Portfolio Construction Across Private Credit, Real Estate and Venture

Combining the three principal private market sleeves into a coherent allocation for family capital

Authored by CK Adya
Independent Researcher, London Business School
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Abstract

Most family offices arrive at their alternatives allocation by accumulation rather than design, adding private credit, real estate and venture capital one opportunity at a time until the portfolio is a collection of deals rather than a constructed whole. This paper offers a framework for building the three principal private market sleeves into a coherent allocation. It characterises each sleeve by its risk, return, cash flow shape and role, shows how their low mutual correlation creates diversification that improves the risk-adjusted return of the combination, and presents three allocation profiles, income, balanced and growth, matched to different family objectives. It addresses the practical disciplines that determine whether a paper allocation can actually be implemented: managing the liquidity and cash flow timing of illiquid sleeves, diversifying across vintages, and avoiding the over-concentration that afflicts families with operating wealth in one of these areas. Using three worked family cases, it demonstrates how deliberate construction produces materially better outcomes than accumulation, and it closes with an implementation roadmap for Gulf and UK family allocators.

Keywords: portfolio construction, private credit, real estate, venture capital, alternatives, family office, diversification, asset allocation

1. Introduction

A family office building a portfolio of alternative investments faces a question that is easy to postpone and costly to ignore: how should private credit, real estate and venture capital fit together? Each of these sleeves is attractive in its own right, each has its advocates, and each tends to be acquired separately, often through relationships and opportunities that arrive one at a time. The result, for many families, is an alternatives portfolio that grew by accumulation rather than design, a collection of individual commitments whose combination no one ever planned and whose risk, liquidity and return characteristics no one ever assessed as a whole.

This matters because the three sleeves are genuinely different instruments that play different roles, and their value to a family depends as much on how they are combined as on how each is chosen. Private credit provides contractual income and capital preservation. Real estate provides inflation protection and a blend of income and appreciation. Venture capital provides asymmetric growth, with most of its return concentrated in a few outsized winners. Combined deliberately, they can deliver a return profile that none achieves alone, with diversification that improves the risk-adjusted outcome. Combined carelessly, they can leave a family simultaneously over-concentrated, illiquid and exposed to risks it never intended to take.

This paper sets out a framework for constructing the combination deliberately. It characterises each sleeve by the dimensions that matter for portfolio construction, namely risk, return, cash flow shape and role, examines how they interact through their mutual correlation and their cash flow timing, and presents allocation profiles matched to different family objectives. It then turns to the practical disciplines that determine whether a sensible paper allocation can survive contact with reality, and illustrates the whole with worked family cases. The framework is built for the family office, with particular attention to the Gulf and UK families whose wealth and objectives shape the choices.

2. Why Construction Beats Accumulation

The case for deliberate construction rests on a simple observation: a portfolio assembled deal by deal optimises each decision in isolation and the whole not at all. A family that says yes to an attractive credit fund, then an appealing property, then a promising venture opportunity, each time judging the individual merits, ends up with a combination whose aggregate risk, liquidity profile and concentration were never chosen. The portfolio is the unintended sum of a series of locally sensible decisions, and it is often poorly diversified, awkwardly illiquid and concentrated in whatever the family saw most of.

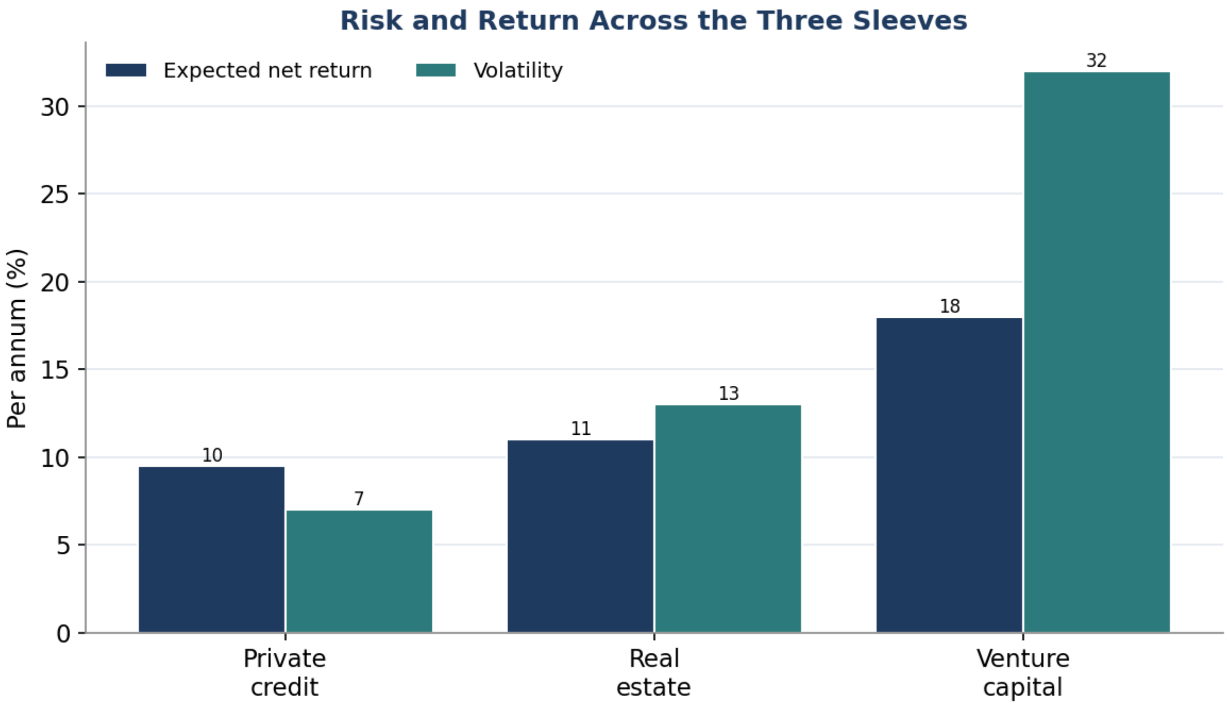
Deliberate construction reverses this logic. It begins with the family's objectives and constraints, derives a target allocation across the sleeves, and then selects individual investments to fill that allocation. Each commitment is judged not only on its own merits but on its contribution to the whole, so that the family adds venture when it needs growth and credit when it needs income, rather than adding whatever happens to be on offer. The discipline costs the family some opportunities it would otherwise have taken, but it buys a portfolio whose characteristics match its intentions, which is worth far more.

