The New Liquidity Mandate in Private Markets

Liquidity modelling has become core infrastructure for evergreen and semi-liquid funds. Here's where enterprise performance management fits in.

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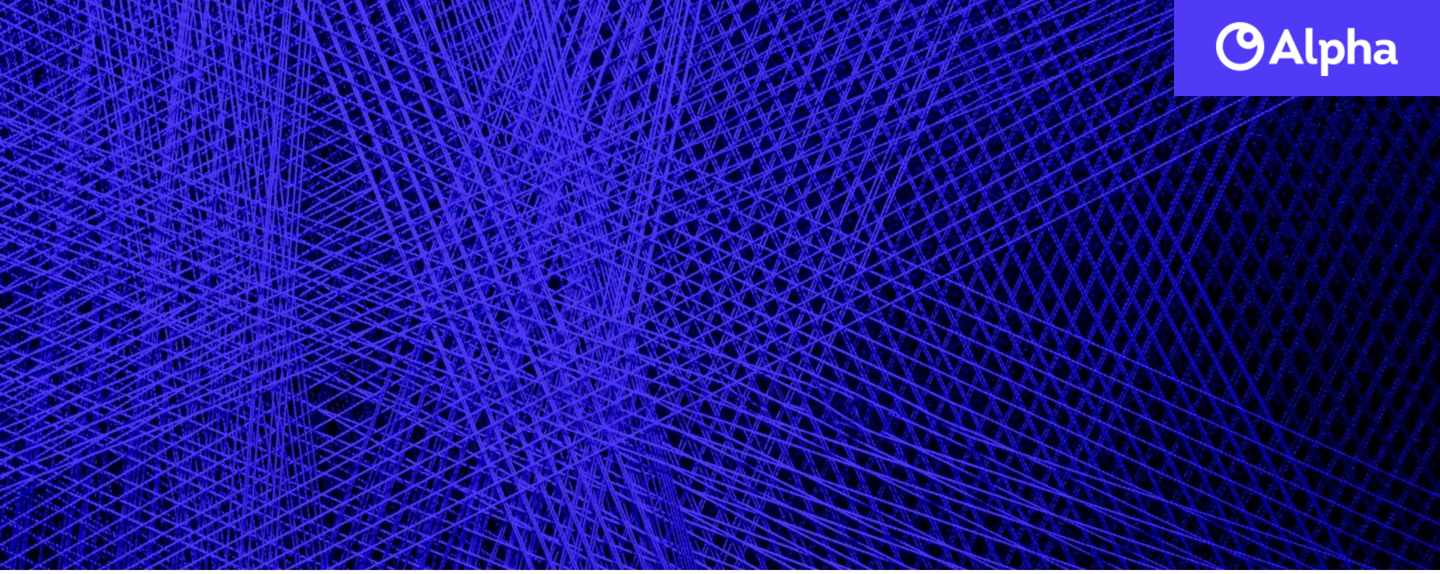
Executive Summary

Private markets have spent the past few years opening their doors to a new kind of investor. Evergreen and semi-liquid structures, open-ended vehicles that allow ongoing subscriptions and periodic redemptions rather than the fixed life of a drawdown fund, now route wealth capital into strategies that were, until recently, restricted to institutions comfortable with ten+ year lockups. That success has created an operational problem the industry is only starting to price in.

A fund that offers periodic liquidity against a portfolio of genuinely illiquid assets depends on a fine balance between subscriptions, redemptions, cash buffers and funding lines. When that balance is tested, as we saw across the sector in early 2026, the firms that hold up are the ones that can see and model their liquidity position in granular detail and close to real time. The rest are left reconstructing the picture in spreadsheets while the window to act closes.

This paper sets out why liquidity has moved from back-office housekeeping to a board level risk, how regulators in Europe and the UK are hard wiring the discipline into fund design, and why the tooling most managers rely on no longer matches the problem.

It then sets out the liquidity modelling capability alternative managers now need, before turning to the role platforms such as Anaplan and Pigment play in delivering it.



