The Rise of Private Markets: Reshaping the Future of Asset Management

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Introduction

Private markets used to feel like a private club. Access was limited, information was hard to find, and the products were designed mainly for institutions with long time horizons and sophisticated investment teams. That is changing quickly. Private equity, private credit, infrastructure, real estate, venture capital, and other less-liquid assets are moving closer to the center of mainstream portfolio management.

This shift creates real opportunities, but it also raises difficult questions. Why are institutions allocating more capital to private assets? What is driving the growth of private credit? Can individual investors gain access without being exposed to products they do not fully understand? And what happens when a fund promises periodic liquidity while holding assets that may take years to sell?

This article examines those questions across four sections.

Section 1 explains why private markets have expanded and how they differ from public markets. It looks at the forces pushing investors toward private assets, including the search for income, diversification, long-term growth, and exposure to companies and projects that do not rely on public exchanges for funding. It also explores the trade-offs: limited liquidity, difficult valuation, higher fees, uneven transparency, and the possibility that reported returns may not tell the whole story.

Section 2 focuses on institutional investors and the rise of private credit. Pension funds, insurers, endowments, family offices, and sovereign investors are using private assets for different reasons, but they share a need for careful portfolio construction and liquidity planning. Private credit deserves special attention because banks have stepped back from parts of the lending market while private lenders have moved in. The result is a growing source of corporate financing—and a new set of questions about leverage, underwriting standards, covenants, defaults, recoveries, and systemic risk.

Section 3 examines competition, technology, and operating models. Asset managers are no longer competing only on investment performance. They are competing on origination, distribution, data, valuation, cybersecurity, reporting, and client service. Technology and artificial intelligence may help managers process documents, monitor portfolios, and improve reporting, but they cannot replace judgment or accountability. The firms that scale successfully will be the ones that build a complete operating platform rather than simply gather more assets.

Section 4 turns to the future. It considers what the growth of private markets means for financial advisors, wealth platforms, asset managers, regulators, and investors. As private assets become more common in individual portfolios, advisors will need to think like portfolio architects—balancing return potential against liquidity needs, fees, tax considerations, concentration, valuation uncertainty, and the client's ability to withstand a difficult market. The section closes with a broader question: can the industry expand access without weakening transparency, suitability standards, and investor protection?

Private markets offer something public markets cannot always provide: direct access to long-term assets, customized financing, and investment opportunities outside traditional exchanges. They also demand more patience, more analysis, and more trust. Understanding both sides of that bargain is essential.

The future of asset management will not be a simple victory for private markets over public markets. It will be a more integrated system in which both play different roles. The managers and advisors best prepared for that future will be those who understand not only how to find attractive investments, but also how to value them, finance them, report on them, explain them, and manage them when conditions become difficult.

Section 1: The Growth and Institutionalization of Private Markets

Introduction

Private markets have moved from a specialized allocation used primarily by pension funds, endowments, sovereign wealth funds, insurance companies, and ultra-high-net-worth investors into a central part of institutional portfolio construction. The category includes private equity, venture capital, private credit, infrastructure, private real estate, secondaries, asset-backed finance, natural resources, and other investments that are not continuously traded on public exchanges.

The scale of this expansion is substantial. Preqin reported that global private capital assets under management reached approximately **$16.8 trillion at the end of 2023** and projected that the figure could rise to approximately **$29.2 trillion by 2029** (Preqin, 2024). The forecast includes multiple private-capital strategies and should not be interpreted as a guaranteed outcome. Still, it illustrates how private assets have become a major component of the global investment system.

This growth is changing more than portfolio allocation. It is reshaping how companies obtain financing, how infrastructure is developed, how investors access alternative assets, and how asset managers compete. Firms must reconsider product structures, distribution channels, technology, data management, operating controls, liquidity policies, and investor communication.

The central question is no longer whether private markets will become more important. They already are. The more consequential question is how asset managers will redesign their businesses as private assets become available to a broader range of institutional and individual investors.

The firms that answer that question effectively will be better positioned to capture future growth. Yet growth alone is not enough. Managers must also demonstrate that their products are appropriately structured, their valuations are credible, their liquidity terms are realistic, and their investors understand the risks they are accepting.

From Specialized Allocation to Portfolio Building Block

Private markets are not a single asset class. They are a group of investment strategies with different sources of return, risk characteristics, cash-flow patterns, and governance requirements.

Private equity provides capital to privately owned companies, often with the objective of improving operations, increasing revenue, strengthening management, and selling the investment after several years. Venture capital finances early-stage and high-growth companies. Private credit provides loans or other forms of direct financing to businesses, real-estate projects, consumers, or asset pools. Infrastructure investments may involve transportation, energy, communications, utilities, or other essential assets. Private real estate may generate rental income and capital appreciation. Secondaries provide liquidity to existing investors or acquire interests in seasoned private portfolios.

These strategies should not be treated as interchangeable. A private-credit fund with quarterly repurchase opportunities has a different economic profile from a closed-end venture-capital fund with a ten-year life. A core infrastructure investment with contracted revenue differs materially from a leveraged buyout dependent on earnings growth and an eventual sale. The label “private markets” describes the trading environment and ownership structure, not a uniform risk or return profile.

The expansion of private markets has been supported by several forces. Institutional investors have sought assets that may diversify public-market exposure, provide long-duration cash flows, or offer access to companies and projects that are not represented in listed markets. Companies have remained private for longer in some sectors, while borrowers have increasingly used nonbank lenders for customized financing. Asset managers have also created new legal structures intended to make private-market strategies easier to distribute through wealth-management channels.

Preqin’s estimate of $16.8 trillion in private capital AUM at the end of 2023 and its projection of $29.2 trillion by 2029 provide a useful measure of the category’s potential scale (Preqin, 2024). Comparisons across providers require caution, though. Definitions differ. Some datasets include only private-capital funds, while others include separately managed accounts, co-investments, evergreen vehicles, or additional alternative strategies. Measurement dates and valuation practices also differ.

The precise total is therefore less important than the direction of change. Private markets have grown sufficiently large that they now affect the structure of asset management, financial intermediation, portfolio governance, and investor distribution.

Table 1

Major Private-Market Strategies and Their Portfolio Roles

Strategy	Primary portfolio role	Main return drivers	Principal risks
Private equity	Long-term capital appreciation	Earnings growth, operational improvement, leverage, and exit valuation	Illiquidity, leverage, valuation uncertainty, and manager dispersion
Venture capital	Exposure to early-stage and high-growth companies	Business scaling, market creation, and successful exits	High failure rates, long holding periods, and extreme outcome dispersion
Private credit	Income and diversification from public fixed income	Contractual interest, fees, floating rates, and recoveries	Defaults, weak covenants, leverage, illiquidity, and valuation uncertainty
Infrastructure	Long-duration income and exposure to essential assets	Contracted revenue, regulated returns, operating income, and asset appreciation	Political, regulatory, construction, operating, and refinancing risks
Private real estate	Income, diversification, and tangible-asset exposure	Rent, occupancy, property appreciation, and development gains	Interest-rate, refinancing, occupancy, development, and liquidity risks
Secondaries	Portfolio diversification and potentially shorter investment seasoning	Discounted purchases, earlier distributions, and portfolio repricing	Selection risk, pricing uncertainty, and exposure to older assets
Natural resources	Real-asset exposure and potential inflation sensitivity	Commodity prices, production, and asset appreciation	Commodity cycles, environmental

			liabilities, and regulatory risk

Note. Strategies may overlap, and individual funds may combine multiple approaches. Risk depends on the manager, geography, vintage year, leverage, valuation methodology, and legal structure.

