

# Delio's latest research finds it's no longer a case of 'if' wealth managers offer private markets to clients, but 'when and how'.

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Private markets are a core component of holistic wealth management, with 94% of firms either already offering clients access to alternative assets or working towards it.

65% of firms have transacted more than five private markets deals in the last 12 months, with 38% of managers involved in more than 20 deals.

Operational challenges are cited by more than half (53%) of managers as the biggest barrier to scaling their proposition, with two in five (41%) flagging regulatory risk and a lack of resources.

More than four in five (82%) of wealth managers say technology plays an increasingly significant role in how their clients access private markets.

Wealth managers are no longer questioning whether they need to offer private markets to clients, but are instead focusing on when and how to achieve it, according to Delio's Private Markets in Wealth Management 2022 report (<https://www.deliogroup.com/private-markets-in-wealth-management-2022-report>).

Clients have been increasingly demanding access to private markets as they seek access to asset classes that help to diversify their portfolios while potentially generating greater returns in a climate of increasing inflation and interest rates.

Nearly nine in 10 (88%) wealth managers are reporting that clients are increasingly seeking access to illiquid investments, according to the report. Much of this interest has been precipitated by the turbulence of public markets which experienced a Covid-induced crash, followed by an extended bull run in 2021, and then another sharp decline over the course of this year.

In contrast, alternative assets have remained relatively immune to the chaos surrounding public markets. While some alternative asset sectors have been impacted far more than others, the overarching resilience of private markets has made them an essential component of a portfolio seeking longer-term investment returns.

Gareth Lewis, chief executive and co-founder of Delio, said: "The importance of private markets to wealth management clients is now clear for all to see. The question for wealth managers is no longer if they offer access to alternative assets, but how they do so in a scalable and efficient way.

"While there is an inherent risk associated with these types of investments, the way that this manifests itself is very different from public markets. The relatively illiquid nature of private markets means they are less affected by shifts in investor sentiment due to external factors, which we see in public markets regularly, and especially in the last few weeks.

"This makes alternative assets a potentially valuable addition to a balanced and diversified portfolio. It is no wonder more wealth managers are now recognising how important they have become for their clients."

Since Delio first undertook this research back in 2019, direct investments have overtaken funds as the most commonly offered investment product in this sector. Firms offering direct investments have risen from 59% to 69%, while those providing access to funds have fallen from 63% to 44%.

Impact investments, private credit and real estate make up the private markets offering of nearly a third of wealth management firms. A smaller proportion of firms are also enabling access to hedge funds and even 'passion' investments, such as classic cars, fine wine and antiques.

Gareth Lewis said: "There has been a notable shift in the approach wealth managers have taken in the last two to three years, and much of this has been a result of the significant market falls we saw during the pandemic.

"Prior to this, many firms were still in the planning stage when it came to offering private markets to relevant investors. But during this period, when public markets became very unpredictable, investors wanted to allocate more of their wealth to private assets in a bid to mitigate the pandemic's impact on their portfolios.

"This forced slower adopters to speed up their plans to offer alternative assets to clients as they found themselves playing catch-up. Meanwhile, earlier adopters were able to shift gears quickly and consolidate their market advantage as they accelerated client access to these types of investment opportunities."

In 2019, most wealth managers that offered access to private markets did so through a diverse range of asset classes, with more than half offering funds, direct investments and real estate deals. Three years on, and the diversity of investment opportunities available to wealth management clients has increased, yet most firms seem to be consolidating their offering into either direct investments (offered by 71% of wealth managers) or alternative funds (41%). Impact investments remain popular and are offered by just over 1 in 3 firms, while private credit deals are available to the clients of 29% of wealth managers.

Wealth managers must decide whether they commit to scaling private market access by investing in digital tools needed to do this efficiently, or hope that other aspects of their service are enough to satisfy the majority of their clients while restricting the availability of alternative assets to only their wealthiest clients.

Gareth Lewis added: "One thing is certain - making the correct decision will have significant and long-standing strategic implications."

You can access a full version of Delio's Private Markets in Wealth Management 2022 report here (<https://www.deliogroup.com/private-markets-in-wealth-management-2022-report>)

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Notes to the editor:

About Delio (<https://www.deliogroup.com/>)

Delio is a UK-based fintech, operating across Europe, North America, Asia and Australia. Its technology helps financial institutions to connect their clients with private investment opportunities quickly, transparently and compliantly. From international private banks to wealth managers and angel networks, Delio serves over 90 financial institutions. More than \$26bn-worth of investment opportunities are currently shared across Delio-powered platforms.