A Structural Shift to Continuous Capital

The move from closed end, drawdown funds toward perpetual and semi-liquid vehicles is the most significant distribution change in alternatives for a generation. The logic is straightforward. Institutional investors have long held a fifth or more of their portfolios in private assets; private wealth, despite representing an enormous pool of capital, has historically held only a low percentage. Evergreen structures were engineered to close that gap by removing the capital calls, uncertain distribution timing and long lockups that made traditional funds impractical for individual investors.

The growth that followed has been rapid. Evergreen fund assets reached over $500 billion by the end of 2025, up around 25% over the year (Morningstar), with launches at record levels, over 120 new funds in 2025, a 140% rise on 2020 (Preqin). The pull behind this is scale: BCG estimates the wealth-channel private markets opportunity at around $3 trillion (BCG, 2025).

Running a semi-liquid fund well is a different discipline from running a closed ended one. It calls for a standing liquidity and liability management function, continuous rather than periodic valuation, and the infrastructure to service a far larger and more fragmented investor base. Those demands are already reshaping the competitive field, favouring managers with the operational depth to absorb them.

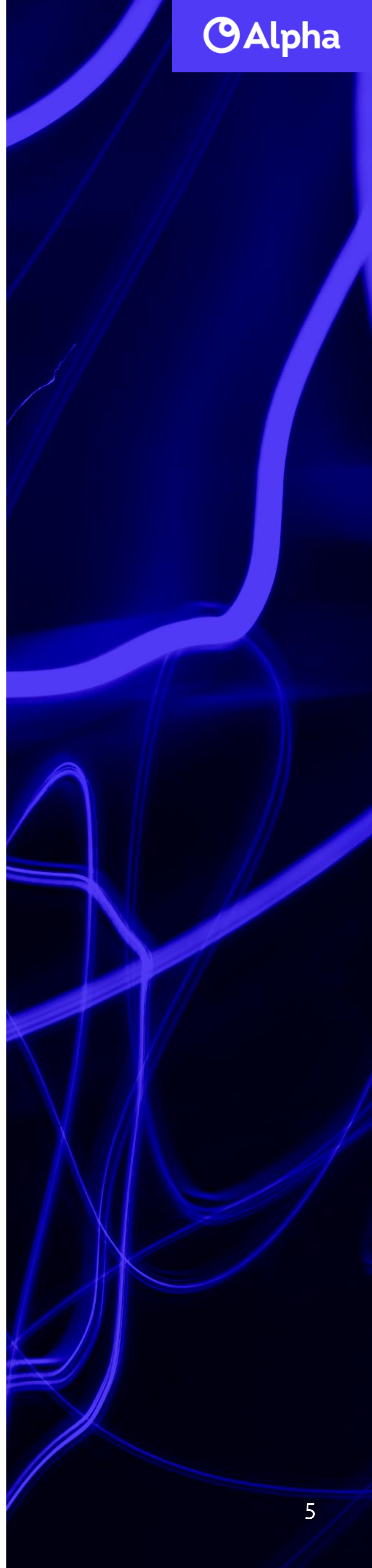
Where the Model Comes Under Strain

The semi-liquid promise rests on a compromise. Investors accept exposure to illiquid assets in return for an illiquidity premium, and the manager offers the option to redeem periodically, usually monthly or quarterly. To honour those redemptions without disturbing the underlying portfolio, managers hold a liquidity sleeve of cash and readily tradable instruments, typically 10 to 20% of net asset value.

That architecture works cleanly in one condition: when new subscriptions consistently exceed redemptions. Departing investors are effectively paid with incoming capital, and the illiquid core is left untouched. When sentiment turns and inflows stall while withdrawal requests rise, the mismatch is exposed. The manager must either gate redemptions, which signals stress and tends to trigger further requests, or sell assets into a thin secondary market at a discount, crystallising losses for the investors who stayed.

This is no longer hypothetical. Through late 2025 and into the first quarter of 2026, a sharp reversal in investor sentiment drove a wave of redemption requests across business development companies (BDCs) and semi-liquid funds, and gating mechanisms were activated widely across the sector. The episode was a reminder that the "semi-liquid" label describes a set of tools and buffers, not an intrinsic property of the assets themselves.

