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Capturing Wealth Management's \$3 Trillion Private Markets Opportunity

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Introduction

Private markets are attracting rising numbers of new investors. To make the most of the opportunity, wealth managers and GPs need a strategic approach to engagement and a new take on technology.

Private markets were traditionally seen as exclusive niche in the investment landscape. But that's changing fast. The combined impacts of strong returns and easier access are increasingly putting assets such as private debt and equity, private real estate, venture capital, and infra-structure in the limelight. Assets under management (AuM) have been growing at an impressive 12% a year, but with new waves of investors getting involved, wealth managers must adapt fast to meet the market's changing needs.

As private markets move from the margins to the mainstream, there is a potential for wealth managers to expand their product offerings and embrace new approaches to distribution, earning higher recurring fees in the process. Similarly, in the private equity and venture capital space, GPs can create dedicated funds or share classes to engage more closely with high-net-worth individuals (HNWI). But growth will also create pressure on operating models. At the current rate of market expansion, it will not be long before the standard approach to serving private markets, based on personal distribution relationships and manual workflows, is no longer fit for purpose.

To manage higher trading volumes and rising numbers of client interactions, wealth managers and GPs need new tools and capabilities. In sales, private markets will become an integral part of investment advisory and portfolio construction, while the back office will require higher levels of automation and simpler, more efficient processes. Third party technology platforms are likely to play a growing role, helping accelerate product launches, boost transparency, and streamline operations. Implementing these necessary changes is unlikely to be simple, but wealth managers that execute effectively have the chance to grab market share and turn a previously niche proposition into a scalable business.

The challenge

The Private Market Operating Model Will Not Cope with Growing Demand

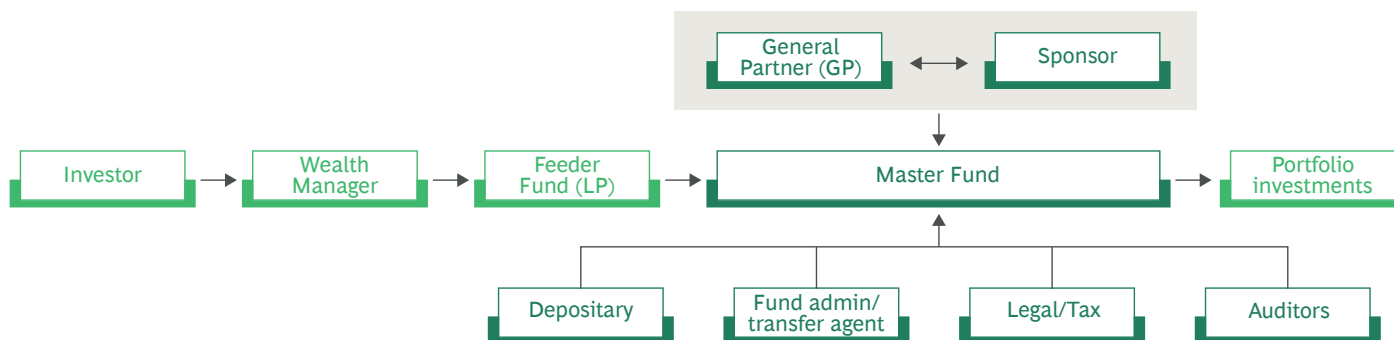
As private markets have drawn in rising numbers of investors, the weaknesses embedded in legacy infrastructure have been amplified, and wealth managers and GPs have seen they do not have the capabilities they need to scale effectively. Some of the most common blockers include:

- **Fund selection and relationship management:** Significant time and resources required to identify and select suitable GPs and to manage a growing number of GP relationships to serve different client needs.
- **Onboarding:** Firms often run heterogeneous, paper-based onboarding processes for different market wrappers (e.g., feeder funds), each requiring standalone KYC/AML workflows and multiple closings across funds.
- **Cashflow management:** Workflows such as capital calls, distributions, and redemptions remain highly manual. For instance, each capital call to a feeder fund must be manually assigned to individual investors and then followed up on a case-by-case basis.
- **Reporting:** Complex fund setups combined with low-frequency NAV updates are sub-optimal for both wealth managers and their clients, with reporting relying on estimated valuations rather than mark-to-market data.
- **Technology integration:** Wealth management systems are often designed around publicly traded securities. As a result, they are tough to integrate with those of players in the less liquid private markets ecosystem (See [Exhibit 1](#)).
- **Post sales support:** Amid infrequent updates and sometimes limited relationship manager know-how, end investors can become impatient, driving concern over portfolio performance.
- **Compliance:** Diverse international and local regulations impose a heavy burden on GP and WM legal and compliance teams, which must navigate a range of marketing restrictions, suitability checks, and KYC/AML requirements.

