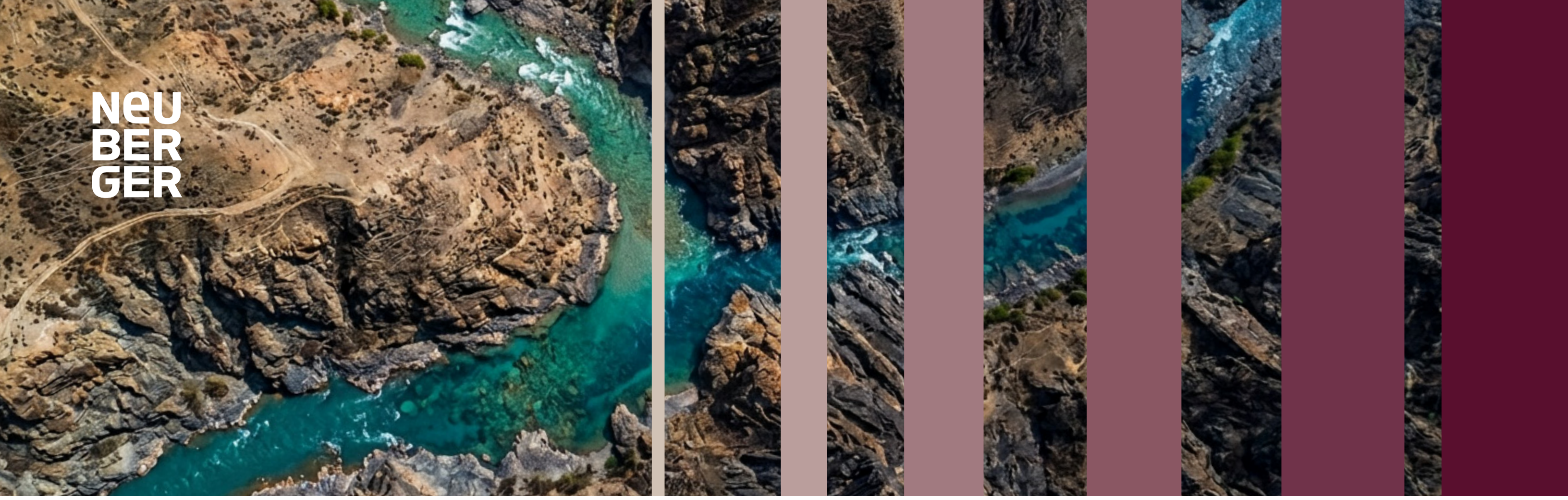

Insight | August 2026

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Looking Past Public/Private Distinctions Toward an Integrated Capital Framework

For many institutional investors, the key question is no longer whether an exposure is public or private, but what economic role it can play within an overall portfolio.

Overview: Institutional Asset Allocation Is Undergoing Change

The remarkable expansion of alternative asset classes has broadened the opportunity set available to institutional investors. Simultaneously, advances in portfolio analytics, risk management, artificial intelligence and data availability are allowing investors to evaluate portfolio exposures with a level of precision and speed unimaginable only a generation ago. Viewed independently, each of these developments is significant; viewed together, they point toward a fundamental shift in how portfolios are built.

While strategic asset allocation remains the foundation of long-term portfolio construction, the transition to a more holistic, risk-aware and tactical framework for managing portfolios, often described as a Total Portfolio Approach (TPA), is accelerating. This evolution does not reflect a rejection of traditional portfolio construction or enduring investment principles, nor does TPA have to be applied on an all-or-nothing basis. Diversification, disciplined governance (e.g., investment policy compliance, risk management, audit and oversight), liquidity management and fiduciary stewardship remain as important today as in the past. But institutional investors are asking different questions from only a decade ago; rather than beginning with traditional asset-class distinctions, they are increasingly focused on broader portfolio objectives and the most effective means of achieving them.

We Learn From Each Other

"One of the greatest privileges of my role at Neuberger has been the opportunity to engage with institutional investors around the world. Since joining the firm in 2025, I have interacted with over 200 institutional investors, trustees, investment committees, consultants, sovereign institutions, corporate retirement plans and public pension systems. Every meeting, every discussion and every exchange of ideas reinforces a lesson I have learned repeatedly throughout my career: No individual or organization has all the answers. Our profession advances because we challenge one another's assumptions, share experiences, debate ideas respectfully and continuously refine their thinking.