Underlying credit quality has added to the pressure. IMF's 2025 Global Financial Stability Report found that around 40% of private credit borrowers had negative free cash flow, up from about 25% in 2021. Headline default rates have stayed low, but that stability is partly optical: stress in private lending is often managed quietly through amendments and payment in kind arrangements that capitalise interest rather than collecting it in cash. Lincoln International reported that 11% of private loans carried some form of payment-in-kind interest as of the first quarter of 2025, up from 7% at the end of 2021, and Fitch Ratings' broader measure of US private credit defaults reached a record 6.0% by mid 2026, up from 5.4% in February. Crucially, while PIK arrangements preserve the optical health of the portfolio by keeping loans out of formal default, they starve the fund of the actual cash generation on which redemptions ultimately depend, creating a hidden liquidity drag exactly when managers need cash the most.



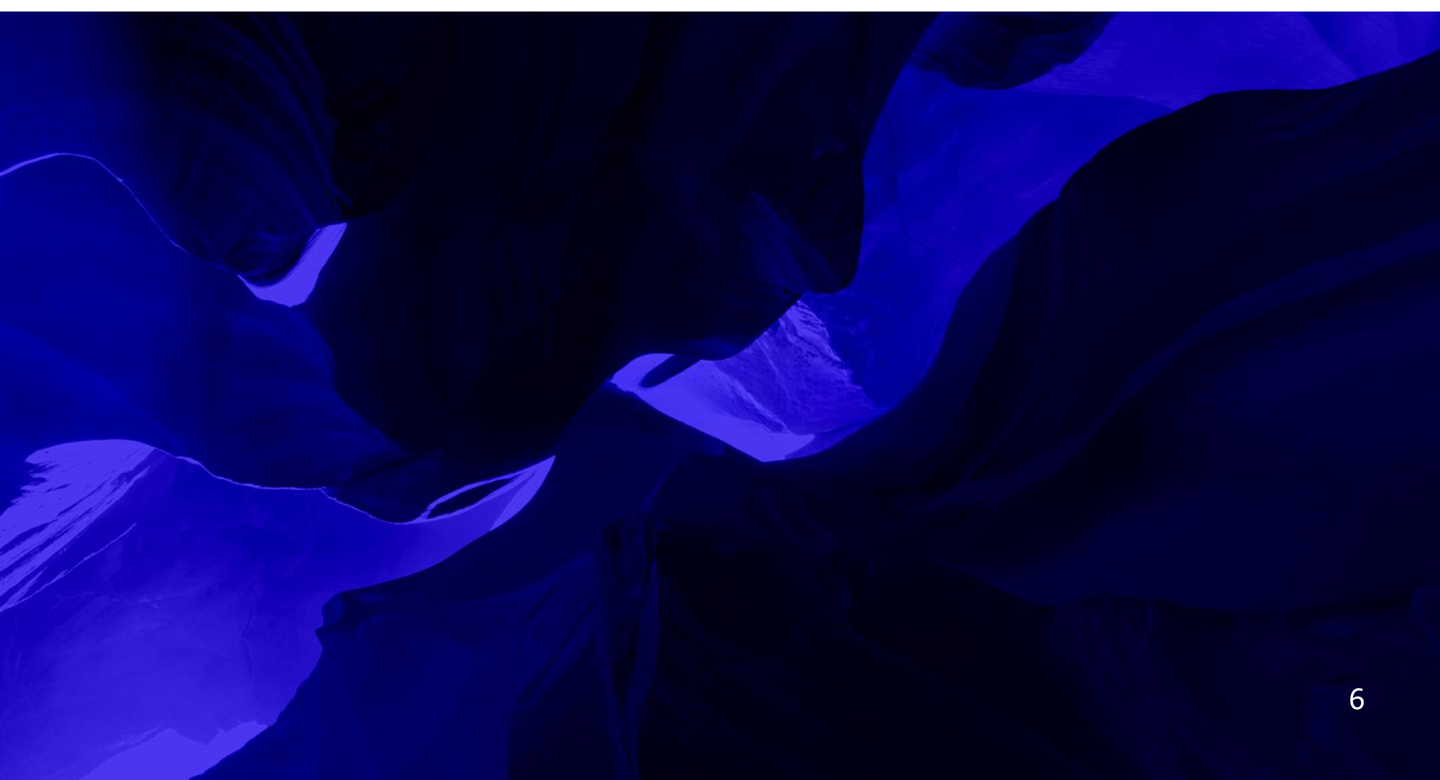
Regulation Is Codifying the Discipline

Supervisors have reached the same conclusion and are writing it into the rule. European and UK frameworks now require a demonstrable link between the liquidity a fund offers and the liquidity of what it holds. Europe's ELTIF 2.0 regime, in force since January 2024, ties redemption terms to minimum holdings of liquid assets on a sliding scale, with shorter notice periods demanding larger buffers. The UK's Long Term Asset Fund takes a comparable line, with a minimum 90-day redemption notice. And in a May 2026 assessment, the Financial Stability Board warned of valuation opacity, hidden leverage and the procyclical risk that synchronised redemptions pose to the wider market.

