

APOLLO

Does the Foundation Still Support the Structure? Why a Portfolio Rebalance Makes Sense Now

Alexander Wright
Partner & Global Wealth Strategist

*9 Takeaways for
Private Markets During
Market Uncertainty*



Public equities are near all-time highs. By most accounts, portfolios look healthy. But beneath the surface, the foundation supporting those returns has weakened as risk compensation has thinned, concentration has intensified and traditional diversification no longer works the way it used to. For investors who held through the recent turbulence, this may be a rare opportunity to reassess portfolio allocations before the market forces action.

What follows are nine takeaways for evaluating whether a portfolio is still aligned with its intended purpose in a market with heightened volatility and uncertainty, and how private markets can play a role in shaping more durable, resilient outcomes.

1.

Is the Market Paying Enough for Risk?

page 3 >>

2.

Is the 60/40 Portfolio Still 60/40?

page 4 >>

3.

Is There Hidden Overlap Across Index Holdings?

page 5 >>

4.

How Should Private Market Allocations Reflect the Risk Profile?

page 6 >>

5.

Is There Overallocation to One Alternative Asset Class?

page 7 >>

6.

How Is AI Reshaping the Case for Real Assets and HALO Assets?

page 8 >>

7.

Is Cash Working Hard Enough?

page 8 >>

8.

Why Is Timing as Important as Selection?

page 9 >>

9.

Is the Manager Aligned With Investor Outcomes?

page 9 >>

1. Hidden Risks in Public Portfolios

Is the Market Paying Enough for Risk?

The most fundamental question in portfolio construction is simple: are investors getting paid enough for taking risk? Right now, the answer is not encouraging across either public equities or fixed income.

On the equity side, the implied equity risk premium stood at 4.36% as of May 1, down from 4.77% in early April, as stocks jumped to record highs following volatility earlier in the year. While the risk premium is roughly in line with the long-run average of 4.25% since 1960, it is well below the 5.16% average of the past two decades.¹ And consider what investors are absorbing for that premium: record index concentration, a drawn-out war with Iran and oil prices jumping above \$100 a barrel. We believe an average premium during a period of above-average risk does not equal adequate compensation.

Stocks are also richly priced on traditional valuation measures, with both the forward price-to-earnings ratio and the cyclically adjusted Shiller CAPE measure firmly above historical norms. Another key indicator, the earnings yield spread, now shows that investors are earning less from

stocks than from investment-grade corporate bonds.

Public fixed income tells a similar story. In January 2026, investment-grade credit spreads stood at just 73 basis points, the tightest in over 25 years and well below the long-run average of 145 basis points. High-yield spreads were at 265 basis points, or barely above the all-time tightness and far below their 507 basis point average. While the Q1 selloff pushed spreads wider, the move was short-lived — by the end of April, IG had fallen back to 78 basis points and HY to 268 basis points, barely above January's figures. Investment-grade spreads remain relatively tight versus historical norms. And in the high-yield market, current yields of roughly 7% for largely unsecured risk, in our view, look less "high" than the label suggests when compared with long-run averages and secured alternatives.

There is another risk brewing. Investment-grade bond indexes are generally considered low risk and broadly diversified, but that may change in the future due to the technology sector's enormous financing needs for the AI buildout. Tech issuers now account for about 11% of the IG index's value, up from approximately 2% two decades ago.² And that share could grow significantly if hyperscalers (e.g., Amazon.com, Meta, Microsoft, Google and Oracle) fund just 20% of their estimated \$2.7 trillion in planned capital expenditures through the investment-grade market.³ Each company would become among the largest issuers in the index, meaning investors who turned to investment-grade fixed income to diversify away from tech-heavy equities may find the same concentration risk waiting in their bond portfolio.

We believe an average premium during a period of above-average risk does not equal adequate compensation.

