



## SINGER WEALTH

Keith Singer, JD CFP™

# Private Equity

Most equity investors love to buy stocks at the lowest possible price with the highest potential for appreciation and with the lowest possible risk. Although there are just fewer than 21,000 U.S. companies with more than \$100 million of annual revenues, about 18,000 of those companies are not publicly traded.\*

According to Blackstone, only 5% of retail investors are investing in these 18,000 companies. Some 95% of retail investors are limiting their investments to the relatively small 13% segment of U.S. publicly traded companies with more than \$100 million of revenue.

Most investors know exactly how to buy and sell publicly traded stocks. They can instantly sell at the current market price, which is set by the supply and demand of the public markets, with a click of a button or a call to their adviser.

However, most investors are unaware of how to invest in private companies. Historically, that has been the exclusive domain of ultra-high-net-worth families, endowment funds and institutional investors.

Investments in companies that are not publicly traded (private equity) have usually rewarded investors handsomely with less volatility. According to Morningstar, between 2006 and 2021, private equity has returned 14% annually to

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investors compared to 10% for investors in large-cap publicly traded stocks.

Private equity investors also enjoyed less volatility as publicly traded stocks were 70% more volatile than private equity investments. Private equity funds typically pay much lower prices for the companies they invest in relative to company earnings than public stock investors.

Large endowment funds find these investments to be particularly attractive as they currently allocate more than half of their assets to private investments. Traditionally, these investments were reserved for large institutions and wealthy investors with minimum investible assets of \$5 million.

Additionally, traditional private equity funds typically run for an eight-to-10-year duration with very limited liquidity options.

Now there are private equity funds available to accredited investors with as little as \$1 million of investable assets. There are also now private equity funds that allow investors to have quarterly liquidity options with minimum investments of as little as \$50,000.

\*Hamilton Lane

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