The US has taken a different path. Rather than a bespoke regime, it relies on existing Investment Company Act rules: the liquidity risk management programme rule (Rule 22e-4) requires open ended funds to classify holdings into liquidity tiers, hold a minimum in highly liquid assets and cap illiquid positions at 15%, with holdings and breaches reported to the SEC on a monthly cadence. Notably, the non-traded vehicles at the centre of recent stress largely fall outside these open ended fund rules.

As this regulatory tightening expands globally, we are seeing similar scrutiny from APAC supervisors. For instance, both the Monetary Authority of Singapore (MAS) and Hong Kong's Securities and Futures Commission (SFC) have steadily heightened their expectations around liquidity risk management, meaning managers distributing across these jurisdictions must demonstrate unified, cross border liquidity controls.

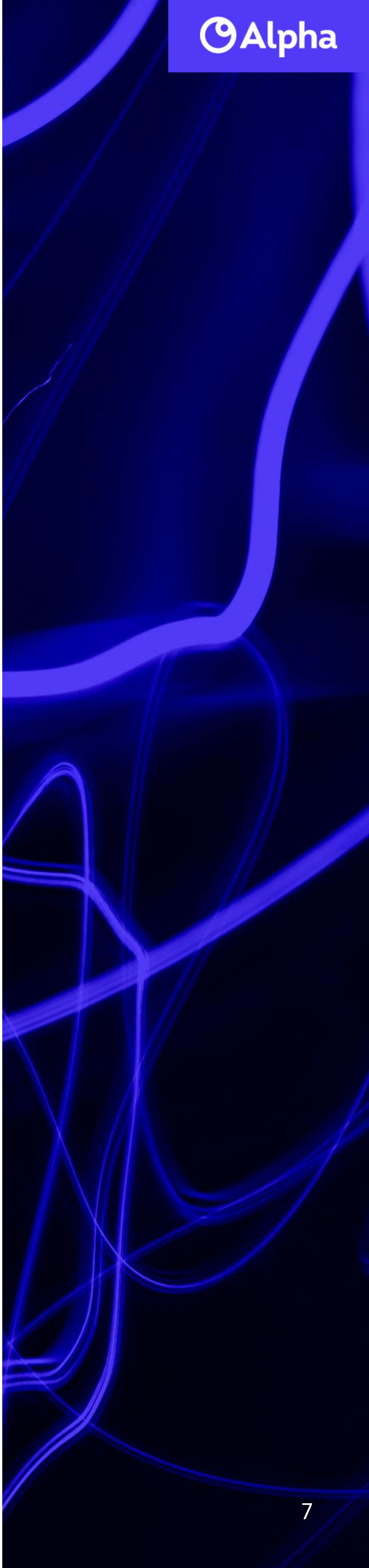
The common thread is operational as much as legal. Meeting a sliding liquid-asset scale, a 90-day notice period or a 15 per cent illiquid cap in practice means running daily cash flow forecasts, calculating NAV to share-class level continuously, and being able to produce a stress-tested liquidity position on demand rather than reconstructing one after the board or a regulator asks for it. Liquidity terms now have to be evidenced, modelled and defended, not simply asserted in a prospectus.