Given these challenges, it is common for wealth managers to add several FTEs for every additional closed-ended fund they offer to HNWI clients. The inevitable result is higher costs. Moreover, fund structures such as evergreens and semi-liquids often require additional FTE support, reflecting their more frequent redemptions. Without additional investment, events such as processing a capital call can be significantly delayed, potentially exposing clients to penalty payments or exclusions.

GPs looking to broaden access to smaller investors face similar challenges. They often need to navigate an extensive selection process for distribution partners, manage a large number of relationships, and coordinate high numbers of onboarding processes (by institutional standards). Add processing of capital calls, distributions, and reporting obligations and the profitable scaling of distribution can feel like it's well beyond reach.

Exhibit 1 - Private markets ecosystem involving a large number of participants interacting with limited scalability



The opportunity

Individual Allocations to Private Markets Are Set to Increase

Global private market AuM exceeded \$13 trillion in 2024 across private equity, venture capital, private credit, private real estate, and infrastructure—a little more than a tenth of the public market capitalization of about \$100 trillion but still a substantial piece of business. (See Exhibit 2).

While higher interest rates have put the brakes on fundraising and private market deal-making over the past two years, the longer-term trend is for further growth. We believe 12% annual AuM expansion would be a reasonable expectation up to 2030, in part driven by 8-9% annual growth in the wealth of individuals controlling more than \$5 million.¹ Other long-term drivers include companies staying private for longer (for example, to take advantage of fewer reporting requirements and longer-term capital commitments), the expansion of funding opportunities in the private space, both in primary and secondary markets, and large pool of potential investments. Globally, about 120,000 (or 85%) of large companies (>\$100 million in annual revenues) are privately owned, suggesting there is significant untapped potential.

Individual investors, who have historically been underrepresented in terms of AuM, especially in Europe and Asia, are likely to be central to the market's expansion, (See Exhibit 3). Large wealth managers often recommend that HNW clients make strategic allocations to alternative investments of at least 10% of their assets and that UHNWI clients assign at least 20%. In 2023, wealthy individuals in the U.S. allocated 15-20% of assets to private markets, while their counterparts in Europe and APAC allocated less than 5%.² One reason for the mismatch is history: private markets in the U.S. are more mature and established, with large GPs generally more prominent than they are in Europe or Asia.

