

Getting Private Markets Right Starts with the Right Questions

In recent years, the private markets have undergone a striking evolution — not just in terms of strategy, but in accessibility. What was once the exclusive domain of institutions and ultra-high-net-worth investors is now steadily becoming available to individual investors, largely through the wealth management channel. Fueling this shift is a surge of new product structures, from evergreen funds to more retail-adapted drawdown vehicles. Designed to broaden access and simplify the private market experience. But this democratization comes with an urgent caveat: **access does not guarantee success.**

Why Private Markets Now?

The structure of the U.S. economy has changed dramatically over the past few decades. Public markets, once a mirror of economic activity, no longer reflect the full scope of enterprise. In fact:

- Private companies account for **85%** of all U.S. businesses generating over \$100 million in revenue.
- The number of U.S. public companies has dropped by **50%** over the last 25 years.
- S&P 500 companies now account for **less than 20%** of total U.S. employment and **only 15%** of domestic capital expenditures.

As public markets become more disconnected from the real economy, it's important to build a more diversified portfolio — including private companies that are creating real economic value.

Retail Demand Meets Institutional Structures

A generational shift is also underway. A recent Bank of America survey showed that **72% of investors aged 21–43** believe traditional stock and bond portfolios no longer suffice to generate above-average returns. This group is leaning heavily toward private equity, real estate, direct investments, and even digital assets.

Wealth managers are responding. Roughly **two-thirds** of advisors plan to increase client exposure to private markets over the next three years. Currently, individuals represent **20%** of total private market assets under management — a figure expected to rise to **37%** within five years.

But alongside this growing interest is a proliferation of new fund structures, many marketed as “access points” into these markets. **And here lies the tension: while entry barriers have fallen, the inherent complexity of private markets has not.**

Due Diligence Is Not Optional

Private market investments are fundamentally different from public market ones — not just in liquidity, but in structure, transparency, and governance. To navigate this, advisors and investors alike need to ask better questions.

For **traditional drawdown vehicles**, relevant areas of diligence include:

- Sponsor track record and investment team credentials
- Portfolio construction process and deal sourcing
- Terms such as waterfalls, preferred returns, key man clauses, and fee structures
- Legal reviews, audit oversight, and LP base quality
- Tax implications and regulatory risk

For **evergreen structures**, the checklist shifts slightly:

- Subscription/redemption frequency and liquidity gating mechanisms
- NAV calculation methodology and valuation frequency
- Investor eligibility thresholds and transparency reporting
- Asset-level liquidity and overall portfolio design

Put simply: complexity varies, but the need for critical questioning does not. Private market outcomes are inherently more dispersed than in public markets. When things go well, returns can be materially higher. But when they don't — due to poor manager selection, flawed structure, or asset mismatch — capital loss can be swift and unforgiving.

Choose Process Over Hype

Private markets are undergoing a lasting change in how capital is raised — not just a short-term trend. But tapping into this shift requires careful judgment. Top-tier managers continue to outperform by a wide margin, and aligning with them is non-negotiable if the goal is durable returns. In a market defined by wide dispersion, mere exposure isn't enough — manager quality makes all the difference.

For advisors guiding clients through this landscape, the message is clear: don't let the packaging obscure the product. The key to long-term success in private markets lies not in access alone, but in the discipline of asking hard questions — about the fund, the structure, and the people behind it.

Because in private markets, *who* you invest with — and *how* — matters far more than *what* you invest in.