

The Rise of **Alternatives**

Access, Liquidity, and Opportunity

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 PitchBook

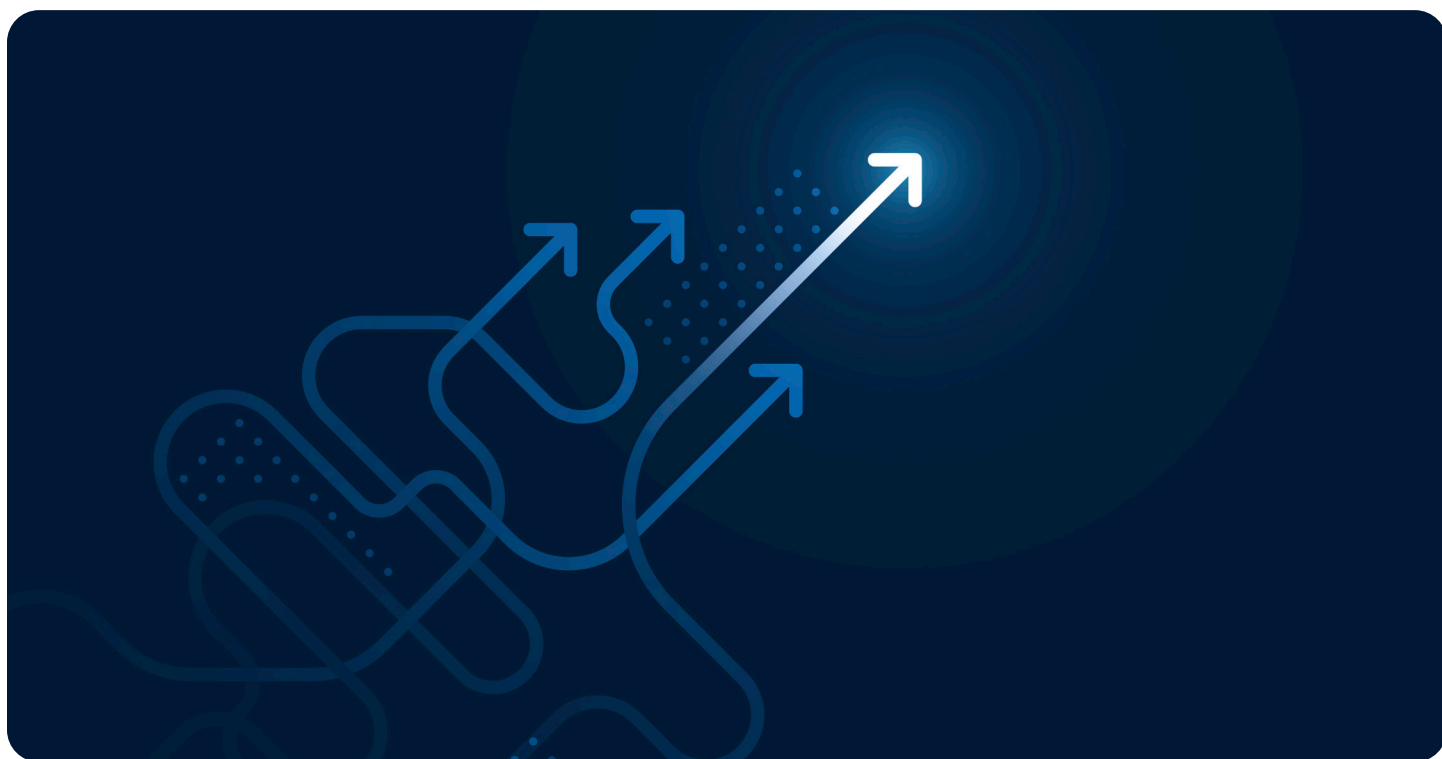
Introduction

Alternative assets have experienced remarkable growth over the past two decades, driven by a confluence of structural shifts, macroeconomic conditions, and evolving market dynamics. Prolonged low interest rates suppressed fixed-income yields, while heightened regulatory scrutiny and ample private capital extended corporate tenure in the private markets, limiting public market opportunities. Against this backdrop, private assets have gained prominence, offering enhanced return potential and contributing to a growing convergence between public and private markets.

