledged there are only about 15 firms in the study that goes back to the 1980s, but some of those firms control thousands of companies.

“When you look at how these funds have done, they've been very volatile, which is what you'd expect. They're about 1.6 times as volatile as the public markets.”

Larsson reiterated “liquidity is the most important factor that should go into how you size your private markets portfolio.” She added investing in private markets demands a degree of due diligence, manager selection and portfolio construction. She stressed the importance of diversifying across primary companies, secondaries and co-investments. “The combination of these three gives you a more robust portfolio,” she said.

Fees

Rasmussen said private equity investors may be questioning the fees, lock-up period and why general partners are having difficulty selling the assets. “The S&P 500 is at an all-time high and they can’t sell? What does that say about the assets they own?”

Farrell said, “There is a lack of visibility on pricing in the portfolio that we’re well aware of, and we have some significant procedures in place to help manage that. We operate in a fee cap environment. Private markets are more expensive than public markets, so that’s a constraining feature. The bulk of our member population are low to moderate income earners, and we’re frankly quite uncomfortable with some of the compensation structures in private markets.”

“We’ve seen fee compression in real estate, in private credit, in infrastructure, in renewables, and the toughest one is private equity,” Farrell said. But she added that she sees greater availability for co-investment in private equity which offers a lower cost way to participate. And she added that Nest’s size and depth within its management team allows it to negotiate good terms and select and monitor its array of managers closely.

How do investors select good private equity managers?

**“You need to get into the details,”
Dr. Lisa Larsson said.**

Evaluating Private Equity Managers

Larsson said in the global buyout space, the firms are getting much larger, so “you get closer and closer to looking like the returns that you have in the smaller end of the public market.” But she reiterated that among the avenues for appreciation in private equity are selection and portfolio construction. “For selection, you want to avoid the fourth quartile.”

Makes sense, but how do investors select good private equity managers?

“You need to get into the details,” Larsson said. “If a GP [general partner] has done really well at something and now is branching out into something new, do you believe that is the best path forward? Does he have the expertise? Or maybe a manager decides to do a buy and build strategy, which is not something she’s done historically. So, doing that due diligence is really important.”

“Academics have really put that through the paces as well,” she said, “and what they’ve found is that when GPs try to inflate the valuation of their assets—it’s especially tempting when fundraising—typically, LPs [limited partners] are very good at sussing that out. I think you’ll find the valuations on the private side tend to be conservative rather than inflating valuations.”

She said StepStone focuses on how a company is valued in the quarters prior to exit. “And in terms of performance, if there’s some sort of stress in the market, you’d have seen it over the last 3 years, where GPs had to sell things at a discount because they had marked them too high. But,” she said,

“what you're seeing is the opposite. You're still seeing uplift prior to sale, and that gives us comfort around the valuations.”

“Unfortunately, there's no one-size-fits-all answer,” Larsson said, but she did share a number of questions investors might ask to gauge a private equity firm. “For a particular GP, does their strategy make sense? Have they done well at it before? Are they staffed to execute on it? Or are they trying to do something different going forward? How do they incentivize their team? Are their past funds doing well enough that their team is going to stay for the next 10 years? This is a very long-term asset class, and you want to know that those relationships are really strong, and that they're going to go the distance.”

Ultimately, she said the decision rests on having a holistic picture of how a fund is creating value and whether you believe they're going to continue creating value.

Farrell added, “You need to make sure your manager has the sourcing capability so they're going to have enough deals to look at. And you absolutely have to look at the quality of the team and the motivations of the team that are actually making decisions. Are they going to stay around? Do they know how to make those decisions? You are, as Lisa said, going to be in these investments for a long time.

“And again, it's an addition to the portfolio. It's not like we're going to have 40% of our portfolio in private equity alone. We also have exposure to infrastructure and real estate.” She added that private asset class exposure is not a “free pass” and the area is getting

crowded, making due diligence all the more important.

Larsson said assessing fundamentals remains vital—especially understanding how a company is valued. “You need to dive into the underlying revenues, EBITDA, net debt, etc. Where are companies exiting in terms of their valuation versus where are they held?”

She said holding values and exit values are aligned, but acknowledged the IPO [initial public offering] market has cooled. She added companies are reluctant to buy smaller, capital-intensive firms to roll up into a larger organization due to the uncertainty created by tariffs. “You are seeing a lot of GPs saying, ‘I have this great asset, I want to keep it for 5 more years and do another value creation plan. I can extract a lot more value out of this company by holding it.’”

