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Private Investment Markets: Overview and Retail Investor Access

Private investments—also referred to as alternative investments or private capital—are investments generally available only to [accredited investors](#). Such investments include [private securities offerings](#) in non-publicly traded companies and private funds.

The [Securities and Exchange Commission \(SEC\)](#), the primary U.S. [capital markets](#) regulator, requires that offers and sales of securities, such as stocks and bonds, be either registered with the SEC or undertaken pursuant to a specific exemption. Registered offerings, called *public* offerings, are available to all types of investors. Securities offerings that are exempt from registration requirements are referred to as *private* offerings or private placements. Private offerings are available only to institutions or individual investors who meet certain net worth or income thresholds and individuals who possess certain indications of technical expertise.

Given the size and influence of private investment markets, and the restrictions that generally limit normal retail investor participation in these markets, questions regarding investor access have been the subject of ongoing policy attention. Some Members of Congress have introduced [legislative proposals](#) aimed at expanding investor access to private investment markets. In 2025, the President issued an [executive order](#) titled “Democratizing Access to Alternative Assets for 401(k) Investors,” and the Department of Labor subsequently proposed [related regulations](#). The SEC has discussed approaches to facilitate what it has described as the “[responsible retailization](#)” of private markets—expanding retail investors’ access to private market opportunities while maintaining investor protection.

Private Markets’ Size and Influence

Private securities offerings account for a significant share of investment activities in U.S. primary markets. The number of U.S.-listed domestic public companies has declined by [more than a half](#) between 1996 (its peak) and 2025. At the same time, private securities markets have become increasingly large and important. [SEC data](#) indicate that, excluding pooled investment vehicles (e.g., investment funds), public companies raised \$1.5 trillion (64% of all capital raised) from July 1, 2024, to June 30, 2025, while private companies raised [\\$840 billion](#) (36%). Public companies can raise capital through both public and private offerings, whereas private companies are limited to private offerings. Asset managers [BlackRock](#) and [Apollo Global Management](#) estimate that, in the United States and Europe, [around 80%](#) of companies with over \$100 million in annual revenue are privately held.

Private funds have also grown in significance, as measured by assets under management. Private funds—such as

[private equity](#), [private credit](#), [hedge funds](#), private real estate funds, and [venture capital](#)—reached an aggregate gross asset value of approximately [\\$27 trillion](#) as of 2025.

Policy Concerns

Given the size and influence of private investment markets, [some observers](#) emphasize the markets’ role in capital formation and [diversification benefits](#), and explored ways to expand investor access to private investment opportunities. [Others](#) focus on investor protection and the relative lack of transparency in private markets. They also argue that the opacity of large private markets could pose risks related to market disruptions and misallocation of capital.

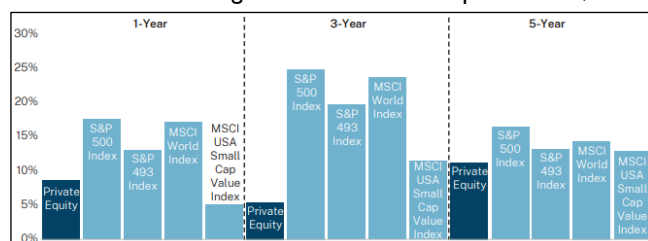
This section examines private market investments through the lens of risk and return, two core considerations in the evaluation of any investment option. **Table 1** also provides comparisons of key characteristics of private and public investment markets.

Investment Returns

Whether private investments offer greater returns than public markets is an area of ongoing policy debate. Measuring the investment returns is challenging in many ways, particularly because market information availability and disclosure requirements for private investment are not the same as for public markets. Some research suggests that private funds have [not outperformed](#) public equity, while other studies suggest that private funds have [outperformed](#) public equity. The divergence in findings may be related to different (1) definitions for private funds, because the industry lacks standardized terminology; (2) private fund performance data sources; (3) public equity benchmarks used for comparing private fund performances; (4) measurement time periods; and (5) measurement metrics.

Despite ongoing theoretical debates, certain private fund industry participants’ own analysis indicates that private equity generally [underperformed](#) public equity in recent one, three, and five-year periods (**Figure 1**).

Figure 1. One, Three, and Five-Year Private Equity Performance Compared with Public Fund Indexes
Annualized Time-Weighted Returns as of September 30, 2025



Source: Hamilton Lane, *Pandora's Box: 2026 Market Overview*.