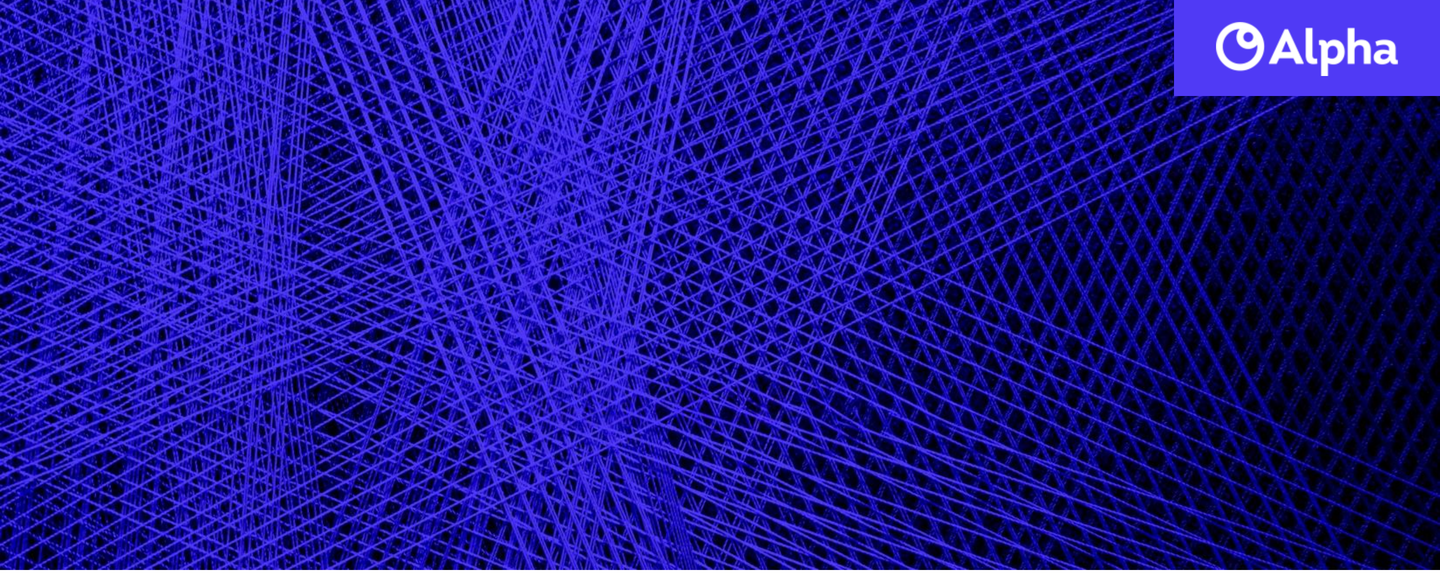


Why Spreadsheets No Longer Carry the Load

Most managers still assemble the liquidity picture in spreadsheets, stitched together from custodians, fund administrators, treasury systems and investor registers. That approach worked when redemptions were predictable and reporting was monthly. It struggles badly under the current demands.

The data is fragmented across teams and systems, so building a single view is slow and manual. Cash flows, facility positions, FX hedges, subscription and redemption pipelines and valuations sit in different places and on different timelines. Knowledge concentrates in a handful of people, and models break when they are away. Most importantly, a static workbook cannot answer the question that now matters most. If redemptions spike and inflows dry up next quarter, across every fund and share class, where does liquidity actually stand, and what happens if it worsens from there? By the time that answer is reconstructed by hand, the moment to act has usually passed.





A Modelling Backbone for Liquidity

Enterprise performance management platforms were built to solve exactly this class of problem: bringing dispersed data into one governed model, running it daily, and letting the business own it without depending on a spreadsheet author. Applied to liquidity in alternatives, the capability tends to organise around four pillars, and the value comes from building them as one connected model, not as four separate tools bolted together.

Dynamic cash flow and facility management. A daily cash flow engine that combines automated feeds with controlled manual adjustment, and models credit facility positions including drawdowns, repayments and available headroom. This gives treasury and fund teams an accurate, current liquidity baseline rather than a month old snapshot.