The Effect of Rising Interest Rates?

Schmidt asked how much rising rates have affected private equity in recent years.

Rasmussen downplayed the issue. Instead, he said firms have gotten lax with oversight. “These firms just took on too much debt during the peak of the private equity mania as a result of a massive expansion of private credit—and it turns out most of these small companies just don't have the profits to pay off these levels of loans. It's a really bad picture under the hood.

“We've known this was bad, but everyone bought into it because private equity could do no wrong. The private equity managers are all geniuses who know how to run companies better than public markets—and they have an

aligned ownership and a long-term view. All of these former investment bankers suddenly became the saints of capitalism and public markets became the villain. I don't understand it," he said.

Farrell countered that as private credit has risen, banks have exited the market. "Where banks would have traditionally lent, now, after some of the post-GFC [Great Financial Crisis] changes in the regulations around banks, it's not all that interesting for them to do anymore and the demand has moved to private credit," she said. "And in private equity as well. Companies are staying private longer. Look at the stats. And there's global growth, as well."

Private Assets in 401(k) Plans?

On August 7, 2025 U.S. President Donald Trump issued an executive order seeking to add private assets to U.S. defined contribution plans.

"If private equity shows up in your 401(k), find another 401(k) plan sponsor," Rasmussen said. "This stuff is not suitable for individual investors. When Yale and Harvard are selling, why are you buying?"

Rasmussen shared great faith in individual investors. "When retail investors say, 'Well, I could put my money in the S&P 500 at zero fees, or I could pay 4-6% per year to lock up my money for 10 to 12 years in private equity and get worse returns than in the public markets, they're going to vomit it up.'"

Farrell was less alarmist, but cautioned investors to investigate any private asset manager and to pay close attention to fees.

"401(k) investors have been pretty limited in terms of where they can put their assets," Farrell said. "There is an advantage in having access to a broader set of opportunities." But she urged investors to demand full transparency on those fees.

She said, "As soon as you list anything—and this is the case with REITs—it looks like public equity. [Listing] changes the behavior of the asset class. I wouldn't necessarily use that as a conclusion to not invest in private markets. Private equity, if it's done well, does give you exposure to a growing part of the global economy."

Rasmussen said 401(k) plans have to settle daily, which demands a daily price, "which means they are going to look like these London closed-end funds" he analyzed. He expects they will start trading at a discount and that discount likely will get larger as "... public market investors don't like opaque portfolios of random assets. It's hard to understand. I think that's what's going to happen when this stuff gets jammed into 401(k)s."

Larsson reiterated research that has shown at least 50 basis points of outperformance for plans with private asset exposure. She asked why 401(k) plan participants shouldn't at least have an opportunity to participate in these markets.

"If you have a target date fund with private assets, you can go in with your eyes open," Larsson said. "Of course, it is important for the plan sponsor to make sure that default options make sense and are the best choice" for participants.

The Public Equity Market Environment

Switching to public markets, Schmidt said one of the biggest questions for investors today stems from concentration—within the S&P 500 Index and the United States' 70%+ weight in the MSCI World Index. Many are wondering where to invest.

Rasmussen said the current U.S. environment may reflect an “exceptional” moment in history. “We are living through an age where technology in the United States and Silicon Valley is one of these Renaissance moments. Think about Google, Meta, Nvidia—the things that have been invented, the scale, the profits generated. This is sort of a once-in-a-hundred-years level of innovation.”

He added there is something remarkable about a handful of mega-cap companies driving global innovation and pushing human progress forward. “At the same time, those companies are extraordinarily richly valued, as they should be, but also, valuations are forward-looking, so on a multiple of past profits, investors are anticipating continued rapid innovation. And perhaps more concerning, all of those firms are making the same bet—on artificial general intelligence. And they are spending massive amounts.”

He added today's MAG7 companies are “three times as capital-intensive as your median industrial company. The scale of CapEx [capital expenditure] is truly astonishing.”

Of course, he said the biggest question is whether that CapEx delivers commensurate profits.

