



INVESTOR SERVICES



Private markets ETFs: a primer on an emerging investment strategy

Experts from BBH's ETF and Alternatives teams discuss the growing popularity of this novel structure and how knowledge of both product areas can be key to success.

A new wave of ETFs that invest in private markets have made headlines over the past year and, while the space remains nascent, it's evolving quickly. The structure packages a traditionally illiquid asset in a historically liquid vehicle – how will product sponsors bridge the gap, and how will investors respond?

Based on our recent work with asset managers looking to explore their options, this guide explores both the drivers of the product's evolution, along with some of the inherent opportunities, challenges, limitations, and risks.

The bottom line: private markets ETFs introduce an operating model and product construction that blends elements of distinct asset classes. It's critical that you engage your full ecosystem, including liquidity providers, service providers, trading partners, and valuation experts early in your product planning.

What are private markets ETFs and why are we talking about them now?

Unlike most public securities, private markets assets like private equity, private debt, and private real estate are generally illiquid. By design, they're owned by a small group of investors, potentially more difficult to trade, and valued relatively infrequently – typically quarterly.

ETFs, by contrast, are traded intraday and largely hold public securities that also trade throughout the day. Packaging private markets assets in the ETF vehicle provides investors with exposure to this typically illiquid, costly, and long-term investment in a more accessible fashion.

Of note, US-domiciled ETFs are subject to regulatory liquidity requirements which limit their investment in illiquid assets to no more than 15% of a fund's net asset value.

Collectively, private markets and ETFs represent two of the highest growth areas of the investment industry and have steadily captured an increasing percentage of investor flows for more than a

decade¹. BBH's own [2025 Private Markets Investor Survey](#) captured a remarkable investor sentiment: of 500 global investors, 34% planned to invest in private markets ETFs and 57% wanted to learn more about these products.

Market context and growth drivers

The private market investment landscape is undergoing rapid expansion and, in this case, converging with another industry megatrend, ETFs.

- **Private markets growth:** Private assets now account for over \$14.8 trillion in committed and deployed capital² and are forecasted to reach between \$20 and \$25 trillion by 2030³. Additionally, there are now fewer publicly listed US companies (down about 50% since the 1980s), making private assets a key, often untapped opportunity for many investors who historically haven't had access to these asset classes.⁴
- **ETF boom:** The US ETF market's total net assets reached \$11.8 trillion as of July 2025 and more than 460 new ETFs launched in just the first half of 2025, including the first public-private credit ETF from Apollo and SSGA.⁵
- **Retail access:** Historically, retail investors have had limited paths to invest in private assets. Most investment products have been geared toward institutional or qualified, high-net worth investors. ETFs that own private assets offer a means for ordinary investors to tap into private markets, often with minimums as low as a single ETF share.

Several current ETF products already highlight connections to alternative investments and private markets. Many of these products are innovative, successful, and do offer exposure, often indirectly, to private assets.

However semantics matter, so let's dig in further to clarify what we define as private markets ETFs in this guide:

Private markets ETFs need to directly own private assets such as private companies, private debt, or private real assets, for example. This includes ETFs that own private companies either directly (AGIX investment in xAI or Anthropic) or through a special purpose vehicle (SPV).

These are not necessarily private markets ETFs:

- Alternatives v. Private Markets: Alternatives is a broader term covering a variety of things but also includes hedge funds and hedge fund-like strategies. Typically, these investment strategies principally involve publicly traded securities within a private fund vehicle.
- ETFs that hold publicly listed investment managers, whose core business include investing in private markets (Blackstone, Brookfield, Apollo, KKR, etc.). For practical purposes, these ETFs invest in publicly listed securities, which indirectly have exposure to private markets through the ongoing business operations of the companies they own.
- ETFs that invest in listed vehicles like Business Development Companies (BDCs), which lend to or own stakes in private businesses.

Why does that matter? While we're not endorsing the merits of any one particular investment strategy, we do find the details matter when it comes to understanding regulatory constraints, operational mechanics, NAV calculations, valuations, and any material conversation around potential returns, liquidity, and risk.

How does it work?

Operational mechanics of private markets ETFs

Valuation:

ETFs

- Require daily net asset value (NAV) calculations
- Offer daily liquidity that relies on frequent and transparent valuation of the portfolio of securities owned by the fund
- The liquidity of an ETF is largely driven by the liquidity of its holdings

Private markets investments

- Typically valued quarterly by the investment manager or in concert with an independent valuation agent
- Both parties possess proprietary and specific knowledge of the asset being valued
- These are Level 3 investments and fair-market valued

Any ETF that invests in private assets will need a thoughtful valuation policy built to address daily market fluctuations with market triggers that drive when and how private asset holdings need to be re-valued.