One private investment performance metric that has attracted particular attention is the [internal rate of return \(IRR\)](#), which is the [discount rate](#) that sets an investment's net present value equal to zero. Some observers [argue](#) that, although IRR is a common performance metric, it is prone to manipulation, rewarding early exits and the use of borrowed money and favoring firms with strong performance early in a fund's life cycle. They suggest reporting performance over [rolling periods](#) (e.g., 5, 10, and 20 years) to reduce the influence of early returns.

In addition to debates regarding the calculation of investment returns, private fund returns tend to exhibit [wider dispersion](#) than the returns of public funds, where long-term performance differences are often relatively narrow. As a result, private investment returns for individual investors can vary even when the asset class performs well overall. Accordingly, in addition to evaluating the underlying investment opportunities, private market investors may benefit from due diligence on private fund managers because differences in manager performance can materially affect investment outcomes. This generates potential concerns regarding return consistency among different investors within the same asset class.

Investment Risks

Public and private investment markets are composed of different financial instruments and face varying types of risks and operational characteristics ([Table 1](#)). In general, compared with public investment markets, private markets tend to be less regulated, less liquid (i.e., assets are harder to sell without affecting their prices), and less transparent. They also charge higher fees and face challenges in arriving at reliable asset valuations.

Some researchers have expressed concerns that certain retail investors may be more vulnerable to adverse selection in private markets. Because of information asymmetries and the challenges associated with evaluating private investments, retail investors may have greater difficulty distinguishing between higher- and lower-quality funds. [One study](#) suggests that less affluent investors may be more susceptible to adverse selection, as the most affluent private equity investors outperform the least affluent by a wide margin. [Other observers](#) argue that, when institutional investors reduce their private market participation because of risk concerns, retail investors may fill the funding gap and assume "higher than appropriate levels of risk."

Expanded retail participation could contribute to the already large and influential private investment markets. As previously mentioned, the size, complexity, and relative opacity of these markets have led [some Members](#) and others to raise concerns about market transparency, investor protection, capital allocation, and financial stability.

Examples of Legislative Proposals

[The Incentivizing New Ventures and Economic Strength Through Capital Formation \(INVEST\) Act of 2025](#) (H.R. 3383, passed House) contains provisions, which are also stand-alone bills, that would affect the accredited investor definition (H.R. 3394 and H.R. 3339) and closed-end fund requirements (initial H.R. 3383), among other proposals, that could expand retail investor access to private markets.

Table 1. Comparison Between Public and Private Investment Markets

	Public Markets	Private Markets
Examples of financial instruments	Publicly traded company stocks, mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts.	Private securities offerings, private equity, private credit, venture capital, hedge funds, family offices, and secondaries.
Regulation and transparency	More regulation and transparency.	Less regulation and generally opaque to public.
Investor access	Broadly available to all investors.	Generally limited to accredited investors.
Liquidity	High liquidity derived from redemption and exchange trading features.	Generally low liquidity with redemption restrictions and lockup periods.
Valuation	Easier to obtain real-time trading data, and market valuation comparable.	Valuation challenges associated with the illiquid and opaque nature of the markets.
Fees and expenses	Lower costs to investors. For example, the average expense ratio for equity mutual funds and index equity ETFs were 0.40% and 0.14%, respectively, in 2025.	Higher costs to investors. For example, hedge funds usually charge an annual fee of 1% to 2% plus 20% performance fee on any profits.

Source: CRS. Public fund expense ratios data from Investment Company Institute, ["Trends in the Expenses and Fees of Funds, 2025."](#)

Notes: For detailed explanations of the financial instruments and their characteristics referenced in the table, see the following CRS products: CRS In Focus IFI I278, *Accredited Investor Definition and Private Securities Markets*, by Eva Su; CRS Report R45221, *Capital Markets: Public and Private Securities Offerings*, by Eva Su; CRS Report R45957, *Capital Markets: Asset Management and Related Policy Issues*, by Eva Su; CRS Report

R45318, *Exchange-Traded Funds (ETFs): Issues for Congress*, by Eva Su; CRS Report R47309, *Money Market Mutual Funds: Policy Concerns and Reform Options*, by Eva Su; CRS Report R47053, *Private Equity and Capital Markets Policy*, by Eva Su; CRS In Focus IFI2642, *Private Credit: Trends and Policy Issues*, by Eva Su; CRS In Focus IFI2511, *Hedge Funds: Background and Policy Issues*, by Eva Su; CRS In Focus IFI1825, *Family Office Regulation in Light of the Archegos Fallout*, by Eva Su; and CRS In Focus IFI2412, *Venture Capital Operations and Regulation*, by Eva Su.

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