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Private markets for the public: The rise of retail alternatives

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Center for
**Regulatory
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US**

Policy tailwinds

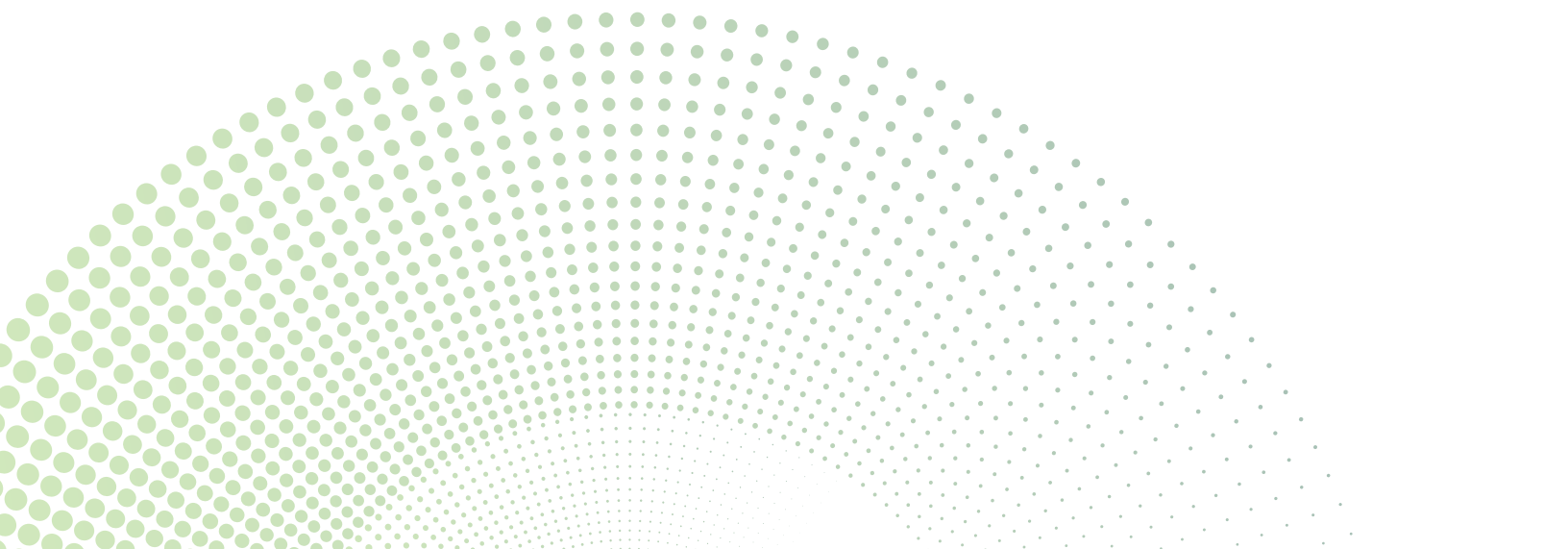
The traditional boundaries between public and private capital markets are beginning to blur, as a combination of regulatory momentum and market innovation accelerates retail access to private market investments.¹ For decades, access to private equity, venture capital, hedge funds, and other alternative assets was largely restricted to institutional investors and individuals deemed “qualified” to make such investments—those with defined high net worth or income thresholds under Securities and Exchange Commission (SEC) rules. These limitations were designed with investor protection in mind, but they also excluded vast swaths of the population from participating in some of the most lucrative investment opportunities of the modern era.²

However, this paradigm is shifting. On August 7, 2025, President Trump signed an executive order with the stated goal of increasing 401(k) investor access to alternative assets.³ The order instructs the Department of Labor (DOL) to reexamine its guidance regarding a fiduciary’s duties under the Employee Retirement Income Security Act (ERISA) with respect to alternative assets, including private market investments.⁴ It also directs the SEC to explore revisions to its accredited investor and qualified purchaser restrictions.