The benefit of construction is largest precisely where families are weakest, which is in managing the interactions between sleeves. The diversification that comes from combining lowly correlated sleeves, the liquidity that comes from balancing their cash flow timing, and the avoidance of concentration that comes from sizing each against the family's existing wealth are all properties of the combination, invisible at the level of the individual deal. A family that judges only deals can never capture them; a family that constructs deliberately captures them as a matter of course.

3. The Three Sleeves Characterised

Constructing a combination requires first understanding what each sleeve brings, and the three differ sharply across the dimensions that matter for portfolio construction. The chart below compares their expected net return and volatility, which already reveals their distinct roles.

Figure 1. Risk and Return Across the Three Sleeves



Indicative expected net return and volatility for each private market sleeve.

Private credit sits at the lower-risk end, offering a contractual return through interest and fees, with modest volatility and a strong claim on borrower assets. Its role is income and capital preservation, and it behaves most like a bond with an illiquidity premium, delivering a steady return with limited upside and a defined, if real, downside in the form of credit losses.

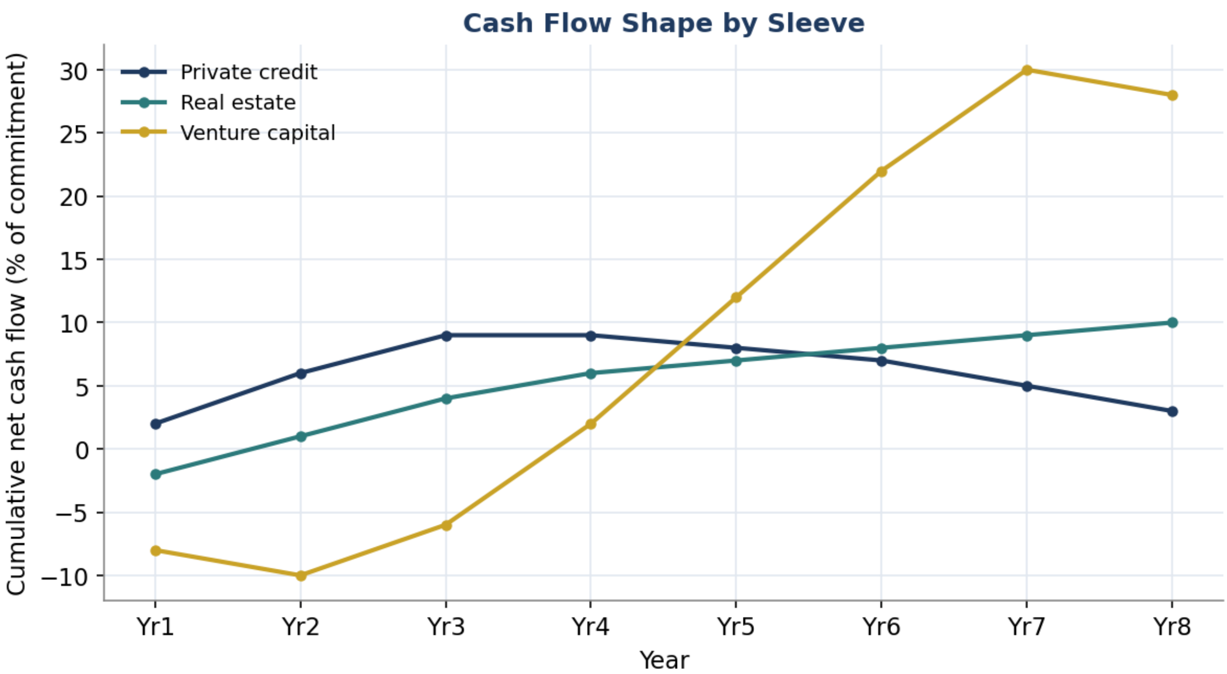
Real estate occupies the middle, blending income from rent with appreciation in value, carrying moderate volatility and, as a real asset, offering inflation protection that neither of the other sleeves provides. Its role is a combination of income, growth and inflation hedging, and it anchors the portfolio with a tangible asset base.

Venture capital sits at the high-risk, high-return end, with substantial volatility and a return profile dominated by a small number of outsized successes among many failures. Its role is asymmetric growth: a small allocation can contribute disproportionately to total return if it succeeds, while its losses are bounded by the amount committed. It is the engine of upside in the combination.

4. The Shape of Cash Flows

Beyond risk and return, the three sleeves differ in the timing of their cash flows, and this difference is central to constructing an implementable portfolio. A return figure says what a sleeve earns; the cash flow shape says when, and the when determines whether the family can actually live with the allocation.

Figure 2. Cash Flow Shape by Sleeve



Cumulative net cash flow as a share of commitment over a typical fund life.

