CIBC GLOBAL
ASSET MANAGEMENT

Private equity and venture capital investing

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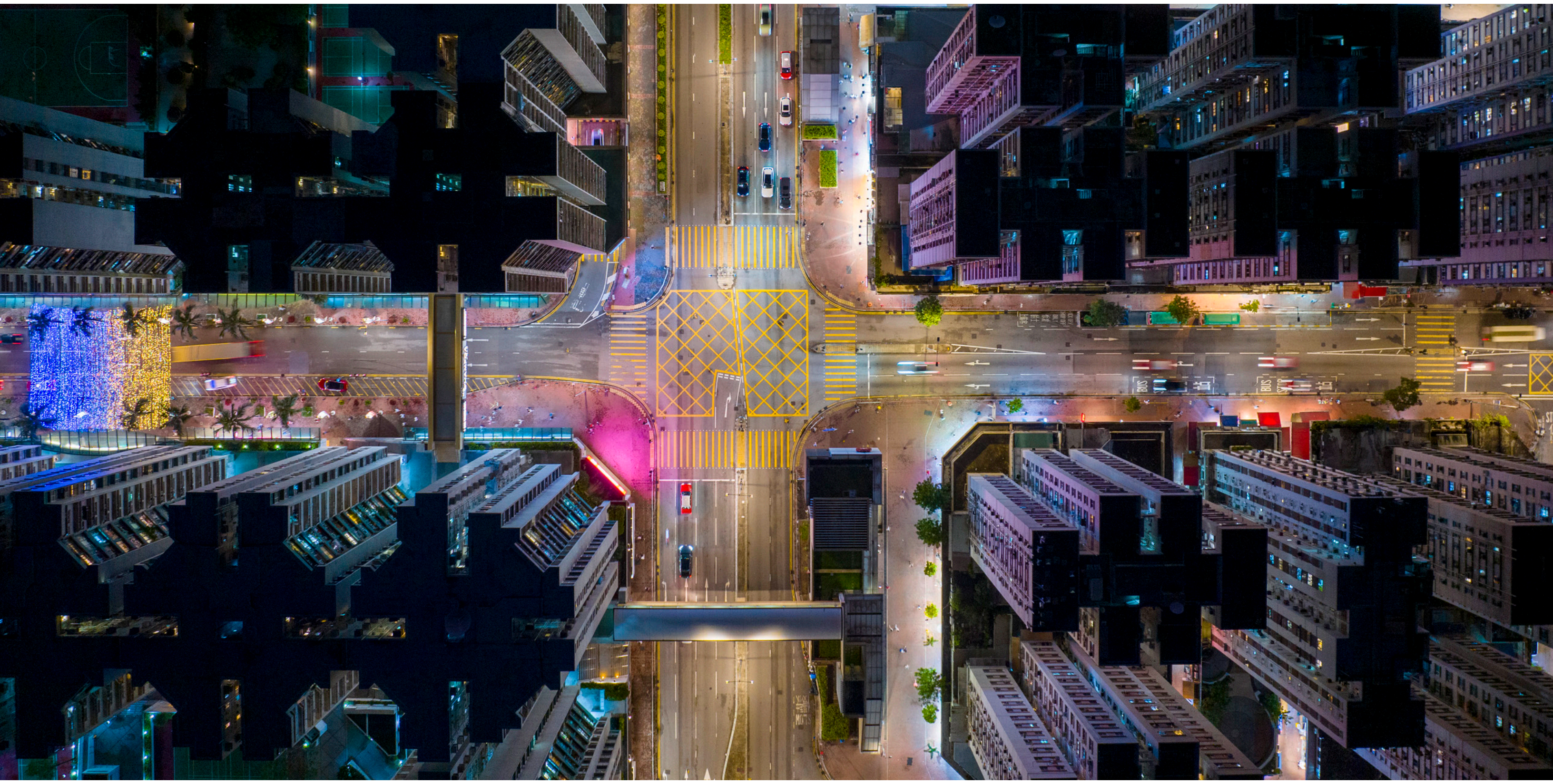

Private equity (PE) and venture capital (VC) are two cornerstone strategies within private markets. To explain the benefits and risks of this evolving space, CIBC Global Asset Management hosted a panel discussion featuring three of its senior leaders:

- **Dan Criscuolo:** Senior Vice President, CIBC Private Wealth
- **Ohm Srinivasan:** Global Head of Alternative Investing, CIBC Global Asset Management
- **Ana Puric:** Vice President, Private Markets, CIBC Global Asset Management

What is private equity and how does it differ from public equity?