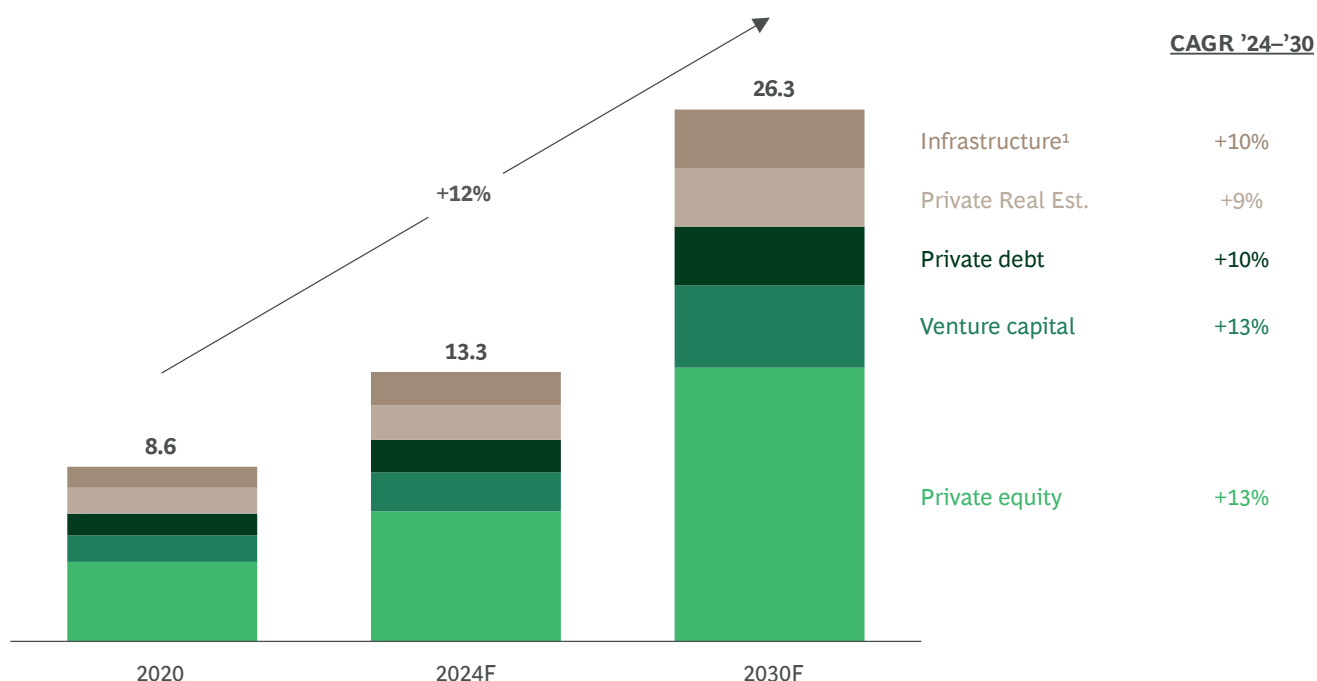
Looking ahead, regulation will play a growing role in driving demand. While the U.S. formalized "accredited investor" participation in private equity in the 1980s, European regulation was harmonized through AIFMD only in 2013. Today, recent European rules such as ELTIF 2.0 should help the region catch up. Given those dynamics, we expect individual allocations to outgrow institutional allocations on a pro rata basis, expanding the share of wealthy individuals in the market from the current 20% to 22% by 2030. The implication for wealth managers and GPs? A whopping \$3 trillion growth opportunity.

1. Source: BCG Global Wealth Market Sizing.

2. Source: BCG Global Wealth Manager Performance Benchmarking.

Exhibit 2 - Global private market AuM was about \$13.3 trillion in 2024 across asset classes

Private capital AuM by asset class 2020–2030 (USD tn)



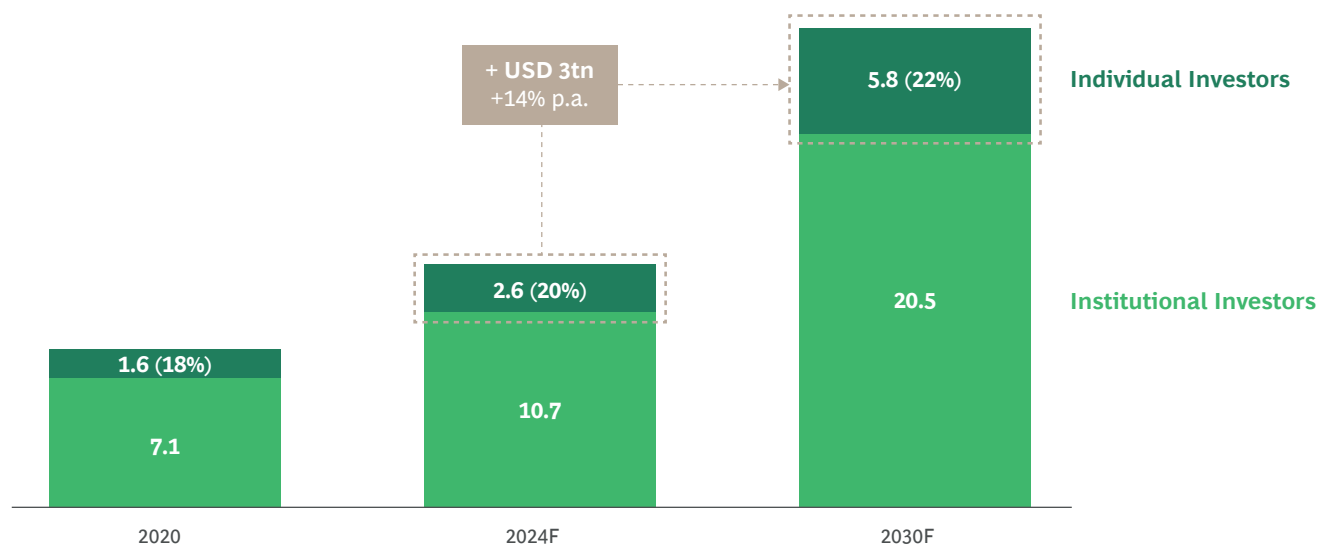
Source: Preqin; BCG analysis.