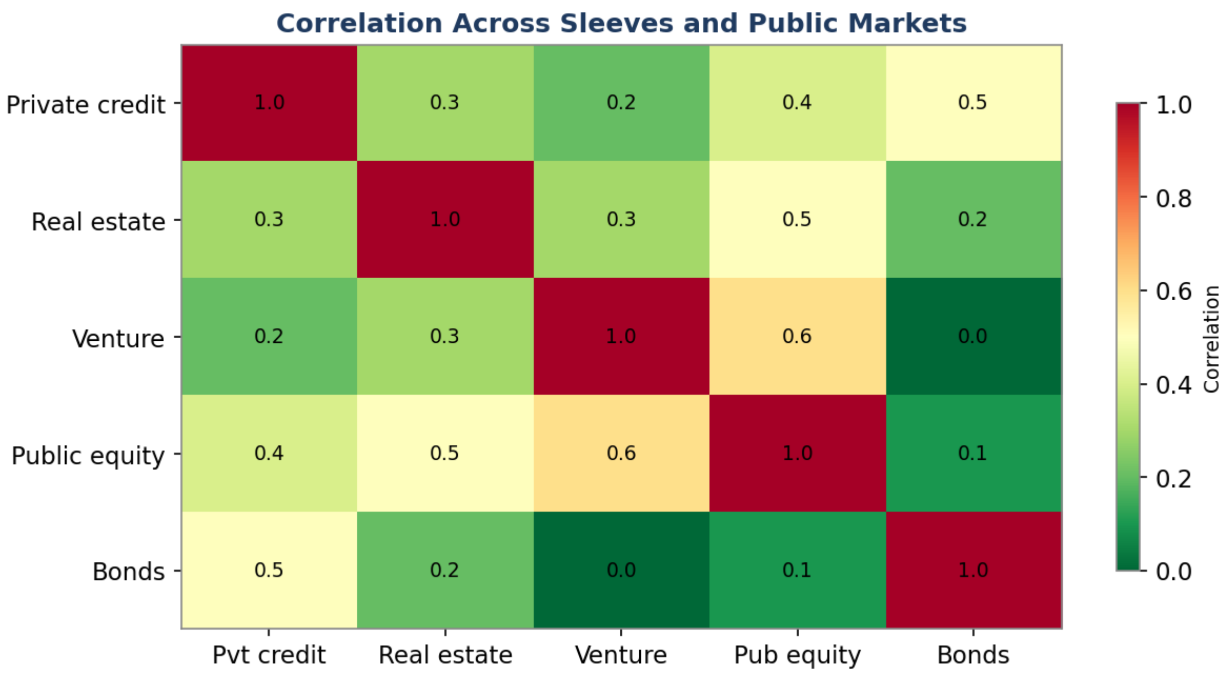
The contrast is stark. Private credit begins distributing income early and returns capital steadily, producing a front-loaded, relatively predictable cash flow that supports a family's spending. Real estate builds more slowly, with income through the hold and the bulk of the return on eventual sale or refinancing. Venture capital displays the deepest and longest J-curve, drawing capital for years and returning nothing until its winners mature, after which distributions can be large but are concentrated and uncertain in timing. A family that combines the three without regard to this timing can find itself cash-constrained in the early years, when venture and real estate are drawing capital and only credit is distributing.

Understanding the cash flow shapes allows the family to construct a combination that funds itself. The early income from private credit can fund the capital calls of venture and real estate, smoothing the family's net cash position and reducing the liquidity reserve it must hold idle. This self-funding property is one of the most valuable and least appreciated benefits of combining the sleeves deliberately, and it is invisible to a family that considers each sleeve in isolation.

5. The Diversification Dividend

The strongest argument for combining the three sleeves is that they are lowly correlated with one another and with public markets, so that the combination carries less risk than the weighted average of its parts. This diversification dividend is the closest thing to a free lunch in investing, and capturing it is a primary goal of deliberate construction.

Figure 3. Correlation Across Sleeves and Public Markets



Indicative correlations; lower correlation between sleeves improves the diversification of the combination.

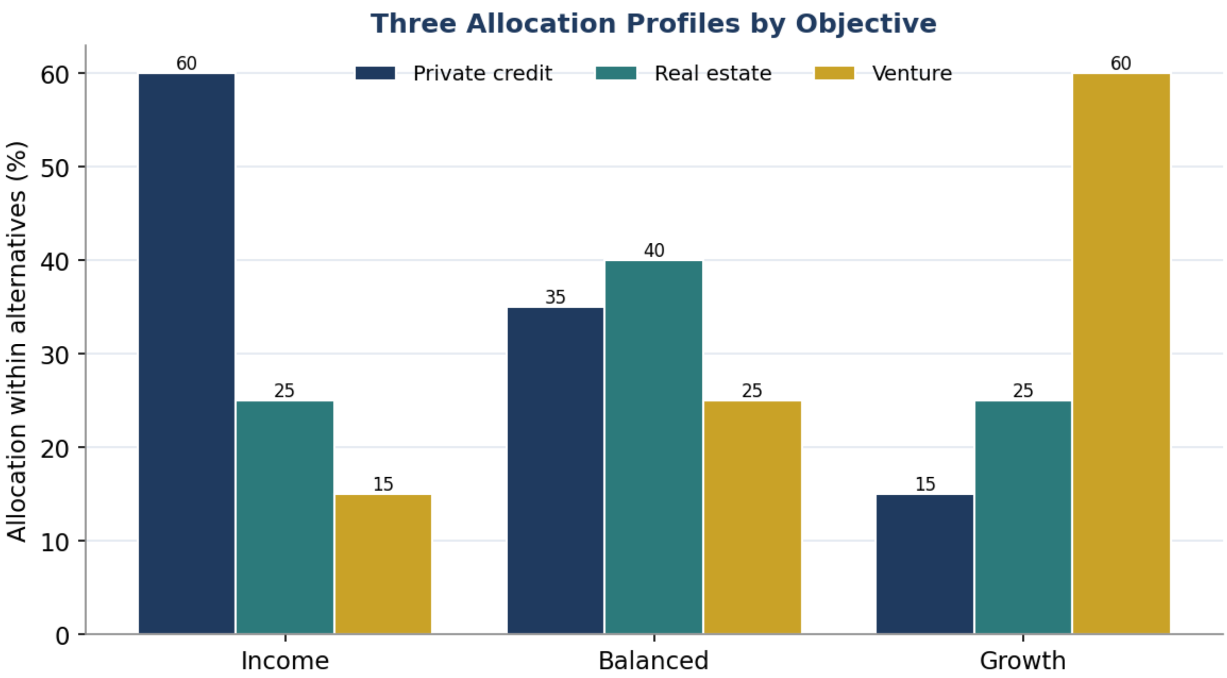
The correlation matrix shows why the combination works. Private credit, real estate and venture respond to different drivers: credit to interest rates and the credit cycle, real estate to rents and replacement cost, venture to technology and growth. Because these drivers do not move together, the sleeves rarely all suffer at once, and the combination smooths the return path. Venture in particular has low correlation with credit and real estate, so that even though it is the most volatile sleeve on its own, its contribution to the volatility of the combination is far smaller than its standalone risk suggests. This is the mathematical heart of why a measured venture allocation improves rather than destabilises a portfolio.

