



Dropping the velvet rope.

Converging frontiers: Expanding access to private markets.



Alternative investments—once reserved for institutional investors and the ultra-wealthy—are rapidly entering the mainstream portfolios of individual investors.

This transformation, often described as the “retailization of alternatives,” is being propelled by not one, but several converging trends that are fundamentally reshaping asset management.

A blurring line.

The boundaries between public and private markets are dissolving, driven by both investor demand and product innovation.

Asset managers are introducing semi-liquid funds and alternative ETFs that blend the characteristics of traditional and private assets, enabling retail investors to access strategies previously considered out of reach. These new vehicles are not only expanding portfolio diversification options, but also providing enhanced risk management and yield opportunities in response to persistent macroeconomic volatility.

Innovations in liquidity management—such as interval funds, tender offer funds, and business development companies (BDCs)—are addressing the challenges of illiquidity and enabling more flexible redemption options for individual investors. These solutions are transforming the investor experience and empowering advisors to construct portfolios that better withstand market volatility while pursuing attractive income and growth.

The democratization of access to private markets is further catalyzed by regulatory developments and collective investment trusts (CITs), making sophisticated strategies available to a broader swath of investors. This cross-market trend is evidenced by the recent push to incorporate private credit and infrastructure assets into target-date funds, exemplifying how long-term retirement horizons are being matched with long-term investment opportunities.

Underpinning the entire evolution is technology. Advances in AI and tokenization are lowering operational barriers and enabling fractional ownership, direct indexing, and tailored exposures to private market themes. Platforms now allow investors to personalize their portfolios with fractional shares and model strategies, while recordkeeping systems and professionally managed accounts are modernizing infrastructure to support the integration of alternatives within retirement plans.

For financial advisors, the accelerating convergence of public and private markets introduces both new opportunities and complexities. As they guide clients through this shifting landscape, advisors are seeking practical support on portfolio construction, product selection, and effective communication of the benefits and risks associated with alternatives.

For asset managers, this moment marks a structural inflection point—one that demands innovation across product design, distribution, regulation, and investor engagement.

This blurring of lines means much more than a new distribution channel. It marks a significant shift. The convergence of public and private market ecosystems is not only real—it's accelerating, structural, and redefining how markets operate.

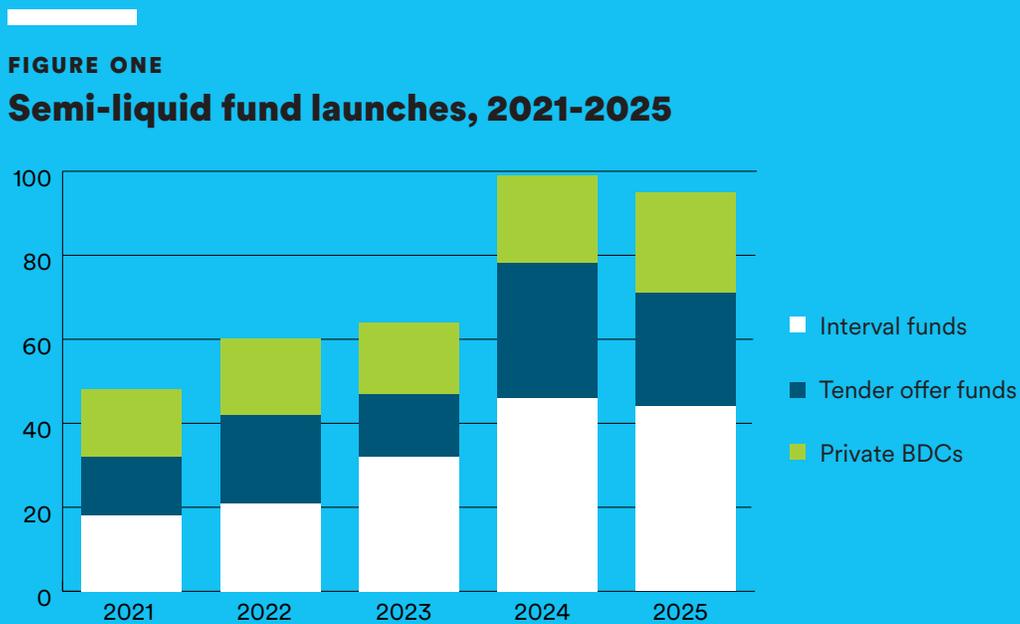
And taken together, these trends are not only accelerating the retailization of alternatives but also redefining the future of asset management. The convergence of market ecosystems, technological advancements, and liquidity innovations is setting the stage for a more inclusive, resilient, and dynamic investment environment—one in which individual investors have unprecedented opportunities to participate in the growth and diversification offered by alternative assets.