In pursuit of higher yields and greater diversification, institutional investors have materially increased their private

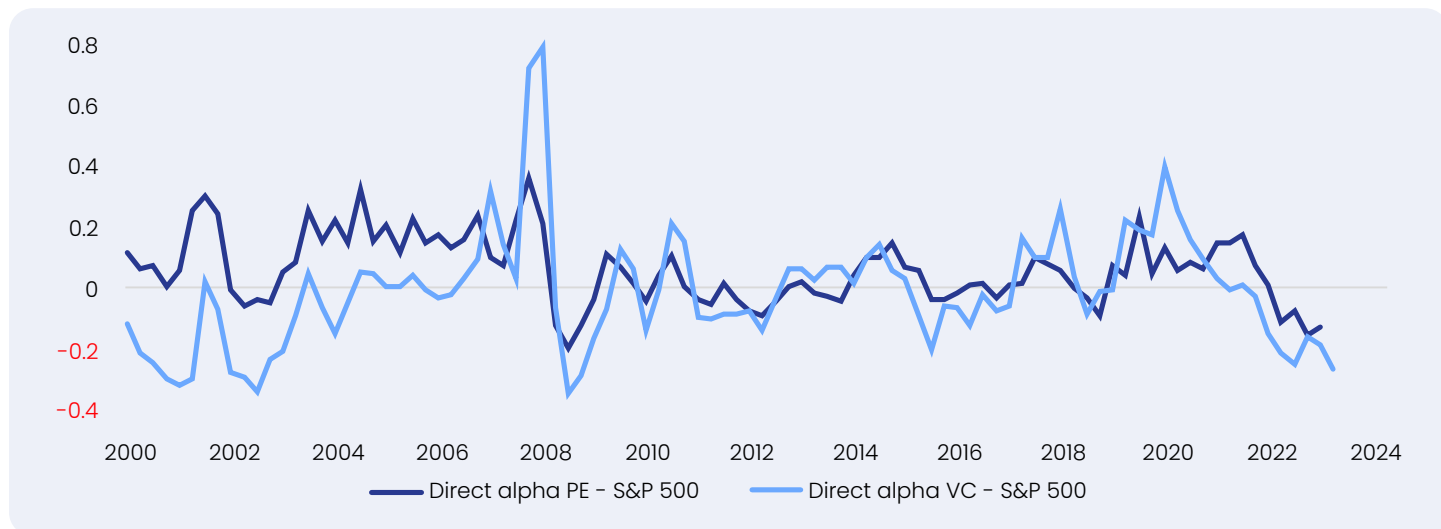
market allocations, employing increasingly sophisticated and multifaceted investment strategies, particularly within the opaque and fragmented private markets landscape. This momentum has also catalyzed efforts to democratize access to private markets through innovative liquid fund structures, expanding the investor base while fundamentally reshaping liquidity considerations.

As alternatives continue to play a more central role in institutional portfolios, managing them requires more than data—it requires infrastructure. From portfolio analytics to liquidity monitoring and accounting, scalable systems are becoming essential to supporting the full investment life cycle.



Market analysis

One-year direct alpha



Sources: PitchBook, Morningstar - Geography: Global - As of June 30, 2024

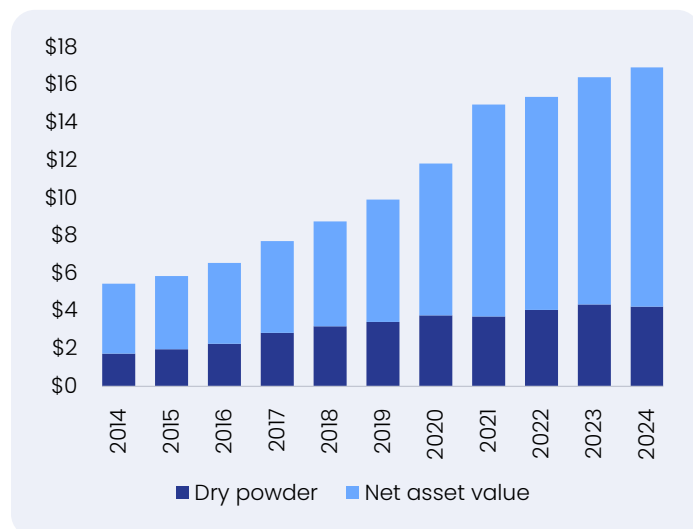
Higher yields drive allocations into alternatives

Private capital has expanded steadily, transforming alternatives from a niche asset class for institutional and accredited investors into a more democratized, high-yield investment option. By the end of 2024, private markets amassed \$4.3 trillion in dry powder—marking near-record levels of undeployed capital—and reached a record \$17 trillion in AUM. While private markets continue to attract new capital, evidenced by record dry powder, exit activity has slowed, creating a liquidity bottleneck. This imbalance between capital inflows and realized returns is putting pressure on fund structures, risk management practices, and the systems institutions rely on to track exposures and cash flow.