¹Professor Aswath Damodaran

²Investment grade index is the JP Morgan JULI Index. Source: JP Morgan Guide to the Markets, 2Q 2026

³Data as of September 2025. Source: S&P Capital IQ

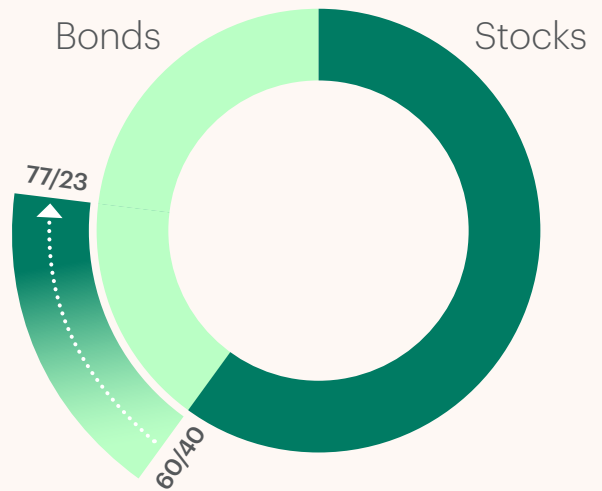
2. Hidden Risks in Public Portfolios

Is the 60/40 Portfolio Still 60/40?

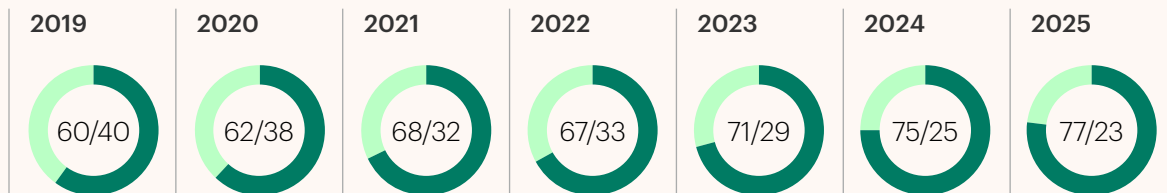
As markets move, so do portfolio weights. The S&P 500 delivered double-digit gains in the past three years, while bond prices have been largely flat over that time frame. That divergence has quietly shifted many 60/40 portfolios closer to 70/30, without any conscious decision by the investor.

This passive drift warrants attention because it can increase the risk profile of an entire portfolio. A portfolio designed for moderate risk may have become more heavily allocated to equities, increasing exposure to downside risk. In some cases, this additional exposure may be concentrated in a relatively narrow set of mega-cap names, where valuations may merit closer evaluation.

Portfolio Drift from 60/40 to 77/23 — 2019–2025



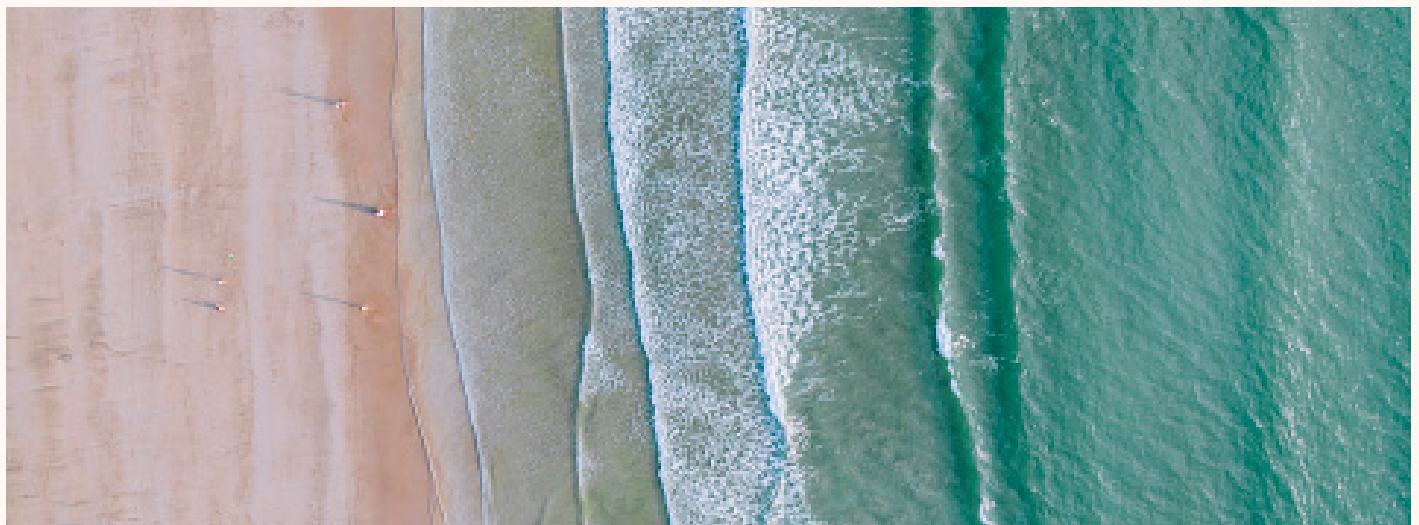
60/40 Weight (year ending December 31, 2025)