Product innovation is prolific.

Over the past few years, launches of products straddling the line between traditional and alternative have surged. Responding to growing demand for downside risk protection, inflation hedges, and higher yields, asset managers are finding creative ways to deliver historically illiquid or complex strategies focused on private markets and real assets in wrappers accessible to individual investors:

Semi-liquid funds

New funds are being created to elegantly bridge the gap between illiquid assets and the liquidity demands of the retail market. Particularly well-suited to private credit, real estate, and infrastructure, firms like Blackstone, Blue Owl, and Ares have amassed tens of billions in these structures by targeting financial advisors and defined contribution platforms. Interval funds, tender offer funds, and BDCs are all proliferating, with more than 350 launched in the U.S. over the past five years alone (Figure 1).



Source: Ockham Data Group, Blue Vault Partners.

Alternative ETFs

The SEC's 2023 rule clarifications enabled several fund sponsors to launch actively managed ETFs with exposures to hedge-like strategies, managed futures, or derivatives-based risk premia. Examples include JPMorgan's Hedged Equity ETF and First Trust's Long/Short Equity ETF. More recently, more ETFs focused on private equity and private credit strategies are being launched, with approximately 12 available to U.S. investors in mid-2025.

Direct indexing and fractionalization

Platforms now allow retail investors to tailor exposure to private market themes (e.g., climate tech or VC-backed healthcare) through fractional shares, model portfolios, or derivative overlays. Examples: Fidelity's personalized indexing and Robinhood's theme-based fractional investing.

Collective investment trusts (CITs)

Once confined to large retirement plans, CITs are being adapted for smaller plans, exposing them to a wider swath of plan participants. Already the favored vehicle for target date strategies, CITs are expected to benefit from the growth of the overall retirement market while continuing to take market share from the mutual funds that used to dominate. In this competitive environment, where a growing number of participants race to differentiate their offerings, the use of alternatives was already proliferating. Despite concerns over suitability, there is no denying the logic of matching the long-term investment horizons of private markets to the long-term horizons of the retirement market. The recent executive order "Democratizing Access to Alternative Assets for 401(k) Investors" is likely to fuel this trend, expanding the integration of private credit and infrastructure strategies in target-date fund sleeves.

Retirement market catalysts

The expansion of alternative investments into retirement plans is being accelerated by the growth of advisory managed accounts (AMAs), professionally managed accounts (PMAs), and pooled employer plans (PEPs). Recordkeeping platforms and AMAs are modernizing the operational "pipes" that let semi-liquid funds fit within 401(k) infrastructure. PMAs supply the fiduciary "brains," embedding alternatives into diversified portfolios managed under ERISA 3(38) discretion. PEPs provide the "scale," pooling smaller employers to gain institutional access and oversight. Together, these developments transform the defined contribution system from a mutual-fund-only model into a true multi-asset platform, positioning alternatives as a mainstream component of retirement investing.

Follow the money.