The SEC has already been taking gradual steps to open retail investors to private market strategies. In 2020, the agency expanded the definition of who qualifies as an accredited investor, recognizing certain professional certifications. On August 15, 2025, the SEC issued an Accounting and Disclosure Information advisory, clarifying that the SEC staff will no longer request that registered closed-end funds that invest in private funds either limit private fund investments to 15% of their assets or require accredited investor status and minimum investment requirements for their investors.⁵ A practical effect of this is that these funds will now be able to list their shares on an exchange, further increasing the universe of investors to a more retail client base while offering the enhanced liquidity of the public markets.

This growing momentum likely will reward marketplace innovators that move quickly. In this paper, we explore some critical steps to help capitalize on these policy tailwinds:

- Find an investment strategy—investor audience fit
- Productize such that underlying financials and exposures make sense
- Operate effectively



Private market retail strategy: Structuring for accessibility, scale, and compliance

As private market investments shift from institutional exclusivity to broader retail availability, fund sponsors will need to develop thoughtful, multidimensional strategies that consider product design, distribution mechanisms, and regulatory implications. Unlike institutional capital pools that allow for bespoke fund terms and extended lockups, retail-oriented offerings require scalability, liquidity management, financial adviser and client education, and robust operational controls.

Strategy foundations

Three questions should form the cornerstone of a private market retail strategy:

01. What unique and differentiated investment capabilities can I offer?
02. Who are the clients that I want to target or who want exposure to this investment strategy?
03. Which distribution platforms can best help me achieve my objectives?

The universe of private market investment strategies is diverse, and new product offerings are coming to market with increasing frequency. Finding alignment between investable assets and target end investors is critical to ensuring a successful product.

The first two questions can be thought of as a two-by-two where the ideal strategy positively satisfies both conditions:

	High retail demand	Low retail demand
Differentiated	Differentiated investment strategy and unmet retail interest	Differentiated investment strategy but limited retail appetite
Not differentiated	Undifferentiated investment strategy but excess retail interest	Undifferentiated investment strategy and low retail appetite

An ideal strategy is one that is both differentiated and targeting significant demand. Acceptable retail product strategies may include undifferentiated investment strategies where there is unmet retail demand; although these dollars may be less sticky as there are likely other, potentially similar products where funds can flow. Conversely, a retail strategy for a highly differentiated investment that has limited existing retail demand could be successful if appropriately marketed. Unsurprisingly, undifferentiated investments with low retail appetite are unsuitable for product innovation.

Accessing the right distribution platform is the third piece of the puzzle as it sits at the intersection of product development and the retail market. Selecting the right distribution platform is critical to the success of any retail alternatives product or strategy. The breadth of investor access is obviously a key component but other critical factors to consider in choosing a distribution partner are the level of education, compliance support and operational ease investors and advisors will experience.

Choosing the right product wrapper

The product “wrapper”—the legal and regulatory structure underpinning an investment product—forms the backbone of the identified strategy, determining which investors can access the investments and how. There are trade-offs across product structures with respect to liquidity, regulatory restrictiveness, valuation requirements, fund sponsor fee structures, and distribution access to consider. Selecting a product wrapper that aligns with the overall product strategy can be a complex analysis, especially given the aforementioned trade-offs, which we summarize in the table below.

