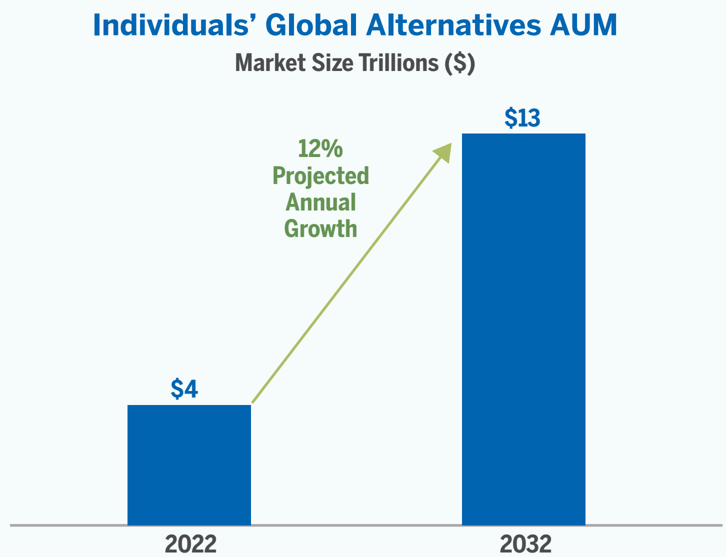
Democratizing Private Equity

Traditionally dominated by institutional investors, alternative investments such as private equity are now attracting significant interest from individual investors. This burgeoning interest could present a large potential opportunity for alternative asset managers given that the current institutional allocation to private markets is approximately 10x greater than that of individual investors.[1]



Source: Bain & Company, "Why Private Equity Is Targeting Individual Investors," February 2023. 2032 data is forecasted.

- Historically, the high minimum investments and long capital commitment periods associated with private equity have limited its accessibility for individual investors. However, as alternative asset managers recognize the untapped potential opportunity represented by individual investors and begin to design products for this market segment, these barriers to invest are being reduced.
- Managers are implementing innovative solutions that improve liquidity and reduce minimum investment thresholds to make alternative assets more accessible. Accordingly, Bain & Company estimates that private wealth allocations to global alternatives could increase from around $4 trillion in 2022 to over $13 trillion by 2032, as seen in the chart above.
- By expanding their investor base to include individual investors, alternative asset managers can increase fee-related income as assets under management grow. We believe that publicly traded alternative asset managers utilizing innovative solutions to reduce the traditionally onerous barriers to private equity could potentially benefit from this potentially multi-trillion-dollar asset base over the coming decade.

[1] U.S. institutions allocate 28% to private markets based on BlackRock's 2023 Global Private Markets Survey while we estimate U.S. mass affluent investors allocate 2-3% to private markets. According to Bain & company global assets under management are split roughly evenly between individual investors and institutions.

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