Growth of 100

	2019	2020	2021	2022	2023	2024	2025
Stocks	100	118.39	152.38	124.78	157.59	197.01	232.24
Bonds	100	107.50	105.84	92.07	97.16	98.38	105.57

Stocks are represented by the S&P 500. Bonds are represented by the Bloomberg US Aggregate Bond Index. Illustration represents growth of \$100 invested in each index, from December 31, 2019 to December 31, 2025 with no rebalancing. Sources: Bloomberg, Apollo Analysts



3. Hidden Risks in Public Portfolios

Is There Hidden Overlap Across Index Holdings?

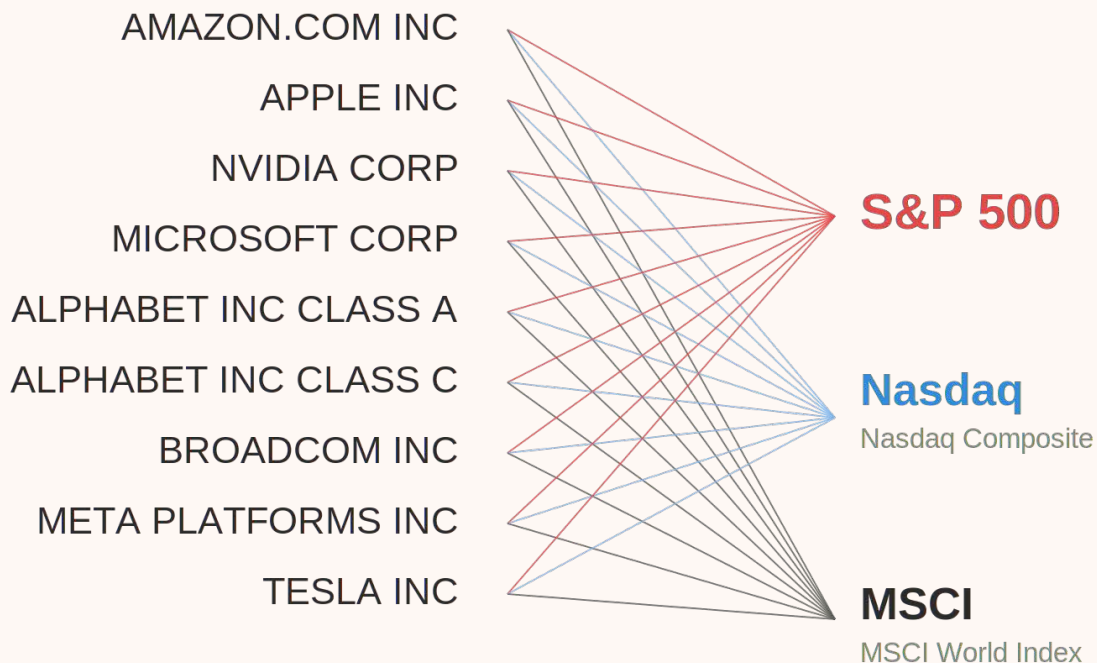
Many investors believe they are sufficiently diversified because they have exposure to the S&P 500 (diversified large caps), the Nasdaq Composite (tech) and the MSCI World Index (international). In reality, there is significant overlap between the three, as they all have essentially the same top holdings: Apple, Microsoft, NVIDIA, Amazon.com, Google (Alphabet) and Meta. And despite having “world” in its name, US companies account for 71% of the MSCI World Index.⁴ Meanwhile, the top 10 stocks in the S&P 500 now represent over 40% of the benchmark’s market capitalization — a record high.⁵ An investor with exposure to all three indices is making almost the same concentrated bet three times over.