Retail product structures

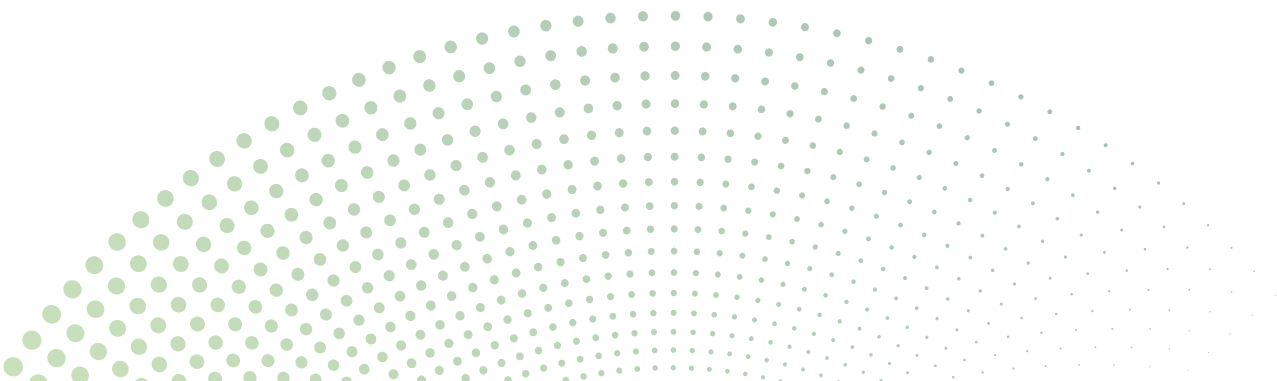
	Interval funds	Non-traded REITs ¹	Non-traded BDCs ¹	Tender offer fund	“Retail” ³ (c)(7) private fund	Control stakes (operating company)
Offering Type	Public offering	Public subscriptions and private placements			Public subscriptions and private placements	Public subscriptions and private placements
Typical eligibility	Non-accredited investors ²	Non-accredited (public subscriptions) and accredited investors (private placements)	Qualified clients, accredited investors and qualified purchasers		Qualified purchasers	Accredited investors
Subscriptions	Daily	Mostly monthly (sometimes daily)			Monthly	
Liquidity type	Regulated/required	Best efforts			Best efforts	
Liquidity amount	Minimum 5% quarterly (up to 25%)	Typically, 2% monthly (capped 5% quarterly)	Typically, 5% quarterly		Generally, up to 5% quarterly	
Asset class/strategy	All	Real estate (debt and equity)	Loans	Diversified private markets, PE, infrastructure	All but must structure to maintain 1940 Act exemption	

1. Excludes “private” REITs and BDCs (which are also non-traded but do not offer subscriptions, private placement only)

2. While there is no regulatory limitation on interval funds, most distributors limit to accredited investors

Source: Goldman Sachs Global Investment Research, Casey Quirk Analysis

	Interval funds	Non-traded REITS	Non-traded BDCs	Tender offer fund	"Retail" 3(c)(7) private fund	Control stakes (operating company)
Regulatory considerations	<p>Repurchase offers at periodic intervals must be done pursuant to fundamental policy changeable only by a majority vote of voting security holders; subject to affiliated transaction restrictions under 1940 Act.</p> <p>Co-investment relief required to co-invest in negotiated deals alongside affiliated persons; leverage limitations apply under Section 18/61 of the 1940 Act.</p>	<p>Relies on 3(c)(5) exclusion from registration under 1940 Act, which imposes limitations on portfolio investments.</p>	<p>1940 Act BDC provisions applicable, including limitations on affiliated transactions (more flexible than registered closed-end funds) and Section 18/61 leverage limitations.</p> <p>Co-investment relief required to co-invest in negotiated deals alongside affiliated persons.</p>	<p>1940 Act provisions applicable, including limitations on affiliated transactions and Section 18 leverage limitations.</p> <p>Co-investment relief required to co-invest in negotiated deals alongside affiliated persons.</p>	<p>Relies on 3(c)(7) exclusion from registration under 1940 Act; requires registration under 1934 Act if 2,000+ holders.</p>	<p>Must structure investments to avoid falling within definition of investment company under 1940 Act and thus avoid triggering registration.</p>



Operational considerations: Building a scalable, compliant retail access platform

With strategy and product structure firmly in hand, it is time to execute. Day-to-day operations for retail product offerings look different, since retail investor participation requires a new approach to client servicing, compliance, and risk management. In this section, we outline key operational considerations across the organizational, technological, compliance, and reporting domains.

Organizational design and fund services

A robust and scalable business model begins with an intentional organizational structure that aligns strategy with operational execution. Organizational design considerations include structure of the new business (e.g., leadership, reporting lines, governance) as well as fund services required to support business-as-usual operations. Well-integrated fund services and outsourced operational partners beyond the traditional outsourcing (transfer agents, custodians, administrators) or cosourcing can drive efficiency and allow firms to quickly scale up or down, but require thoughtful oversight and service-level governance. Additionally, nontraditional service provider partners (e.g., consulting and professional services organizations) are becoming increasingly involved as outsourcing/cosourcing options given their subject matter experience and knowledge in specific functional areas such as special purpose vehicle (SPV) accounting, compliance, cyber, and cloud security.