The diversification dividend is also why the three sleeves are better together than any one scaled up. A family could pursue a target return by concentrating in a single sleeve, but it would bear that sleeve's full risk. By combining sleeves with low mutual correlation to reach the same return, it bears less risk for the same reward, or earns more reward for the same risk. The combination dominates the concentration, and the magnitude of the advantage grows the more genuinely uncorrelated the sleeves are, which places a premium on selecting sleeves and managers whose returns are driven by genuinely different forces.

6. Three Allocation Profiles

There is no single right allocation across the sleeves, because the right mix depends on the family's objectives, its need for current income, its tolerance for illiquidity and volatility, and its time horizon. Three profiles capture the main cases and serve as starting points a family can adapt.

Figure 4. Three Allocation Profiles by Objective



Allocation within the alternatives sleeve for income, balanced and growth objectives.

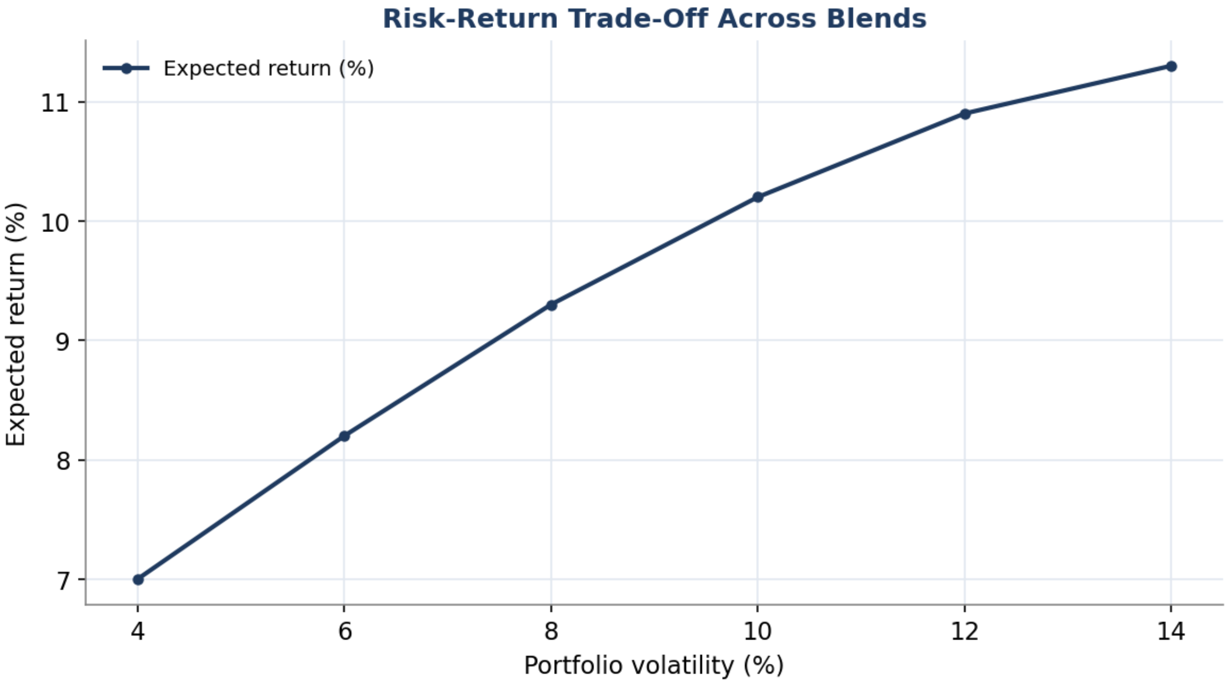
The income profile weights heavily toward private credit, with real estate providing additional income and inflation protection and only a small venture allocation for upside. It suits a family that needs current cash flow and prioritises stability, accepting a lower expected return for a smoother, more predictable one. The balanced profile spreads more evenly across the three, seeking a blend of income, inflation protection and growth, and suits a family with no acute liquidity need that wants a diversified, all-weather allocation. The growth profile weights toward venture, with real estate and credit playing supporting roles, and suits a family with a long horizon, no need for current income and the tolerance to ride the volatility and illiquidity that a growth tilt demands.

The profiles are illustrative rather than prescriptive, and the right point on the spectrum is a function of the family's circumstances. What matters is that the family chooses its profile deliberately, in light of its objectives, rather than arriving at an allocation by accident. A family that knows it holds the income profile can size its spending and liquidity reserve accordingly; a family that has drifted into a growth-heavy allocation without realising it may be shocked when the venture J-curve leaves it short of cash. The act of choosing a profile is itself most of the value.

7. The Risk-Return Trade-Off of Blends

Moving along the spectrum from income to growth is, in effect, moving along a risk-return frontier, and visualising that frontier helps a family see the cost and benefit of each step. As the venture weight rises, the expected return rises but so does the volatility, and the family must judge how much additional risk it is willing to bear for each increment of return.

Figure 5. The Risk-Return Trade-Off Across Blends



Expected return rises with volatility as the allocation shifts from income toward growth.