The overlap problem extends beyond equities. The correlation between stocks and bonds has changed in a way that undermines the foundation of the 60/40 portfolio. Over the past 25 years, the correlation coefficient between the S&P 500 and the Bloomberg US Aggregate Bond

Index averaged just 0.13, essentially uncorrelated. That is the diversification benefit the 60/40 model was built on. But since early 2022, that correlation has surged to 0.66.⁶ Stocks and bonds have been moving in the same direction two-thirds of the time, driven by a common sensitivity to interest rates and inflation uncertainty. Simply splitting a portfolio between stocks and bonds is no longer the diversifier it once was.

This is where private markets can serve a more meaningful diversification role. Because private assets are not marked to market daily and their return drivers differ from public equities and bonds, they can introduce real diversification into a portfolio — the kind that combining traditional asset classes no longer reliably provides. Beyond diversification, private markets can offer the opportunity for return enhancement (income and growth) and access to differentiated investment opportunities that may not exist in public markets.

Different indices, but nearly the same top holdings



Sources: MSCI, S&P Global, Global Marketcap Ranking

⁴MSCI

⁵Bloomberg as of April 2026

⁶Bloomberg data from December 1999 to March 2026.

Building a Private Markets Allocation

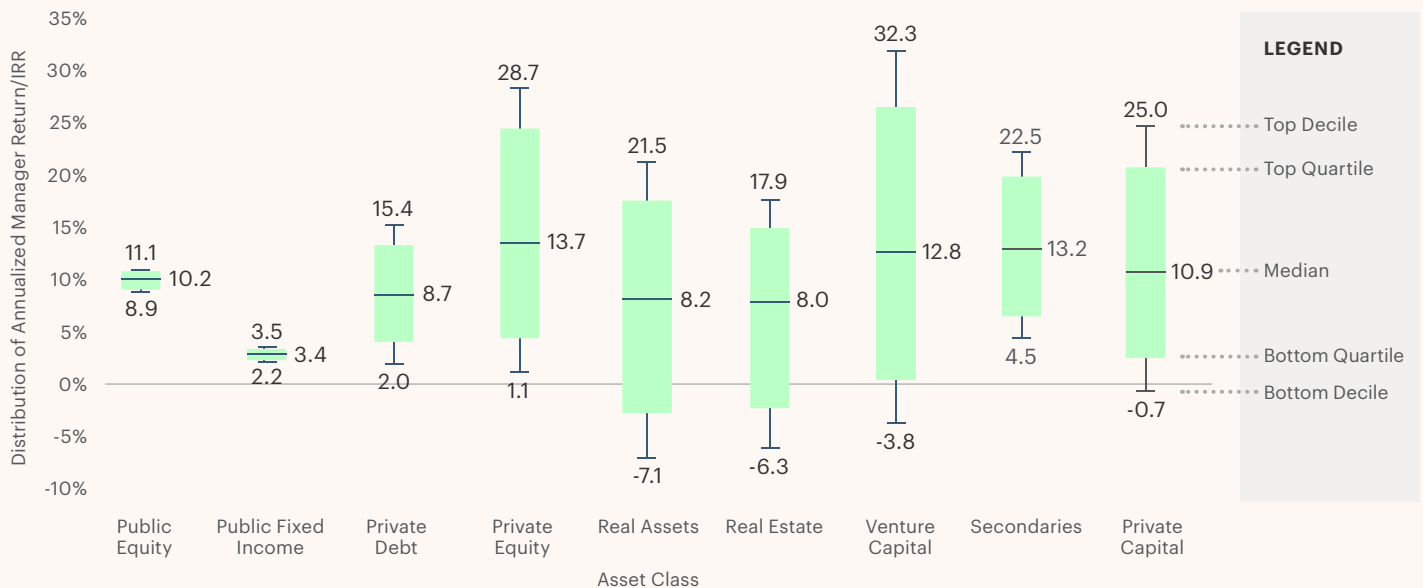
Public markets represent a shrinking slice of the real economy. The number of publicly listed US companies has been cut by about half since the mid-1990s, and 87% of US companies with over \$100 million in annual revenue are now private.⁷ A portfolio allocated entirely to public markets is missing a significant portion of the investable economy. Historically, incorporating private markets into a traditional 60/40 portfolio has both increased returns and reduced overall risk (see [“After 60/40: Model Portfolios Need a Modern Makeover,”](#) Apollo Academy, January 2026).

