

Private Equity International

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INVESTORS

Private Take: Raising standards in the 'new' private markets

In the rush to extend private markets access to new investors, the industry risks mistaking more products for better portfolios, writes John Toomey, chief executive of HarbourVest Partners.

Growing up, my parents did not spend their evenings thinking about private markets or asset allocation. They were union members who trusted their pensions would be managed by professionals focused solely on producing long-term retirement outcomes.

That was life during the private markets of a different era. For decades, pensions, endowments and foundations were staffed by investment professionals who built private markets investment programmes focused on diversification, vintage pacing and disciplined allocation.

Much has changed since then. The market's investor base has expanded dramatically, bringing a wider range of experience and expertise. The structure of private markets themselves has also changed: the number of strategies has grown significantly; secondary transactions, continuation vehicles and co-investments have reshaped how capital is deployed; and companies are remaining private for longer. Exposure to private investments has become increasingly important to long-term portfolio construction.

The vehicles through which investors access private markets have also multiplied. Evergreen structures now sit alongside traditional closed-end funds, broadening participation across both institutional and wealth channels. How investors should access private markets is no longer the critical question – instead, the more urgent question is whether all investors have the



same level of private markets portfolio construction and discipline that pensions and endowments have relied on for decades.

I believe private markets deserve the broader participation they are seeing – but only if managers are willing to act like fiduciaries.

The entire spectrum

There is a growing assumption that adding private markets to an investment portfolio automatically achieves diversification. That assumption is incomplete, and increasingly risky. Private markets are not a single asset class. The same is true in public equities: investors do not simply buy 'stocks'; they

diversify across company size, and growth and value styles.

Similarly, the private markets represent a spectrum of managers, strategies, geographies, sectors, liquidity profiles and incentive structures. For example, owning a handful of private funds or a single evergreen product does not, on its own, constitute a diversified private markets portfolio.

True diversification must be deliberate. Without the right discipline, investors may believe they are diversifying when, in reality, they are concentrating with overlapping exposures in ways that are not immediately visible.

This is why institutions increasingly

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rely on programmatic private markets platforms, which provide portfolio construction and high-quality servicing through reporting, liquidity, tax and cashflow management. These platforms construct diversified portfolios across multiple managers and through primaries, secondaries and co-investments, rather than relying on individual manager selection. In many cases, the value proposition is the ability to access parts of the private markets that investors could not efficiently reach on their own.

In a market where returns dispersion between managers can be significant, diversification is not simply about reducing risk: it is often the most reliable way to capture the right tail of returns. In the rush to expand access, the industry risks mistaking more products for better portfolios.

Scale changes incentives

The influx of new capital into private markets changes the economics of the industry. As evergreen vehicles expand and distribution broadens, allocation decisions, liquidity design and fee structures carry greater consequences. The ‘new private markets’ operate across multiple vehicles and investor types, and that complexity introduces structural tensions that did not exist at the same scale a decade ago.

Private markets have historically

benefited from ‘patient’ capital; they have not been subject to daily price discovery or short-term performance pressure. As new vehicles promise greater liquidity and faster growth, the industry must ensure it does not weaken the very characteristics that made private investing effective in the first place.

Recent events have underscored a simple truth: liquidity labels do not change liquidity realities. Many new stresses are not failures of private assets themselves – they are symptoms of incomplete portfolios being asked to behave like complete ones. Evergreen vehicles clearly illustrate this challenge: managing them well requires both scale and velocity, as managers must balance continuous inflows and outflows while preserving diversified exposure and disciplined pacing. These are demands that, in practice, only a limited number of platforms can consistently meet.

Managing capital across multiple fund structures introduces additional complexity, all of which must be governed by a single set of portfolio standards. Investor outcomes should not vary based on the structure through which capital enters.

The playbook already exists

For decades, institutions have relied on diversification, vintage pacing and portfolio-level risk analysis to manage their

private markets exposure. The challenge is consistency: as access expands, institutional discipline must expand with it. The same principles that have protected institutional portfolios must now govern private markets more broadly.

In many institutional portfolios, investment decisions are increasingly evaluated through a total-portfolio lens. What matters is not how a fund ranks against peers, but how it strengthens the overall portfolio. This shift reinforces the importance of transparency, data, investment-level benchmarks and portfolio-level analytics: investors need this data to understand how private market exposures affect a total portfolio.

Private markets have earned their place in institutional portfolios through discipline and long-term performance. As participation expands, that discipline must be carried forward.

Trust is ultimately the foundation of this industry. Investors can deploy capital anywhere in the world, but they choose partners who consistently deliver three things: strong portfolios, transparent reporting and reliable service over time.

Now is the moment to put fiduciary responsibility ahead of asset gathering and long-term outcomes ahead of short-term growth. Doing more in private markets is not the objective – doing it the right way is.

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