Srinivasan: Private equity means owning a share of a private business, much like owning stock in a public company. The main difference is that private equity investments are not traded on public exchanges—they're held privately, usually for a longer period, and are less liquid. Because these companies aren't public, there's less transparency and you need to do more due diligence. In short, private equity is about investing in businesses that remain private rather than going public.

What are key characteristics of private equity funds?

Puric: Private equity funds are usually closed-end, with a typical lifespan of 10 to 12 years. More recently, we've seen increased liquidity options, like quarterly access, which is important for retail investors. Still, private equity is a long-term investment, so investors should be prepared to commit for several years.

Why has access to private equity increased?

Criscuolo: Access to private equity has improved significantly. Increased media coverage has sparked interest in investing in companies that remain private for longer periods, such as SpaceX and OpenAI. As these stories become more frequent, more investors are seeking opportunities to participate in private equity.

What are the main benefits and risks of private equity?

Srinivasan: Private equity offers diversification beyond traditional stocks and bonds, which is a big advantage. Historically, it's also provided higher returns, partly due to the illiquidity premium. The main risk is liquidity—these investments aren't as easy to exit quickly, so you need to be comfortable with tying up your money for a longer period.

What is the typical time horizon for private equity investments?

Puric: Investments in private equity usually last three to ten years. Many companies stay private longer to avoid quarterly reporting and because they can now raise capital outside public markets. That's why investors need to think long-term.

How does the private equity investment process work?

Criscuolo: General partners raise capital from investors to form a fund dedicated to private investments. They then identify and evaluate potential companies to invest in. When a suitable opportunity is found, they request the committed capital from their investors. This process takes time and depends on having funds available when investment opportunities arise.

How does private equity enhance portfolio diversification?

Puric: Diversification is more important than ever, especially with stocks and bonds moving together more often. Private equity and other alternatives help spread risk and give access to a broader range of companies, many of which never go public. Without private equity, you miss out on much of the innovation economy.

Why are more companies staying private longer?

Puric: We're seeing more companies being taken private, and the time to IPO has increased from about five years to fourteen. To capture growth in these businesses, investors really need to look at private markets, since many companies are already mature by the time they go public.

Srinivasan: It's been surprising how much the private market has grown. Thirteen years ago, there were fewer than 50 private companies valued over a billion dollars; now there are more than 1,500. The landscape has changed, and there are simply more private opportunities now.

What should investors know about venture capital?

Criscuolo: Venture capital involves higher risk and higher potential rewards. A typical fund may invest in 20 to 40 companies, with some failing completely, but a few successful investments can drive overall returns. Most returns are generated by a small number of venture firms, usually because they attract top entrepreneurs and companies.

How should investors approach allocating to private equity and venture capital?

Puric: There's no one-size-fits-all answer. The right allocation depends on liquidity needs, risk tolerance, and overall net worth. It's important to communicate with clients and do proper due diligence on managers and strategies. Also, venture capital is even less liquid (and higher risk) than private equity, so that needs to be factored into the decision.

Criscuolo: We avoid trying to time the market. Instead, we diversify investments across different years, or vintages, and maintain a disciplined approach. This ensures we capture strong opportunities over time, even if it means facing challenging periods.

Puric: Manager selection is critical because the gap between top and bottom performers is wide, especially in venture capital. Advisors need to do thorough due diligence, look at track records, and make sure managers have the right experience and resources to succeed.

How has transparency and reporting evolved in private markets?

Srinivasan: Transparency has improved, and we have much more information now than in the past. Education is also key—clients want to know what they own and why. We spend a lot of time on reporting and helping clients understand their investments.

Criscuolo: Reporting has become more robust, with regular quarterly and annual updates, as well as third-party audits. While some information remains private, investors now receive more detailed insights into company performance and holdings than they did previously.

Final thoughts: The future of private equity and venture capital

Srinivasan: Private equity will keep growing because companies prefer to stay private and there's more capital available. The gap between public and private equity is narrowing, and access is much easier than it used to be. For many investors, private equity is becoming a standard part of their portfolios.

Puric: It's not so much about whether you should invest in private equity, but how you do it. If you don't include private markets, you're missing out on a big part of the economy.

About CIBC Global Asset Management

CIBC Global Asset Management (CIBC GAM), the asset management subsidiary of CIBC, is one of Canada's largest asset managers. Established in 1972[1], CIBC GAM offers a broad range of investment solutions, including mutual funds, ETFs, portfolio solutions, alternative investments, discretionary investment management services for high-net-worth individuals, and institutional portfolio management. With teams across Canada and the US, CIBC GAM serves retail, high-net-worth and institutional clients in North America and institutional clients worldwide.

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1 CIBC Global Asset Management was founded in 1972 as TAL Global Asset Management Inc., a privately-owned investment manager. CIBC took an ownership stake in 1994, eventually assuming 100% in 2001.