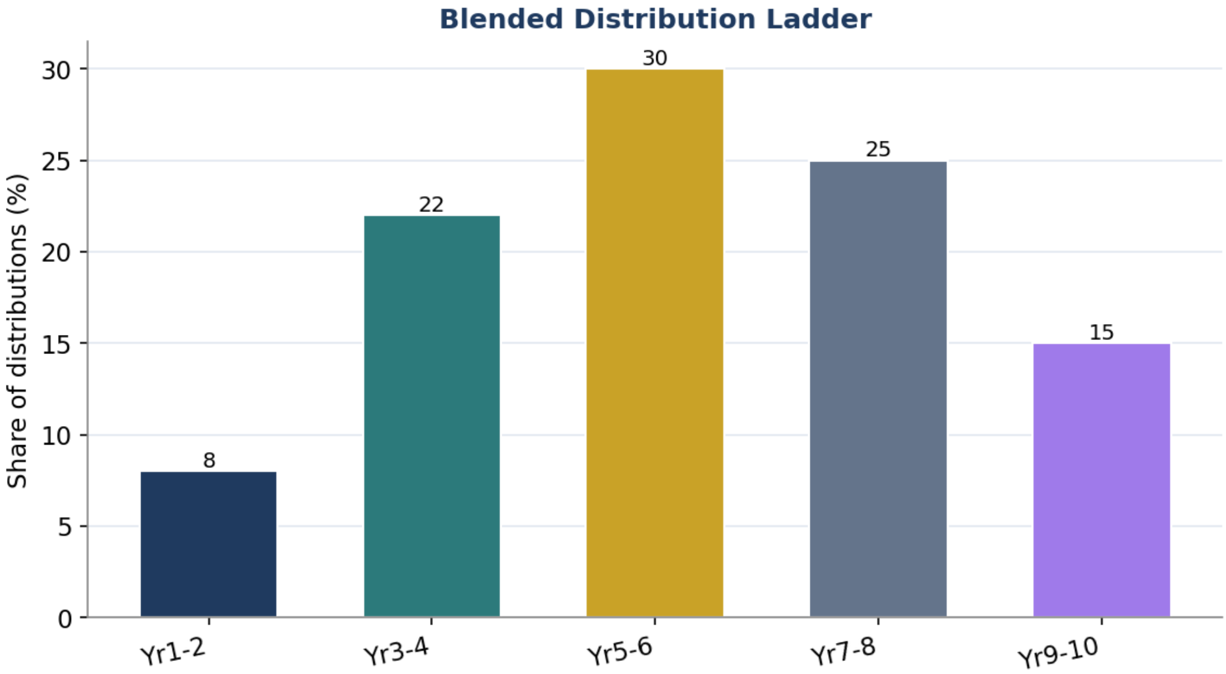
The frontier is concave, which carries an important lesson: the early steps from a pure-income allocation toward a balanced one add return cheaply, because a modest venture and real estate allocation diversifies and lifts return without much additional risk. The later steps toward a growth-heavy allocation add return more expensively, because each further increment of venture adds disproportionate volatility. This shape argues against the extremes for most families: a pure-income allocation forgoes cheap return available from modest diversification, while a growth-heavy allocation pays dearly in volatility for its last increments of return. The balanced region captures most of the available return for a moderate level of risk, which is why it suits the majority of families.

The frontier also makes clear that the family's position on it should be a deliberate choice tied to its capacity to bear risk, not a default. A family with substantial wealth beyond its alternatives portfolio, a long horizon and no income need can sit further along the frontier, because it can absorb the volatility; a family relying on its portfolio for spending should sit toward the income end, where the path is smoother. The frontier does not tell the family where to sit, but it shows the trade-off honestly, which is what disciplined construction requires.

8. Managing Liquidity and the Cash Flow Ladder

The single most common reason a sensible paper allocation fails in practice is liquidity. All three sleeves are illiquid, capital is called unpredictably, and distributions arrive on their own schedule, so a family that does not actively manage its cash position can find itself unable to meet a capital call or forced to sell a liquid asset at a bad time. Constructing the cash flow ladder is therefore as important as constructing the allocation.

Figure 6. A Blended Distribution Ladder



Distributions spread across the life of a steadily committed, blended programme.

A family that commits steadily across years, rather than all at once, builds a ladder in which mature funds are distributing while new funds are calling capital, so that the programme increasingly funds itself. The chart shows the smoothed distribution profile that results from such steady commitment across a blended programme. Reaching this self-funding state takes several years from a standing start, during which the family must hold a liquidity reserve to meet net capital calls, and underestimating the size and duration of this reserve is a frequent and painful error.

The income from private credit plays a special role in the ladder, providing early and relatively predictable cash flow that offsets the capital calls of the slower-maturing sleeves. A family constructing its allocation can use this deliberately, sizing its credit sleeve partly for its liquidity contribution rather than its return alone. The broader discipline is to model the combined cash flows of the whole programme forward, under conservative assumptions about the timing of calls and distributions, and to hold a reserve sufficient to meet the worst plausible net call without forced selling. Liquidity is not a constraint to be worked around but a variable to be constructed alongside the allocation itself.

9. Vintage Diversification

Because private market returns vary considerably by the year a fund begins investing, the timing of commitments matters as much as their allocation. A family that commits all its capital in a single year concentrates its outcome on the entry environment of that year, which may prove unusually favourable or unusually poor. Committing steadily across vintages diversifies this timing risk and is one of the most reliable disciplines available to a private market investor.

Vintage diversification interacts with the liquidity ladder discussed above, since steady commitment is what builds the self-funding cash flow profile, and it interacts with manager selection, since a steady commitment pace forces continuous evaluation rather than occasional bursts. It also imposes discipline: a family committed to deploying a set amount each year across the sleeves cannot wait for perfect conditions, but neither should it abandon its standards in a frothy year, which is why steady pacing must be paired with consistent selection rigour. The combination of vintage diversification and disciplined selection allows a family to be consistently invested across cycles without being indiscriminate.

For a family starting from a standing position, reaching a fully diversified, self-funding programme takes several years of steady commitment, and the family should plan for this ramp explicitly rather than expecting the target allocation to appear at once. The discipline of pacing toward the target over a defined period, while holding the liquidity to fund the ramp, is what converts a strategic allocation on paper into a living portfolio. Families that try to reach the target too quickly create concentration and liquidity strain; families that pace patiently build a durable programme.

10. The Gulf and UK Family Context

For Gulf and UK families the construction of an alternatives allocation carries specific considerations rooted in their wealth and objectives. Many such families derive their wealth from operating businesses in real estate, trade or industry, which means they often arrive at the alternatives portfolio already heavily exposed to one of the sleeves, most commonly real estate. This existing exposure should be counted as part of the allocation, not ignored, because a family with a large operating property business that then builds a real-estate-heavy alternatives portfolio has concentrated, not diversified, its wealth.