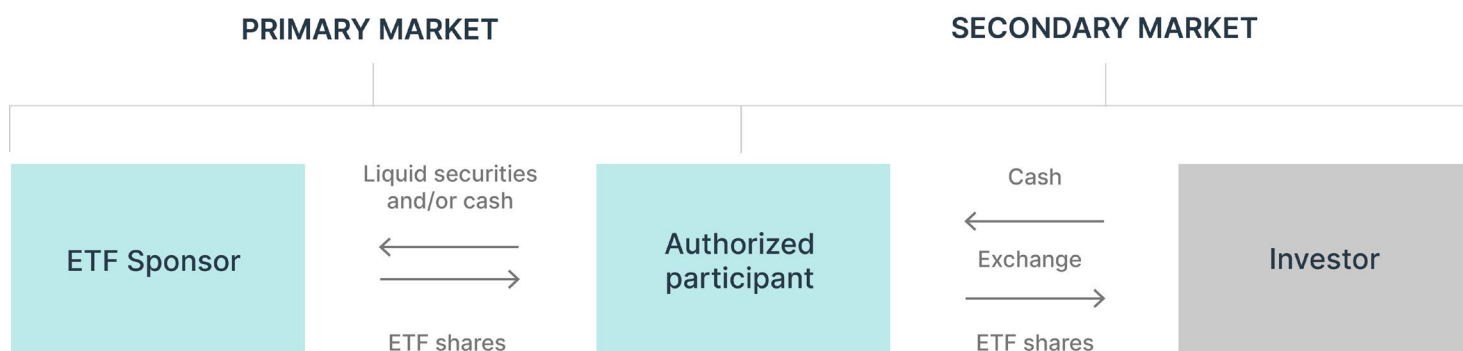
Regulation and governance considerations

While the regulatory landscape in the US shows signs of loosening in regards to retail access to private markets, there are still limitations impacting the amount of illiquid assets that can be held in an ETF.

- Under the Investment Company Act of 1940, mutual funds are prohibited from investing more than 15% of assets in holdings deemed illiquid. An “illiquid investment” is defined as “any investment the fund reasonably expects cannot be sold or disposed of in current market conditions in seven calendar days or less without significantly changing the market value of the investment.”
- The regulations also require the establishment of a liquidity risk oversight program and corrective action in the event that this threshold is exceeded. Sponsors regularly limit their private market exposure to an investment well below 15% to ensure a buffer to account for market movement that could trigger a breach that necessitates action. Corrective action requires the sponsor to either unwind the asset or inject capital to reduce the exposure.
- The SEC rules do not set a precise, fixed correction period – such as a specific number of days – after the breach occurs. Instead, managers are expected to act promptly and in good faith to rebalance the fund within the regulatory limits, taking into account practical constraints like the market liquidity and transaction costs.⁶

Asset allocation model

Given the above 15% exposure to private assets constraint, investment managers will need to continuously monitor the mix of public and private market assets. Intraday movements in the public markets can and will shift the overall fund allocation and managers will need a plan to rebalance the fund.



Secondary market ETF trading consists of cash transactions, while the typical primary market in kind process for ETFs must be adjusted to substitute cash or a re-weighted portfolio which excludes the illiquid assets, which can cause dilution

New products in the market

There are two recent ETF launches that employ a novel approach which seeks to address some of the considerations described above. The IG Public & Private Credit ETF (PRIV) and the Short Duration IG Public & Private Credit ETF aim to provide a higher allocation to private credit. To accomplish this, the ETFs have entered into an arrangement with Apollo to provide intraday executable firm bids on the portfolio through a guaranteed, Apollo-backed capital facility. This mechanism provides reasonable certainty that Apollo will provide liquidity in the event it is required to fund daily redemptions, even for underlying private credit holdings that would otherwise be difficult or impossible to unwind during the lock up period.

Conclusion

ETFs present an opportunity for investment managers and investors alike. Investment managers have the opportunity to expand distribution and access to private markets, while potentially providing broader access to a historically illiquid asset class.

Investors, in turn, may see this in two lights:

- Institutional investors may see private markets ETFs as a chance to be more nimble with how they access the asset class with far fewer liquidity obligations
- Retail investors, who have been cut out of the asset class historically, will have a new opportunity to access private markets assets.

Regardless of the way a product is constructed, the existing 15% constraint results in a somewhat limited exposure to private assets. However, the current administration seems poised to reconsider many related regulations and this too may be up for consideration. In August, the SEC removed the 15% limit on registered closed-end funds that invest in private funds.

This is welcomed news for the mutual fund community and is likely to give rise to increased filings for these types of funds. It also serves as a potential signal of this administration's desire to increase the accessibility of alternative assets – a possible harbinger of future developments in the ETF space.

The packaging of private markets into an ETF presents unique opportunities and challenges. Though the asset managers we've talked to have many questions, early indications show there is appetite and runway for this product to continue to grow.

¹World Economic Forum: Investors are increasingly attracted to private markets. Why? December 2023

²McKinsey & Co – Global Private Markets Report 2025

³Ardian – Private Market assets could reach \$25 trillion by 2030

⁴Where Did All the Public Companies Go? – Tuck / Dartmouth, by Kirk Kardashian, September 26, 2024

⁵ICI – The US ETF Market, 2025

⁶TD Securities – ETFs – New ETF Accelerates Democratization of Private Assets

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