Institutional Investors Are Becoming More Sophisticated

Institutional investors supplied much of the capital behind private-market growth. Pension funds, sovereign wealth funds, endowments, foundations, insurance companies, and family offices use private assets for different reasons, but several objectives recur: diversification, income, access to long-duration cash flows, potential inflation sensitivity, and exposure to economic activity not fully represented in public markets.

The investment case is not limited to the possibility of higher returns. Infrastructure and private credit may help investors match long-term obligations with contractual or semi-contractual cash flows. Private equity and venture capital can provide access to companies that remain private during important stages of their development. Real estate and infrastructure may offer some relationship to inflation through rents, regulated pricing, concession agreements, or contractual adjustments.

The relationship between private assets and inflation is not automatic. Revenue escalation clauses may be limited, costs may rise faster than income, and leverage can magnify the effects of higher interest rates. Investors must analyze the specific contracts, financing arrangements, and operating assumptions supporting each asset rather than treating "real assets" as a blanket inflation hedge.

Illiquidity can contribute to return potential, but investors should not assume that every private investment earns a reliable illiquidity premium. Reported performance may also reflect manager skill, leverage, risk exposure, valuation practices, selection effects, or differences in performance measurement. Because private assets are valued less frequently than public securities, their reported returns may appear smoother even when their underlying economic values are changing materially.

Manager selection is therefore critical. Private-market performance can vary considerably across managers, strategies, geographies, and vintage years. A strong result from one fund does not guarantee similar performance in a successor fund. Institutional investors need more than a target allocation. They need disciplined due diligence, access to capable managers, independent valuation oversight, commitment pacing, scenario analysis, and a clear understanding of portfolio-wide liquidity.

Table 2

Institutional Objectives and Governance Requirements

Investor type	Common objectives	Key constraints	Governance priorities
Pension funds	Liability matching, diversification, and long-term returns	Benefit payments, funded status, and policy limits	Commitment pacing, liquidity forecasting, and asset–liability analysis
Sovereign wealth funds	Intergenerational wealth, diversification, and strategic exposure	Mandate restrictions, political oversight, and currency exposure	Geographic diversification, transparency, and direct-investment controls
Endowments and foundations	Long-term growth and support for annual spending	Spending policies, donor restrictions, and limited operating teams	Manager access, liquidity reserves, and concentration controls
Insurance companies	Yield, duration matching, and capital efficiency	Claims obligations, regulatory capital, and asset–liability constraints	Credit underwriting, capital treatment, and cash-flow predictability
Family offices	Capital preservation, growth, and customized exposure	Concentration, governance, tax, and succession considerations	Manager oversight, transparency, tax planning, and liquidity management

Note. Objectives and constraints vary by jurisdiction, mandate, funding status, and organizational capacity. The table summarizes common considerations rather than prescribing target allocations.

The growing institutional use of private assets has raised the standard for portfolio governance. Scenario analysis and stress testing should examine simultaneous shocks rather than isolated events. For example, a public-equity decline may occur at the same time that private distributions slow, capital calls increase, credit spreads widen, and collateral requirements rise.

Valuation oversight is equally important. Private-market net asset values are estimates based on models, comparable transactions, financing conditions, operating results, and other inputs. A stable reported NAV does not necessarily mean that an asset's economic risk has remained stable. Governance committees should understand who controls valuation, which assumptions are used, how often models are updated, and how conflicts of interest are managed.

Liquidity Is a Strategic Resource

Private-market investing changes the meaning of liquidity. For an institution, liquidity is not simply the amount of cash held on a particular day. It is the capacity to meet benefit payments, insurance claims, capital calls, collateral requirements, operating expenses, and other obligations without selling assets at unfavorable prices.

A practical framework divides liquidity into three layers. The first is operating liquidity: cash, Treasury bills, and other instruments available for immediate obligations. The second is reserve liquidity: marketable securities that can be sold under normal or moderately stressed conditions. The third is structural illiquidity: assets intended to be held for years, including private equity, venture capital, private credit, infrastructure, and private real estate.

The purpose of this structure is not to maximize cash. Excess liquidity can reduce long-term returns. The purpose is to ensure that the investor can meet obligations during difficult markets without becoming a forced seller.

Effective liquidity management requires connected practices. Investors should forecast capital calls and distributions across funds, strategies, and vintage years. They should test scenarios in which public markets decline, private distributions slow, capital calls increase, and financing costs rise at the same time. They should establish policies for credit facilities, secondary sales, collateral, and commitment pacing before a crisis occurs.

Liquidity policy also requires clear decision rights. Governance documents should specify who can draw on a credit facility, reduce commitments, sell secondary interests, rebalance public assets, or suspend new commitments. A liquidity plan that does not identify responsible decision-makers may fail precisely when speed and coordination are most important.

Table 3

Core Elements of Institutional Liquidity Management

Element	Purpose	Key question
Cash-flow forecasting	Estimates capital calls, distributions, and liabilities	What happens if distributions slow while capital calls accelerate?
Commitment pacing	Controls the rate of new private-market commitments	Are new commitments consistent with expected cash flows?
Stress testing	Measures resilience under adverse conditions	Can obligations be met during a public-market drawdown and private-market slowdown?
Liquidity reserves	Provides readily available capital	Are reserves sufficient without creating excessive cash drag?
Credit facilities	Supplies temporary liquidity	Are borrowing costs, collateral terms, limits, and repayment plans defined?
Secondary-market planning	Creates an option for rebalancing or raising liquidity	Which assets could be sold, at what likely discount, and with whose approval?
Governance	Clarifies authority and escalation procedures	Who acts when liquidity thresholds are breached?

Note. Historical capital-call and distribution patterns should not be the sole basis for liquidity planning. Frameworks should reflect liabilities, legal restrictions, risk tolerance, access to financing, and the potential for correlated stress.

Liability-driven investors face a related challenge: cash-flow timing. Private credit and infrastructure may generate contractual income, but the reliability of those cash flows depends on credit quality, covenant protection, refinancing conditions, operating performance, and the legal enforceability of contracts. Contractual income is not risk-free income.

A portfolio can appear well diversified by strategy while remaining vulnerable to the same underlying shock. Higher interest rates, weaker economic growth, refinancing stress, or a decline in exit activity may affect private equity, private credit, real estate, and infrastructure simultaneously. Liquidity management must therefore examine the economic drivers shared across strategies, not merely count the number of funds held.