4. How Should Private Market Allocations Reflect the Risk Profile?

Not all private market allocations should look the same. The composition of the private markets sleeve depends on the investor’s objectives, time horizon and risk tolerance. An income-focused investor can prioritize private credit strategies with enhanced yield characteristics, such as private investment-grade credit, asset-backed finance (ABF), as well as infrastructure. A growth-oriented investor with an 80/20 stock-bond portfolio may tilt toward a diversified private markets strategy, private equity and secondaries for higher return potential and lower volatility.

Given significant dispersion in returns of private market asset classes, portfolio construction is critical. In private equity, the gap between top- and bottom-decile managers is roughly 30 percentage points and approximately 13 percentage points in private debt, compared to just 2 percentage points in public equities,⁸ meaning the way an allocation is constructed and who manages it are among the most important decisions.

Manager Choice Matters, Private Markets Have Realized Higher Median levels of Return, but with Larger Variability



For illustrative purposes only. Subject to change at any time without notice. Past performance is not indicative nor a guarantee of future results. (1): Public Equity data is from Morningstar US Large Blend and Public Fixed Income data is from Morningstar US Fund Intermediate Core Bond 20 year return dispersion through 12/2025. All other asset classes sourced from PitchBook database of funds across vintage year funds from 2005-2019 as of 3/2025 (20 year IRR). The primary metric is IRR; Private Debt includes CLO, Direct Lending, Special Situations, Distressed, Mezzanine, Bridge Financing, RE Debt, Infra Debt, Venture Debt; Private Equity includes Buyout, Growth/Expansion, Diversified Private Equity, Turnaround; Real Assets includes Real Estate and Infrastructure, Real Estate includes Core, Core Plus, Value Added, Opportunistic and Distressed; Venture Capital includes Angel Fund, Early Stage, Later Stage; Secondaries includes all asset class; Private Capital includes Private Equity, VC, Real Estate, Infra, Private Debt, Secondaries. Manager percentiles calculated by Apollo.

⁷S&P Capital IQ, Apollo Chief Economist

⁸PitchBook for private equity and private debt. Morningstar for public equity.

5.

Building a Private Markets Allocation





Is There Overallocation to One Alternative Asset Class?

The growth of private credit has been one of the defining trends in asset management over the past decade. But for many investors, private credit exposure is concentrated almost entirely in corporate direct lending. While that strategy has delivered strong results, treating corporate direct lending as the entirety of a private credit allocation misses a significant part of what we see as a [\\$40 trillion opportunity set](#).

Asset-backed finance represents a distinct and complementary segment. Where direct lending is backed by a corporation's cash flows and protected by covenants and seniority, ABF is backed by diversified pools of assets such as consumer loans, residential mortgages, equipment finance and similar cash-flowing assets. Protection comes through credit enhancement, overcollateralization and tranche structures rather than corporate covenants. The two strategies have different return drivers, different risk profiles and different cycle sensitivities. [Pairing them together](#) can diversify the sources of risk within a private credit allocation and broaden the opportunity set.

Asset-Backed Finance and Direct Lending Are Complementary Allocations

Complementarity Grid (illustrative)

	 ABF	 Direct Lending	 What It Means	 Portfolio Effect
Source of repayment	Asset pool cash flows	Corporate cash flows, refinancing, asset sale	Different drivers underpin returns	Diversifies risk sources
Downside mitigation	Underlying collateral pool and credit enhancement	Conservative underwriting and seniority in capital structure	Distinct protection mechanisms	Reduces tail risk
Cash-flow profile	Contractual, self amortizing, fixed and floating rate	Floating rate, negotiated	Self-liquidation vs. matched-term funding	Smoother cycle performance
Risk drivers	Asset pool performance vs. underwritten assumptions	Corporate entity performance	Increased mitigants against risk factors	Broader opportunity set

Provided for illustrative and discussion purposes only. Reflects the views and opinion of Apollo Analysts. Subject to change without notice.

6. Building a Private Markets Allocation

How Is AI Reshaping the Case for Real Assets and HALO Assets?

A significant structural shift is underway in how the market values different types of businesses. The rise of AI has triggered a reassessment of which assets are durable in a world where software and information-driven businesses face increasing disruption risk. This dynamic is contributing to a rotation toward hard assets with low obsolescence, such as factories, fiber-optic networks, railroads, data centers, and power infrastructure, collectively known as HALO (Hard Assets, Low Obsolescence).

