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Retail alternatives
operating model
considerations

The retail alternatives market is entering a period of accelerated evolution, marked by rising investor appetite for diversification and access to nontraditional asset classes. Once reserved for institutional investors, private market opportunities are increasingly available to individuals through innovation in product structures and digital distribution. As firms compete to capture this growing segment, they must balance accessibility with operational rigor, regulatory compliance, and scalability. This paper explores the key drivers shaping the retail alternatives landscape, analyzes strategic and operational considerations for market participants, and outlines a practical approach to designing and implementing an effective operating model.

Market dynamics and competitive landscape

The retail alternatives market is experiencing significant growth, driven by increasing investor appetite for diversification, yield, and access to nontraditional asset classes. Individual investors are seeking exposure to private equity, real estate, infrastructure, and private credit, historically accessible only to institutional clients. Regulatory changes and product innovation are further enabling retail participation, while financial advisers and wealth platforms are expanding their offerings to meet this demand.

Deloitte Center for Financial Services predicts that retail investors' allocations to private capital will grow exponentially, from an estimated US\$80 billion to US\$2.4 trillion by 2030 in the United States.¹

Retail demand for private markets has been propelled by several tail winds:

- **Outperformance versus public markets:** High return targets and lack of yield in public markets have driven investors to look toward alternatives.
- **Lowering investment minimums:** Firms are lowering investment minimums, thereby decreasing the barrier to entry for retail participants.
- **Technology platforms:** Technology platforms have aided in increasing access to liquid alternatives through pooled alts platforms.
- **Innovative new vehicles:** Innovative new vehicles include interval funds, business development companies (BDCs), non-traded REITs, and open-ended liquid alts.

The competitive landscape for liquid alternatives is evolving rapidly as asset managers, both traditional and alternative, compete to deliver institutional-style strategies in regulated, semi-liquid vehicles.

On the one hand, traditional asset managers are focusing typically on 1940 Act liquid alts (e.g., alt mutual funds, ETFs) but expanding into interval funds. They typically leverage key advantages around an existing broad distribution network (wirehouses, RIAs), a trusted brand for affluent investors, and operational scale and ETF capabilities. On the other hand, many private assets available to retail investors are currently held within interval funds managed primarily by private capital firms. Private capital firms have the advantage of strong sourcing of alternative investment strategies and deep private market expertise, and they are popular with high-net-worth and adviser-sold platforms.



Key considerations when designing an operating model for retail alternatives

Designing an effective operating model for retail alternatives presents unique challenges due to product intricacy, regulatory demands, and the need for scalable processes. Key decisions around product structure, asset class, sourcing strategy, client channels, and distribution directly influences operational and technological design. There are five key questions firms should consider when designing an operating model:

- 1 What investment vehicle is best?** A mutual fund, an interval fund, a REIT, or something else? Each structure/vehicle has its own requirements, rules for eligibility, liquidity, subscriptions, redemptions, and so on. The goal is to choose an investment vehicle that balances accessibility for retail investors with the firm's goals and its operational realities.
- 2 What types of alternatives are we offering for the illiquid part of the product?** Different asset classes have different requirements for things like valuation, data management, portfolio monitoring, and regulatory compliance. It's important to pick asset classes that fit the firm's expertise and operational capabilities, as well as long-term plans, but also make sense for retail investors' needs and risk tolerance.
- 3 How should we source investments?** How will they get access to these investments? Should they build the capabilities internally, or acquire a specialist alts firm, or partner with an existing alternatives manager? Each approach has trade-offs in terms of speed, cost, and how well it fits with the firm's long-term strategy. Integration and branding are also important —will the product carry the firm's name or be co-branded with a partner?

- 4 What client channel should we use?** Who are we targeting, and how will we reach them? Will it be through financial advisers, private banks, independent broker-dealers, or directly to consumers? Each channel has different expectations for fees and the level of service and support required.
- 5 How will the product be distributed?** Should we partner with a tech platform, build its own distribution team/supporting technology, or rely on wholesalers? Distribution decisions affect cost, brand visibility, and the ability to scale. It's also about building strong relationships with distributors and making sure the product gets prioritized.