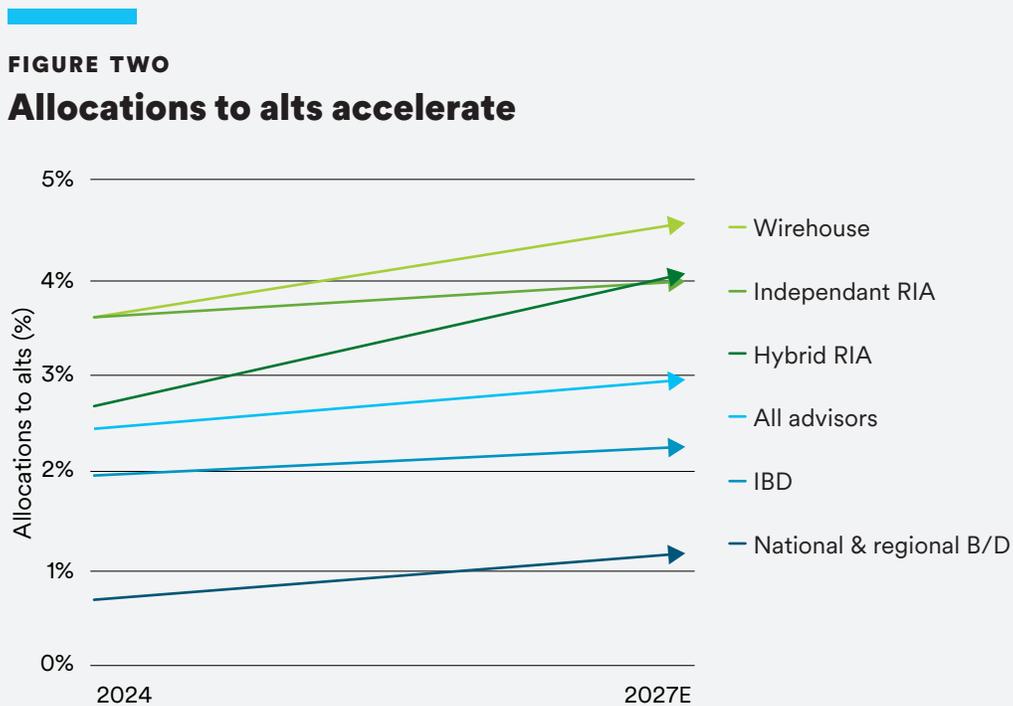
Retail capital is flowing into alternatives at unprecedented rates. According to Preqin and Cerulli, the total AUM in retail-accessible alternative vehicles surpassed \$500 billion globally in 2024, up from just \$180 billion in 2020.

Private credit and real estate dominate

These categories account for more than 70% of flows, driven by yield-seeking investors and favorable structures like interval funds. Flows to private credit may be slowing, but alternative lenders continue to find opportunities in markets abandoned by banks, meaning a strong stream of opportunities for investors.

Advisors signal adoption

Advisors play a key role in allocating retail investor assets to private markets and other alternatives. As of 2024, wirehouses already reported 3.6% of client assets in alternatives. Plans to grow allocations to 4.6% by 2027, imply a three-year CAGR of 9%. Allocations by independent RIAs are set to grow even faster, rising from 2.7% to 4.1%, implying a three-year CAGR of 14.8%.



Source: The Cerulli Report, U.S. Private Markets 2025.

Retirement channels activate

Defined contribution plans—especially target-date and collective trusts—are starting to integrate alternative sleeves, catalyzed by regulatory shifts and industry innovation.

This integration is, in part, supported by the Department of Labor's (DOL) 2022 guidance, which played a pivotal role in clarifying the permissibility of including private equity and other alternative investments within defined contribution plans, provided that fiduciaries adhere to ERISA's rigorous standards of prudence and loyalty. This guidance reassured plan sponsors that, with proper oversight and due diligence, alternatives could be integrated into diversified investment options—such as target-date funds—without running afoul of regulatory scrutiny. As a result, the industry has seen increased willingness among recordkeepers, asset managers, and plan sponsors to explore and implement alternative strategies in the retirement space.