We learn from each other. This fundamental fact will be a principal driver for my work here at Neuberger, focused on sharing the perspectives, ideas and innovations of institutional investors on a global basis. I look forward to deep engagement with this community for years to come and sharing insights with our existing and prospective clients.

In that spirit, I present this short article, which distills some of the ideas gleaned from my four decades of experience and the many conversations I have had with colleagues and clients along the way."

— Steven

Steven Meier is Vice Chair of the Institutional Client Group and a member of Neuberger's Asset Allocation Committee and Public–Private Investment Committee. He has more than 40 years of global investment experience, previously holding senior roles at State Street Global Advisors, Credit Suisse First Boston, Oppenheimer Capital and Merrill Lynch. Steven has also served as Chief Investment Officer of the New York City Retirement Systems and as Interim CIO for the State of Connecticut's public pension plans.

Investors Look Beyond Traditional Asset Labels to Structure Portfolios

For decades, institutional portfolios have been organized around asset-class boundaries: public equities, fixed income, private equity, private credit, infrastructure, real estate and other alternative investments have typically been managed as distinct allocations, overseen by specialized teams. That structure has generally worked well, promoting specialization, accountability and disciplined portfolio construction.

Although asset class distinctions based on liquidity, valuation methodology, governance, transparency and implementation, among other factors, remain important, **rigid delineation between public and private markets is becoming less pronounced.** The rapid expansion of private markets, the development of innovative investment structures, the expansion of liquid alternatives in private markets, advances in portfolio analytics and the growing sophistication of investors are reshaping how opportunities are evaluated and portfolios are constructed.

As a result, **the way investors evaluate opportunities is also becoming far more integrated.** Investment decisions are often informed by underlying economic exposure, expected portfolio contribution to both risk and return, liquidity profile and long-term investment objectives rather than by where an opportunity happens to originate. An infrastructure investment, for example, may be accessed through publicly listed securities, private partnerships, direct ownership, infrastructure debt or hybrid capital solutions; and corporate credit exposure may be achieved through syndicated loans, investment-grade bonds, high-yield markets, direct lending, asset-backed finance or other private credit strategies.

Thus, **the labels "public" and "private" are evolving from primary organizing principles into important, but secondary, implementation characteristics.** They continue to describe how investments are originated, financed, traded, valued and governed, but they no longer fully define how they are viewed for portfolio construction. Instead of wondering, "Should this allocation come from the public portfolio or the private portfolio?", investors are asking, "What economic exposure are we seeking, what role should it play within the total portfolio and which implementation vehicle—or combination of vehicles—offers the most effective way to achieve that objective?"

The Real Economy Connects Public and Private Investments

Historically, institutional portfolios were often organized around the legal structure, liquidity profile or ownership characteristics of investments. Those distinctions remain meaningful and necessary. Public and private markets differ in governance, valuation methodologies, transparency, liquidity and implementation. However, from a long-term economic perspective, these investments frequently represent different avenues for participating in the same underlying drivers of value creation.

As a result, over sufficiently long investment horizons, virtually all investments ultimately become correlated to outcomes in the real economy. Public and private assets may exhibit different pricing behavior, liquidity characteristics and valuation methodologies in the short term, but those distinctions fade as investment horizons lengthen and the fundamental drivers of value creation reassert themselves. Understanding this reality reframes the concept of diversification for institutional investors. Instead of allocating capital across different asset labels, diversification is focused on thoughtfully balancing exposures to the multiple drivers of long-term economic value creation.

Viewed through this lens, **public and private markets are not competitors for portfolio capital, but complementary channels.** Together they finance innovation, support economic growth, build infrastructure, fund businesses and create long-term wealth for beneficiaries. Recognition of this dynamic is the intellectual foundation for what I call the **Integrated Capital Framework.**

What Is the Integrated Capital Framework?

The evolution of institutional investment described thus far naturally leads to a broader way of thinking about portfolio construction: one that extends beyond traditional asset classifications while fully respecting the enduring importance of strategic asset allocation, governance and specialist investment expertise.