Unified position and NAV visibility. A single view that brings together pending payments, the forward fundraising pipeline and FX hedging effects, overlaid with net asset values calculated down to the share class level. Breaking the operational silos is what turns scattered data into a reliable picture of where each fund stands.

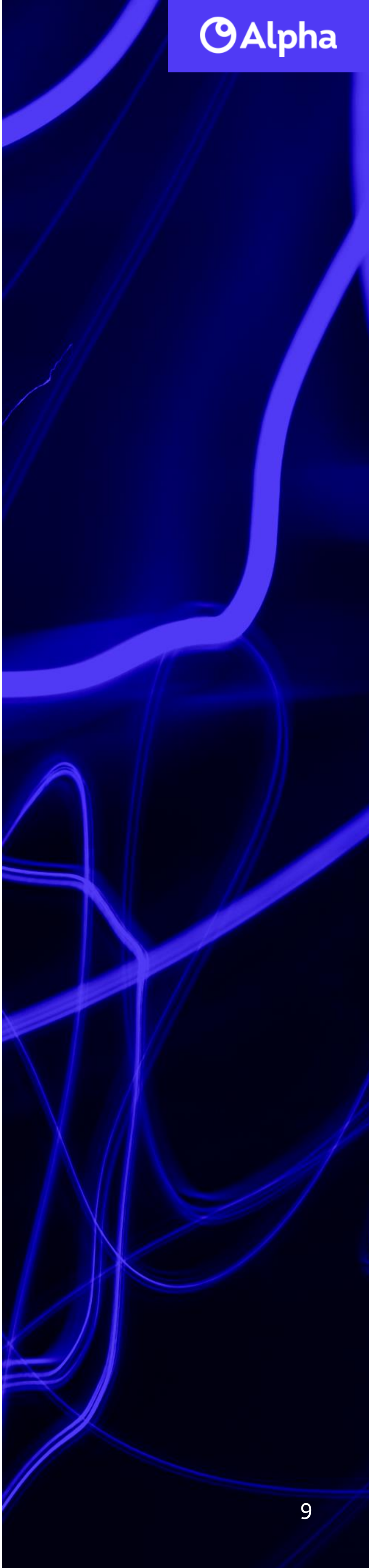
Investor capital dynamics. A dedicated view of subscriptions and redemptions that tracks historical investor behaviour, forecasts future capital movements and surfaces redemption queues before they become a problem. This is the early warning sign that the events of early 2026 showed managers cannot do without.

Strategic liquidity dashboards and scenario planning. Dashboards that track the key liquidity metrics across the whole fund range, and let leadership model stress scenarios: a redemption surge, a stall in inflows, a facility withdrawn. The value is being able to test the response before it is needed, and to evidence liquidity resilience to boards and regulators on demand.

Delivered as a single connected model rather than four standalone builds, these replace fragmented, backward looking reporting with a forward view that the whole business can trust. Because a cash flow position that doesn't reconcile against the NAV and the redemption queue in the same model is just another spreadsheet with better formatting. The gain is not only efficiency, though removing manual reconciliation frees considerable time. It is confidence: the ability to make funding and capital decisions quickly, on numbers that are current and defensible.

The Platforms Behind the Capability: Anaplan and Pigment

Two platforms lead this space, and both are capable of handling the full range of liquidity modelling needs described above. In practice, managers often choose based on emphasis: Anaplan is frequently selected for its modelling depth and scale on very large, multi-entity estates, while Pigment is often chosen where speed of deployment and business user ownership are the priority. Neither is a hard ceiling on what the other can do, the right choice depends more on existing technology estate, team skillset and implementation timeline than on any fixed capability gap. Both deliver the same underlying outcome: business owned models that can be maintained without specialist coding, dynamic dashboards, and the agility to respond as structures and investor demands evolve.



From Liquidity Risk to Liquidity Confidence

Evergreen and semi-liquid structures are now a permanent feature of private markets, and the capital they have unlocked is not going back. What the last cycle has made clear is that genuine liquidity cannot be engineered through fund documentation alone. It has to be managed, and managing it well depends on seeing it clearly. The managers who treat liquidity as a modelled, governed and continuously monitored capability will move through the cycle with confidence, meet tightening regulatory expectations, and keep the trust of the investors they have worked to attract.