Amid geopolitical and macroeconomic headwinds, private capital continues to attract capital as a higher-yielding alternative to traditional equities and fixed income. Elevated post-pandemic interest rates, compressed public market valuations, and reduced liquidity have pushed investors toward fixed income for safety and alternatives for yield. US 10-year Treasury yields have hovered between 4.5% and 5%—their highest sustained levels since the global financial crisis. Meanwhile, geopolitical tensions, trade wars, and political uncertainties rattled public markets, pushing the VIX up to levels not seen since the

1: "CBOE Volatility Index: VIX." Federal Reserve Bank of St. Louis, May 22, 2025.

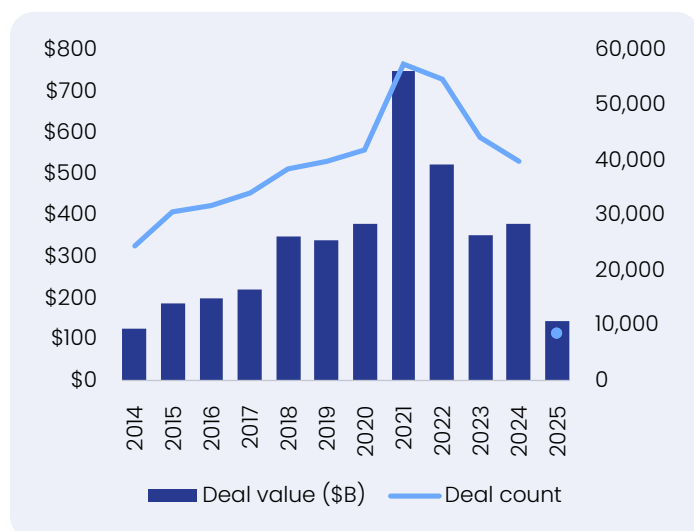
Private capital AUM (\$T)



Source: PitchBook - Geography: Global - As of September 30, 2024

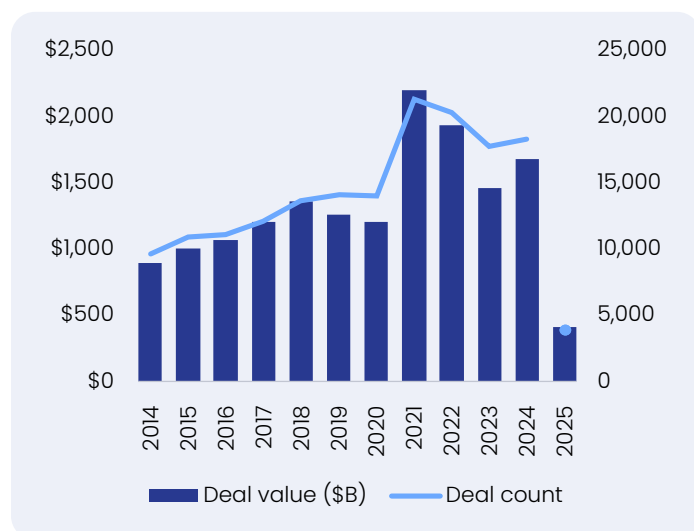
onset of the pandemic.¹ Private markets have not been immune to challenges in the current market either. In 2024, VC deal volumes were down a third consecutive year, while PE dealmaking rebounded slightly. However, alternative assets continue to deliver higher annualized returns than