Rasmussen turned to history as a guide and said increasing CapEx spending does not neatly correlate with increasing revenues. Amid this cautionary environment in the United States, Rasmussen continues to look to non-U.S. markets, “For investors with the ability to diversify, none of these are issues internationally. There are no large-cap tech companies ex-US, and valuations are relatively attractive, ex-U.S. as well. For an investor worried about [the United States], just take your U.S. exposure down and overweight internationally.”

He added it's not a simple solution, as the United States remains a huge component of the global economy. He also stressed his preference for countries with strong property rights and avoiding countries “that are hostile to the United States or where property rights are not guaranteed, as in socialist economies.” So, naturally, he favors developed markets.

Farrell noted that earnings growth in the United States remains better than anywhere else in the world. “So, the idea that you should tilt away from the U.S. into Europe has not worked. We have been talking about this for a long time, but [non-U.S. diversification] has not delivered better performance in the past 10 or 20 years. We look at a lot of European private equity because we think that's a pretty attractive part of the investment landscape.”

She added that various public markets have shown far greater correlation vs. historical levels. “That's one reason we come back to private markets; they are a very important diversifier,” she said. She emphasized Nest is

invested across a range of private assets--infrastructure, real estate, private credit, renewables, timberland, etc.

Larsson noted that valuations for public markets seem high and suggested looking for undervalued opportunities—whether in private or public markets—and integrating them in an existing portfolio. She also urged investors to look at how companies and/or general partners are leveraging artificial intelligence (AI).

“AI presents an interesting opportunity to help operating margins more going forward,” she said. “As GPs in particular start figuring out how to use this new technology, it will have an impact on value creation plans and absolutely should be part of due diligence.”

She added that advances in AI will not cancel the need for infrastructure projects, citing repeated news stories about data center construction as an example. “Infrastructure investments [in such centers] could be an attractive investment without just blindly investing in Nvidia or Tesla and so on.”

Small-Cap and Venture Cap Opportunities?

A participant posed a question about small-cap stocks: “With private companies staying private for longer, what's left in terms of opportunities for listed small caps?”

Rasmussen said the number of small-cap U.S. stocks has fallen since a peak in 1999 while the number of non-U.S. small caps has risen. “Private equity has actually played very little role in that,” he said.

“Largely, it's been consolidation, where the attractive small-cap company's been bought by large caps or mid-caps.” He noted industry concentration where biotech, financials, and energy are overrepresented in small-cap U.S. equity markets while other sectors are less represented.

Still, he characterized the opportunities among small caps outside the United States as “very vibrant” and “a little less vibrant in the United States.”

Tackling a larger question, Rasmussen asked about whether small-cap exposure in the United States today demands a move into private markets or venture capital. “That is an opportunity for those who want to do it, but obviously you have generally a jump in leverage levels and a jump in fee loads and a jump down further in size. There are very, very few private equity-backed companies big enough to be in the U.S. small-cap index. The vast majority would be microcap or smaller.”

But he said many investors are turning to private equity for small-cap exposure—and equity exposure in general. “The mania for private markets among institutional allocators cannot be understated. But again, we're going through a detox right now, where people are starting to talk about being over-allocated.”

“Infrastructure investments [in data centers] could be an attractive investment without just blindly investing in Nvidia or Tesla and so on.”

--Dr. Lisa Larsson

Turning to a question about venture capital [VC], return opportunities and what investors should be looking at, Larsson said, “VC is all about access and persistence, meaning if the last fund did well, the next fund likely will do well. The academic community has done substantial research to show there is a very strong signal there. That doesn't really exist in the buyout world, but it's pretty strong in venture.” She also said technology has become pervasive across all industries and VC can provide access to a range of opportunities, whether that's early stages, proof of concept or later stages.

Active and Passive Investing

Schmidt pivoted to active and passive management and asked about the rise of cap-weighted index investing.

Rasmussen pointed to the regular SPIVA [S&P Indices versus Active] reports that show indexes outperform 80% to 90% of active managers. He added that the performance persistence discussed up to that point in private equity or VC does not exist among actively managed funds.

Given these facts, he said, “You have to have a very strong case for doing anything active. Maybe you're 80% passive and 20% active, but again, that active has to cross a really high bar to justify the base rates of likely underperformance of the active manager.”

Farrell said the Nest portfolio is tilted toward ESG criteria, given the firm's net zero transition, but added, “We stay pretty close to benchmark.”

Given the flood of money going to passive strategies, she wondered about active strategies.