Liquidity is no longer a reporting exercise; it is a capability that must be built, tested and defended. Alpha Alternatives helps private markets firms design and implement that capability, from platform selection through to a live, business-owned liquidity model on Anaplan or Pigment. If your firm is planning an implementation or reviewing whether your current model is fit for what regulators and investors now expect, talk to us.

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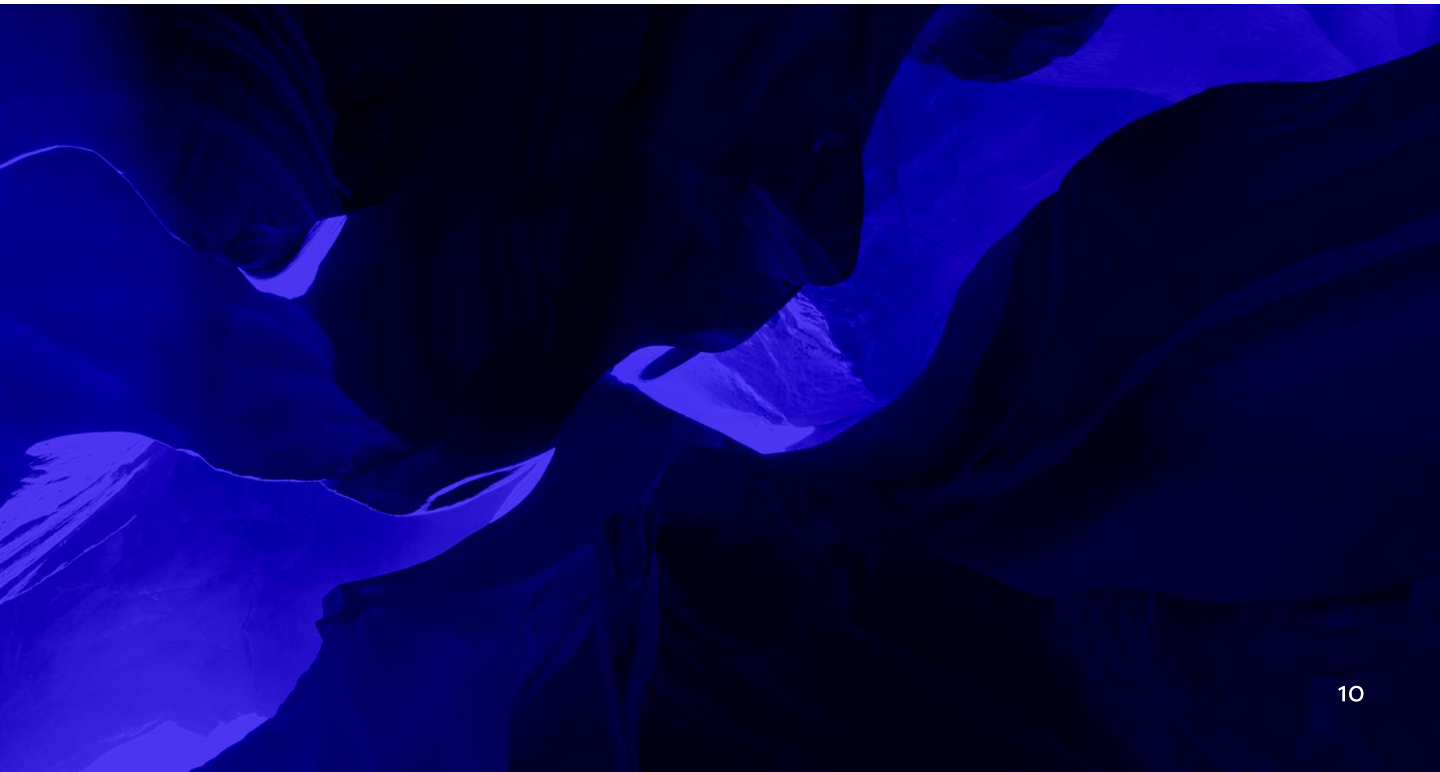

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