

The Illusion of Balance

Why Today's Markets Demand More Than Stocks and Bonds

For decades, the 60/40 portfolio—sixty percent stocks, forty percent bonds—has been the foundation of balanced investing. The logic is straightforward: stocks provide growth, bonds provide stability, and together they help smooth the ride through inevitable market cycles. It is a framework that has served investors well, and for good reason.

But markets evolve. And the conditions that made the 60/40 model so effective have shifted in ways that are worth understanding. **This is not a reason for concern—it is an opportunity to think more broadly about what a truly diversified portfolio looks like today.**

At Calamos Wealth Management, we believe that adding a third dimension—private alternatives—can meaningfully strengthen a portfolio's resilience and return potential. Not by abandoning the principles of the balanced portfolio, but by extending them into areas of the market that most investors have historically underutilized.

What 2022 Taught Us About Balance

The 60/40 model rests on a foundational assumption: that stocks and bonds tend to move in opposite directions. When equity markets decline, bonds typically hold their value or rise—acting as a counterweight that helps cushion the portfolio. This relationship held reliably for much of the past four decades, and it is a large part of why the 60/40 framework became so widely trusted.

In 2022, that relationship changed. Inflation rose sharply, and the Federal Reserve responded with one of the most aggressive rate-hiking cycles in modern history. Rising rates put pressure on bond prices at the same time equity markets were correcting. The Bloomberg U.S. Aggregate Bond Index posted its worst calendar-year return in over 40 years, while the S&P 500 declined roughly 18%. A traditional 60/40 portfolio experienced losses of approximately 16% for the year.

The important takeaway is not that the 60/40 portfolio is broken. **It is that the stock-bond correlation investors have relied upon is a condition of the market environment—not a permanent feature of it.** When inflation becomes the primary risk driver, both asset classes can face headwinds simultaneously. Understanding that dynamic is the first step toward building a portfolio that is more genuinely diversified.

Understanding What You Actually Own

There is a second consideration that often surprises investors when they look more closely at their equity holdings: the degree to which a "broad" market index is concentrated in a relatively small number of companies.

Today, the ten largest companies in the S&P 500 account for approximately 40% of the index by market capitalization. The five largest technology companies alone hold a collective value exceeding the combined GDP of Japan, India, the United Kingdom, France, and Italy. This is not a criticism of those companies—many have delivered exceptional earnings growth that justifies their valuations. It is simply worth recognizing that a portfolio built around broad index funds may carry more concentration than the word "diversified" implies.

Private alternatives offer something the public equity sleeve cannot: exposure to return drivers that are structurally independent of the forces influencing large-cap technology stocks. **That kind of genuine diversification is increasingly difficult to achieve within public markets alone.**

20%

of Millennial portfolios already allocated to alternatives—nearly 3x the rate of Boomers