Operations and technology model

Retail distribution necessitates a technology-forward, automation-rich operating model. Traditional manual processes common in private fund management are inadequate for the volume, velocity, and transparency retail clients' demand. Key components include defined operational processes and controls that support growth aspirations without introducing significant operational risk, and technologies and integrations with upstream and downstream systems and historical data that support digital capabilities. Modern infrastructure should integrate across fund administrators, custodians, legal requirements/obligations, controls, and compliance systems to create seamless and compliant operational execution. The continued increased adoption of advanced and emerging technologies such as Generative AI will be important in a firm's ability to achieve this type of integration.

Execution of investment strategy

Marketing a product to retail introduces new investor protections that may require additional steps to mitigate risks associated with executing the investment strategy. Asset managers should ensure clear governance frameworks over sub-advisers or external investment managers, including due diligence processes, investment committee oversight, and performance benchmarking. These governance frameworks should help facilitate the generation of new leads and relationships with the private investment community. Oversight should be tailored for portfolios with less frequent valuation events and longer duration assets, while also meeting the disclosure expectations of retail participants.

Regulatory, compliance, and legal

Operating in a retail environment magnifies compliance complexity, particularly as it intersects with investment adviser regulation, fund structuring, and client protections. Depending on the product structure, regulatory requirements may necessitate enhancements to compliance programs including structuring and registration considerations, client onboarding and diligence, Investment Company Act of 1940 compliance, recordkeeping and documentation policy, and conflicts of interest management. Additionally, the use of Generative AI solutions can detect compliance risks; enable improved continuous monitoring, surveillance, and reporting; and provide compliance professionals with AI agents to answer compliance queries. Legal frameworks also need to support scalable documentation processes, harmonize cross-jurisdictional rules, and incorporate evolving retail-facing regulation while considering ongoing litigation risk.

Valuation and tax

Private market investments pose inherent challenges for valuation and tax operations, which become more acute when scaled to a retail investor base. Key areas of focus include valuation processes that are supported by documented methodologies, independent verification, and board oversight, especially for illiquid or mark-to-model assets. Other considerations include fee calculations (e.g., interval fee accruals, performance fee computations), tax reporting, timely generation of Schedule K-1s or 1099s and transparency to end investors. Retail access models should plan for the tax education and support needs of nonprofessional investors who may be unfamiliar with private asset taxation nuances.

