

Massive Alternative Market Shift

Déjà Vu?

How the Transformation of Public Equity
Markets Previews the Inevitable Evolution of the
Alternative Investment Industry

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A White Paper by Ryan Keough, CEO



Introduction

Imagine a market defined by rising investor demands for transparency, accelerating fee compression, a surge of new participants, and a wave of innovative investment vehicles. You might think of the alternatives market as it exists today. You would be right. But this story has been told before.

The same forces reshaped the Public Equity Markets over the past three to four decades, transforming an institution-controlled, opaque marketplace into a transparent, competitive, and democratized ecosystem. The parallels are not coincidental. Markets follow patterns. When structural inefficiencies persist, pressure builds, and eventually the market transforms. Public equities went through it. Alternatives are going through it now.

Both transformations are driven by the same core forces: investor demands for greater transparency and better service, effective fee compression driven by LP negotiating power, a surge of new and more diverse investors, new market participants supplying liquidity, innovative investment vehicles, and rapid AUM growth. This paper examines how those forces played out in public equity markets, where alternatives stand today on that same trajectory, what GPs must do to lead rather than react, and where the industry is heading next.

History doesn't repeat itself, but it often rhymes. The equity market transformation of the late 20th century is rhyming with what is happening in alternatives today.



Part I:

The Equity Market Transformation, A Blueprint

For much of the 20th century, institutional market makers controlled U.S. public equity markets. A small number of sell-side broker-dealers set spreads, controlled access, and captured the value of every transaction. Information asymmetry was structural, commissions were fixed, and retail investors operated at a permanent disadvantage. The market was opaque, expensive, and exclusive by design.

The transformation began with the SEC's abolition of fixed commissions in 1975, the so-called May Day, which unleashed competitive pressure that never fully abated. What followed over the next three decades was one of the most consequential restructurings in financial history: commission rates collapsed, discount brokerages proliferated, retail investors entered at scale through IRAs and 401(k)s, ECNs and alternative trading systems fragmented the market and created new liquidity, ETFs and index funds democratized institutional-grade exposure for ordinary investors, and the old sell-side intermediary model was permanently disrupted.

The firms that survived and thrived were those that adapted early, investing in technology, rebuilding their operating models around the new investor base, and competing on value rather than access. The firms that clung to the old model were marginalized or absorbed.

The equity market transformation was not a single event. It was a decades-long process driven by investor demand, regulatory change, technological innovation, and new competition. The alternative investment industry is now on a similar, and accelerating, trajectory.

Public Equity Markets (Then)	Alternative Markets (Now)
Fixed commissions; wide bid-ask spreads	2-and-20 fee structures under pressure; carry compression
Institutional investors dominant; retail excluded	Institutional dominant; wealth channel rapidly entering
Broker-dealers control access and pricing	GPs control access; LP bargaining power growing
Limited transparency; opaque pricing	LP demands for real-time data and portfolio analytics
ECNs and ATSS create new liquidity sources	Secondary markets and new GP types expand liquidity
ETFs and index funds democratize access	Evergreen and interval funds democratize alternatives access



Part II:

The Alternative Market Today, Déjà Vu

The alternative investment industry has long operated on a model that closely resembles pre-transformation public equity markets: a small number of elite GPs controlling access to high-performing assets, LPs accepting opacity and high fees as the price of admission, and the industry exclusive by design. That model is now under the same structural pressure that dismantled its equity market equivalent.

Rising LP Expectations

Institutional LPs have built dedicated private markets teams, invested in data infrastructure, and developed rigorous frameworks for evaluating GP relationships. They are more sophisticated than ever, and their expectations for service quality and economic terms are rising accordingly.

The transparency gap is driving much of the pressure. LPs are accustomed to getting real-time marks, granular exposure data, and daily attribution across their public portfolios. Yet those same investors may wait 90 days after a quarter closes to receive a static PDF summarizing their private holdings. That comparison is no longer abstract. LPs are making it explicitly, and they are directing capital toward GPs who close the gap.

The economics of the LP relationship are shifting with equal force. The 2-and-20 model has proven more durable than many predicted, but headline fee stability masks a more significant change: sophisticated LPs are negotiating expanded co-investment rights, securing access to deals with no management fee and no carried interest. The effective economics of the relationship shift materially in the LP's favor, even when the stated terms appear unchanged. For GPs, the implications are twofold: fee pressure is real and accelerating even when it does not show up in the headline numbers, and the operational burden of tracking LP-specific co-invest economics, side letter terms, and commitment structures is growing sharply with every fund cycle.

The New Investor Wave

The most transformative force reshaping the alternatives landscape is the dramatic expansion of the investor base. RIAs, broker-dealers, and wealth platforms serving high-net-worth individuals are now actively allocating to alternatives at scale. Regulatory changes and new vehicle structures are further democratizing access. The wealth channel alone represents a multi-trillion-dollar pool of capital that is meaningfully underallocated to alternatives relative to institutional peers. GPs who build the operational infrastructure to serve this channel will access a transformative source of AUM growth.

New Participants, New Vehicles, New Liquidity

Non-traditional GPs, insurance companies, family offices, and corporate venture arms are multiplying the sources of deal flow. Secondary market platforms are creating liquidity where little existed before, evolving from a niche backwater into a dynamic and growing segment of the ecosystem. Evergreen fund structures, interval funds, BDCs, and non-traded REITs are expanding the universe of eligible investors. Each new vehicle type brings new constituencies, new reporting requirements, and new operational complexity. GPs who embrace this innovation will access new pools of capital; those who ignore it will cede ground.