Additionally, industry efforts like the Retirement Clearinghouse-Alight-Alta initiative emerged as a collaborative effort to address long-standing challenges around retirement account portability and participant engagement. By leveraging technology and streamlined processes, this initiative aims to reduce plan leakage caused by cash-outs and lost accounts, thereby helping participants maintain continuous retirement savings growth. The partnership's focus on seamless account transfers and improved participant communication supports the broader industry trend of enhancing retirement outcomes through innovation, operational efficiency, and expanded investor access.

The Trump administration's 2025 executive order democratizing access to alternative assets for 401(k) investors, however, represents a seismic shift in the retirement-plan landscape.

By compelling the DOL and SEC to reengineer fiduciary rules and expand access to private equity, real assets, infrastructure, crypto, and other alternatives, Executive Order 14330 could fundamentally rewrite what “plan-permitted” means. Pending regulatory implementation, this could unleash a wave of innovation, complexity, and risk exposure that would redefine defined-contribution investing.

From gatekeeping to guardrails.

As retail access to alternative investments expands, regulators around the world are shifting from blanket restrictions toward more nuanced frameworks focused on disclosure, suitability, and liquidity. The goal is to broaden participation in private markets while maintaining investor protections and market integrity, shaped by regional influences and oversight.

United States

- The SEC modernized the “accredited investor” and “qualified institutional buyer” definitions, expanding eligibility beyond income and net-worth thresholds to include professional credentials and a wider range of institutional entities.
- Focus has shifted toward distribution structures rather than new exemptions. Growth has come through semi-liquid vehicles such as interval and tender-offer funds, heightened enforcement of Regulation Best Interest (Reg BI), and updated Marketing Rule FAQs clarifying performance and disclosure standards.
- Additional developments—like the DOL lifting its warning about private equity in 401(k)s and proposals to let 403(b) plans use CITs—point to a slow but steady broadening of access to alternative investments in retirement plans.

Europe and the United Kingdom

- The EU’s ELTIF 2.0 lowered barriers to retail investment in long-term and private-market strategies while introducing more flexible redemption and liquidity options.
- AIFMD II harmonizes liquidity-management tools and sets clearer standards for loan-origination funds.
- In the U.K., the Long-Term Asset Fund (LTAF) regime has gone live alongside the Consumer Duty, enhancing product governance and transparency for advised retail investors.

Asia

- Singapore is advancing a proposed Long-Term Investment Fund (LIF) framework, while Hong Kong continues to refine its suitability and disclosure rules for listed private-market funds.

These diverse regimes share common principles but differ in execution—creating a complex global regulatory map.

For global asset managers, this diversity plays to their strength: they already operate compliance, disclosure, and liquidity frameworks adaptable across markets. By contrast, single-market alternative managers face a much steeper learning curve when attempting to expand into multiple jurisdictions.

A turning point in technology.

Technology is steadily transforming alternatives from an opaque, institutional preserve into a transparent, connected marketplace capable of supporting scalable retail participation.

Historically, traditional intermediaries dominated the institutional alternatives market, but barriers such as illiquidity, opaque pricing, and manual processes rendered these investments impractical for broader distribution. Today, a blend of technological innovation and regulatory evolution is lowering those obstacles and fundamentally redefining how alternatives reach wealth and retirement channels.

Digital marketplaces for alternatives have become the industry's connective tissue, facilitating seamless connections between sponsors, advisors, and investors. The longest-standing platforms, such as iCapital and CAIS, provide registered investment advisors (RIAs) and broker-dealers with curated access to private equity, credit, and real-asset strategies while managing operational infrastructure for fund sponsors. Their emphasis on connectivity—integrating with custodians, CRMs, and reporting systems—has transformed these platforms into true enterprise gateways, moving far beyond simple order-entry tools.

