

# U.S. announcement paves the way for retailization of private markets

*President Trump's recent Executive Order signals a shift towards further opening up of private markets funds to retail investors, including those saving for their retirement. Many fund managers are already positioned to welcome these investors into their funds, through technological advancements and products such as semi-liquid funds. [Scott Kraemer](#) and [James Gow](#) consider what the announcement means for the private funds industry.*

Evolution in private markets is ongoing and while the flourish of a signature from President Donald Trump might make headlines, the reality is that the industry has long since started tapping into technological advancements to adapt products to accommodate retail investors. Trump's Executive Order from August 7th calls on the U.S. Department of Labor (DOL) and the Securities and Exchange Commission (SEC) to make it easier for investors to access alternative assets in their defined contribution retirement plans. It directs them to clarify or potentially revise rules that could help shield the industry from litigation risk.

In the U.S., this pool of retail investors will now extend to those who contribute into defined contribution workplace pension plans, a segment worth [\\$12.2 trillion](#) at the end of Q1 2025, according to the Investment Company Institute. This will likely accelerate the development of suitable investment vehicles, like [semi-liquid](#) and [evergreen funds](#), to meet the specific liquidity needs of retail investors.

In March this year, BlackRock's CEO Larry Fink noted at a retirement summit that, globally, institutions are blending public and private investments to achieve better returns. This, coupled with the reality that the number of public companies available for investment is dwarfed by the number that are privately held, means giving private markets access to a wider range of retirement investors should be a win-win for both investors and managers.

## How will the Executive Order facilitate access?

The [Executive Order](#) makes it possible for defined contribution investors to

benefit from managed exposure to longer-term private markets investments by clearing some of the regulatory hurdles faced by advisors managing these assets.

The mechanics are:

- The DOL is instructed to re-examine fiduciary guidance under the Employee Retirement Income Security Act (ERISA) to clarify how alternative assets can be included responsibly
- The SEC is directed to revise regulations to facilitate access to private assets in participant-directed plans
- The DOL, SEC, and Treasury Department are to coordinate on aligning regulations to support the Order's goals.

## **How big is the investment opportunity?**

The scale of the opportunity for private markets is huge, with around \$8.7 trillion held in 401(k)s alone with less than 1% currently held in private market investments. These 401(k) accounts allow American workers to invest part of their salaries before they are taxed and have traditionally been invested in publicly traded stocks, bonds, and index funds. This is why the current administration's Order that it should open up alternatives investments to retail retirement investors is significant and welcome news for our industry.

The caveat will be how the industry and regulators address concerns around sufficient regulation, transparency, and compliance to protect investors' interests and ensure the less sophisticated investors are adequately informed to understand the implications of long-term, illiquid investment.

Since the turn of the century, the number of publicly traded companies has declined as firms backed by private equity have grown. In the U.S., about 87% of companies with annual revenues of more than \$100 million are now private, according to the Partners Group, the Swiss-based global private equity firm.

Looking back to the year 2000 in the U.S., the number of publicly traded companies amounted to 6,917 compared to only 2,042 that were private equity-backed. Leap forward to the end of 2023 and those numbers have dramatically

switched, with 11,409 held privately and 4,572 available for public trading, according to the [Visual Capitalist](#).

## **What's driving the retailization revolution?**

Globally, regulators have already started putting guardrails in place to accommodate the [retailization](#) of private markets, which has its own set of drivers. Among them, a changing investor demographic as wealth is transferred between spouses and to descendants, as well as a growing number of high-net-worth individuals and family offices that want the portfolio diversification and potentially higher returns that private markets investing offers.

In the alternatives industry too, technological advances such as the mainstreaming of [digital assets](#), as well as AI and [automated](#) processes are revolutionizing managers' ability to onboard larger volumes of investors and deliver real-time reporting to address concerns around transparency and portfolio valuations.

The convergence of the changing demographics of investors, and the advancements in how funds are administered means fund managers can more effectively tap into these new pools of capital. Following the announcement earlier this month these pools would now include long-term retirement investors, offering a welcome additional source of capital at a time when institutional investors are hampered by the denominator effect, coupled with a growing need for liquidity to better manage uncertain times.

## **How can advisors capitalize on this opportunity?**

The closed-ended nature of private funds has historically ruled retail investors out of the alternatives space. High entry criteria and no subscription or redemption windows meant retail investors couldn't always access private funds in the first place, and even if they could their capital would be locked up for the life of the fund, with no liquidity windows to access their capital, if they needed to. These characteristics, and others, made closed-ended private funds inaccessible and undesirable for retail investors. However, many fund managers have started to build products that address these issues.

Fund managers such as UBS Global, Apollo Global Management and Blackstone

have launched [semi-liquid](#) funds that allow for liquidity needs by blending public and private investments, building in liquidity windows when investors can withdraw their capital and others can invest. The U.S. semi-liquid market is already worth more than \$2 trillion and the Executive Order, despite expected legal and regulatory hurdles, is expected to accelerate that value.

In the European Union, regulators are also giving greater access to retail investors. The European Long Term Investment Fund ([ELTIF](#)) was created to encourage a more diverse pool of investors to invest in long-term infrastructure projects on the continent. The value of these is expected to reach \$50 billion by 2028.

## What support do you need?

Globally, the retailization of private markets has already begun. President Trump's Executive Order will turbocharge this trend, pushing alternatives more mainstream and creating investment opportunities for an even more diverse pool of retail investors. At Aztec, we work with clients across the fund lifecycle and already administer semi-liquid and retail-focused funds, like ELTIFs and LTAFs, on both sides of the Atlantic.

If you'd like to discuss any of the topics raised in this article or how we can support you to implement your strategy, please contact us below.



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