“Are active managers able to get recognized in the market because everything's flowing into passive? How does that end up?” She added with co-movement increasing, “It's become incredibly difficult for active managers.”

Larsson said it's much easier to have an active portfolio among private assets, given the amount of due diligence. “We probably will figure out how to get more passive on the private side as well in the coming years; I think there will be demand for that.”

In Closing

Larsson said, “You have to think about the value that's being created. How much liquidity tolerance do I have? What is my investment horizon? And how do I construct a thoughtful portfolio? How do I include primaries, secondaries, and co-investments to get the best kind of fee load on the portfolio?

“And how do I select managers that I think are going to have the right kind of diversification, but also performance?”

“Are active managers able to get recognized in the market because everything's flowing into passive? How does that end up?”

--Rachel Farrell

Rasmussen reiterated his view that private markets reflect a bubble that's now deflating. "As the big money inflows stop, the asset class is going to continue to experience struggles," he said.

"When someone can't sell their assets, it's usually a bad sign—and I think it's a bad sign, here." If you want private asset exposure, he suggested a 3-5% weight—in line with their overall position in the market. "And if you're going to do it, Rachel and Lisa had such wonderful points about how to do it." He called particular attention to fees, diversification and the different types of private offerings. "This is a market where there are a lot of ways you can go wrong very easily, and having that sort of robust institutional process is so important."

Farrell stressed diversification. "Private markets have a very important role in a portfolio. They offer access to different parts of the economy, different types of companies," she said. "You do have to make sure you understand the capabilities of the managers that are doing it, because they play a more active role in the investment.

"They definitely have a place in a portfolio, assuming you have the ability to take on a long-term investment and you don't have any liquidity needs." She worried that index-type private products could be problematic. "If you create that liquidity, you're going to remove the illiquidity premium. I don't think there's a free lunch here. I think you have to be willing to accept the illiquidity—and if you can, they have a role to play in the portfolio."

Our Panelists and Their Firms

Rachel Farrell, CFA

Director of Public and Private Markets at UK-based Nest Pensions

With about \$US75 billion under management, Nest Pensions provides defined contribution retirement plans for about 14 million employees in the United Kingdom.

Prior to joining Nest, Farrell spent 10 years at JP Morgan Asset Management, most recently as Chief Executive Officer (CEO) and Country Head of JP Morgan Asset Management Australia. In addition to being a CFA charter holder, Farrell earned the CAIA charter, as well.

She earned her MBA at Columbia Business School and BA at Brown University. She is also a member of The Brandes Center's Advisory Board.



Dr. Lisa Larsson

Partner and Portfolio Management Team Leader at the StepStone Group Inc. (Nasdaq: STEP)

According to information at its website, StepStone is a global private markets investment firm focused on providing investment and advisory and data services to its clients. As of June 30, 2025, StepStone was responsible for approximately US\$723 billion of total capital, including US\$199 billion of assets under management.

StepStone's clients include some of the world's largest public and private defined benefit and defined contribution pension funds, sovereign wealth funds and insurance companies, as well as prominent endowments, foundations, family offices and private wealth clients. The firm has more than 1,000 employees working from 29 offices worldwide. Before joining StepStone nearly nine years ago, Larsson was a credit risk modeler with Credit Suisse. She also was a visiting assistant professor at New York University.



She earned her Ph.D. in Applied Mathematics at McGill University and her Master of Advanced Studies in Quantitative Finance at ETH Zurich.

Our Panelists and Their Firms--2

Dan Rasmussen

Founder and Managing Partner of Verdad Advisers

Based in Boston, Verdad is an investment firm with over \$1 billion in assets under management across multiple asset classes. According to its [website](#), the firm is driven by an unwavering commitment to intellectual integrity through rigorous research and its practical application. Verdad invests across asset classes and strives to offer investors the highest risk-adjusted returns possible.



Prior to founding Verdad, Rasmussen worked at Bain Capital Private Equity and Bridgewater Associates. He is the author of [The Humble Investor](#) (2025) and his investment research has been featured in *The Wall Street Journal*, *The Financial Times*, *Institutional Investor*, and several volumes of *The Best Investment Writing*.

He earned an AB from Harvard College, where he graduated summa cum laude and was elected to Phi Beta Kappa. He earned an MBA from the Stanford Graduate School of Business.

Dylan Schuman, Research Analyst with The Brandes Center, assisted with research, writing and editing for this article.

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