Note: Hedge funds not included; Natural resources includes agriculture/farmland, energy, metals and mining, timberland, water.

¹Infrastructure incl. natural resources such as metals, agriculture, energy, timberland, and water.

Exhibit 3 - Individual allocations are set to grow by around USD 3tn by 2030

Estimated institutional and individual private markets AuM 2020–2030 (USD tn)



Source: BCG Global Asset Management Market Sizing, Preqin, BCG analysis.

Product Innovation Means Private Markets Are More Accessible to HNWI Clients

Historically, minimum ticket sizes that were often in excess of \$5 million and long lock-up periods limited private market participation to the UHNWI segment. In recent years, rising numbers of wealth managers have set up feeder funds offering more accessible minimum ticket sizes of \$100,000-\$200,000. These structures enable WMs to pool capital commitments from multiple HNWI clients to collectively meet minimum investment thresholds, often acting as a single LP in the master fund.

In parallel, several product innovations, driven by GPs, technology players and regulators, are lowering barriers to entry. These include:

- **Evergreen PE funds:** Evergreen private equity funds, with their perpetual tenors, continuous subscriptions, and partial redemptions, provide some access to liquidity, although still with many of the constraints of closed-ended funds. ([See info box](#)).
- **Semi-liquid funds:** Similar to evergreens, semi-liquids allow for scheduled redemptions (e.g., quarterly), but to support those events they typically focus on asset classes with more stable cash flows, such as private credit and real estate.
- **Multi-asset-class funds:** Multi-asset funds consolidate multiple asset class exposures into a single investment solution, often offering individual investors exposure to private equity, private debt, and real estate, with slightly higher levels of liquidity than closed ended funds.
- **Secondary markets:** Traditionally dominated by institutional investors, secondary markets have evolved with the introduction of technology-driven platforms that enable wider access and more pricing efficiency (e.g., less steep NAV discounts).
- **New legal frameworks:** Frameworks such as ELTIF 2.0 and UCI Part II for Luxembourg-based funds permit marketing of private markets funds to retail investors under specific transparency and liquidity conditions.

As options for distributing private markets investments to end investors proliferate, some large cap private market managers in particular have doubled down on the opportunity by setting up distribution teams to turbocharge growth.

Evergreen funds: no silver bullet for the private investor

Evergreen funds are open-ended investment vehicles with no fixed term, meaning they continuously accept subscriptions and offer periodic redemptions. Unlike closed-ended funds, capital commitments are fully funded at subscription, eliminating the need for subsequent capital calls. Some fund managers have launched retail-oriented evergreen funds with low investment minimums. Still, the structure has two key drawbacks:

Partial liquidity at GP discretion, including:

- Lock-up periods ranging from 12 to 36 months from the date of the initial investment
- Limited redemption, typically 5% of the fund's total NAV per quarter
- Two to six-month lead times for redemptions

Diluted returns: To enable early redemptions, evergreen funds need to keep higher liquidity reserves in the fund, impacting returns and increasing costs:

- Standard cash holdings are 10-15% of assets, generating returns of close to zero, compared with cash holdings below 5% for traditional close-ended funds
- Credit lines of up to 30% of NAV are common and generate fees without credit benefits (in normal market conditions)

Given these constraints, evergreen liquidity remains limited, suggesting the funds are primarily suited to larger investors seeking continuous exposure to the same fund manager and hoping to benefit from long-term compounding without added complexity.