Performance Requires Careful Interpretation

Private markets are frequently presented as having outperformed public markets. Some research supports that conclusion for selected strategies and periods. Harris et al. (2014), for example, found that the U.S. buyout funds in their sample outperformed public equities after fees. That result should not be generalized to every private-market strategy, manager, vintage, or investor.

Performance depends on the asset class, vintage year, manager, geography, leverage, fees, benchmark, and measurement method. Internal rates of return are sensitive to the timing of cash flows and are not directly comparable with time-weighted public-market returns. Subscription credit lines can delay capital calls and change the timing of reported cash flows, potentially increasing the internal rate of return without creating a corresponding increase in underlying investment profit.

Valuation frequency also matters. Private assets are not marked continuously in the same way as publicly traded securities. During a market decline, private valuations may adjust gradually, creating the appearance of lower volatility or weaker correlation. That smoother return series should not be mistaken for the absence of economic risk.

A sound evaluation should combine several measures. Internal rate of return describes the annualized effect of cash-flow timing. Total value to paid-in capital measures total realized and unrealized value relative to invested capital. Distributions to paid-in capital measures cash returned to investors. Residual value to paid-in capital measures the estimated value that remains. Public-market equivalents compare private-fund cash flows with a public benchmark, though results depend on the selected benchmark and methodology.

Investors should also separate realized results from estimated remaining value. A fund may report a strong total return while having distributed little cash. That distinction matters for investors with spending needs, liquidity requirements, or obligations to beneficiaries.

Table 4

Measures Commonly Used to Evaluate Private-Market Performance

Measure	What it shows	Main limitation
Internal rate of return	Annualized return based on the timing of cash flows	Sensitive to timing, leverage, and financing practices
Total value to paid-in capital	Total realized and unrealized value relative to invested capital	Relies partly on estimated NAV

Distributions to paid-in capital	Cash returned relative to invested capital	Excludes remaining portfolio value
Residual value to paid-in capital	Unrealized value relative to invested capital	Highly dependent on valuation assumptions
Public-market equivalent	Compares private-fund cash flows with a public benchmark	Sensitive to benchmark and methodology
Loss ratio	Share of investments producing losses	Does not show the magnitude or timing of gains
Vintage-year comparison	Compares funds formed in similar market conditions	Peer groups may be small or inconsistently defined

Note. No single measure provides a complete assessment. Evaluation should consider realized and unrealized results, fees, leverage, benchmark selection, valuation policy, and cash-flow timing.

The strongest conclusion is not that private markets always outperform public markets. It is that private markets offer a different combination of liquidity, access, governance, cash flows, and risk. Investors may accept reduced liquidity and greater complexity in exchange for potential return, diversification, income, inflation sensitivity, or access to assets unavailable through public markets.

That trade-off must be analyzed explicitly. The relevant question is not simply, "What is the expected return?" It is: **What risks are embedded in that return, how persistent are the results, and are investors being adequately compensated for the liquidity and complexity they accept?**

That question leads to the next stage of the private-markets story: the expansion of private assets into wealth management and the creation of products designed for investors who may not be able to commit capital for a traditional ten-year fund life.

Section 2: Private Credit, Wealth Management, and Product Design

Private Credit Is Reshaping Financial Intermediation

Private credit is one of the clearest examples of how private markets are changing the financial system. Private-credit funds lend directly to companies, finance assets, purchase loans, or provide customized capital when bank or public-market financing may be unavailable, too slow, or poorly suited to the borrower's needs.

The sector has expanded rapidly. Private debt assets under management were estimated at approximately **$1.5 trillion at the end of 2023**, with projections reaching approximately **$2.6 trillion over the following five years** (9fin, 2024). The estimate includes several forms of private lending, and definitions vary across providers. Even with those limitations, the figures indicate that private credit is no longer a niche financing channel.

Several forces have supported its growth. Banks have faced tighter capital, liquidity, and supervisory requirements since the global financial crisis. Borrowers have sought speed, confidentiality, certainty of execution, and flexible documentation. Institutional investors have sought floating-rate income and diversification from traditional fixed-income markets. Private lenders have responded by building origination networks and underwriting capabilities across direct lending, asset-based finance, real-estate debt, specialty finance, and opportunistic credit.

Growth does not make private credit inherently unstable, but it increases the consequences of weak underwriting. A private-credit portfolio can appear diversified by borrower and industry while remaining exposed to common risks, including higher interest rates, declining earnings, refinancing pressure, weak covenant protection, and lower recovery values.

Private credit should therefore be evaluated as a lending business, not simply as a high-yielding asset class. Yield alone says little about the quality of a loan portfolio. Investors need to understand borrower leverage, interest coverage, covenant strength, sponsor behavior, sector concentration, payment-in-kind interest, amendments, defaults, recoveries, and valuation policy.

The central analytical questions are straightforward:

- Is the lender being adequately compensated for the risk?

- Can the borrower service its debt under less favorable conditions?
- Does the documentation provide meaningful protection?
- What assets or enterprise value support recovery if the borrower defaults?
- Are troubled loans being marked realistically?
- How much fund-level leverage is being used?
- What happens if a loan cannot be refinanced when it matures?

These questions matter because private loans are not continuously priced in public markets. A portfolio may report stable NAVs while borrowers experience declining earnings, rising interest burdens, or reduced access to refinancing. Delayed recognition of credit deterioration can make reported returns appear stronger than economic results.

Table 5

Private-Credit Risk Factors

Risk factor	Why it matters	Indicators to monitor
Borrower leverage	Higher debt increases sensitivity to weaker earnings and higher rates	Debt-to-EBITDA, net leverage, and leverage changes
Interest coverage	Measures the borrower's ability to service interest expense	EBITDA-to-interest expense and cash-interest coverage
Covenant protection	Determines the lender's ability to act before a default	Maintenance covenants, incurrence tests, and covenant waivers
Payment-in-kind interest	May preserve short-term liquidity while increasing principal	PIK accruals, PIK-to-cash-interest ratios, and maturity balances
Refinancing risk	Borrowers may face materially higher financing costs at maturity	Maturity schedules, lender appetite, and projected debt capacity
Sector concentration	Common shocks can affect multiple borrowers simultaneously	Industry, geography, and business-model exposure

Recovery value	Determines potential loss severity after default	Collateral quality, enterprise value, priority, and documentation
Fund-level leverage	Can increase returns and losses	Borrowing base, covenants, margin requirements, and refinancing terms
Valuation policy	Determines when deterioration appears in reported NAV	Valuation frequency, independent review, and model assumptions

For asset managers, private credit requires disciplined underwriting before a loan is made and continuous surveillance afterward. Data systems should identify weakening borrowers early. Portfolio teams need authority to challenge valuations, request additional information, and escalate problems. Compensation should reward durable, risk-adjusted returns rather than rapid deployment or headline yield.