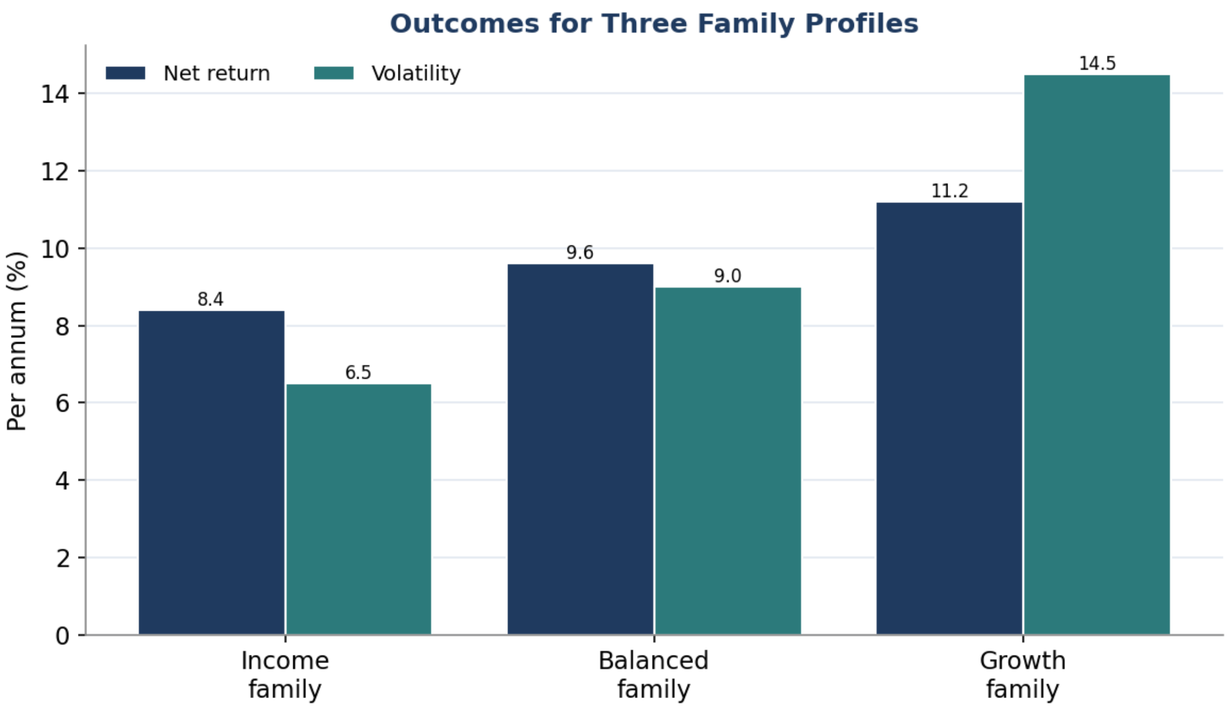
The discipline of counting existing wealth against the target allocation often points such families toward private credit and venture rather than more real estate, precisely to diversify away from the concentration their operating wealth has created. This is counterintuitive for families whose expertise and comfort lie in property, and it requires them to invest in sleeves where they have less native experience, which makes manager selection and the construction discipline all the more important. The reward is a family balance sheet that is genuinely diversified rather than a doubling-down on the source of existing wealth.

Currency and compliance considerations also shape construction for these families. A Gulf family measuring wealth in a dollar-pegged currency should consider the currency exposure of each sleeve, and a family requiring Shariah compliance must construct its allocation from compliant structures, which are readily available in real estate and increasingly in private credit and venture but require deliberate selection. These considerations do not change the logic of construction, but they add constraints that the family must build into its target allocation from the outset rather than discover after committing.

11. Three Worked Family Cases

To show the framework in practice, consider three families adopting the three profiles, each starting from its own circumstances. The cases trace the net return and volatility each profile delivers, illustrating how deliberate construction matches the allocation to the family's objectives.

Figure 7. Outcomes for Three Family Profiles



Modelled net return and volatility for families adopting the income, balanced and growth profiles.

Table 1. Case Summary

Family	Profile	Net return	Volatility	Why it fits
Income family	Credit-heavy	8.4%	**6.5%**	Needs current income, values stability
Balanced family	Even blend	9.6%	**9.0%**	No income need, wants all-weather mix
Growth family	Venture-tilted	11.2%	**14.5%**	Long horizon, tolerance for volatility

Modelled figures. Higher return comes with higher volatility, and the right profile depends on the family's circumstances.

The income family relies on its portfolio for spending and prioritises a smooth, predictable cash flow. Its credit-heavy allocation delivers a solid return with the lowest volatility of the three and the earliest, steadiest distributions, exactly matching its need for income and stability even at the cost of a lower expected return.

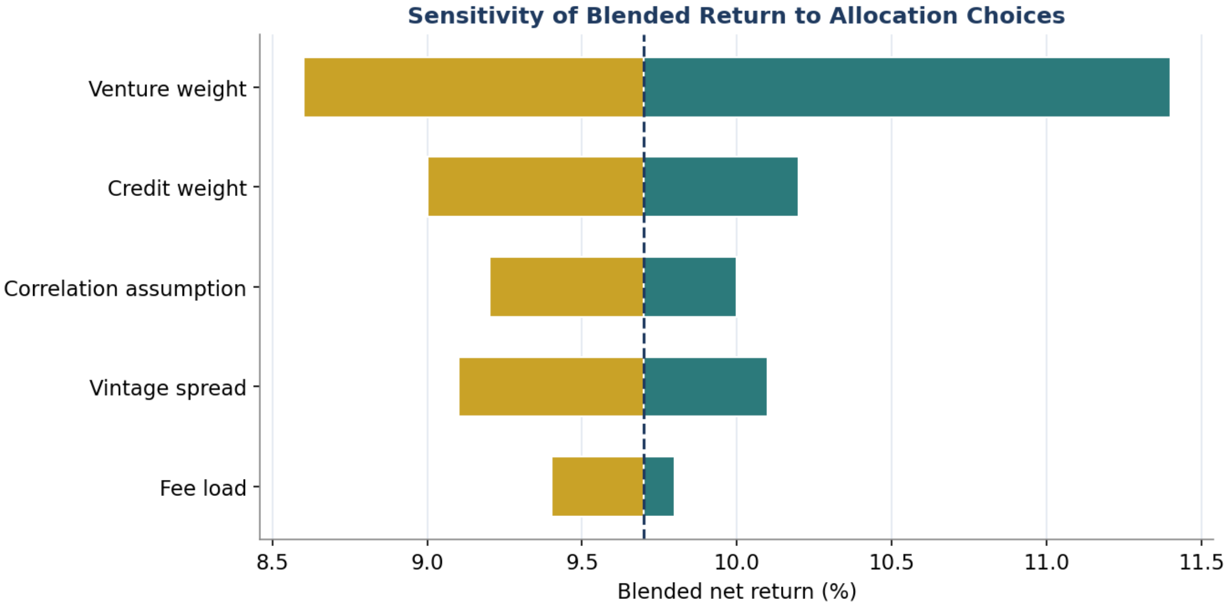
The balanced family has no acute income need and wants a diversified allocation that performs across conditions. Its even blend captures the diversification dividend most fully, delivering a higher return than the income profile at a moderate level of volatility, and it sits in the attractive middle of the risk-return frontier.