The economics behind this shift are substantial. The market currently expects \$4 trillion to \$5 trillion of digital infrastructure investment by 2030 to support AI deployment.⁹ Each category (data centers, power, chips, servers, networking) faces its own bottlenecks, and financing that buildout represents an enormous opportunity for private capital. Private real asset strategies can offer exposure to these secular tailwinds while providing durable income and inflation mitigation.



7. Building a Private Markets Allocation

Is Cash Working Hard Enough?

For much of 2023 and 2024, money market funds and short-term Treasuries yielded about 5%, making them ideal places to park cash. More recently, yields have fallen below 4%, and with inflation running at 3.3%,¹⁰ real returns on cash may be limited. For longer-term sidelined cash that does not need daily access, investors may have additional options to consider.

Short-duration private investment-grade credit may represent an alternative for investors seeking to deploy capital beyond traditional cash instruments. These strategies have historically generated incremental spread relative to comparable public instruments, not by taking on more credit risk, but through illiquidity, structuring and origination premiums. Many of these strategies offer monthly or quarterly redemptions, providing practical access. The question becomes whether lower real returns are an acceptable cost for liquidity that often sits unused.

⁹Apollo Analysts

¹⁰Represented by the headline consumer price index for March 2026. Source: Bureau of Labor Statistics

Due Diligence: Vintage and Alignment

What to invest in is only part of the equation. Evaluating when capital gets deployed and how closely a manager's incentives align with investor outcomes can be just as consequential.

8. Why Is Timing as Important as Selection?

In private markets, when capital is deployed can be an important consideration alongside what is invested in. Capital raised and deployed during different market environments carries a fundamentally different risk-return profile. Capital deployed when valuations were stretched and leverage was cheap faces headwinds that newer vintages do not. Conversely, capital deployed in 2023–2026, with more attractive valuations and more conservative underwriting, may benefit from a more favorable starting point.

Real estate provides a useful example. Properties acquired during the low-rate environment of 2020–2021 may be working through a challenging mark-to-market period as cap rates adjust to higher interest rates. At the same time, fresh capital can be deployed at more attractive current-vintage entry points.

Additionally, private equity portfolio companies acquired at higher entry multiples have taken substantially longer to exit than those purchased at lower valuations,¹¹ a dynamic that has become more pronounced in recent vintages.

9. Due Diligence: Vintage and Alignment

Is the Manager Aligned With Investor Outcomes?

In public markets, the relationship between the investor and manager is largely transactional. The investor invests in a strategy, the manager runs it and performance is evaluated against a benchmark. In private markets, the relationship can be more like a partnership, and alignment of interests and outcomes is critical. When a manager invests its own balance sheet capital alongside investors, the outcomes are shared. That enforces discipline, including sound underwriting, rigorous risk management and a focus on excess return per unit of risk.

Meaningful alignment starts with the manager committing substantial capital alongside investors, so that outcomes are truly shared. It continues with fee structures that reward long-term performance over asset gathering, and governance that provides real transparency into portfolio decisions, including a willingness to co-invest on the same terms. No manager can guarantee results, but when incentives are structured this way, it greatly narrows the gap between the manager's interests and the investor's.



¹¹PitchBook

Conclusion

The market environment in 2026 is defined by a tension between surface-level resilience and underlying fragility. Headline equity index levels suggest strength. But beneath them, the risk-reward profile has deteriorated: valuations are stretched, credit spreads are tight and the traditional diversification benefits of a stock-and-bond portfolio have weakened. The nine takeaways outlined here represent a framework for evaluating whether a portfolio is still built for what can come next. Rebalancing from a position of strength is a rare advantage. The question is whether that window will remain open.



About the Author



Alexander Wright
Partner & Global Wealth Strategist

Alexander Wright is Partner and Global Wealth Strategist. Previously, Alexander was a portfolio manager for Apollo's closed end funds, CLOs and private BDC. Prior to joining in 2011, he was with GSC Group where he served in a variety of different roles, most recently as Chief Administrative Officer, Chief Financial Officer, and Head of US Corporate Debt. Before that, Alexander was with IBJ Whitehall Bank & Trust Corporation and Chemical Banking Corporation.

