

The convergence of public and private markets — part 2

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Key points:

- Public and private market convergence is reshaping the opportunity set, but wealth and institutional investors will approach it differently.
- Wealth investors need solutions that balance broader access with liquidity needs, portfolio objectives, and clear education.
- Institutions can build more cohesive portfolios by looking through asset-class labels to assess overlapping exposures, diversification, risk, and liquidity across public and private investments.
- Implementation may benefit from strategic partnerships, investor-focused product design, and managers with insight across both public and private markets.

Introduction

In this three-part series, we examine the convergence of public and private markets through the lenses of:

2) institutional and wealth investors, and

Part 1 focused on how companies and issuers are navigating newfound flexibility in the financing ecosystem.

Here, in Part 2, we consider how this changing market structure is influencing investor behavior and portfolio implementation. For wealth investors, who have had more limited access to certain areas of private markets, questions around the role of private assets in portfolios and liquidity constraints are top of mind and must be addressed through education. For institutions, the central issue is less about access than about understanding how exposures interact and evaluating diversification at the total portfolio level. These distinct portfolio challenges have important implications for manager selection, product design, and portfolio implementation.

Wealth investors: Broader participation changes the questions

Ultra-high-net-worth investors — and the private banks and wealth managers that serve them — have long built portfolios resembling institutional allocations. For many other individuals, however, private market exposure remains limited or absent from portfolios. As companies stay private longer and private capital accounts for more financing and economic activity, a growing set of investors may need to assess whether public markets alone still provide sufficiently broad exposure to the opportunity set.

The appropriate role for private assets will vary by investor. Advisors will increasingly need to evaluate whether private investments can provide access to sources of growth, income, or diversification that are not fully represented in public markets. The answer will depend on the investor's objectives,

sophistication, time horizon, and capacity to accept illiquidity.

As participation expands beyond the ultra-high-net-worth segment, access becomes a central implementation question. Traditional drawdown funds may not be suitable for individual portfolios because of their high minimum investments, eligibility requirements, and complex capital-call schedules. Instead, evergreen and interval structures, managed solutions, and retirement-oriented vehicles can make private assets easier to incorporate into asset allocation, rebalancing, cash-flow, and reporting processes.

Liquidity is a key consideration, as noted, and should be assessed against the investor's full balance sheet. Advisors may need to consider spending requirements, emergency reserves, taxes, retirement income, liabilities, and other assets before determining how much liquidity an investor can forgo. This is a new way of thinking for many individuals, who are typically accustomed to daily liquidity, whereas institutions have long incorporated capital calls, distributions, and illiquidity limits into portfolio planning.

Education is another critical component. Advisors need to understand private-market roles, valuations, fees, taxes, liquidity terms, and performance measurements, and then explain those features and trade-offs clearly to clients. In wealth management, education is not ancillary to the product — it is part of the investment solution.

Institutional investors: Taking a portfolio-wide view of exposures

While many institutional investors already have meaningful exposure to private markets, an emerging challenge is to look through asset-class labels, understand how public and private holdings fit together, and assess diversification from the perspective of the whole portfolio.

Institutions have long used private equity, private credit, real assets, and other private strategies alongside listed securities. What is changing is the emphasis on evaluating those exposures as part of a unified portfolio. Public and private investments may serve similar portfolio roles or introduce overlapping economic risks even when they sit in separate allocation buckets. Understanding those connections can help investors determine whether the overall portfolio is genuinely diversified and whether each exposure earns its share of risk, capital, and liquidity budgets.

Private credit illustrates the challenges of adhering to traditional public and private allocations. The investment-grade private market has expanded greatly in recent years to encompass corporate and asset-backed lending, infrastructure and real estate debt, specialty finance, and a wider range of collateral types. Institutions can therefore assess public and private credit together — by borrower, collateral, seniority, duration, and economic sensitivity — rather than assuming the private-market label itself provides diversification.

This convergence of public and private investing is supported by the emergence of the total portfolio approach (TPA) to asset allocation, which provides a framework for organizing decisions around integrated portfolio objectives rather than fixed asset-class silos. Even institutions that do not formally adopt TPA may apply a TPA mindset: considering what each investment contributes to expected return, income, diversification, and liquidity; using common risk budgets; and making trade-offs across public and private opportunities more explicit. The goal is not simply broader access, but more cohesive portfolio construction.

Implementation implications: Partnerships, products, and manager selection

Managing public and private exposures within the same portfolio introduces additional complexity. Investors may benefit from capabilities that connect asset allocation, risk management, product design, and manager research. As a result, implementation increasingly depends on strategic partnerships, products designed around investor constraints, and managers whose capabilities complement the broader portfolio.

Strategic partnerships can support total-portfolio decisions

For institutions, a trusted manager may provide access to capacity-constrained opportunities, co-investments, or secondaries. But the relationship can extend well beyond sourcing. Market intelligence, portfolio analytics, liquidity planning, and comparative insight across strategies can help with the assessment of trade-offs throughout the portfolio. Partnerships can also strengthen an institution's internal capabilities by giving investment teams access to specialist expertise and a forum for exchanging ideas, testing assumptions, and building knowledge over time.

For wealth channels, these capabilities must be delivered at scale. Advisors and platforms need managers that can offer suitable investment structures while supporting due diligence, advisor education, portfolio construction, and reporting. These resources can help advisors determine where private assets may fit, set appropriate client expectations, and monitor investments over time.

Product development should begin with the investor's needs and constraints

The appropriate solution will differ by investor type. Institutions may benefit from customized mandates, co-investments, secondaries, or direct programs that provide greater control over exposures, pacing, and liquidity. Wealth investors are likely to place greater emphasis on lower minimums, simpler subscription processes, periodic liquidity, tax support, and consolidated reporting.

In both cases, the objective should be to solve a portfolio problem — not merely package access to a private strategy.

Manager selection should focus on integrated market insight

Integrating public and private exposures raises the bar for manager selection and may increasingly favor managers that understand both ecosystems. Cross-market capabilities can be particularly valuable. Managers with experience across public and private markets may be better positioned to compare relative value, identify overlapping exposures, and help investors allocate capital, risk, and liquidity more deliberately.

Conclusion

The convergence of public and private markets does not lead every investor to make the same allocation choices. For wealth investors, it raises fundamental questions about the need to capture a changing opportunity set and how access, liquidity, and education should be addressed. For institutions, it increases the importance of understanding exposures and diversification across the total portfolio.

In both segments, success will depend increasingly on implementation: strategic partnerships that support better portfolio decisions, products designed around real investor constraints, and manager selection focused on integrated public/private capabilities. Part 3 of our series will explore how asset managers and general partners need to evolve in response.

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We explore the potential benefits, trade-offs, and implementation considerations for corporate DB plan sponsors evaluating investment-grade private credit as part of a liability-hedging allocation.

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Governance best practices in public markets

For private companies approaching the public markets, we highlight the corporate governance best practices that can help pave strong relationships with public market investors.

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What investors should watch as private credit market matures

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The role of commercial real estate debt in an insurance portfolio

We examine how commercial real estate debt fits within an insurance portfolio, from its diversification and income characteristics to key considerations around regulatory classification, capital treatment, and portfolio construction.

We explore how the growing concentration of capital in mega-cap private companies is reshaping the venture and growth opportunity set, and the implications for portfolio construction, manager selection, diversification, and potential return opportunities across private markets.

IPO readiness through a public and private market lens

Our Value Creation Team brings together portfolio company leaders and Wellington investors to explore key issues shaping private markets, with takeaways from a recent IPO market discussion.

Source: <https://www.wellington.com/en/insights/public-private-convergence-part-two>