The growth family has a long horizon, substantial wealth beyond its alternatives portfolio and no need for current income. Its venture tilt delivers the highest expected return, accepting the highest volatility and the deepest J-curve, which it can absorb because it will not need to draw on the portfolio during the years when venture is calling capital and returning nothing.

12. Sensitivity to Allocation Choices

The blended return depends on the weights assigned to each sleeve and on the assumptions behind them, and a family should understand which choices move the outcome most. Varying each around a base case while holding the others constant produces the tornado below.

Figure 8. Sensitivity of the Blended Return to Allocation Choices



Each bar shows the swing in blended net return from varying one choice around the base case.

The venture weight moves the blended return most, reflecting venture's high expected return and high dispersion: a family's decision about how much venture to hold is the single most consequential allocation choice it makes. The credit weight and the correlation assumption follow, the latter a reminder that the diversification dividend depends on correlations that can rise in a crisis, eroding the benefit precisely when it is most needed. Fee load, though it appears modest in a single year, compounds over the long holding periods these sleeves require and deserves more attention than its small bar suggests. The analysis directs the family to concentrate its judgement on the venture allocation and the correlation assumption, the choices that most determine its outcome.

13. When Diversification Disappoints

An honest framework must acknowledge that the diversification dividend is not guaranteed, because correlations are not constant. In a severe crisis, when liquidity dries up and risk aversion spikes, assets that are normally uncorrelated can fall together, and the diversification a family relied on can weaken at the worst moment. A family that has constructed its allocation on the assumption of permanently low correlations may find its portfolio more correlated, and therefore riskier, than it expected in a genuine stress.

This does not negate the case for combining the sleeves, since their correlations remain low most of the time and the long-run diversification benefit is real, but it argues for humility and for a margin of safety. A family should not size its allocation as though diversification were perfect, should hold a larger liquidity reserve than a benign correlation assumption would suggest, and should avoid the leverage that turns a temporary correlated drawdown into a permanent loss. The diversification dividend is a powerful tailwind in normal times and a weaker one in crises, and a prudent construction respects both states rather than assuming the benign one persists.

14. Common Errors

- **Accumulating rather than constructing.** building the alternatives portfolio deal by deal, so that its aggregate risk, liquidity and concentration are never chosen.
- **Double-counting strengths.** ignoring existing operating wealth, so that a property-rich family concentrates further rather than diversifying.
- **Underfunding liquidity.** underestimating the liquidity reserve needed to fund capital calls during the ramp, forcing sales at bad times.
- **Neglecting vintage spread.** committing all capital in one or two vintages, concentrating the outcome on a single entry environment.
- **Over-relying on diversification.** assuming correlations stay low in a crisis, sizing risk as though diversification were perfect.
- **Mismatched growth tilt.** over-weighting venture for its return without the horizon or liquidity to absorb its J-curve.

15. An Implementation Roadmap

1. Define the family's objectives, income needs, horizon and risk tolerance, and count existing operating and investment wealth as part of the picture.
2. Choose a target allocation profile across the three sleeves deliberately, adapting the income, balanced or growth template to the family's circumstances.
3. Model the combined cash flows forward and size a liquidity reserve sufficient to fund net capital calls through the ramp under conservative assumptions.
4. Commit steadily across vintages toward the target over a defined ramp period, pairing steady pacing with consistent manager selection standards.
5. Use early private credit income to help fund the capital calls of the slower-maturing sleeves, building a self-funding ladder.
6. Stress-test the allocation for correlated drawdowns and avoid leverage that would turn a temporary stress into a permanent loss.
7. Review the whole portfolio, not just individual deals, at least annually, rebalancing toward the target profile as the programme matures.

16. Rebalancing an Illiquid Portfolio

Rebalancing, the discipline of returning a portfolio to its target weights as markets move it away, is straightforward in public markets and genuinely difficult in private ones. A family cannot simply sell down an over-weight venture position and buy more credit, because the positions are illiquid and selling early is costly. Yet the need to rebalance is real, because the sleeves grow at different rates and a portfolio left unmanaged drifts away from the profile the family chose, often toward more risk than intended as the growth sleeve compounds.

The practical answer is to rebalance primarily through the direction of new commitments rather than through sales. A family whose venture sleeve has grown beyond its target directs new capital toward credit and real estate until the weights are restored, using the steady commitment pace as the instrument of rebalancing. This is slower than selling but far cheaper, and it works precisely because the family is committing continuously across vintages rather than in bursts. The commitment pace is therefore not only a tool for vintage diversification but also the main lever for keeping the portfolio near its target profile over time.

Where commitment direction is insufficient, because the drift is large or the family's circumstances have changed, the secondary market offers a route to adjust more quickly, at a cost. The family should treat rebalancing as a slow, deliberate process measured in years rather than weeks, set tolerance bands around its target weights rather than a precise target, and act only when the drift exceeds those bands. Attempting to rebalance an illiquid portfolio too precisely or too frequently wastes value in transaction costs; allowing it to drift indefinitely abandons the profile the family chose. The discipline lies between these errors.