VC deal activity



Source: PitchBook - Geography: Global - As of March 31, 2025

PE deal activity



Source: PitchBook - Geography: Global - As of March 31, 2025

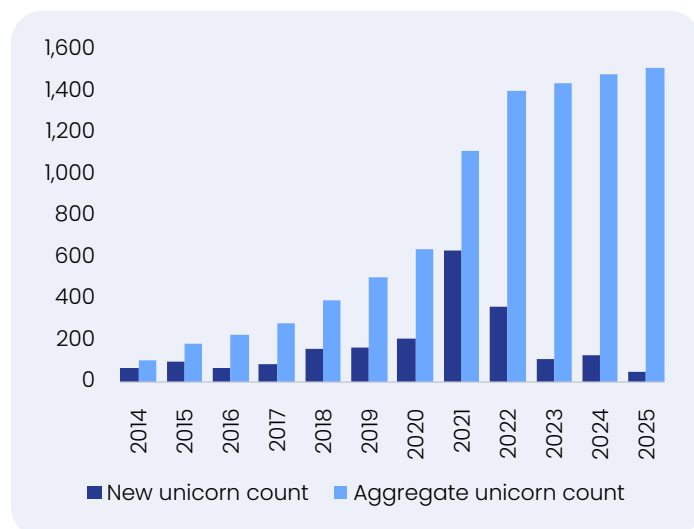
both public equities and bonds—though performance varies by vintage. The one-year direct alpha (a private market performance evaluation metric) also indicates historical VC and PE outperformance compared with public markets, albeit a one-year time horizon is more prone to capturing volatilities. This is evidenced by the negative alpha following the 2000 dot-com bubble, 2008 financial crisis, and 2020 global pandemic.

As institutional allocations to alternatives grow, the traditional startup life cycle is also evolving. With IPO activity subdued, companies are staying private longer. Late-stage investors must now adjust to high-growth startups sourcing capital from private markets instead of public shareholders, further entrenching alternatives in the capital formation ecosystem and necessitating data management solutions and tech systems to inform educated investment decisions.

Rethinking liquidity amid structural shifts in private markets

As capital allocators seek opportunities in the current market, two structural trends are reshaping private market strategies: the rise of “private-for-longer” companies and the convergence of public and private markets. These dynamics are influencing how investors approach liquidity management, portfolio construction, and data management, making tech-enabled investment oversight more essential than ever.

New and aggregate unicorn count



Source: PitchBook - Geography: Global - As of March 31, 2025

Fueled by abundant private capital, many companies now have the flexibility to delay public listings, manage ownership structures on their own terms, and explore alternative liquidity pathways. For example, Stripe, valued at \$70 billion as of September 2024, may no longer be eyeing an exit like previously rumored.² Similarly, unicorns like SpaceX, OpenAI, and Anthropic have yet

² “Stripe in Talks for Staff Share Sales at \$85 Billion-Plus Value,” Bloomberg, Katie Roof, Emily Mason, and Bailey Lipschultz, February 10, 2025.

to announce IPO plans. Private companies with the most promising prospects for listing are opting to stay private. With IPO activity subdued, capital remains tied up in late-stage private companies for longer periods, contributing to a broader slowdown in liquidity events across private markets and delaying distributions back to institutional investors.

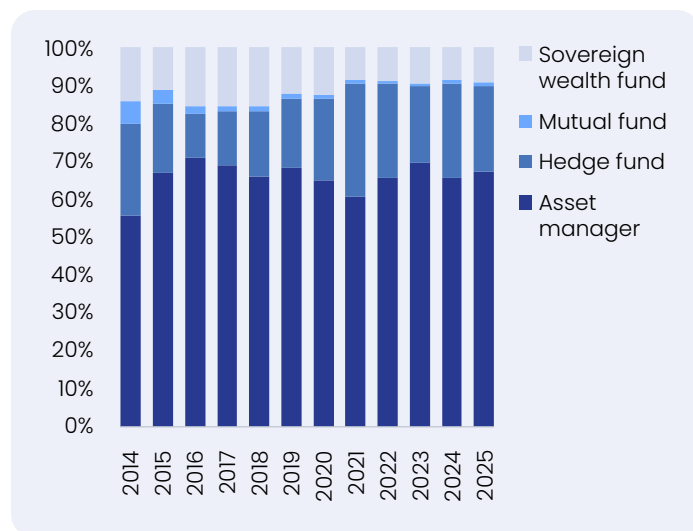
Simultaneously, the lines between public and private market structures are blurring. Financial institutions are expanding access to private markets via semiliquid fund structures, private credit ETFs, and 401(k) allocations.^{3,4} This democratization is attracting a broader array of investors—including high-net-worth individuals (HNWIs), crossover investors, endowments, and pension funds—each with varying risk profiles.

