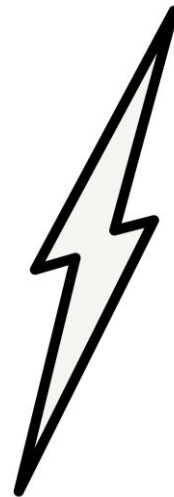


Democratisation (‘Retailisation’)

Of Private Equity

*Private
Equity
Society*



Introduction

3X High-net-worth individuals have investable capital over three times larger than that of pension funds.

5% Only 5% of the investible capital of these wealthy individuals is allocated to alternative assets.

The democratisation of private equity refers to the **expansion of access to private market investment opportunities beyond traditional institutional investors.**

Traditionally, PE investments had high entry barriers:

- Large capital requirements
- Long lock-up periods
- Traditional preserved to institutional money managers.

Democratisation



- Lower entry barriers and reduced investment minimums
- Increased number of retail investors
- Semi-liquid funds and secondary markets provide exit options
- **Innovative fund structures for increased accessibility**

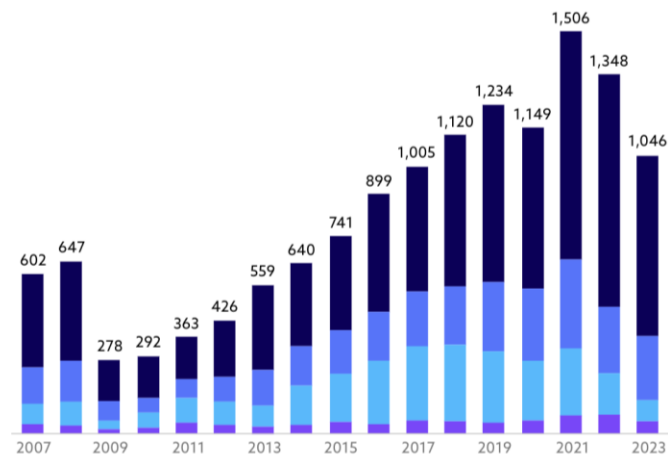
e.g. **Evergreen Funds**, Feeder Funds, Sidecar Vehicles etc.

	Traditional Fund	Evergreen Fund
Fund Structure	Closed-end, limited partnerships	Open-end
Investment Strategy	More focused approach: acquire and grow companies over a set period of time	More patient approach: hold companies for longer periods of time
Lifespan	Approximately 10 years, with option to extend one to two years Fixed end date	Perpetual basis No fixed end date
Capital Deployment	Multi-year commitment period	Immediate (fully deployed upon investment)
Liquidity	None Typically 10-year lock-up	Periodic Generally monthly or quarterly
Individual Investor Requirements	Qualified Purchaser Minimum \$5M net worth	Accredited Investor
Investor Capital Contributions (approximate)	Single, large capital commitment at the start of the fund's life Minimum can start at \$5 million	Periodic contributions or withdrawals Minimums can start at \$25,000

Drivers

Tougher Capital Raising Conditions Open Door to New Funding Structures

Global private markets fundraising by region,¹ \$ billion



	2022-23 growth, %
Total	-22.4
North America	-21.9
Europe	-3.2
Asia	-48.1
Rest of world	-41.0

Higher Financing Costs

Uncertain Rates

Lower Multiples

Volatile Macroeconomic Environments

Increased Investment Demand for Diverse and High-Performance Investment Opportunities



Public market

Search for yield



Private market



- Poor returns on equities and bonds due to macroeconomic shocks, market volatility, and rising interest rates
- Traditional 60/40 portfolio can no longer deliver adequate diversification

- **Higher yield** compared to public markets
- Perceived **lower volatility**, less correlation to market swings
- Private firms are marked to market less frequently

Progressive regulatory framework changes encourage democratisation

EU ELTIF 2.0 (2024)



Simplified suitability tests, strong investor protections for retail access

UK LTAF (2023)



Introduction of semi-liquid structures and period redemptions to enhance exit opportunities



Expansion of eligible assets and strategies and allowing fund-of-funds structures

Technological Advancements (Fintech)

Younger Investors with higher PE literacy

Key Players + Risks

PE Firms and Asset Managers

KKR

Announced that “Private Wealth Style” portfolio could include up to 30% allocation to Alternatives.

ARES

Launched Ares Wealth Management Solutions (AWMS) in 2021 to expand individual investors’ access to Ares’ private markets platform.

Blackstone

Announced to “virtually double” its workforce in the mass wealthy market.

FinTech & Digital Platforms

Moonfare

Digital investment platform that provides retail access to top-tier PE funds with only €50,000

iCapital

B2B platform connecting wealth managers and private equity funds



Risks and Uncertainties



Regulation

More robust disclosure and compliance requirements are needed to protect retail investors.

This increases cost and potentially management fees (which is already elevated for retail investors)

Liquidity

Private investments are inherently illiquid. Evergreen funds provide periodic liquidity but still rely on long-term capital commitments, restricting immediate redemptions.

A mature secondary market can reduce the concern, and investor education about the lack of liquidity is essential.

Education

Education about PE is essential in the democratisation transition.

The unique structures and characteristics of PE investment are complex and difficult to understand for most retail investors.