The expansion of private credit also changes the relationship between banks and nonbank lenders. Private funds may compete with banks for borrowers, purchase loans from banks, partner with banks, or provide capital alongside banks. This creates a more interconnected financing system. Investors should understand not only the credit risk of individual borrowers but also how the fund interacts with banks, sponsors, asset servicers, insurers, and other financial institutions.

Wealth Management Is Opening a New Distribution Channel

The next major phase of private-market growth is likely to come from wealth management. Traditional private funds were generally designed for institutions and qualified investors able to meet high minimums, manage capital calls, and accept holding periods of ten years or more. That model is now being supplemented by interval funds, tender-offer funds, evergreen funds, feeder structures, business development companies, and private-market model portfolios.

Morningstar has identified interval funds as a prominent vehicle for private credit, private real estate, and private-equity exposure in model portfolios (Morningstar, 2025a). These structures can make private-market exposure easier to access, but they do not eliminate the underlying risks.

The products vary in legal structure, valuation method, investor eligibility, fees, leverage, tax treatment, and redemption terms. Some accept subscriptions on a continuing basis. Some offer periodic repurchase opportunities. Others depend on discretionary tenders or secondary transactions. A feeder fund may simplify access to an underlying private fund, but it can add another layer of fees and administration.

Access is not the same as liquidity. An interval fund may offer quarterly or other periodic repurchases, but investors generally cannot assume that they can redeem their entire position whenever they choose. Repurchase requests may be limited, prorated, postponed, or rejected under the governing documents. The underlying assets may take months or years to sell.

Morningstar has specifically identified the liquidity risks associated with bringing private assets into retail products as a significant issue for the convergence of private markets and wealth management (Morningstar, 2025b). The concern is not simply whether a fund offers a redemption date. It is whether the promised liquidity is consistent with the time required to value, finance, and sell the underlying assets under stress.

A product that offers quarterly repurchase opportunities is not economically equivalent to a daily-dealing mutual fund or exchange-traded fund. “Semi-liquid” can be a useful description, but it may create unrealistic expectations if investors interpret it as guaranteed access to cash.

Table 6

Private-Market Vehicles Used in Wealth Management

Vehicle	Typical access model	Liquidity feature	Main advantages	Main considerations
Evergreen fund	Periodic or continuous subscriptions	Varies by structure	Ongoing deployment and simplified vintage diversification	Valuation, cash management, and redemption capacity
Interval fund	Registered closed-end structure	Periodic repurchase offers	Broader access and standardized reporting	Repurchases are limited and may be oversubscribed

Tender-offer fund	Periodic subscriptions	Discretionary or scheduled tenders	Can hold less-liquid assets without daily redemptions	Liquidity is not assured outside tender periods
Feeder fund	Aggregates investors into an underlying fund	Usually tied to the underlying fund	Lower minimums and access to established managers	Additional fees, structural complexity, and lockups
Business development company	Publicly traded or nontraded structure	Market liquidity for listed shares; limited liquidity for nontraded vehicles	Access to middle-market credit or equity	Leverage, credit risk, market discounts, and fees
Model portfolio	Advisor-directed allocation across vehicles	Depends on component funds	Portfolio-level integration and rebalancing	Suitability, coordination, and operational capacity
Customized managed account	Bespoke institutional or family-office mandate	Negotiated	Greater control and customized exposures	High minimums, complexity, and governance requirements

Note. Legal structure, investor eligibility, liquidity, tax treatment, leverage, valuation, and investor protections vary by jurisdiction and offering documents.

The expansion of private markets into wealth management creates a significant commercial opportunity. It also creates an obligation to match product design with investor understanding. Managers and distributors must provide clear information about fees, leverage, valuation, conflicts, liquidity limits, tax reporting, and potential losses.

Democratization should mean informed access. It should not mean transferring complex risks to investors who lack the resources, time, or experience to understand them.

Product Design Cannot Eliminate Illiquidity

The traditional closed-end private fund remains appropriate for many strategies because it aligns the life of the fund with the life of the assets. Managers can invest, improve, finance, and sell portfolio holdings without meeting daily redemption requests. Investors accept the lockup in exchange for access to a long-term strategy.

Wealth-oriented vehicles attempt to make private-market exposure easier to own. To support periodic repurchases, they may hold cash, maintain credit lines, allocate part of the portfolio to traded securities, stagger investments, use secondary markets, or restrict redemption amounts. Each mechanism has a cost.

Cash can reduce return potential. Credit facilities add expense and leverage. Holding more liquid assets may reduce exposure to the strategy investors intended to purchase. Secondary sales may occur at discounts. Redemption limits may leave investors with less liquidity than expected.

Liquidity transformation is especially difficult when the fund owns assets that are difficult to value or sell. A fund may publish a NAV at regular intervals even though the underlying holdings do not trade frequently. Investors therefore need to understand how the fund determines NAV, who performs the valuation, how often assets are independently reviewed, and what happens when markets become stressed.

The principle is simple: product engineering can redistribute liquidity risk, but it cannot make illiquid assets liquid. Funds holding less-liquid portfolios should generally offer smaller or less frequent redemption windows than funds whose holdings can be sold more readily.

Managers should design liquidity from the assets upward rather than from marketing preferences downward. Redemption terms should reflect the time required to value and sell the portfolio under normal, adverse, and severely stressed conditions. The liquidity policy should also account for leverage, margin calls, investor concentration, cash-flow seasonality, and the possibility of correlated redemption requests.

Table 7

Liquidity-Design Tools and Trade-Offs

Tool	Potential benefit	Cost or limitation
Cash allocation	Supports repurchase requests and operating needs	Reduces exposure to return-seeking assets

Credit facility	Provides temporary liquidity	Adds interest expense, leverage, and refinancing risk
Liquid-asset sleeve	Creates a source of assets that can be sold more readily	May dilute the private-market strategy
Redemption limits	Protects the fund from excessive asset sales	Investors may receive only part of their requested redemption
Secondary-market sales	May raise liquidity without selling the entire portfolio	Interests may need to be sold at discounts
Staggered deployment	Reduces concentration of near-term liquidity needs	May delay investment and affect return potential
Investor concentration limits	Reduces the effect of large investor withdrawals	May restrict distribution or require additional monitoring

Note. No tool eliminates liquidity risk. The appropriate combination depends on asset liquidity, investor behavior, leverage, cash-flow needs, and governing documents.

Investor Protection and Suitability

Private-market distribution through wealth channels places greater responsibility on advisors, fund sponsors, platforms, and regulators. Investors may focus on the stated yield or historical return without fully understanding the restrictions attached to the product.

Suitability analysis should address more than net worth or investment experience. It should consider the investor's time horizon, spending requirements, emergency reserves, tax situation, concentration, tolerance for delayed redemptions, and ability to withstand permanent loss.

An investor may be financially sophisticated yet still be unsuitable for a product if the investment could be needed during a period when repurchases are suspended or limited. Similarly, a product may appear attractive because it reports low volatility, even though the low volatility results partly from infrequent valuation rather than low economic risk.