SEI Access™, born from SEI's 2023 acquisition of Altigo, advances this model by combining SEI's deep alternatives expertise and broad distribution network with a product marketplace and subscription automation—delivering streamlined access to hundreds of offerings and more than \$5.9 billion in cumulative transaction volume. SEI's vertical integration—spanning fund administration, custody, and vehicle design (including CITs)—reduces data latency, minimizes handoffs, and shortens the operational chain between sponsor and investor.

Data automation is central to this transformation. Automated subscription processes, real-time reporting, and streamlined onboarding significantly reduce administrative burdens and errors, accelerating the pace at which investments reach end clients. By leveraging robust data integration, platforms ensure accurate, timely information flows between stakeholders, supporting regulatory compliance and enhancing transparency.

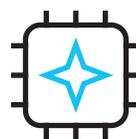
Artificial intelligence (AI) is increasingly shaping the asset management landscape, powering sophisticated analytics, predictive modeling, and risk assessment. AI-driven tools enable advisors to match investment opportunities with client profiles more effectively, optimize portfolio construction, and monitor ongoing suitability in real time. These advancements not only improve efficiency but also deepen client engagement by delivering tailored insights and education.

Execution costs are lowest for vehicles compatible with existing retail infrastructure—public BDCs, interval funds, and other 1940-Act products—which price monthly and fit cleanly on established recordkeeping systems. In contrast, large closed-end or private-partnership structures remain higher-friction, requiring complex documentation, higher minimums, and longer lockups. For this reason, the “semi-liquid” 40-Act approach is now favored by platforms courting RIAs and wirehouses. Custodians and wirehouses such as Charles Schwab, Fidelity, and Morgan Stanley have embedded these capabilities into their ecosystems through curated alternative menus, due-diligence overlays, and advisor education portals.

Tokenization represents the frontier of innovation, offering the potential to fractionalize ownership and enable on-chain settlement. Platforms like Ctrl Alt are pioneering this space, promising greater liquidity and price transparency in secondary markets, with reduced valuation “haircut.” By leveraging blockchain technology, tokenization could democratize access to traditionally illiquid asset classes, providing secure and efficient transfer mechanisms.

\$5.9B

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*As of 12/31/25.

Preparing for the next horizon.

Convergence is not a passing trend—it is a structural realignment of the asset management landscape. Asset managers must respond strategically, even if they don't currently offer alternatives:



Competitive expansion

The line between “traditional” and “alternative” is fading. Tech-enabled distributors, fintechs, and even retirement platforms are becoming de facto competitors.



Risks to manage

As access expands, so do potential mismatches in liquidity, comprehension, and client suitability, highlighting the importance of liquidity management and clear investor communication, as well as the need for thorough suitability assessments when offering semi-liquid alternative investments to a broader retail audience. These challenges are amplified by valuation dynamics, as daily-priced vehicles—particularly CITs—often rely on modeled valuations of private assets that are not valued daily, introducing assumptions and timing gaps that must be carefully governed and communicated.



A new playbook

Success in this environment requires a product strategy that integrates risk management, digital distribution, and alternative product education, particularly given the importance of suitability standards and investor understanding.

As traditional managers push into alternatives and private markets, specialists look beyond their institutional clientele to explore the retail market. These new opportunities to expand private market exposure should be met with cautious optimism and a prudent partnership that aligns the right technology, servicing, and access necessary to capitalize on this inflection point.

The velvet rope separating retail and alternative investments is being lowered—not hastily, but with purpose. Demand, technology, and regulatory evolution are aligning to make this convergence permanent.

**For asset managers,
the choice is no longer
whether to participate,
but how. Those that
adapt thoughtfully
will help shape the
next chapter in the
industry's evolution.**

SEI Investment Manager services helping asset managers stay ahead of change.

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SEI® (NASDAQ:SEIC) is a leading global provider of financial technology, operations, and asset management services within the financial services industry. SEI tailors its solutions and services to help clients more effectively deploy their capital—whether that's money, time, or talent—so they can better serve their clients and achieve their growth objectives.

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