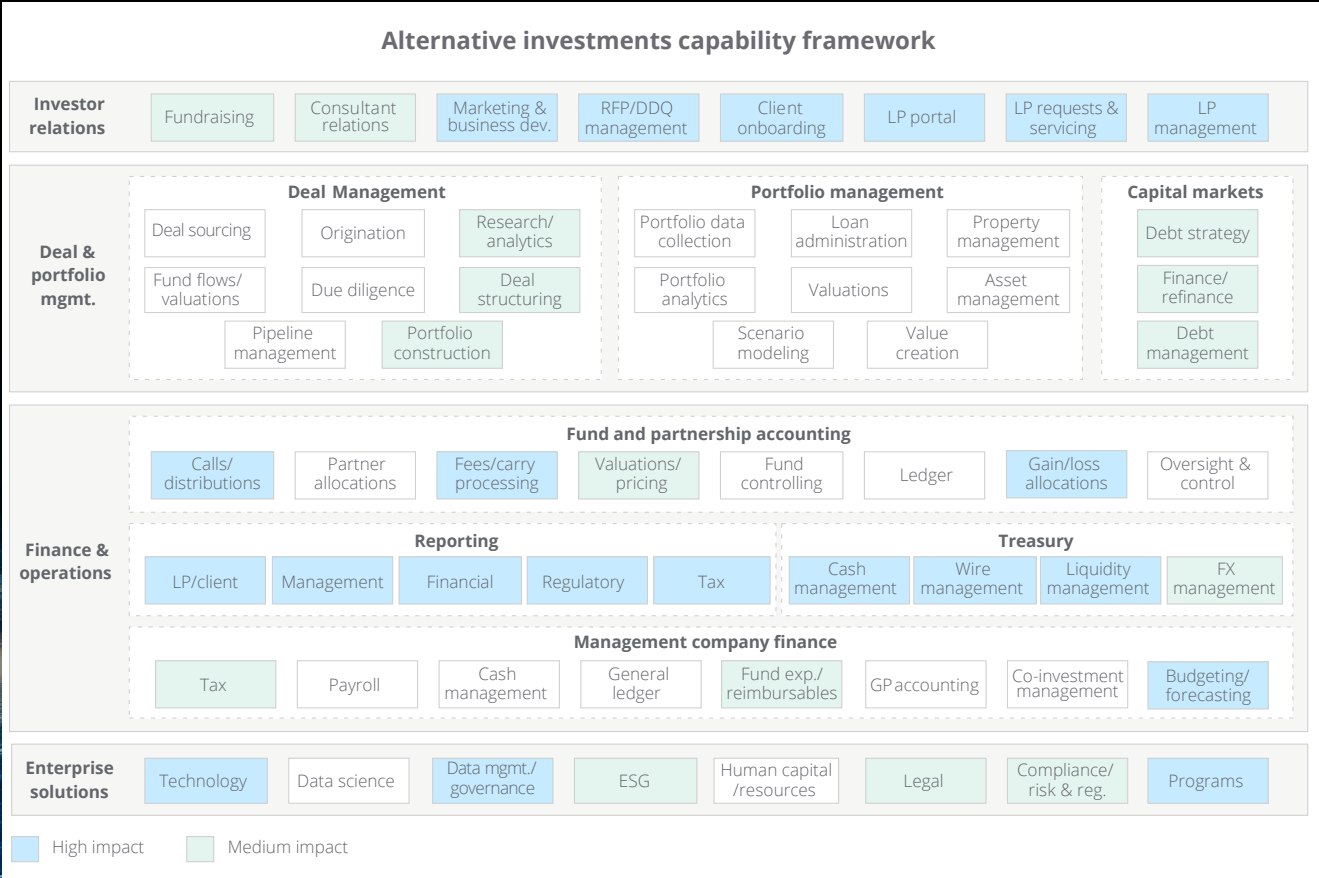


Key changes in operating model

Alternative investment managers

Alternative investment managers entering retail with alternative products will likely impact multiple capabilities across the value chain. Below is a summary of high and medium impact capabilities:

- Retail product structures (e.g., interval funds, BDCs, etc.)
- Systems or services to manage fund setup, and new data feeds for portfolio data collection and valuation
- Processes and systems for monitoring performance attributes for new retail products
- Requirements for cash flow management in case of evergreen structure
- Need to enhance core finance and operations capabilities to support a much larger number of limited partnerships and capital activity
- Need for new processes and tools to conduct oversight if partnering with new wealth platform or advisers
- Potential opportunity to leverage tokenization to enhance efficiency of operations and security
- Need for process changes and tech modifications to enable participant-level customization and interface with intermediaries
- Accounting, tax, and regulatory requirements
- Hurdles to operationalize the new legal structure and dealing with new tax and regulatory requirements
- Upgraded skills and processes to cope with new legal/compliance requirements



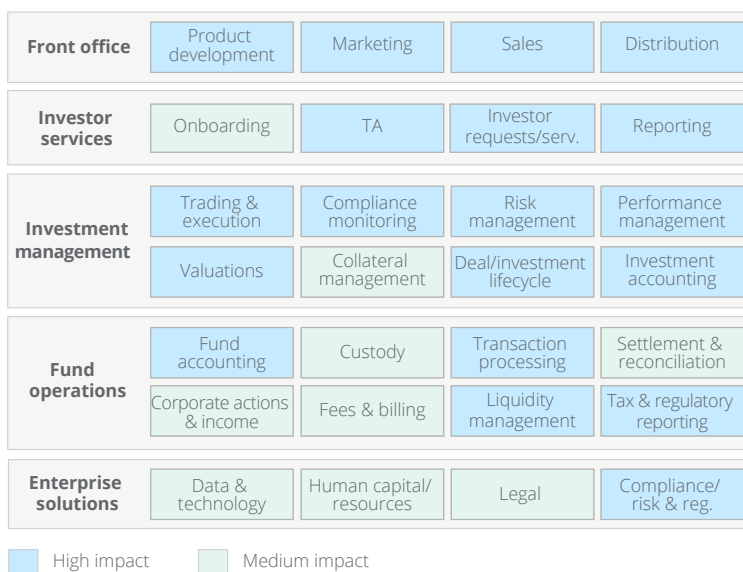
Key changes in operating model

Traditional investment managers

Traditional investment managers targeting retail investors with alternative products will likely impact capabilities across the entire value chain. Below is a summary of high and medium impact capabilities:

- Retail product structures, fees, and marketing strategy
- Talent or training for selling alternatives products
- Updated channel relationships (broker-dealer alts desk) and retail investor education for existing channels
- Additional anti-money laundering/know-your-customer accreditation (if applicable) and account setup requirements
- Transfer agency ability to manage subscription/redemption window mechanics and proration rules
- May need capital call-like mechanics if structured as fund of funds
- Potential new alts deal/portfolio monitoring capability if alts strategy sourced internally or for rebalancing
- Enhanced liquidity management (and tools) to handle redemption forecasting and cash planning
- Enhanced data integration capability to blend public and private data sets
- New processes and systems for monitoring performance attributes for new alts products
- Additional disclosures for account statements and performance updates for private asset reporting
- New illiquid asset valuation processes and methodology
- Net asset value frequency shifts and fund accounting integration with new systems for data feeds
- Enhanced investor portal to allow for self-service subscriptions and to manage redemptions, tax docs, and fees
- Need for alts retail-oriented team if not leveraging strategic partnerships
- Updated accounting, tax, and regulatory requirements
- Compliance demands (SEC 23c-3 compliance for redemption offers, FINRA marketing review)
- SEC scrutiny on valuation policy and marketing claims around “private” exposure
- Upgraded skills and processes to cope with new legal/compliance requirements