Advisors should explain the difference between reported NAV stability and capital preservation. They should also explain the distinction between a target return and a contractual obligation. Private credit may offer floating-rate income, but borrowers can default. Infrastructure may have long-term contracts, but counterparties can fail and

regulation can change. Real estate may generate rent, but occupancy, financing, and property values can decline.

Fees also require careful treatment. Private-market products may include management fees, incentive fees, carried interest, placement fees, servicing fees, fund expenses, financing costs, and fees charged by underlying vehicles. Investors should understand how those costs affect net performance and whether the reported return is gross or net of expenses.

The Role of Data in Private-Market Distribution

Private-market wealth products generate substantial operational and reporting requirements. Managers must collect investor information, verify eligibility, process subscriptions, maintain capital accounts, calculate NAV, process repurchase requests, issue tax documents, and communicate portfolio developments.

Data quality is essential. Inconsistent definitions of committed capital, invested capital, NAV, unfunded commitments, distributions, and performance can confuse investors and make portfolio-level analysis difficult. Managers should establish consistent data dictionaries and reporting standards across funds and distribution platforms.

The challenge becomes more difficult when a model portfolio includes multiple private-market vehicles. The advisor may need to coordinate valuation dates, liquidity windows, tax reporting, cash-flow forecasts, and exposure limits across products with different operating calendars.

A credible reporting system should show the investor's total exposure, including direct holdings, underlying fund holdings, unfunded commitments, leverage, and overlapping portfolio companies or borrowers. Without that consolidated view, diversification may be overstated.

Implications for Asset Managers

Asset managers entering wealth management should not treat distribution as a marketing exercise. They need a service model capable of supporting advisors and investors before, during, and after the sale.

Product materials should explain:

- What the fund owns.
- How the assets are valued.
- How often investors may subscribe or request repurchases.

- Whether repurchases are limited or discretionary.
- How the fund manages cash and leverage.
- What fees are charged.
- How losses may occur.
- What happens during stressed markets.
- How tax reporting is handled.
- Which investors may be unsuitable for the product.

Managers should also test whether the fund can fulfill its stated liquidity terms under adverse conditions. That analysis should include delayed distributions, higher capital calls, falling asset values, increased borrowing costs, reduced financing availability, and large simultaneous repurchase requests.

The commercial pressure to gather assets should not override product discipline. A fund that promises more liquidity than its portfolio can support may grow quickly, but it will be vulnerable when investors need cash at the same time.

The strongest products will make their limitations clear. Investors are more likely to trust a manager that explains what a fund cannot do than one that implies that an illiquid portfolio can provide effortless liquidity.

The Transition From Institutional Product to Wealth Product

The movement of private assets into wealth management represents a change in product architecture, not just a change in distribution. Institutional investors typically negotiate customized terms, conduct extensive due diligence, and maintain internal staff or external consultants with private-market expertise. Individual investors often depend more heavily on advisors, fund documents, platform reporting, and standardized disclosures.

That difference creates a risk of information asymmetry. The product may be legally available to a broader investor base, yet the investor's ability to evaluate it may not expand at the same pace.

Managers should therefore treat education and transparency as part of the product itself. A vehicle that offers attractive access but confusing liquidity terms is not well designed. A platform that simplifies subscription paperwork but obscures total fees has not solved the investor's main problem.

The central objective should be usable access: a product that allows investors to participate in a private strategy while giving them a realistic understanding of return potential, loss risk, cash-flow timing, valuation uncertainty, and liquidity limitations.

Section 3: Competition, Technology, and Operating Models

Competition Is Shifting Toward Integrated Platforms

Asset managers have traditionally competed on investment performance, fees, brand, distribution, scale, and benchmark exposure. Private markets require a broader set of capabilities.

Deal sourcing and origination matter because attractive opportunities may not reach an open market. Underwriting matters because information is less standardized and transaction terms may be negotiated privately. Operational expertise matters because managers may influence the strategy, financing, governance, and performance of portfolio companies or borrowers. Distribution matters because private-market products require explanation and ongoing support. Technology matters because private-market investing generates large volumes of documents, financial data, legal agreements, investor records, and nonstandard reporting requirements.

Competition is therefore shifting from a product-centered model to a platform-centered model. A manager may offer a strong investment strategy, but that strategy will be difficult to scale if the firm cannot process subscriptions, calculate capital accounts, monitor covenants, produce reliable valuations, and communicate with investors.

Different types of firms enter this contest with different advantages. Traditional asset managers often possess broad distribution networks, established client relationships, compliance infrastructure, and experience with regulated products. They may lack direct origination networks or specialized underwriting teams. Private-market firms may have strong investment expertise and transaction relationships but limited access to wealth platforms. Banks bring lending relationships, structuring capabilities, and borrower data, but they operate within balance-sheet, capital, and regulatory constraints. Insurers possess long-duration capital and asset–liability expertise. Technology providers can improve onboarding, administration, reporting, and data exchange without necessarily managing investments themselves.

No single advantage is sufficient. A manager with strong historical performance but weak operational controls may struggle to scale. A firm with broad distribution but limited investment capability may gather assets without creating durable value. A technically

advanced platform cannot compensate for poor underwriting, weak valuation discipline, or inadequate risk governance.

The strongest firms will combine investment skill, origination, distribution, technology, risk management, operations, and client service in a coherent operating model.

Table 8

Capabilities Required to Scale Private-Market Platforms

Capability	Strategic purpose	Evidence of strength
Origination	Identifies investment opportunities before they become broadly marketed	Proprietary networks, repeat counterparties, and sector expertise
Underwriting	Assesses investment risk and expected return	Documented processes, independent challenge, and historical loss analysis
Portfolio management	Improves assets and monitors risk after investment	Operating resources, covenant surveillance, and escalation procedures
Distribution	Reaches institutions, advisors, and individual investors	Platform relationships, education, and client servicing
Product development	Matches legal structure and liquidity terms to assets	Clear terms, stress testing, and transparent disclosures
Technology	Connects investment, operations, risk, and reporting data	Integrated systems, automation, controls, and data lineage
Valuation	Produces credible and timely NAV estimates	Independent review, documented methods, and governance
Compliance	Supports regulatory and investor-protection obligations	Testing, surveillance, recordkeeping, and accountability
Client service	Maintains trust after the initial investment	Timely reporting, clear communication, and issue resolution

Scale, Specialization, and Consolidation

Scale offers clear advantages in private markets. Larger managers can invest more heavily in data, technology, regulatory compliance, product development, cybersecurity, and global distribution. They may also gain access to larger transactions and negotiate favorable terms with administrators, custodians, lenders, and other service providers.

Scale does not guarantee investment success. Specialized firms may retain advantages in narrow industries, regional markets, complex credit, smaller transactions, or operationally intensive strategies. Their edge may come from technical expertise and relationships that a large generalist cannot easily reproduce.