10-30%

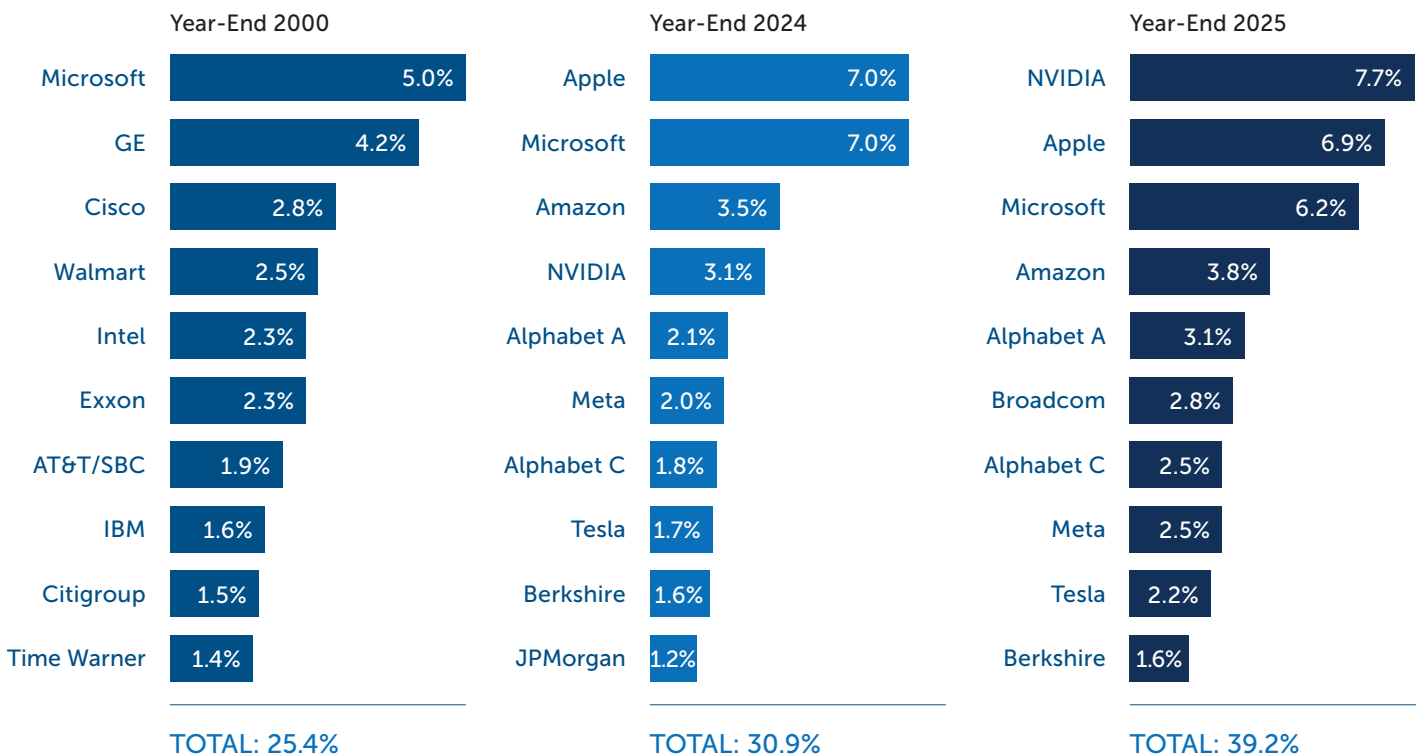
private alternatives allocation range we recommend for suitable clients

40%

of the S&P 500 held by just 10 companies—worth understanding before assuming broad diversification

Sources: Goldman Sachs, "Opening the Door to Alternatives," August 2025; Bloomberg; Calamos Wealth Management Research

The S&P 500's top 10 holdings have grown from a quarter to nearly 40% of the index.

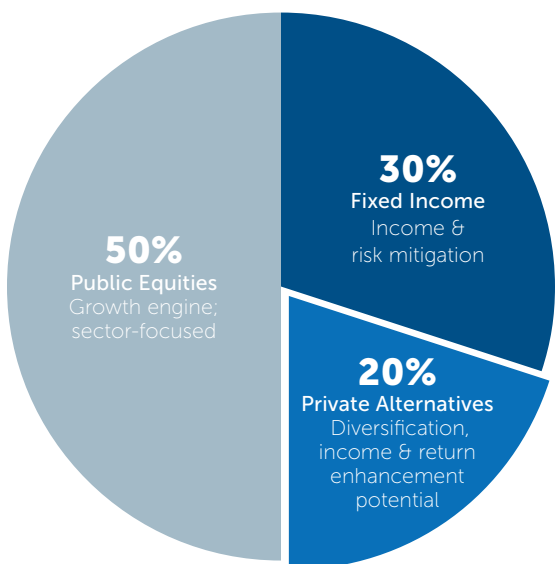


Source: Bloomberg. S&P 500 index constituent weights as of year-end 2000, year-end 2024, and early 2025 (Bloomberg query date: March 24, 2026). Weights are point-in-time snapshots and subject to change. For informational and educational purposes only. Not investment advice. Past performance is no guarantee for future results.

A Modernized Framework: The 50/30/20 Allocation

The evolution we are describing does not require rebuilding a portfolio from scratch. It calls for a thoughtful, measured adjustment—one that preserves the core principles of the balanced portfolio while introducing a third source of genuine diversification.

Our recommendation for suitable clients is to consider directing approximately 20% of the portfolio toward private alternatives, funded through modest reductions to the public equity and fixed income sleeves. The result is a framework that retains meaningful equity growth potential and fixed income ballast, while adding a layer of resilience that the traditional model cannot provide on its own.



Illustrative allocation. Actual allocations will vary based on individual client circumstances, goals, and risk tolerance.

The private alternatives sleeve is not a single investment—it is a diversified allocation across four distinct categories, each of which contributes something different to the portfolio.