He graduated from Rutgers College with a BA in Political Science and a minor in Economics and earned his MBA from Fordham University. Alexander serves on the Fordham University President's Council and is Chairman of the Fordham Gabelli School of Business Alternative Investment Council.

Important Disclosure Information

All information contained in this material is as of May 2026 unless otherwise indicated.

This material is for informational purposes only and should not be treated as research. This material should not be copied, distributed, published, or reproduced, in whole or in part, or disclosed by any recipient to any other person without the express written consent of Apollo Global Management, Inc. (together with its subsidiaries, “Apollo”).

The views and opinions expressed in this material are the views and opinions of Apollo Analysts. They may not reflect the views and opinions of Apollo and are subject to change at any time without notice. Further, Apollo and its affiliates may have positions (long or short) or engage in securities transactions that are not consistent with the information and views expressed in this material. There can be no assurance that an investment strategy will be successful. Target allocations contained in this material are subject to change. There is no assurance that the target allocations will be achieved, and actual allocations may be significantly different than that shown here. This material does not constitute an offer of any service or product of Apollo. It is not an invitation by or on behalf of Apollo to any person to buy or sell any security or to adopt any investment strategy, and shall not form the basis of, nor may it accompany nor form part of, any right or contract to buy or sell any security or to adopt any investment strategy. Nothing in this material should be taken as investment advice or a recommendation to enter into any transaction.

Hyperlinks to third-party websites in this material are provided for reader convenience only. There can be no assurances that any of the trends described in this material will continue or will not reverse. Past events and trends do not imply, predict or guarantee, and are not necessarily indicative of future events or results. Unless otherwise noted, information included in this material is presented as of the dates indicated. This material is not complete and the information contained in this material may change at any time without notice. Apollo does not have any responsibility to update the material to account for such changes. Apollo has not made any representation or warranty, expressed or implied, with respect to fairness, correctness, accuracy, reasonableness, or completeness of any of the information contained in this material (including but not limited to information obtained from third parties unrelated to Apollo), and expressly disclaims any responsibility or liability thereof. The information contained in this material is not intended to provide, and should not be relied upon for, accounting, legal or tax advice or investment recommendations. Investors should make an independent investigation of the information contained in this material, including consulting their tax, legal, accounting or other advisors about such information. Apollo does not act for you and is not responsible for providing you with the protections afforded to its clients.

Certain information contained in this material may be “forward-looking” in nature. Due to various risks and uncertainties, actual events or results may differ materially from those reflected or contemplated in such forward-looking information. As such, undue reliance should not be placed on such information. Forward-looking statements may be identified by the use of terminology including, but not limited to, “may”, “will”, “should”, “expect”, “anticipate”, “target”, “project”, “estimate”, “intend”, “continue” or “believe” or the negatives thereof or other variations thereon or comparable terminology.

Index performance and yield data are shown for illustrative purposes only and have limitations when used for comparison or for other purposes due to, among other matters, volatility, credit or other factors (such as number of investments, recycling or reinvestment of distributions, and types of assets). It may not be possible to directly invest in one or more of these indices and the holdings of any strategy may differ markedly from the holdings of any such index in terms of levels of diversification, types of securities or assets represented and other significant factors. Indices are unmanaged, do not charge any fees or expenses, assume reinvestment of income and do not employ special investment techniques such as leveraging or short selling. No such index is indicative of the future results of any strategy or fund.

Investing involves risk including loss of principal. Alternative investments often are speculative, typically have higher fees than traditional investments often include a high degree of risk and are appropriate only for eligible long-term investors who are willing to forgo liquidity and put capital at risk for an indefinite period of time. They may be highly illiquid and can engage in leverage and other speculative practices that may increase volatility and risk of loss. References to downside protection are not guarantees against loss of investment capital or value. This material contains trade names, trademarks and service marks of companies which (i) neither Apollo nor Apollo funds own or (ii) are investments of Apollo or one or more Apollo funds. We do not intend our use or display of these companies’ trade names, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of us by, such companies. Company names and logos are trademarks of their respective holders.

Past performance is not necessarily indicative of future results. Additional information may be available upon request.

© 2026 Apollo Global Management, Inc. All Rights Reserved.