This resulting perspective, the Integrated Capital Framework, is not a new asset allocation model, nor is it intended to replace the disciplines that have guided institutional investing for decades. Rather, **it is an analytical structure that encourages investors to evaluate opportunities across the continuum of capital through a common lens: their expected contribution to long-term portfolio objectives.**

Viewed in this way, capital is not public or private. Rather, the two markets represent complementary mechanisms through which capital is allocated to productive economic activity.

Employing this approach, investors can consider:

- What economic exposure does this investment provide?
- How does it complement existing portfolio exposures?
- What factors drive its expected return and risk?
- How does it contribute to long-term portfolio objectives?
- Which implementation vehicle(s) may offer the most effective way to access that opportunity?

These questions naturally shift the discussion away from asset labels and toward portfolio outcomes and also encourage institutions to evaluate investments through multiple dimensions (see sidebar).

Importantly, this framework is not a call to allocate more heavily to private markets, nor does it suggest that integrated public-private mandates should replace specialist investment strategies; dedicated public- or private mandates will often remain optimal, though integrated solutions will increasingly suit specific objectives.

The future institutional portfolio will therefore not likely be defined by a single implementation model. Rather, fiduciaries will have a broader set of tools from which to choose. Combinations of each will allow institutions to tailor implementation to their governance structures, liquidity requirements, risk tolerances and long-term investment objectives.

An Integrated Capital Framework encourages evaluating investments through multiple dimensions:

- Expected risk and return
- Underlying economic exposure
- Factor sensitivities
- Liquidity characteristics
- Implementation efficiency
- Governance requirements

Fiduciaries will have a broader set of tools from which to choose:

- Integrated public/private portfolios
- Standalone public strategies
- Standalone private strategies

The framework is not about reducing the differences between public and private markets; it is about using those differences more intentionally, and starting portfolio construction with *why* an investment belongs rather than where. Ultimately, that represents the next stage in the continuing evolution of institutional investing: a shift from organizing portfolios primarily around investment categories toward organizing them around long-term economic exposures, portfolio objectives and fiduciary outcomes.

Practical Application: From Factor Analysis to Governance

The reorientation noted above has considerable implications for the methodologies applied by institutional investors, their structural approach and the general landscape within which they operate:

Factor mapping. Investors are increasingly asking what risks and return drivers exist across the total portfolio, regardless of where individual investments reside. This perspective shifts the emphasis from asset labels toward factor exposures, economic sensitivities, liquidity characteristics and the interaction among investments under different market regimes. Understanding aggregate exposure enables fiduciaries to identify unintended concentrations or underweights while constructing portfolios tied to long-term objectives (see table below).

We believe this approach complements, rather than replaces, strategic asset allocation, which remains the cornerstone of long-term investing. Factor analysis simply provides greater transparency into how those strategic decisions are expressed across multiple implementation vehicles.

Factor Exposure Varies Among Asset Classes

(5 indicates greater expected exposure; 1 indicates lower expected exposure)

Asset Class	Equity Beta	Credit Beta	Rates Beta	Inflation Beta	Liquidity Sensitivity	Real Assets	Size	Value	Momentum	Volatility
Public Equity	5	1	1	2	5	1	3	3	3	3
Investment Grade Credit	1	5	4	2	4	1	1	1	1	1
HIgh Yield	3	5	2	1	3	1	2	2	1	2
Private Credit	2	5	1	3	1	1	1	1	1	1
Private Equity	5	2	1	2	1	1	5	3	1	3
Venture Capital	5	1	1	1	1	1	5	1	1	5
Real Estate	2	2	2	5	1	5	1	1	1	1
Infrastructure	2	3	2	5	2	5	1	1	1	1
Commodities	1	1	1	5	4	5	1	1	1	5
Hedge Funds	2	2	2	1	2	1	1	2	3	1
Cash	1	1	1	1	5	1	1	1	1	1

Source: Neuberger. For illustrative purposes only. Factor scores represent expected structural exposure over a full investment cycle of five to 10 years. Factor relationships may change over time and across market regimes, particularly at times of market stress. Hedge funds can represent a broad range of strategies with varying risk mitigation, alpha-seeking positioning and underlying trading, and factor exposures may vary.