17. Secondaries and Liquidity Solutions

The secondary market, in which investors buy and sell existing private fund interests, has matured into an important tool for the family allocator, and it serves several distinct purposes in a constructed portfolio. As a buyer, a family can use secondaries to build exposure more quickly than primary commitments allow, acquiring seasoned interests that are already past the early part of the J-curve and so beginning to distribute, which shortens the ramp to a self-funding programme. Secondary purchases also offer some visibility into the underlying assets, reducing the blind-pool risk of a primary commitment.

As a seller, a family can use the secondary market to manage liquidity and to rebalance, exiting positions it no longer wishes to hold without waiting for the fund to wind down. This flexibility comes at a price, since secondary sales often occur at a discount to stated value, particularly in stressed markets when buyers are scarce, but the ability to convert an illiquid interest into cash can be worth the discount when the family genuinely needs liquidity or wishes to correct a large over-allocation. The existence of this exit route allows a family to hold a larger illiquid core with greater confidence than it could if every commitment were truly locked until wind-down.

The broader lesson is that secondaries and related liquidity solutions soften, without eliminating, the illiquidity that defines these sleeves. A family that understands and occasionally uses the secondary market can construct a more responsive portfolio than one that treats every commitment as permanently illiquid, building exposure faster, rebalancing when necessary and accessing liquidity in need. Used opportunistically rather than as a crutch, secondaries are a valuable complement to a primary commitment programme and a further reason that deliberate construction outperforms passive accumulation.

18. A Strategic Perspective

The families that build durable wealth in alternatives are those that treat the portfolio as a constructed whole rather than a collection of deals. The three sleeves, private credit, real estate and venture, are complementary instruments whose combination, deliberately weighted and patiently built, delivers a return profile and a resilience that none achieves alone. The discipline of construction, choosing a profile, managing the cash flow ladder, diversifying across vintages and respecting the limits of diversification, is what converts the raw attractiveness of each sleeve into a coherent allocation that serves the family's objectives.

For Gulf and UK families, the discipline carries a particular dividend, because it pushes them to diversify beyond the operating wealth that built their fortunes and to build genuine balance into their balance sheets. A family that constructs its alternatives allocation deliberately, counting its existing concentration and filling the gaps with the sleeves it lacks, ends with a portfolio that is more than the sum of its opportunities. That portfolio, built by design rather than accumulation, is among the most reliable foundations for preserving and growing family wealth across the generations and the cycles it must endure.

19. Conclusion

Private credit, real estate and venture capital are the three principal sleeves of a family's alternatives portfolio, and their value depends as much on how they are combined as on how each is chosen. This paper has argued for deliberate construction over accumulation, characterised each sleeve by its risk, return, cash flow shape and role, shown how their low mutual correlation creates a diversification dividend, and presented allocation profiles matched to family objectives. It has emphasised the practical disciplines, liquidity management, vintage diversification and the avoidance of over-concentration, that determine whether a sensible allocation can actually be implemented, and it has been honest about the limits of diversification in a crisis.

The central message is that construction beats accumulation. A family that begins with its objectives, derives a target allocation, builds a self-funding cash flow ladder, diversifies across vintages and respects the limits of diversification will hold a portfolio whose characteristics match its intentions and whose resilience exceeds that of any single sleeve. For the Gulf and UK family allocator, that deliberate construction, counting existing wealth and filling the gaps, is the difference between an alternatives portfolio that happened and one that was built. The reward for building rather than accumulating is a portfolio that does, reliably and across cycles, what the family needs it to do.

20. Limitations

This paper uses modelled figures and illustrative profiles to convey relationships and disciplines rather than to forecast returns or recommend a specific allocation. The risk, return and correlation assumptions are indicative and will differ by market, manager and period, and correlations in particular can change materially in stress. Nothing here constitutes investment advice. Families should obtain advice tailored to their circumstances, conduct their own diligence and stress-test their allocation before committing capital, treating the framework as a structured way to think rather than a prescription to follow.

Appendix A. Sleeve Characteristics Summary

Table 2. The Three Sleeves Compared

Characteristic	Private credit	Real estate	Venture capital
Primary role	Income, preservation	Income, inflation hedge	Asymmetric growth
Expected return	Moderate	Moderate	High, dispersed
Volatility	Low	Moderate	High
Cash flow shape	Front-loaded	Building	Deep J-curve

Inflation protection	Weak	Strong	Indirect
Liquidity	Low	Low	Very low

Indicative characteristics used to construct the combination; individual funds vary.

Appendix B. A Construction Checklist

- Has a target allocation profile been chosen deliberately against the family's objectives?
- Has existing operating and investment wealth been counted to avoid hidden concentration?
- Has the combined cash flow been modelled and a sufficient liquidity reserve sized?
- Is the family committing steadily across vintages toward the target?
- Is early credit income being used to help fund later capital calls?
- Has the allocation been stress-tested for correlated drawdowns, and is leverage controlled?
- Is the whole portfolio, not just individual deals, reviewed at least annually?

Appendix C. Glossary

Diversification dividend. The reduction in portfolio risk achieved by combining lowly correlated assets.

J-curve. The pattern of early negative and later positive cash flows typical of private funds, deepest in venture.

Private credit. Lending to companies outside public markets, earning a contractual return with an illiquidity premium.

Vintage. The year a fund begins investing; diversifying across vintages spreads entry-timing risk.

Venture capital. Equity investment in early-stage companies, with returns concentrated in a few successes.

Liquidity ladder. A schedule of distributions and calls across a steadily committed programme that increasingly funds itself.

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About the Author

Chennakeshav Adya is an independent researcher and transaction advisor with more than two decades of experience across strategy, corporate finance and private markets, spanning the United Arab Emirates, the United Kingdom, India and beyond. He advises institutional and family-office investors on portfolio construction, alternatives and capital structuring, and is a guest speaker at London Business School. His work focuses on translating practitioner experience into rigorous, accessible frameworks for allocators in the Gulf and the United Kingdom.