Listed Private Markets — Solving for Liquidity

August 2025

Resolving The Tension Between Allocation And Flexibility

Allocators considering their exposure to private markets are often confronted by the tension between their desired beta exposure and the liquidity requirements of their investment program.

This is particularly notable where the desire exists to give exposure to private assets within liquid or semi-liquid structures, where the regulatory requirements can compromise the private market beta replication.

Listed permanent capital vehicles are a management tool for this risk. For example, a sleeve of listed private equity LP participations can be used to manage J-Curve effect prior to being used as a funding source for private fund capital calls. Conversely, it could be used to absorb a distribution and maintain plan weight.

Liquidity Transformation

Listing a permanent capital vehicle on a stock-exchange can efficiently transform illiquid assets into liquid, tradeable beta. This is a concept historically pioneered by REIT structures but now has wider applications. It is a purer investment solution relative to open-end or ETF structures, where the create-redeem mechanisms require liquidity buffers and in extremis can fail. Versus “traditional” LP structures, the evergreen nature of the vehicles can be more appropriate for the assets than the fixed terms of most private funds.

Better Beta

Liquidity transformation is not the whole story. The beta replication of a permanent capital vehicle will invariably be closer to the desired outcome of broad private asset class performance. Portfolios can remain fully invested, duration mismatch is internally eliminated, and credit facilities can be used to manage commitments. When appropriate, equity issuance can be used nimbly to raise follow-on capital without an onerous documentation process. Semi-liquid open-end structures do not offer these benefits.

Private Equity, Private Credit…and more

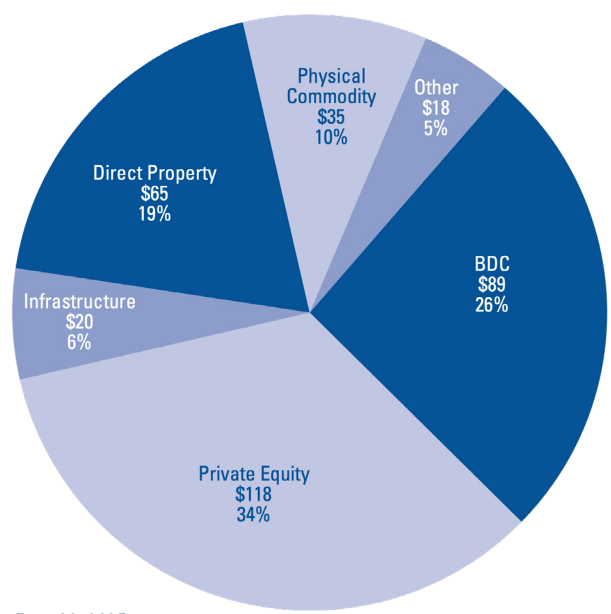
The Listed Private Markets subsector has grown and diversified meaningfully over the last fifteen years, notably into ‘Real Assets’. Whilst investors are generally familiar with BDCs and REITs, the pace of innovation has encompassed multiple private asset classes that benefit from permanent capital. These include Core Infrastructure, Renewable Infrastructure, Aircraft and Ship Leasing and Hedge Funds as well as Private Equity and Private Credit. Often, these make regular income distributions adding flexibility of cash management.

Scalable

Critically, the universe of listed private market access products is both wide and deep in terms of market. On CLIM’s taxonomy c. $300bn[1] of investable private assets are listed, mostly in Europe. This excludes typical proxies such as common stock in the management companies themselves, which are at best proximate beta. We would expect this universe to grow should mooted regulatory revisions occur in the United States.

Allocators can realistically consider a sleeve of listed private markets exposure as a liquidity management tool both to fund calls and absorb flows.

[1]Chart 1: Alternative Sector Breakdown by Market Cap, USDbn



As at June 30, 2025

Source: CLIM Research

[1]*CLIM Taxonomy derived from proprietary research, classifying and grouping individual funds with reference to their self-defined primary investment mandate.*

Summary

- An actively selected portfolio of listed private market assets can potentially provide a tailored beta solution with daily liquidity.
- This can assist in solving for liquidity management risks of plan allocations where cash needs preclude a full allocation to private funds, resulting in a more efficient use of capital.
- Idiosyncratic excess return is possible from bottom-up security selection.

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