Wealth Managers Can Benefit Across Revenue Streams

As private markets continue their recent progress, wealth managers have an opportunity to scale their offerings across several revenue streams. Some of the most promising include:

- **Advisory and feeder fund fees.** Combined fees are often in the range of 1-1.5% of deployed capital for pooling client commitments and continuously managing client positions.
- **Subscription fees.** Some WMs charge upfront fees of 1-2% to cover deal sourcing, selection, and due diligence costs (this may alternatively be included in the advisory fee or covered by separate distribution fees paid by GPs).
- **Secondaries.** If a client decides to prematurely sell a private markets position on a secondary marketplace, a brokerage fee of 3-5% of NAV may apply, and wealth managers may add a 10-20% NAV discount, generating additional upside.
- **Foreign exchange (FX) fees.** Many funds are accounted for in USD, meaning conversion from any other account currency will yield additional FX fees.

Given these realities, we estimate wealth managers could generate at least 20-40% higher RoAs on private market assets than on actively managed in-house mutual funds, depending on realized performance. (See Exhibit 4). Moreover, longer lock-in periods would mean a lower cost-to-serve for more liquid investments, as client relationships become more sticky.

Exhibit 4 - Wealth manager value creation is higher in private equity

Example: Two positions of € 2.5 million held for 10 years respectively; PE position exited via secondary markets

Private equity position fees (p.a.¹)

Average performance		10% p.a. ²
Recurring fees		
Advisory/custody fee	0.7%	27'900
Feeder fund fee	0.5%	19'900
One-time fees		
FX fee	0.4%	3'400
Secondary market fee ⁴	3.0%	15'900
Total fees		67'100

In-house mutual fund position (p.a.¹)

Average performance		6% p.a. ³
Recurring fees		
Advisory/custody fee	0.7%	23'100
Fund management fee	0.8%	26'400
One-time fees		
FX fee	0.4%	2'700
Total fees		52'200

20-40%

LTV of PE positions 20-40% higher vs. mutual fund position
driven by higher performance and different fee structure

PE position with excess return of 2.5% p.a.
net of all fees compared to mutual funds

Further LTV upside of PE position
given lower client attrition risk and cost to serve due to illiquid position

Source: BCG project experience.

¹Revenues averaged over 10 year lifetime, considering position growth with average performance.

²Return on subscribed capital net of GP fees.

³Return gross of management fee.

⁴Secondary market fees assuming 10% markdown on position NAV.

Technology Platforms Can Simplify and Streamline Interactions

In recent years, demand for private market third-party technology platforms has grown rapidly, with investors able to choose from a range of options to suit their needs. Some platforms are pure-play B2B, aiming mainly to connect wealth managers and their HNW clients with top-tier asset managers. Others are B2C, providing individual investors with direct access to private equity funds. Through our client engagements, we have seen three key ways in which platforms can support effective scaling:

1. Facilitating interactions between distribution partners. For GPs, platforms enable faster product launches, driven by the ability to deploy investment opportunities across distribution partners and channels. Through client and advisor dashboards, the platforms enhance the user experience, deepen engagement, and boost conversion. In addition, they offer administrative support such as management of drafting, review, and negotiation of distribution agreements. Finally, they reduce cost-to-serve, both through scalability and their ability to handle inbound requests for information.

