

2025: A return to form for private markets?

2024 was a year of differing fortunes for alternative asset management, with the macro-economic environment and broader geopolitical issues presenting challenges that hadn't been seen for some time, particularly for private equity buyout GPs.

However, this type of market dislocation also provided a catalyst for managers to consolidate and diversify into other types of alternative assets, and to take advantage of the difficulties experienced within some market segments. For example, a squeeze on the mid-market saw a flight of capital towards the biggest managers. That in turn has seen firms try to build scale and a broader offering as investors (LPs) seek to allocate across more private market categories but with fewer managers.

With 2025 promising some easing in the economics of private market investing and the broadening of the investor base, we look at some of the key areas of growth we expect to see this year.

1. **Retailisation:** We have been told about the democratisation of private markets for some time, but largely within the PE space with the growth of platforms like Moonfare. In the past 12 months or so, we have seen great development in the private markets' universe and its supporting fund structures, allowing fundraising from HNWI and retail investors in previously untapped asset classes like private credit. Luxembourg favourable, cross border focused regulatory environment, and funds like the ELTIF, should allow greater participation in private market investments from retail investors keen to take advantage of the superior return profile of these asset classes.

We have also seen some of the biggest managers – Apollo for example – making a play to invest a greater proportion of the US' 401k funds, which is a huge pot of money to deploy. However, there is a catch: with this retailisation will likely come increased regulation, which policymakers and economists have been demanding for some time.

2. **Diversification and consolidation:** 2024 saw a great deal of new tie-ups between GPs and other financial institutions. For example, BlackRock bought GIP, General Atlantic partnered with Actis, and Middle Eastern sovereign wealth formed investment partnerships with some of the largest private credit managers. We have seen the expansion of both alternative and traditional asset management businesses to offer more alts solutions to institutional clients. Given a squeeze on fundraising in parts of the market, such tie-ups and consolidation will become commonplace, with managers looking at areas like private credit, and particularly infrastructure, of which the latter may benefit greatly from an environment with improved rates, longer terms, steady yields, and some inflation protection.



3. **Buyout and IPO uptick:** The liquidity challenges for the private equity buyout industry have been discussed at length over the last two years, with the rates environment increasing cost of capital and some managers struggling to raise for new funds. However, with rates expected to lower over the course of 2025, coupled with the need for GPs to deploy capital to deliver proof of concept and return cash to investors, we expect to see an uptick in dealmaking across Europe, particularly in markets like the UK, which are largely considered to be undervalued.

The recent slowdown in dealmaking has led to the growth of value enhancing solutions like NAV financing, pioneered by 17Capital (recently partnered with Oaktree). We also expect an increase in the adoption of these fund financing solutions to enable dealmaking and generate value for both GP and LP. There are still many innovative companies that need financing for growth and private equity capital that needs deploying, therefore this year will hopefully provide plenty of opportunity. Similarly, with circa 20% returns seen in the S&P 500 over the last two years and bigger assets needing a suitably large exit solution, it's likely we will see more IPOs in the US. We therefore expect to see an uptick in both public listings and private M&A over the year – something that will be welcomed by investment bankers.

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