This tension between scale and specialization is likely to encourage acquisitions, strategic partnerships, and shared infrastructure. Traditional asset managers may acquire private-market firms to add investment capability. Alternative managers may partner with wealth platforms to expand distribution. Insurers may form relationships with private-credit specialists. Banks may distribute third-party funds. Technology providers may connect managers, administrators, advisors, and investors.

The result is a more connected ecosystem in which investment management, distribution, servicing, administration, and technology may sit within one organization or across a network of strategic partners.

Partnerships can accelerate growth, but they also create oversight responsibilities. A manager that relies on a third-party administrator, valuation agent, technology provider, or distributor remains responsible for understanding the provider's controls and performance. Outsourcing a function does not outsource accountability.

Table 9

Potential Advantages and Limitations of Different Firm Types

Firm type	Potential advantages	Potential limitations
Traditional asset manager	Distribution, regulatory infrastructure, and client relationships	May lack proprietary origination and private-market operating expertise
Specialized private-markets firm	Investment expertise, sourcing, and sector relationships	May have limited wealth distribution and technology infrastructure

Bank	Borrower relationships, structuring, and financing capabilities	Balance-sheet, capital, and regulatory constraints
Insurance company	Long-duration capital and asset–liability expertise	Regulatory capital requirements and portfolio concentration
Technology provider	Automation, data exchange, and workflow management	Does not replace investment judgment or fiduciary accountability
Wealth platform	Advisor access, client relationships, and portfolio integration	Requires strong due diligence, suitability controls, and liquidity monitoring

Technology Is Becoming Essential

Private markets have long relied on spreadsheets, PDF documents, email, manual reconciliations, and disconnected systems. Those processes become harder to sustain as the number of funds, investors, transactions, borrowers, and reporting requirements increases.

A modern private-market platform should connect investor onboarding, eligibility checks, subscription documents, capital calls, distributions, fund accounting, portfolio monitoring, valuation, tax reporting, compliance, and investor communications. The goal is not simply to digitize paper. It is to create a reliable data structure that allows information to move across the organization without repeated manual entry.

The need for better data is especially clear in private credit. A lender may need to monitor borrower financial statements, borrowing-base certificates, covenant calculations, collateral reports, amendments, waivers, payment histories, and market information. If these materials remain scattered across email and spreadsheets, risk teams may discover deterioration only after the borrower has lost significant financial flexibility.

The same issue applies to private equity and infrastructure. Managers need consistent information about revenue, margins, capital expenditure, debt, operating milestones, environmental conditions, regulatory developments, and exit assumptions. The information may come from management presentations, financial statements, legal agreements, board materials, engineering reports, and third-party providers.

A centralized data architecture can improve the speed and consistency of analysis. It can also make errors easier to identify. Yet centralization introduces its own requirements: data ownership, access controls, version management, cybersecurity, retention policies, and clear definitions of key metrics.

Table 10

Core Components of a Private-Market Data Architecture

Component	Function	Control requirement
Investor master data	Maintains identity, eligibility, commitments, and ownership records	Access controls and reconciliation
Fund accounting	Tracks NAV, capital accounts, fees, and allocations	Independent review and audit trail
Investment data	Stores transactions, positions, costs, and valuations	Consistent definitions and source documentation
Portfolio monitoring	Tracks operating, financial, and risk indicators	Timely updates and escalation rules
Document management	Organizes contracts, reports, and legal materials	Version control and permission management
Workflow automation	Routes approvals, tasks, and exceptions	Segregation of duties and testing
Reporting layer	Produces investor, regulatory, and management reports	Data lineage and quality checks
Cybersecurity controls	Protects sensitive investor and portfolio information	Monitoring, incident response, and access reviews

Artificial Intelligence and Private Markets

Artificial intelligence can assist with document extraction, data classification, due diligence, covenant monitoring, portfolio surveillance, reporting, and investor service. A system may compare provisions across loan agreements, identify missing information in

financial statements, summarize management reports, flag changes in borrower performance, or help prepare recurring reports.

The value of these tools depends on data quality and governance. Private-market information is often incomplete, delayed, inconsistently defined, or trapped in unstructured documents. An AI system trained or prompted with poor data can produce a polished but unreliable answer.

AI output also depends on context. A covenant breach may be technical rather than economically significant, while a borrower that remains within its formal covenants may still be deteriorating. A model can identify a change in language or a deviation from historical performance, but investment professionals must determine what the change means.

Responsible use requires clear ownership of data, documented models, access controls, testing, cybersecurity, validation, and human review. Material investment, valuation, credit, and suitability decisions should not be delegated to opaque systems without accountability.

AI should strengthen judgment, not disguise its absence.

Table 11

Potential Applications and Controls for Artificial Intelligence

Application	Potential use	Required control
Document review	Extracts terms from loan agreements, contracts, and reports	Human verification and source referencing
Due diligence	Organizes information and identifies inconsistencies	Analyst review and documented conclusions
Covenant monitoring	Flags changes in financial ratios or compliance status	Defined thresholds and escalation procedures
Portfolio surveillance	Identifies changes in operating or financial indicators	Timely data feeds and false-positive testing
Valuation support	Assists with comparable-company or transaction analysis	Independent valuation oversight
Investor reporting	Produces summaries and recurring communications	Review, approval, and disclosure controls

Client service	Answers routine questions using approved information	Permission controls and restricted content
Compliance monitoring	Identifies unusual activity or missing documentation	Model validation and regulatory review

The Operating Model Must Change

Private assets impose heavier operational demands than many public-market strategies. They require legal documentation, investor eligibility checks, subscription processing, capital-account maintenance, waterfall calculations, capital calls, distributions, valuation, tax reporting, portfolio-company data collection, and ongoing compliance.

These demands multiply when a manager serves both institutional and wealth clients. Institutional investors may request detailed portfolio, risk, exposure, and cash-flow data. Wealth platforms may need standardized feeds, frequent valuation updates, advisor materials, streamlined subscription procedures, and tax documents. Regulators and auditors expect reliable records and consistent controls.

The challenge is to support this complexity without allowing costs and errors to rise at the same pace as assets. Centralized data, standardized workflows, automation, and clear control ownership are essential.

Managers should begin by identifying the activities that create the greatest operational risk. These may include capital-call calculations, investor eligibility, fee allocation, waterfall distributions, NAV production, valuation adjustments, tax reporting, and reconciliation between the manager and external administrator.

Automation is valuable when the process is stable, the inputs are reliable, and exceptions can be identified. Automating a poorly defined process may simply make errors occur faster. Managers should therefore document procedures before automating them and establish controls that test both the process and its outputs.