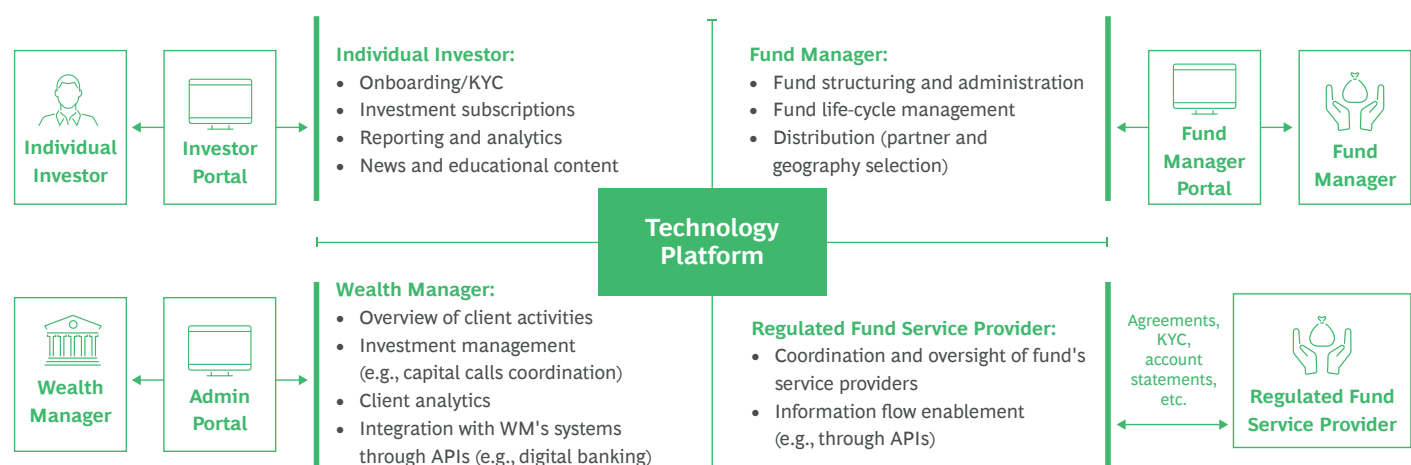
For wealth managers, platforms materially lower the cost of fund selection, help them manage numerous GP relationships and facilitate compliant setting up of feeder fund structures. They also offer a digital interface for advisors and clients to manage and monitor investments, enhanced by tools for analysis, research, and RM education.

Given these upsides, platforms help wealth managers and GP reduce sales rep headcount and significantly accelerate onboarding of new partners.

2. Digitizing and centralizing fund lifecycle management. Once a wealth manager and GP have a distribution agreement in place, platforms streamline numerous operational processes. For example, they support digital LP onboarding - building on existing client data and backed by electronic signatures, digital identification, and automated account creation. They enable digital subscriptions with standardized and pre-filled documentation, all transferred digitally across the ecosystem. Once clients are onboarded, they track and monitor subscriptions, capital calls, and distributions, giving users better insight into the liquidity/fundraising pipeline. Finally, they produce aggregated reporting for clients and advisors, including tracking of fees and other expenses, while supporting oversight of nominee structures, especially for regulated banks. These benefits reduce manual steps, improve client experience, reduce back-office costs (for both GPs and WMs), and boost data quality and transparency.

3. Orchestrating the private market ecosystem: Beyond providing clients and advisors with an integrated overview of investments, technology platforms reduce friction by supporting collaboration with depositaries, fund administrators, transfer agents, and other ecosystem players. (See Exhibit 5). They offer white-label interfaces that can be quickly set up and branded for GP fund managers and WM clients and advisors, as well as APIs and infrastructure for secure data exchange. As a result, platforms can help GPs and WMs obtain more frequent and seamless outputs from service providers including depositaries, fund administrators, transfer agents, and legal advisors.

Exhibit 5 - Technology platforms can serve stakeholders across the market



Leading Wealth Managers Are Building Their Capabilities

Technology platforms can be a transformative route to efficiencies and better client experiences, but they cannot magically create private market “supermarkets” for wealth managers and end clients. To truly capitalize on the opportunity, wealth managers need to deeply embed private markets into their value chains. (See Exhibit 6). Here are three key areas where leading firms are focusing:

1. Embed private markets into a holistic advisory process supported by hook offerings

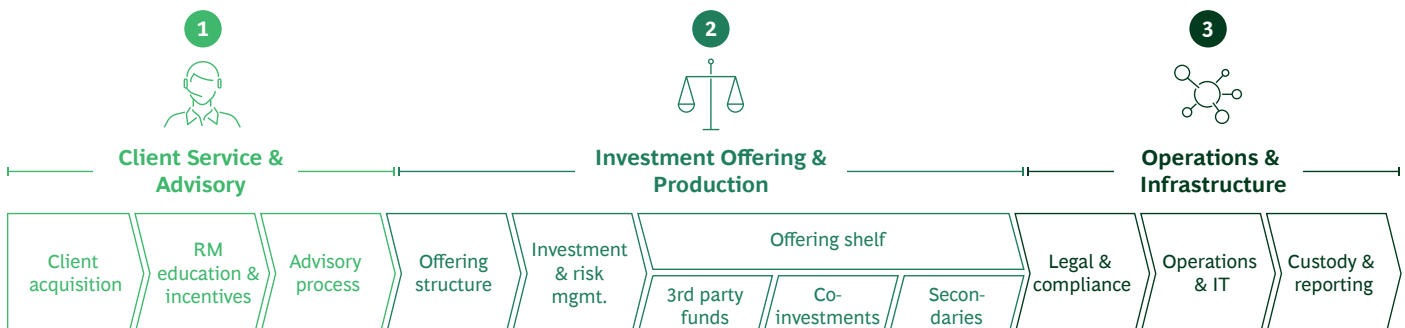
Forward-looking firms attract client interest and engagement through so-called hook offerings. For example, one market leader created a discretionary mandate with a significant private market allocation, which it combined with \$1 billion in seed funding from the bank’s founding family. Over time, AuM grew twenty-fold as clients looked to invest alongside the family. To further facilitate client engagement, the bank incorporated private markets into its advisory process, covering topics from long-term wealth planning to tax optimization and legal reporting. It combined those efforts with continuous advisor education and revised sales incentives, which had historically been biased toward mutual funds with higher upfront commissions.

2. Build a more differentiated offering across client segments

As adoption grows, clients are bringing a wider range of investment objectives and priorities to the table. One leading U.S. wealth manager developed a comprehensive strategy for the full range of wealth brackets, which it differentiated by the degree of complexity and tailoring available. At one end of the spectrum, it offered affluent-oriented funds (e.g., U.S. registered funds) for small ticket investments. For its core client demographic, it ensured broad access to top quartile fund managers through a strong, AI-supported selection process followed by systematic GP relationship management. For its most demanding clients, it enabled continuous access to both single-deal co-investments and parallel co-investment funds. This enabled a higher degree of tailoring and superior net returns through the lower fees associated with the approach.

A complementary strategy is to offer model portfolios with routine private market allocations alongside access to a secondary markets platform, enabling clients to trade positions outside of redemption windows. This approach enabled one wealth manager to achieve an average private markets allocation of well over 10% across its client base.

Exhibit 6 - Wealth managers need to consistently integrate private markets across their value chains



3. Increase the efficiency of internal operations

Tech platforms can provide a significant efficiency boost, but their adoption is best supported with comprehensive streamlining of internal processes. One leading European wealth manager reinforced its platform strategy with a simplified, risk-based control framework to handle large numbers of less complex clients in its feeder funds, maximizing reuse of existing AML/KYC data. The firm combined this approach with significant investment in integration with data providers. Benefits included automated client reporting capabilities and reduced manual processing. Through these efficiency gains, the firm was able to significantly increase its share of clients with private markets investments without hiring more middle and back-office staff.

While many leading wealth managers already have a strong proposition along several links in the private markets value chain, very few have optimized their involvement across the board. As a result, they fail to realize the business's full potential. In future, leading firms will adopt a holistic lens on their private market strategies, making more use of digital solutions and embracing a broad and differentiated offering. Effectively implemented, the outcome will be a private markets proposition that is ready for scaling.

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ROYC

ROYC is a leading European B2B financial technology company that provides a complete private markets operating system, empowering private equity firms, banks, wealth managers, and multi-family offices to seamlessly access, distribute, and manage private investments at scale.

As private markets expand, financial institutions require scalable, technology-driven solutions to manage complexity, optimizing fund operations, and delivering exceptional client experiences.

ROYC combines state-of-the-art private markets technology with tailored fund structuring and investment solutions. Its intuitive, scalable platform replaces manual processes with automation and real-time data access, transforming how private market investments are managed across the entire fund lifecycle.



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