One of the most dynamic shifts in private markets is the growing emphasis on the private wealth channel. GPs are partnering with registered investment advisors (RIAs) to expand access for HNWIs and retail investors, an underpenetrated segment, enabling GPs to tap in to an additional \$80 trillion or more in investable capital.⁵ This has stimulated demand for more liquid, evergreen fund structures with predictable redemption schedules, thus directly addressing long-standing liquidity concerns that have made RIAs cautious about recommending alternatives. At the same time, HNWIs and other affluent individual investors are also seeking more sophisticated products, like those that offer alternative asset exposure.⁶ HNWI direct investments peaked in 2021 with 2,296 HNWIs participating at the height of private market dealmaking. With a dearth of exits inhibiting returns, participation declined in 2024. However, as wealth advisors become more fluent in alternatives, HNWIs are likely to re-engage private markets through indirect means.

Comprehensive allocator-focused data management systems have been a boon to both GPs and individual investors. They enable GPs to manage larger, more complex funds with diverse LP bases that have varied reporting requirements, while individual investors gain greater transparency and a more seamless customer experience akin to what they receive with traditional wealth managers. By integrating these tech tools into everyday workflows, portfolio managers will foster the broader shift toward greater liquidity, flexibility, and inclusivity.

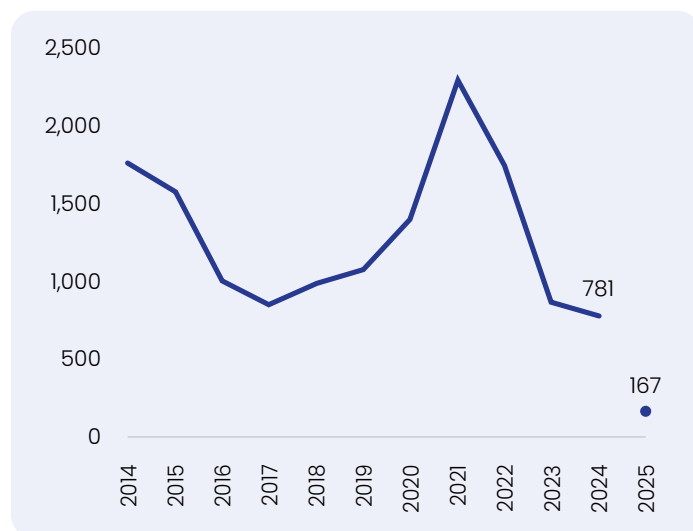
One of the most dynamic shifts in private markets is the growing emphasis on the private wealth channel.

Share of VC deal count with crossover investor participation by investor type



Source: PitchBook - Geography: Global - As of March 31, 2025

HNWI VC investor count



Source: PitchBook - Geography: Global - As of March 31, 2025

3: "401(k) Giant To Allow Private Markets Investments in Its Retirement Portfolios," *The Wall Street Journal*, Anne Tergesen, May 14, 2025.

4: "State Street, Apollo Team Up To Launch First of Its Kind Private Credit ETF," *CNBC*, Bob Pisoni, March 3, 2025.

5: "Private Wealth in Private Markets," *FS Investments*, December 16, 2024.

6: "Private Wealth Is Heading to Alternatives—What's Driving It and Where Is It Going?" *Forbes*, Michelle Fuller, May 1, 2024.

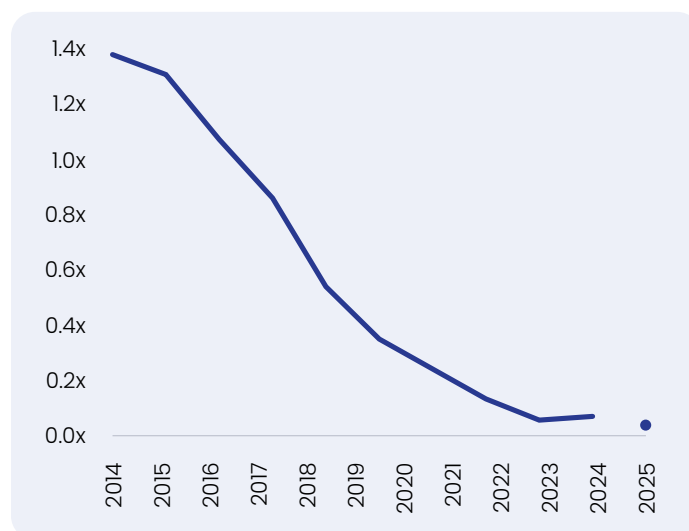
These structural changes in liquidity management are forcing institutional teams to rethink how they model exposures, evaluate portfolio risk, and monitor redemption timelines, often across systems not built for illiquid assets.