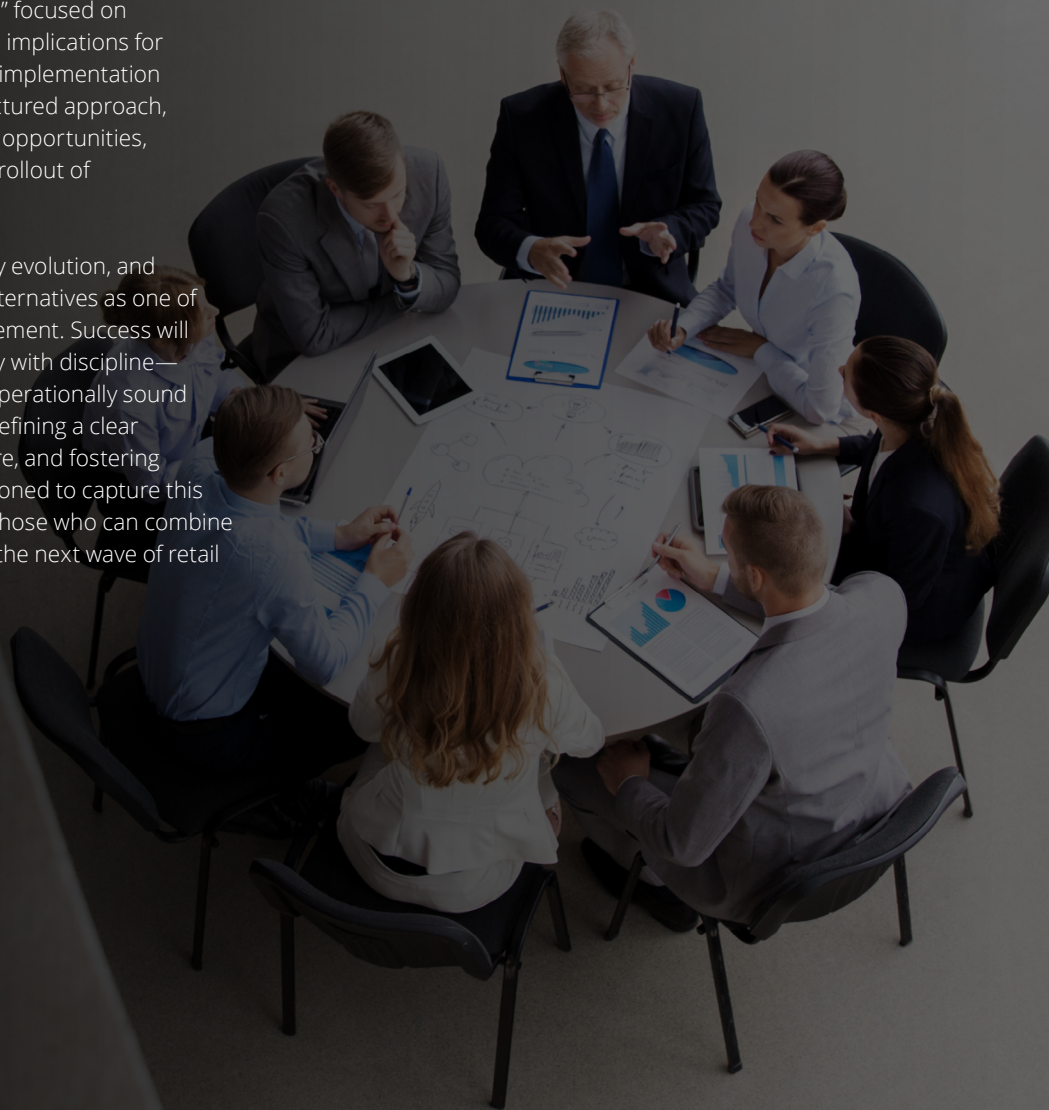
Alternative investments capability framework



Considerations and next steps

We recommend that firms begin with a “Phase 0” focused on validating future-state ambitions, identifying the implications for the operating model, and developing a detailed implementation roadmap. By taking a more thoughtful and structured approach, firms can better align their strategy with market opportunities, anticipate operational challenges, and ensure a rollout of new offerings.

The convergence of investor demand, regulatory evolution, and technological innovation has positioned retail alternatives as one of the most dynamic growth areas in asset management. Success will depend on a firm’s ability to balance accessibility with discipline—offering institutional-grade strategies through operationally sound and scalable models. Firms that invest early in defining a clear operating vision, modernizing their infrastructure, and fostering cross-functional collaboration will be best positioned to capture this emerging opportunity. As the market matures, those who can combine innovation with operational excellence will lead the next wave of retail alternative growth.



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Endnotes

1. Deloitte Center for Financial Services

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