Performance reporting

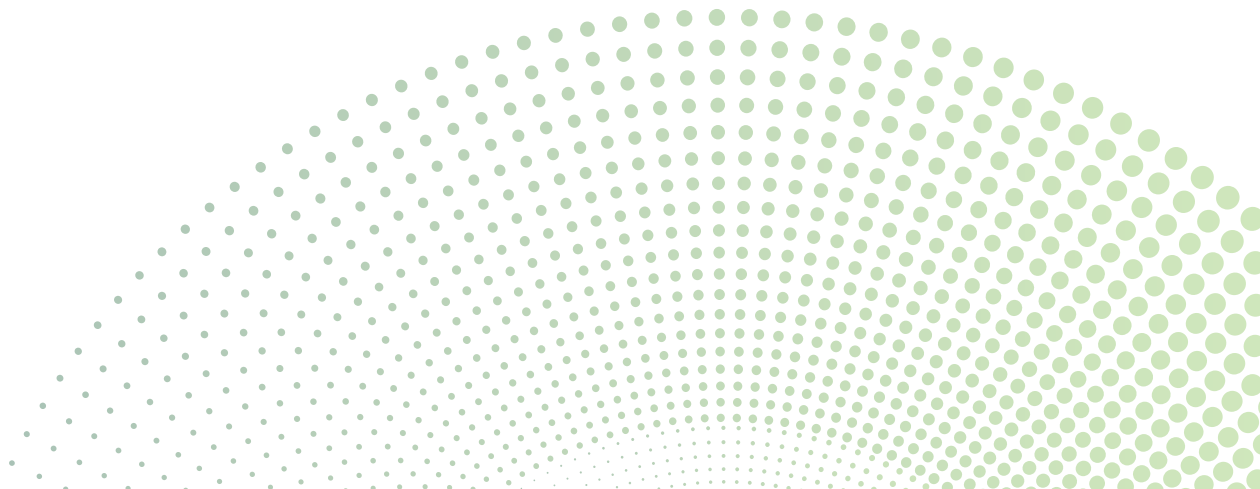
Performance reporting for private assets in a retail context requires both rigor and accessibility. Unlike institutional clients who may have internal analytics teams, retail investors depend on managers for clear, frequent, and transparent reporting. Operational imperatives include mechanism to track performance of the fund and reporting of fund performance, as well as performing the calculation of waterfall distribution and partnership accounting for the general and limited partners. Asset managers should offer investor-friendly communication tools such as dashboards, periodic fact sheets, and regulatory performance filings in accordance with Global Investment Performance Standards (GIPS). Accurate and timely performance reporting is not only a legal and fiduciary requirement, but can also be a competitive differentiator in an increasingly crowded landscape.

In summary, while the policy environment has become friendlier toward retail exposure to private market investments, determining how best to capitalize on this emerging opportunity can be a puzzle.

We see three key pillars firms will need for a successful launch:

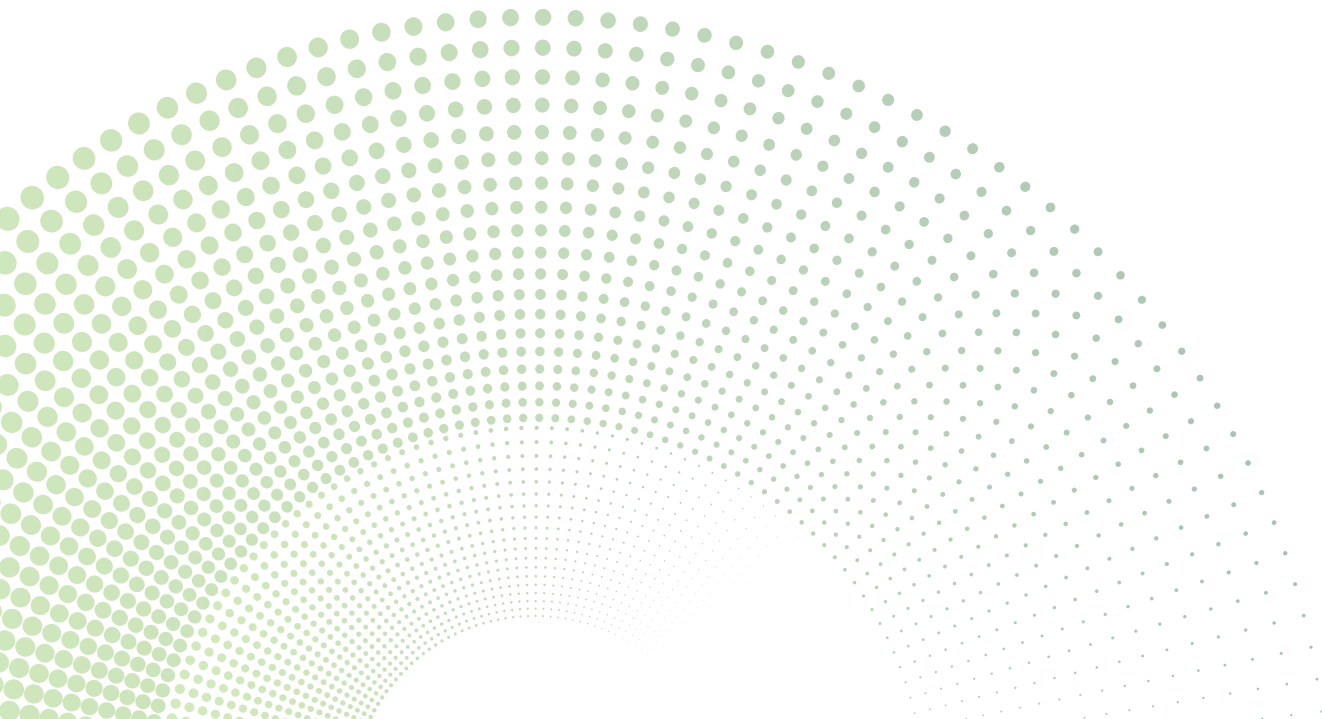
- A strong product strategy—investor audience fit
- An economically and legally feasible product structure that mitigates litigation risk
- A scalable and compliant retail operation