Novel liquidity solutions deliver stable cash flows and predictable investment outcomes

Institutional investors are turning to innovative liquidity strategies to diversify their investor base, exert control over cash flows, and ensure stable returns. This comes amid persistent market uncertainty, resulting in a prolonged liquidity drought, which began in 2022, and nearly three consecutive years of declining global private capital dealmaking and fundraising. However, such challenges have spurred widespread adoption of novel liquidity solutions and accelerated the demand for tech-driven oversight that equips investors with real-time visibility and data-driven insights to adapt in a shifting liquidity landscape.

In 2024, global VC and PE exit volumes trended downward again, and fund returns remained weak. VC exits dropped 2.9% YoY in volume and 5.3% in value, while PE exits fell 5.2% and 6.9%, respectively. This prolonged slump has created a negative feedback loop: Limited exits curb fundraising and LP distributions, deepening liquidity challenges. While short-term performance metrics like the one-year private capital horizon IRR—at 8.2% in Q3 2024—appear robust, they may overstate money-weighted returns should market sell-offs persist. Infrequent private market valuations obscure real-time macro pressures reflected in public markets. Realized returns also remain weak—equal-weighted pooled DPI for post-2017 PE vintages is still below 1x, indicating undelivered LP distributions. Mature fund underperformance stems from delayed exits and valuation compression since 2022. Yet, these constraints have fostered the adoption of underutilized liquidity mechanisms. Instead of relying on exit timing or valuation cycles, investors are using alternative fund structures to access liquidity. Secondary funds and continuation vehicles were increasingly utilized to extend ownership of quality assets beyond a fund's life,

PE equal-weighted pooled DPI by vintage



Source: PitchBook - Geography: Global - As of March 31, 2025

thereby avoiding forced liquidation. The US VC secondary market alone has grown by approximately \$10 billion to a \$60 billion market since 2024—albeit top-tier private companies are the primary beneficiaries of this trend.⁷ However, these vehicles are temporary fixes to the liquidity challenge, whereas open-ended funds are positioned for longer-term tailwinds. These include interval and evergreen funds, which provide perpetual alternative assets exposure with a periodic redemption schedule—typically quarterly or as a percentage of net asset value. In fact, by 2025, evergreen vehicles accumulated \$427 billion in AUM and are expected to surpass the \$1.1 trillion AUM ceiling over the next five years.⁸ As managers increasingly leverage private wealth structures to attract an emerging investor type—the individual—the evergreen fund growth trajectory is up and to the right.

The search for liquidity and cash flows popularized secondaries, continuation vehicles, and permanent capital structures, like evergreen funds. Emerging trends—such as the democratization of alts and public-private market convergence—will only cement these strategies in the liquidity playbook moving forward. By moving beyond traditional drawdown models, technology that enhances transparency and oversight is critical—empowering investors to evaluate investment goals, structures, and strategies with greater clarity.

7: "Q1 2025 US VC Secondary Market Watch," PitchBook, Emily Zheng, May 23, 2025.

8: "2029 Private Market Horizons," PitchBook, Zane Carmean, CFA, CAIA, Nathan Schwartz, CFA, and Miles Ostroff, May 1, 2025.

Outlook

As private markets continue to expand and attract a broader range of investors, the alternative assets ecosystem is poised for sustained long-term growth. Structural shifts—such as utilization of evergreen funds, secondary solutions, and democratized access—will further diversify the LP base while enabling greater flexibility and liquidity.

However, as allocations grow and fund structures evolve, the need for integrated, transparent data across all investment strategies will become more urgent. Investors will require a consolidated view of performance, liquidity, and risk to support real-time decision-making, particularly as portfolios span public and private exposures. Technology and data infrastructure must evolve to provide this transparency, streamline reporting,

and unlock deeper insights in fragmented datasets across asset classes.

As institutional portfolios become more heavily weighted toward alternative assets, the need for technology that can support complexity across the front, middle, and back office is becoming more urgent. Scalable solutions that support risk analytics, performance measurement, and operational workflows will be critical to navigating this next phase of market evolution. In a landscape marked by both complexity and opportunity, the convergence of innovation in fund structures with data-driven visibility will be essential to building investor confidence, managing liquidity, and sustaining the growth of the alternatives market over the next decade.

Methodology

Standard [PitchBook report methodology](#) will apply unless otherwise noted.

Outside data that is considered applicable and relevant will be cited.

Given the opacity of private markets, all datasets and figures regarding HNWIs, family offices, and wealth management firms have limited sample sizes.

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