- » **Private Equity** provides exposure to company growth earlier in the value creation cycle, before those gains are reflected in public market prices.
- » **Private Credit** seeks to generate consistent, often floating-rate income by lending directly to businesses—an attractive complement to traditional bond allocations in an elevated rate environment.
- » **Private Real Estate** offers income through rents and the potential for capital appreciation, with the added benefit of real assets that have historically provided a degree of inflation protection.
- » **Private Infrastructure** seeks to deliver stable, long-duration cash flows from essential services—energy, transportation, utilities—with returns that are largely independent of day-to-day equity market movements.

Why This Moment Is Worth Paying Attention To

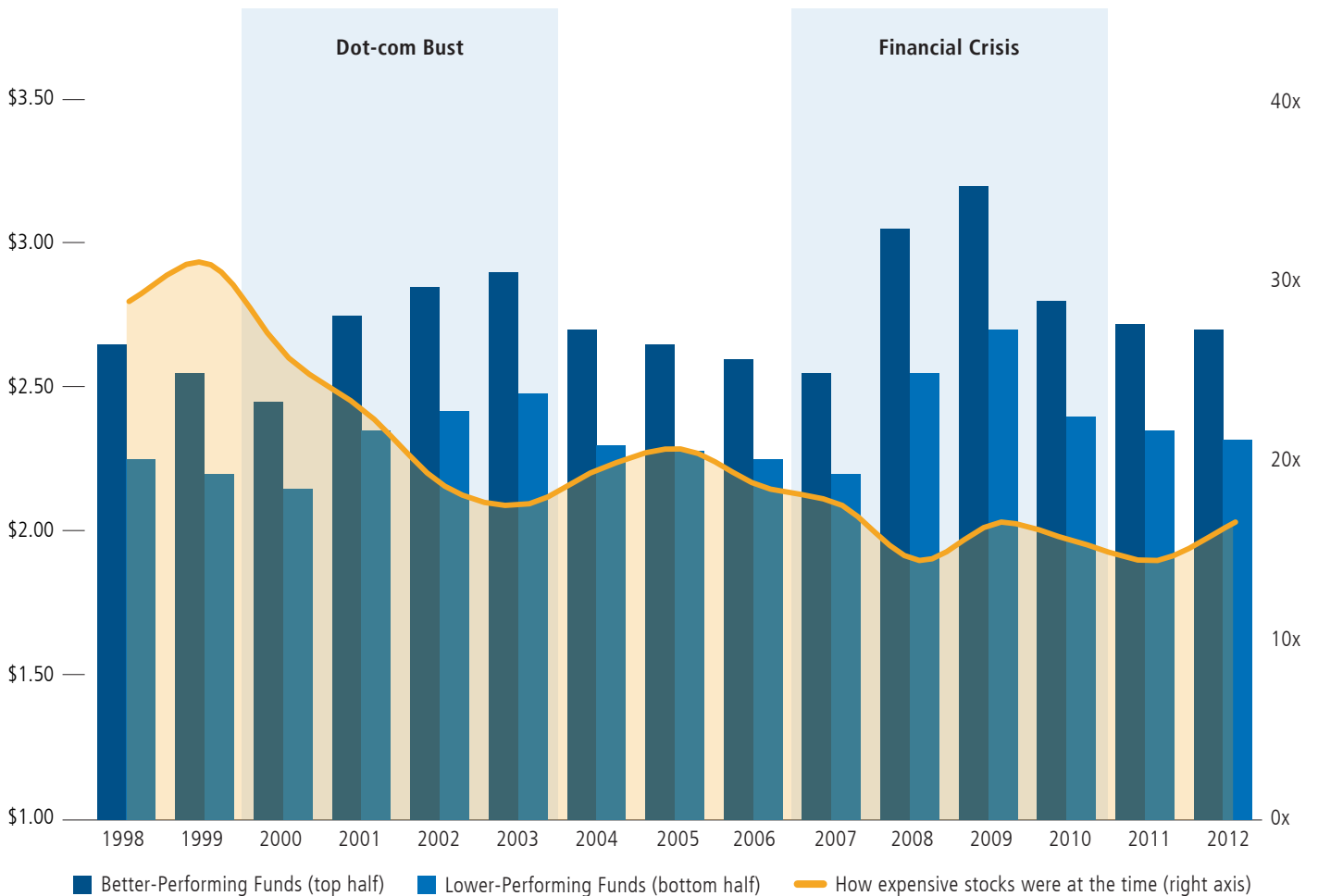
Private market returns are not uniform across time. Research consistently shows that investors who commit capital during periods of elevated public market valuations—what practitioners call favorable “vintage years”—have historically seen stronger outcomes over the course of a full investment cycle.