Successfully combining these can unlock new markets and products to the mutual benefit of both retail and professional investors.



Endnotes

1. Eric Fox and Sean Collins, "[Increasing retail client exposure to private capital investing](#)," Deloitte, April 24, 2025.
2. US Securities and Exchange Commission (SEC), "[SIFMA's Private Markets Valuation Roundtable](#)," speech given by SEC Commissioner Mark T. Uyeda (Washington, DC), September 4, 2025.
3. The White House, "[Democratizing access to alternative assets for 401\(k\) investors](#)," Executive Order, August 7, 2025.
4. The order defines private market investments as any direct or indirect interest in an entity that is not traded on an exchange.
5. SEC, [ADI 2025-16 – Registered Closed-End Funds of Private Funds](#), last updated August 15, 2025.



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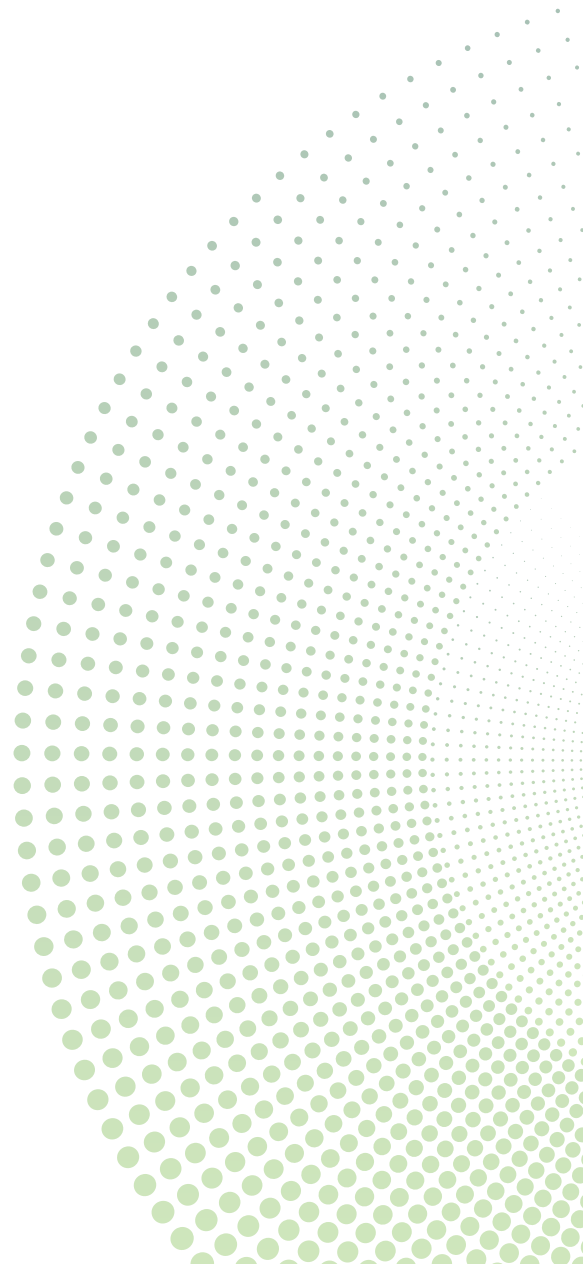
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