Table 12

Operating Priorities for Private-Market Managers

Priority	Operational objective	Common failure point
Standardization	Creates consistent workflows across funds and products	Different definitions and manual exceptions

Automation	Reduces repetitive processing and reconciliation	Poor data or insufficient exception handling
Centralized data	Provides a common record across functions	Conflicting systems and unclear ownership
Control ownership	Assigns responsibility for key processes	Assumptions that another department owns the risk
Third-party oversight	Monitors administrators and service providers	Limited testing or weak service-level reporting
Scalability	Supports asset growth without proportional cost growth	Capacity constraints and manual workarounds
Business continuity	Maintains operations during outages or crises	Inadequate recovery testing
Cybersecurity	Protects investor and portfolio information	Excessive access and delayed incident response

Outsourcing can help, but it does not remove accountability. Managers remain responsible for oversight of administrators, technology providers, valuation specialists, custodians, and other third parties. Due diligence should examine financial stability, cybersecurity, business continuity, staffing, subcontractors, data ownership, incident history, and the provider's ability to meet reporting deadlines.

The most durable model combines human judgment, automation, centralized data, and specialized expertise. People should focus on decisions that require interpretation, negotiation, accountability, or contextual judgment. Technology should handle repetitive processing, reconciliation, document classification, and monitoring wherever controls can be designed and tested.

Governance and Risk Management

Private-market growth places additional demands on governance. Investment committees, risk committees, valuation committees, compliance teams, and operating functions must coordinate rather than operate in isolation.

A strong governance framework should identify the decisions that require independent review. These may include valuation changes, restructurings, related-party transactions,

conflicts of interest, covenant waivers, leverage increases, redemption restrictions, side-letter provisions, and exceptions to investment guidelines.

Governance should also distinguish between investment performance and asset gathering. A manager may be rewarded for increasing AUM even when the resulting product is operationally difficult to support or unsuitable for the target investor base. Compensation and promotion structures should include risk-adjusted performance, client outcomes, compliance, data quality, and operational resilience.

Private-market governance must also account for conflicts. A firm may manage multiple funds that compete for the same asset, provide financing to a company held in another vehicle, sell assets between affiliated funds, or distribute products through an affiliated platform. These situations require clear policies, independent review, and transparent disclosure.

Technology Does Not Replace Investment Judgment

Technology can improve speed and consistency, but it cannot eliminate uncertainty. Private-market decisions often involve incomplete information, negotiated terms, changing business conditions, and estimates of future value.

A data-rich platform may still produce a poor investment decision if the manager misunderstands the business model, overestimates exit demand, underestimates refinancing risk, or accepts weak documentation. Similarly, a machine-learning model may identify patterns in historical data that do not hold in a new economic environment.

Managers should treat technology as part of the control environment rather than as a substitute for it. Every automated recommendation should have a clear purpose, identifiable inputs, defined limitations, and an accountable owner. Where the decision is material, an appropriately qualified human should be able to challenge the output and explain the final conclusion.

Trust depends on that accountability. Investors need to know not only that a manager uses advanced tools but also that the manager understands when those tools may fail.

Implications for the Industry

The competition for private-market assets will increasingly be decided by the quality of the integrated platform. Investment capability remains essential, but it is only one component.

Managers must be able to originate investments, underwrite risk, monitor portfolios, structure products, manage liquidity, process investor activity, produce reliable valuations,

protect data, and explain performance. Weakness in any one of these functions can limit the firm's ability to scale.

The winners will not necessarily be the largest firms. They will be the firms that combine scale where scale creates value with specialization where specialized expertise matters. Some will build broad platforms. Others will focus on a narrow strategy and partner for distribution, administration, or technology.

The important distinction is whether the operating model is coherent. A firm should know which capabilities it owns, which it outsources, how it monitors third parties, and where final accountability rests.

Section 4: Advisory Implications, Strategic Priorities, and the Future of Asset Management

Financial Advisors Are Becoming Portfolio Architects

The expansion of private markets into wealth management changes the advisor's role. Advisors can no longer evaluate a private-market product solely by comparing its reported return with a public index. They must understand how the product behaves within the client's full portfolio.

That requires explaining lockups, repurchase limits, valuation methods, fees, leverage, capital calls, tax consequences, concentration, and performance measurement. Advisors must also determine whether clients can tolerate the investment operationally and emotionally. A product may appear suitable based on expected return and risk tolerance yet be unsuitable if the client could need the capital during the holding period.

Liquidity deserves particular attention. An investor may believe that a quarterly repurchase feature provides dependable access to cash, even though the fund may limit the amount redeemed, defer the transaction, or allocate only part of the portfolio to readily saleable assets. Advisors should explain the difference between scheduled liquidity and guaranteed liquidity.

The advisor's role increasingly resembles that of a portfolio architect. The advisor must decide how much illiquidity a client can bear, how private assets interact with public holdings, how commitments should be paced, and how the portfolio will meet spending needs during stressed conditions.

Table 13

Advisor Responsibilities in Private-Market Portfolio Construction

Responsibility	Key questions
Liquidity assessment	Could the client need this capital before the expected exit or repurchase date?
Concentration analysis	Does the client have overlapping exposure to the same sector, sponsor, borrower, or geography?

Fee analysis	What are the total direct, underlying, financing, and performance-related fees?
Valuation analysis	How frequently are assets valued, and how independent is the process?
Tax analysis	How will the investment affect tax reporting, income, distributions, and deductions?
Cash-flow planning	How will capital calls, distributions, and client withdrawals be coordinated?
Risk explanation	Does the client understand potential losses, delays, leverage, and valuation uncertainty?
Suitability review	Does the product fit the client's objectives, horizon, and ability to tolerate illiquidity?

Private credit illustrates the depth of analysis required. A stated yield provides only a starting point. The advisor should understand the borrowers, industries, leverage levels, covenant terms, default history, recovery assumptions, fee structure, valuation policy, and use of fund-level leverage.

The same principle applies to private equity, real estate, infrastructure, and venture capital. A product's label does not reveal its actual economic exposure. Two funds described as "private real estate" may differ materially in leverage, development exposure, property type, geographic concentration, redemption terms, and valuation policy.

Advisors should also evaluate the relationship between private and public holdings. A client may own a private-credit fund, bank loans, high-yield bonds, business development companies, and equity in financial institutions. The positions may appear diversified by product label while sharing exposure to the same borrowers, interest-rate environment, or credit cycle.

Scale, Specialization, and Consolidation

Private markets reward certain forms of scale. Larger managers can invest more heavily in data, technology, regulatory compliance, product development, cybersecurity, and global distribution. They may also gain access to larger transactions and negotiate favorable terms with service providers.

Scale does not guarantee investment success. Specialized firms can retain advantages in narrow industries, regional markets, complex credit, smaller transactions, or operationally intensive strategies. A specialist may know a sector, borrower group, or local market better than a broad platform.

The tension between scale and specialization is likely to encourage acquisitions, strategic partnerships, and shared infrastructure. Traditional asset managers may acquire private-market firms. Alternative managers may partner with wealth platforms. Insurers may form relationships with private-credit specialists. Banks may distribute third-party funds. Technology providers may connect managers, administrators, advisors, and investors.

Consolidation may improve the industry's ability to invest in operations, but it can also increase concentration and complexity. A larger platform may create conflicts between affiliated funds, distribute products through related entities, or use common valuation and financing arrangements across multiple vehicles. Investors should understand how the platform is organized and how conflicts are managed.

