

From access to architecture: the next evolution of alternatives investing

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The challenge is no longer simply about access

The Julius Baer approach to alternatives allocation

Liquidity management remains one of the defining challenges

The next frontier: Portfolio architecture

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Alternative investments are becoming easier to access, but access is no longer the main challenge. The real focus is how to build a well-diversified portfolio that can deliver strong long-term outcomes. We outline the key elements and challenges of constructing alternatives portfolios, from balancing different asset classes and selecting the right managers to managing liquidity effectively.

Evergreen structures, in particular, help solve not only the problem of access to alternative asset funds, but increasingly that of implementation. By making it easier to build and manage diversified alternatives portfolios, they are bringing a discipline once largely confined to institutional investors within reach of private investors.

The challenge is no longer simply about access

Constructing a successful alternatives allocation is about far more than gaining exposure to private markets. As with traditional portfolios, investors must define a strategic asset allocation and determine the role that different asset classes play within the portfolio. In alternatives, however, implementation becomes particularly important. Manager and fund selection, diversification, pacing, liquidity management and systematic risk oversight all play a critical role in determining outcomes.

Performance dispersion across managers is substantial, meaning that the success of an alternatives allocation depends not only on which asset classes are selected, but also on the ability to identify high-quality managers through rigorous due diligence. Diversification extends beyond asset classes to managers, strategies, sectors, regions, market segments and vintage years. Investors must also manage capital calls, distributions and commitment schedules over time.

The Julius Baer approach to alternatives allocation

Liquidity management remains one of the defining challenges

Liquidity often generates the greatest misunderstanding in alternatives investing. The issue is rarely liquidity itself, but whether an investment's liquidity profile is compatible with an investor's objectives, time horizon and future cash-flow needs, i.e. actual liquidity requirements.

For institutional investors, dedicated resources and infrastructure are used to manage commitment pacing, capital-call forecasts, liquidity tiers and cash-flow planning. For many individual investors, however, these activities would effectively constitute a full-time job. The operational burden associated with managing private market allocations has long been one of the key reasons many investors have avoided the asset class altogether.

Looking back over the past 25 years, the dominant access route to private markets was the traditional closed-end drawdown fund. Building a diversified programme required substantial capital, multiple manager relationships and the ability to manage commitments across vintages and strategies. As a result, private markets remained operationally complex and were primarily the domain of institutions and the largest private investors.

The rise of evergreen fund structures marked an important turning point. Supported by innovations in fund administration, reporting and distribution, as well as regulatory developments such as ELTIF in Europe and the growth of semi-liquid vehicles in the United States, private markets have become accessible to a much broader range of investors.

Importantly, these developments have not only expanded the pool of eligible investors. They have also expanded the toolkit available to professional allocators.

Evergreen structures provide scalable, continuously accessible building blocks that can be combined into diversified portfolios and integrated into managed solutions. In that sense, they solve not only an access problem, but increasingly an implementation problem as well. By providing immediate exposure and reducing many of the operational frictions associated with traditional drawdown funds, they allow portfolio managers to focus on what ultimately drives outcomes.

The next frontier: Portfolio architecture

As access barriers continue to fall, portfolio construction is poised to become the next major focus of innovation in private markets. The industry's efforts are increasingly directed towards helping investors address the challenges that have historically accompanied alternatives investing.

Change your current location and language

From access to architecture: The next evolution of alternatives investing

Focus is shifting from gaining access to alternatives to building effective portfolios. Success increasingly depends on portfolio construction, manager selection, diversification, and risk management.

Liquidity management is a critical determinant of success. The main challenge is not that alternative investments are illiquid, but ensuring their liquidity profile aligns with an investor's time horizon, cash flow needs, and investment objectives.

Evergreen structures are transforming the alternatives landscape by reducing operational complexity and providing continuous access.

serves as the return engine of the alternatives allocation. We favour

as the core building block, complemented by

acts as the income engine, generating contractual cash flows while supporting the portfolio's broader liquidity architecture. The focus is on

, supporting income generation across different interest rate environments and

serve as a structural diversifier and portfolio stabiliser, providing inflation protection and stable cash flows through

contribute differentiated return drivers and diversification, while also helping keep capital productively invested during portfolio build-up phases and between capital calls.

Allocations should be designed not only around return potential, but also around the interaction between cash flows, liquidity needs and portfolio resilience over time.

Liquidity management is an integral part of the framework.

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