

# KKR

ALTERNATIVES UNLOCKED

## Differentiating Your Practice with Private Markets



Private markets are no longer out of reach. Today's financial advisors have a powerful opportunity to unlock new value for clients — bridging knowledge gaps, addressing common misconceptions, and leveraging modern, accessible solutions to deliver stronger outcomes and stand out in a competitive landscape.

**In this guide, you'll learn how to:**

Spot clients best suited for private market opportunities

Simplify the conversation and debunk common myths

Align private market strategies with specific client goals

Deepen relationships with tailored, high-impact advice



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# Differentiating Your Practice with Private Markets

### The Knowledge Gap: A Path to Opportunity

Navigating private markets can seem daunting to individual investors, many of whom perceive alternative investments as complex, risky, and inaccessible. In fact, studies show that most individual investors have little to no understanding of alternative assets, particularly beyond familiar categories like real estate or commodities.

On the other hand, high-net-worth (HNW) investors who already invest in alternatives are eager for more. According to a recent survey<sup>1</sup> of high-net-worth investors and financial advisors, 88% of HNW investors are open to increasing their exposure to alternatives, and 81% believe an alternatives allocation drives stronger long-term outcomes than a traditional portfolio. Among those who are not yet invested in alternatives, 72% said they would take the leap if they better understood their options, and 70% would invest if their financial advisor recommended it.

#### High-Net-Worth Investor Sentiment Toward Alternatives



1. Source: The Alts Institute Alternative Investing Survey

Financial advisors thus have a compelling opportunity to bridge the knowledge gap, dispel misconceptions, and introduce clients to the potential benefits of private market alternatives, including enhancing portfolio diversification, smoothing volatility, and driving stronger returns. Advisors who build expertise in alternatives can not only elevate client conversations but also differentiate themselves as indispensable partners in achieving long-term financial success.

91%

Nearly 91% of advisors in the aforementioned survey affirmed the value of mastering this growing asset class.

## Finding Your Private Market Trailblazers

To effectively integrate private markets into client portfolios, advisors must first identify the clients who are best positioned to embrace these opportunities. The process begins with a thorough review of existing client portfolios to assess which clients already have exposure to alternative investments. From there, advisors should evaluate how portfolios that do not contain alternative investments are performing and whether differentiated exposure could add value. For example, are these portfolios overly concentrated in public equities and fixed income? Are they underperforming or overly correlated to traditional market benchmarks? Identifying gaps where private markets could enhance diversification or generate improved risk-adjusted returns is a critical first step.

Advisors should also consider the financial profiles and investment objectives of their clients. High-net-worth individuals, accredited investors, and clients with longer time horizons are often better suited for private market exposure. These clients may be seeking enhanced performance, reduced volatility, or access to investment opportunities that are unavailable in public markets. By segmenting their client base and focusing on those most likely to benefit from private markets, advisors can prioritize their outreach and education efforts.

## Unlock Clients' Confidence by Addressing Key Misconceptions

Once advisors identify potential clients, they can begin meaningful conversations about the benefits of private markets and address concerns clients may have. Below are three key misconceptions that advisors can discuss with clients to help them invest more confidently in private markets.

MYTH #:  
1

## Private Markets Are the Same as Public Markets

Many investors mistakenly assume that private market investments, including private equity, credit, and real assets strategies, behave the same ways as their public market asset class counterparts. However, private markets offer a fundamentally different source of return and perform differently from public markets.

This differentiated profile is increasingly important. Over the past decade, correlations between stocks and bonds have increased, reducing the diversification benefits traditionally provided by a 60/40 portfolio comprised of these assets. Private markets, on the other hand, tend to have a low correlation with stocks and bonds, thereby introducing diversified sources of return that can enhance portfolio resilience and reduce overall volatility.

By addressing this misconception, advisors can position private investments as an essential tool for achieving better long-term portfolio outcomes. This not only helps clients meet their financial objectives but may also differentiate the advisor's practice, which in turn may make clients more loyal to the firm and help attract new business.

MYTH #:  
2

## Private Market Investments Are Overly Risky

Another widely held belief is that private markets are inherently riskier than public markets. Advisors can counter this misconception by presenting data that highlights how private investments, which do not trade publicly and therefore have historically been somewhat insulated from fluctuations in the public markets, can reduce portfolio volatility. Illustrating the strong historical performance of private assets even during volatile market environments can help demonstrate their value as part of a balanced investment strategy.

Educating clients on the managed risks and strategic benefits of private markets can ensure that they feel well-informed and confident in their investment decisions, which builds trust and may lead to higher client satisfaction and improved retention rates. For advisors, this trust and understanding can translate into deeper client relationships and opportunities for cross-selling additional services.



MYTH #:

3

## Private Markets Are Overly Complex and Inaccessible

Complexity and perceived lack of accessibility to such investments often discourage individual investors from exploring private markets. However, private market structures have evolved significantly in recent years to cater to individual investors. Solutions such as continuously offered, semi-liquid funds now provide greater accessibility with lower minimum investment thresholds, making private markets more approachable for a broader audience. Advisors can highlight these investor-friendly innovations, explaining the balance between potential returns and periodic liquidity.

Providing clear education on private markets and accessible options can help clients feel more confident in these strategies and view private markets as a viable path to their financial goals. For advisors, effectively addressing this concern enhances client satisfaction and provides a competitive edge. Demonstrated expertise in private markets can also boost referrals and drive bottom-line growth.

By addressing these three misconceptions, financial advisors can help individual investors overcome their hesitation about private markets. Through education, tailored advice, and clear communication, advisors can position private investments as a valuable addition to a well-rounded portfolio. This not only helps clients achieve their long-term objectives but also reinforces the advisor's value proposition, driving practice growth and long-term success.

## Integrating Private Markets Into Client Portfolios

Once a client is on board with adding private markets to their portfolio, the next step is determining how to effectively integrate these investments.

Start by considering the client's overall investment objectives. Tailored portfolio modeling can help illustrate how private markets might complement existing investments and improve long-term outcomes. Leveraging new private market structures with lower minimums and semi-liquid features can make these opportunities more accessible, reducing barriers for clients who may be hesitant to explore them. In unlocking new opportunities for their clients, financial advisors can position themselves as proactive, forward-thinking partners in their financial journeys.

Explore our model portfolios to help clients achieve specific objectives, such as generating income, preserving capital, or boosting returns.

## Conclusion

Private markets present an opportunity for both clients and advisors, offering diversification, enhanced returns, and portfolio resilience in a rapidly evolving investment landscape. By identifying the right clients, addressing common misconceptions, and leveraging education and tailored portfolio strategies, advisors can effectively integrate private markets into their practices. Doing so not only empowers clients to achieve their long-term financial objectives but may help position advisors as indispensable partners, fostering trust and loyalty. With a proactive and client-centric approach, advisors can differentiate their practice, unlock new growth opportunities, and remain at the forefront of modern portfolio management.

**Scan the code below to access a digital version of this guide, including key takeaways for each myth—ready to download and share with your end investor clients.**



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## Learn More

**Advisors:** Contact your KKR Relationship Manager to learn more.

**Investors:** Interested in private market investing? Please contact your Investment Professional.

1. Survey of high-net-worth investors and financial advisors. Conducted by independent research organization CoreData, "The Alts Institute" Alternative Investing Survey surveyed high-net-worth (HNW) investors in the U.S. and Canada with at least US \$2.5 million in household investable assets and financial advisors with an average of US \$633 million in practice assets under management.

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