The industry is therefore moving toward a more connected ecosystem in which investment management, distribution, servicing, and technology often sit within the same platform or network of partnerships.

Five Priorities for Asset Managers

Build Distribution That Educates Rather Than Merely Sells

Institutional and wealth channels require different forms of communication, servicing, and due diligence. Managers should invest in advisor education, portfolio-construction tools, transparent product materials, and operational support.

Distribution teams must be able to explain why a strategy belongs in a portfolio, not simply describe its recent performance. They should explain the fund's liquidity, valuation, fees, leverage, tax treatment, and potential loss scenarios.

Managers should also monitor how products are presented by third-party distributors. A carefully written offering document cannot protect investors if the product is described informally as liquid, low risk, or bond-like.

Modernize Data and Technology

Managers should establish a consistent data architecture across investing, operations, risk, finance, compliance, and client reporting. Automation should target repetitive work, but control design must come first.

AI can improve document analysis, covenant monitoring, due diligence, reporting, and surveillance. Its outputs should remain reviewable and traceable. Managers should document the data used, the purpose of the model, the limits of the analysis, and the human responsibility for the final decision.

Data modernization should also support portfolio-level reporting. Investors increasingly need consolidated information across funds, including exposure, unfunded commitments, leverage, liquidity, fees, and overlapping assets.

Treat Liquidity Risk as a Design Constraint

Liquidity should shape the product from the beginning. Redemption terms, cash allocation, credit facilities, asset mix, valuation schedules, and stress-testing programs must be consistent with the underlying portfolio.

Managers should model severe but plausible scenarios rather than relying on normal-market experience. Scenarios may include falling public markets, slower private exits, higher capital calls, reduced financing availability, rising interest expense, increased redemption requests, and discounts in secondary markets.

The objective is not to eliminate illiquidity. That would be impossible for many private-market strategies. The objective is to ensure that the product's liquidity promise is realistic and that investors understand its limits.

Improve Transparency

Investors need clear information about fees, leverage, valuation, conflicts, portfolio concentration, liquidity restrictions, and performance.

Disclosures should be understandable as well as legally complete. Managers should distinguish realized results from unrealized estimates and explain how fund-level financing affects reported performance. They should also disclose material changes in valuation assumptions, credit quality, redemption capacity, and portfolio concentration.

Transparency is particularly important when products are distributed to individual investors. Institutional investors may have the resources to request additional information. Wealth investors often depend on standardized reports and advisor explanations.

Use AI With Strong Governance

AI can support underwriting, due diligence, monitoring, reporting, and client service. Its use should be governed by model validation, data protection, cybersecurity, access controls, documentation, and human oversight.

Sensitive investor and portfolio-company information requires particular care. Managers should define which data may be entered into external systems, how information is stored, who can access it, and how incidents are reported.

The objective should not be to use AI everywhere. It should be to use it where it improves accuracy, timeliness, consistency, or decision support without weakening accountability.

Financial and Regulatory Resilience

Private markets have become an important part of nonbank financial intermediation. As private funds lend directly to companies and hold less-liquid assets, regulators and investors have increased their attention to leverage, valuation, liquidity, interconnectedness, and risk transmission.

The Financial Stability Board's work on nonbank financial intermediation reflects the broader importance of monitoring activities that occur outside traditional deposit-taking banks (Financial Stability Board, 2025). Private-market managers should expect greater scrutiny of liquidity management, leverage, valuation, data quality, and relationships with banks and other financial institutions.

Regulatory attention does not mean that private markets are inherently unsafe. It means that the growth of the sector creates a need for stronger information, risk controls, and coordination. Managers that build credible systems before problems emerge will be better positioned than those that respond only after a liquidity event, valuation dispute, or operational failure.

The Future of Asset Management

Private markets are not merely expanding an alternative-investment category. They are changing the structure of asset management.

The old division between public and private investing is becoming less useful as institutions and individuals build portfolios across listed equities, fixed income, private equity, private credit, infrastructure, real estate, and other alternatives. Asset managers must increasingly understand how these exposures interact at the total-portfolio level.

The firms best positioned to succeed will not necessarily be those with the largest private-market portfolios. Size can help, but integration matters more. Strong firms will connect investment expertise, origination, data, distribution, technology, risk management, operations, and client service.

That integration is difficult. It requires managers to expand access without weakening investor protection, offer usable product structures without pretending illiquid assets are

liquid, automate operations without losing accountability, and use AI without compromising confidentiality or trust.

Private markets have become part of the core asset-management business. Their continued growth will reshape portfolios, financing, distribution, advice, and the infrastructure that supports investment management.

The firms that manage this transition well will connect the full value chain:

- investment sourcing and underwriting;
- portfolio construction and risk management;
- product design and liquidity planning;
- data, technology, and artificial intelligence;
- fund administration and investor servicing;
- advisor education and distribution; and
- governance, transparency, and accountability.

The result will not be a simple replacement of public markets with private markets. It will be a more integrated system in which public and private assets are combined according to their different roles, liquidity characteristics, cash flows, and risks.

The most important test will be whether the industry can expand access without weakening standards. Private markets can provide capital to companies, projects, and borrowers that may not be served efficiently through public channels. They can also provide investors with exposure to long-term assets and customized sources of income. Yet these benefits depend on sound underwriting, realistic valuation, disciplined liquidity management, and clear communication.

Private-market growth should therefore be judged by more than assets under management. The stronger measure is whether investors receive appropriate products, understandable information, credible performance reporting, and risk management that works under stress.

Final Strategic Perspective

The next phase of private-market development will be shaped by three related forces.

First, institutional investors will continue to demand strategies that support long-term objectives, diversification, income, and access to private economic activity. Their demands

will increase the importance of portfolio-level liquidity, independent valuation, commitment pacing, and scenario analysis.

Second, wealth-management distribution will broaden the investor base. This will create opportunities for asset managers, advisors, platforms, and service providers, but it will also raise the standard for product design and investor protection. Semi-liquid structures must be marketed as limited-liquidity products, not as substitutes for daily-dealing funds.

Third, technology will determine whether managers can scale without allowing operating costs, errors, and control weaknesses to grow at the same pace as assets. Data architecture and AI can improve the investment process, but only when supported by strong governance and human accountability.

Private markets have already moved into the center of the asset-management discussion. The remaining question is whether the industry will treat this expansion as an opportunity to build better portfolios and better institutions, or merely as a way to gather more assets.

The firms that succeed will understand that private-market investing is not only about finding attractive deals. It is about building a complete system that connects capital, investments, investors, information, liquidity, operations, and trust.

For readers seeking a deeper treatment of financial analysis, valuation, artificial intelligence, and alternative assets, two books by Ned Gandevani provide companion resources: *Business Analysis and Valuation in the Age of AI: Integrating Financial Fundamentals, Artificial Intelligence, and Investment Decision-Making* and *The Alternative Investment Handbook: A Comprehensive Guide to Analysis and Valuation Methods*. Readers should verify current availability and publication details through the author or the relevant bookseller.

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