Today’s environment has several characteristics worth noting. Public equity valuations remain at historically elevated levels. Deal activity in private markets is recovering after a period of reduced volume, creating what we believe is an improving opportunity set. And a new generation of investors has already begun to recognize this: private alternatives now represent approximately 20% of Millennial portfolios, compared to just 6% for Baby Boomers—a generational shift that reflects a growing appreciation for what these asset classes can add. (Source: Goldman Sachs, August 2025.)

We are not suggesting urgency for its own sake. **We are observing that the conditions which have historically made private market entry points attractive are present today—and that waiting for certainty in markets rarely improves outcomes.**

Cheaper Entry Points Have Historically Produced Stronger Vintage Returns

Net multiple (TVPI) by vintage year vs. avg. S&P 500 P/E during investment period — U.S. private equity



Source: Adapted from CAIS, ‘The Importance of Entry Point for Private Equity Vintage Performance’ (Aug. 2022). Underlying data: Bloomberg (S&P 500 P/E over est. investment period, yrs 0–3 of vintage); Preqin (PE-All vintage year benchmark, 2nd & 3rd quartile net multiples as of 7/31/2022). Mature vintages only (10+ years from first investment). Figures are representative; not a projection of future results. Past performance is not indicative of future results. Full article: caigroup.com/articles/the-importance-of-entry-point-for-private-equity-vintage-performance

Common Questions, Straightforward Answers

We find that clients considering private alternatives for the first time share many of the same questions. The table below reflects how we think about the most common ones.

<p>? “Aren’t these illiquid?”</p>	
<p>Yes—and that’s by design. The longer holding period is part of what has historically generated return advantages over public markets. For investors with appropriate time horizons, limited liquidity is a trade-off worth understanding, not a reason to avoid.</p>	<p>Keep in Mind Typical holding periods range from three to seven or more years. Your advisor can help assess whether that fits your financial plan.</p>
<p>? “This sounds complicated.”</p>	
<p>Private markets do require more due diligence than buying an index fund—which is exactly why manager selection and advisor guidance are central to our approach. We do the research so you can make informed decisions with confidence.</p>	<p>Keep in Mind Calamos applies rigorous manager selection and ongoing monitoring across all private market allocations on your behalf.</p>
<p>? “Is this accessible to me?”</p>	
<p>Access has expanded meaningfully in recent years. A growing range of semi-liquid and interval fund structures has made private market investing more attainable for high-net-worth investors than at any prior point.</p>	<p>Keep in Mind Eligibility and minimums vary by strategy. A conversation with your advisor is the best starting point.</p>
<p>? “How do I think about risk?”</p>	
<p>Private alternatives introduce different risks than public markets—not necessarily greater ones. Diversifying across private equity, credit, real estate, and infrastructure spreads exposure across multiple, independent return drivers.</p>	<p>Keep in Mind Many well-publicized credit concerns in recent years originated in public, not private, markets. Diversification within the alternatives sleeve remains important.</p>

How We Approach This on Your Behalf

Incorporating private alternatives is not a one-size-fits-all decision. It requires the right time horizon, a clear understanding of each client’s liquidity needs, and careful attention to how different strategies fit together within a broader portfolio. These are conversations we have with every client before making any recommendations.

Our investment philosophy has always centered on quality over speculation, diversification over concentration, and long-term fundamentals over short-term noise. Our approach to private markets reflects those same principles. For suitable clients, we generally recommend a 10–30% allocation to private alternatives—not as a reach for yield, but as a deliberate step toward building a portfolio that is more resilient across a wider range of market environments.

The 60/40 portfolio remains a strong foundation. **We simply believe that in today’s market environment, that foundation can be made even stronger.**

Curious Whether Private Alternatives Belong in Your Portfolio?

We’d welcome the conversation. Connect with a Calamos Wealth Management advisor to explore how a modernized allocation might fit your goals, your timeline, and your definition of balance.

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Private Alternative investments may not be suitable for all investors, and the risks of alternative investments vary based on the underlying strategies used. Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency. Unlike liquid investments, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for the investment in the fund and acknowledges and accepts the various risk factors that are associated with such an investment. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The views and strategies described may not be suitable for all investors. Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Calamos Wealth Management, LLC (“Calamos”)), or any non-investment related content, made reference to directly or indirectly in this piece will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained herein serves as the receipt of, or as a substitute for, personalized investment advice from Calamos. S&P 500 Index is generally considered representative of the US stock market. Bloomberg U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market.

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