Organizational integration. As analytical frameworks evolve, investment organizations are evolving as well, encouraging greater collaboration among equity, credit, infrastructure and real asset professionals. This does not diminish specialist expertise, which we believe remains essential. What changes is the frequency with which specialists share insights, compare relative value opportunities and evaluate how individual investments contribute to the objectives of the total portfolio. The result is not organizational homogenization but stronger integration.

Together public market and private market analysts may provide a broader perspective than either discipline alone.

Public Markets	Private Markets
Continuous price discovery	Deep underwriting
Liquidity management	Operational engagement
Market intelligence	Access to differentiated opportunities

Maintaining governance. If anything, this evolution may enhance the importance of governance. Fiduciaries remain responsible for establishing long-term objectives, defining risk tolerances and ensuring accountability. The growing availability of analytical tools should enhance—not replace—fiduciary judgment. In our view, effective governance continues to depend upon thoughtful oversight, disciplined decision-making and clear delegation of responsibilities. Institutions that combine strong governance with integrated portfolio analytics will be better positioned to navigate increasingly complex capital markets while remaining focused on the long-term interests of beneficiaries.

Portfolio construction: strategic, tactical and opportunistic. Strategic asset allocation will remain a cornerstone for most long-term institutional investors. An integrated opportunity set should allow investment teams to evaluate relative value across public and private markets simultaneously. During periods of market dislocation, public markets may offer compelling liquidity-driven opportunities; at other times, private markets may provide attractive risk-adjusted return potential, enhanced downside protection or access to businesses unavailable in public markets. The objective is not to predict which market will consistently outperform, but to maintain the flexibility to pursue opportunities wherever they emerge while remaining consistent with long-term policy objectives.

Liquidity as a strategic asset. In our view, liquidity should be viewed as a strategic portfolio resource rather than simply an operational constraint or byproduct of portfolio positioning. Public markets provide immediate liquidity, transparent pricing and valuable flexibility; private markets offer access to long-term investments where patient capital may be rewarded through complexity, governance or operational value creation. The thoughtful integration of both can improve cash-flow management, support capital commitments, facilitate portfolio rebalancing and create greater resilience across market cycles. Institutions that deliberately manage liquidity across the total portfolio are likely to enjoy broader implementation flexibility without compromising long-term investment discipline.

Artificial Intelligence in the toolset. AI has the potential to enhance analysis, but we do not believe it will replace experienced investment professionals or fiduciary judgment. Rather, it will likely augment the ability to process large volumes of information, evaluate factor exposures, monitor manager performance, determine and manage sources of alpha, construct scenarios and recognize patterns that may otherwise remain hidden. As capabilities advance, investors will gain a more complete understanding of aggregate portfolio risks and opportunities across both public and private assets. AI will also improve the ability to evaluate integrated solutions, compare implementation alternatives, and support more informed governance discussions. Over time, advances in tokenization, digital infrastructure, and data availability may further expand and influence the ways in which institutional capital is deployed.

Conclusion: The Confluence of Forces Driving Integration

As always, it is important to be cautious in declaring the arrival of "new paradigms." Markets generally evolve incrementally rather than abruptly. Yet at certain moments, a series of independent developments may begin moving in the same direction, creating a meaningful shift in how to think about portfolios. The continued expansion of private markets, advances in portfolio analytics, broader adoption of total portfolio thinking, the rapid evolution of artificial intelligence and increasingly sophisticated governance practices collectively suggest that we are entering such a period of evolution.

In our view, the future will not be defined by whether an institution invests in public markets or private markets. Both will continue to play distinct roles in global capital formation. However, they are becoming part of a broader investment ecosystem in which investors have greater flexibility to pursue long-term objectives through an array of potential solutions. Innovating to capitalize on these changes will become crucial to fulfilling fiduciary responsibilities in the years ahead.

Prospective investors should be aware that an investment in any private markets strategy is speculative and involves a high degree of risk that is suitable only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of such investment and for which the investment does not represent a complete investment program. These risks include, but are not limited to, loss of principal, limited liquidity, valuation, and the use of leverage. An investment should only be considered by persons who can afford a loss of their entire investment. This material is not intended to replace any of the materials that would be provided in connection with an investor's consideration to invest in an actual private markets strategy, which would only be done pursuant to the terms of a confidential private placement memorandum and other related material. Prospective investors are urged to consult with their own tax and legal advisors about the implications of investing in a private equity strategy, including the risks and fees of such an investment.

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