Part III:

How GPs Must Respond

The lessons of the equity market transformation are unambiguous: firms that adapted thrived; those that clung to the old model were marginalized. The GP response must operate on two levels simultaneously: operationally, building the infrastructure to serve a broader and more demanding investor base at scale; and culturally, shifting from controlling access and information to proactively delivering timely, relevant intelligence to LPs before they ask.

The defining cultural shift for GPs in the new alternatives market: stop waiting for LPs to ask. Start delivering what they need before they know they need it.

From Reactive Reporting to Proactive Intelligence Delivery

The traditional GP communication model is built around the pull: LPs request information, GPs respond at scheduled intervals. In this model, the LP carries the burden of staying informed. That model is no longer acceptable. Today's LPs expect information to come to them, proactively, relevantly, and on time. Leading GPs are inverting the traditional model entirely, pushing timely and targeted intelligence continuously: portfolio updates when material events occur, performance context when market conditions shift, co-investment opportunities when deal timing demands it. This requires not just good intentions but the operational infrastructure to deliver personalized communications at scale.

Scalable Operations and LP Experience

The institutional LP service model, built around a small number of large investors with high tolerance for manual processes, does not scale with the continuous needs for information and the expansion into the wealth channel. GPs must systematize investor onboarding, automate routine communications, centralize document management, and build workflows that allow IR teams to manage larger LP populations without sacrificing relationship quality. LPs are comparing their alternatives experience against the intuitive, digital, real-time experience they have with their public market portfolios. The gap is stark, and closing it is now a competitive imperative.

Fee Transparency, Vehicle Innovation, and LP Intelligence

Fee transparency is no longer optional. Forward-thinking GPs are proactively initiating the fee conversation rather than defending the 2-and-20 model under pressure. Vehicle innovation is equally urgent: GPs who develop the capability to manage evergreen structures and interval funds will access the wealth channel; those who cannot will be confined to an increasingly competitive institutional market. And GPs who treat LP behavioral intelligence as a strategic asset, using engagement data to anticipate LP needs, identify re-up opportunities, and prioritize fundraising outreach, will have a durable structural advantage over those who manage relationships from memory and intuition.

The GPs who will define the next era of the alternatives industry are those building the infrastructure and discipline to push the right intelligence to the right LP at the right moment, transforming investor relations from a reactive function into a proactive competitive weapon.





Part IV:

Looking Ahead, The Next Decade

The alternatives transformation is moving faster than its equity market predecessor, fueled by compressed technology cycles and a more globally connected capital market. Based on the dynamics already in motion, the following predictions reflect where the industry is heading, and what that means for GPs who intend to lead rather than follow.

The Wealth Channel Becomes the Dominant AUM Source

Institutional allocators are increasingly capacity-constrained. The wealth channel, by contrast, is structurally underallocated. High-net-worth and ultra-high-net-worth individuals hold an estimated \$8 trillion in global wealth, with alternatives representing a fraction of most portfolios. As vehicle structures democratize access and wealth management platforms build distribution infrastructure, the wealth channel will become the defining source of AUM growth for the next generation of alternative managers. GPs who cannot operationally serve a high-volume, intermediary-mediated investor base will find this channel effectively closed to them regardless of investment performance.

Fee Structures Will Be Fundamentally Restructured

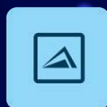
The 2-and-20 model survives only for the most elite and consistently top-performing managers. For the broad middle of the market, fee structures will look materially different within the decade: lower management fees, performance fees tied to realized rather than paper returns, and co-investment structures as a standard feature rather than a negotiated carve-out. Just as commission compression forced sell-side firms to compete on value rather than access, fee compression will force alternative managers to compete on differentiated performance and operational excellence.

Technology Will Bifurcate the Industry

The alternatives industry is heading toward a technology-driven split between managers who have invested in modern operational infrastructure, LP intelligence capabilities, and data-driven investor relations, and those who have not. Within ten years, operational capability will be a prerequisite for serious institutional fundraising, not a differentiator. The gap will be visible to LPs and will directly influence capital allocation decisions. The GPs investing in that infrastructure now are building a compounding advantage.

Secondary Markets Become a Primary Liquidity Mechanism

Illiquidity has always been a defining characteristic of alternative investments. That structural reality is changing. GP-led secondaries, continuation vehicles, and structured liquidity solutions are evolving from exceptional measures into standard tools. LPs will increasingly evaluate new commitments on the basis of anticipated secondary market liquidity, and GPs who facilitate that liquidity will command a fundraising advantage. This mirrors the development of block trading and alternative liquidity mechanisms that transformed institutional equity portfolio management.



Conclusion

The transformation of the Public Equity Markets from an institution-controlled, opaque marketplace into a transparent, competitive, and democratized ecosystem is one of the defining chapters of modern financial history. The Alternative Investment industry is writing a similar chapter, right now.

LP demands are rising. Fee compression is accelerating. New investors are entering. New participants are supplying liquidity. New vehicles are democratizing access. The GPs who will define the next generation of the alternatives industry are those who embrace the change, invest in the right capabilities, and build relationships with a broader and more diverse investor base.

The past informs the future. And the future belongs to those who prepare for it.

To learn more about how Altvia can help your firm navigate the alternative market transformation, visit www.altvia.com or contact us to schedule a consultation.



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