



Private Markets Considerations for Institutional Program Design

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Private market investments have become a foundational component of many institutional portfolios. As allocations have grown, however, so too has the complexity associated with implementing and overseeing private market programs for many investors.

Private market investments require institutions to make a series of structural decisions that materially influence outcomes. These decisions include how portfolios are constructed, administered, governed, and resourced over time. Institutions face a wide range of options for accessing private markets, each representing a different balance between simplicity, customization, cost efficiency, and operational burden.

This paper explores the primary program structures through which institutional investors access private market investments. It describes the spectrum of available solutions, ranging from product-driven approaches to fully customized and internally managed programs, and outlines the key considerations that influence how institutions select among them. The objective is to provide a framework for understanding how different access models function, the trade-offs they entail, and why institutions often evolve their program structures as scale, experience, and internal capacity change.

Key Takeaways

- › **Private markets demand structural decisions upfront.** Building a private market program requires institutions to make foundational choices around portfolio construction, administration, governance, and resourcing that materially influence long-term outcomes.
- › **All program structures involve a core trade-off.** Simpler, product-driven solutions reduce operational burden but limit customization and carry higher fees, while insourced or outsourced approaches offer greater control at the cost of increased complexity and resource requirements.
- › **Institutional scale is the primary driver of program structure.** Smaller institutions often rely on fund-of-funds products by necessity, while larger institutions tend to migrate toward outsourced or insourced solutions as their scale, expertise, and governance capacity grow.
- › **Hybrid approaches are common and often optimal.** Institutions frequently blend multiple program structures, such as managing core asset classes in-house while using product solutions for more complex or niche strategies.
- › **Program structures should evolve over time.** As institutions gain experience and resources, revisiting the balance between cost, complexity, and customization allows them to optimize their private market programs in alignment with their changing capabilities and objectives.

Why Private Markets Are Structurally Different?

Private market investments introduce unique implementation and oversight challenges. These structural characteristics shape how programs must be built and managed and explain why a broad ecosystem of access solutions has emerged.

Diversification

The preponderance of the private market opportunity set is available through fund vehicles, many of which focus on narrow strategies, either by geography, asset type, industry, or a combination thereof. Further, many private market funds build concentrated portfolios, with a typical private market fund holding fewer than 20 individual positions throughout its lifecycle. Many institutional private market programs include numerous underlying fund vehicles in an attempt to achieve their desired level of diversification by geography, industry, and strategy type. This diversification dynamic is amplified by the necessity to regularly (e.g., annually) select new funds to maintain the target allocation to a private market asset class and achieve diversification across time. As such, institutions that implement private market programs must consider how they will construct a diversified portfolio of illiquid funds, which can require a meaningful level of resources to source, secure access, conduct institutional underwriting processes, make investment selections, and complete legal documentation.

Administration and Performance Reporting

Diversified private market portfolios introduce significant administrative complexity. Closed-end funds call and distribute capital at irregular intervals, creating a steady stream of cash flow activity that must be monitored and processed. In addition, institutions often face complex audit, fee analysis, compliance, and disclosure requirements.

Data collection and performance measurement present additional challenges. Private market managers often provide financial information in non-standardized formats, through varying delivery channels, and on inconsistent timelines. Net asset values (NAVs) are typically reported with a lag of 45 to 120 days following quarter-end, complicating timely reporting and analysis. While some institutions rely on time-weighted performance measures based on reported NAVs, others prefer dollar-weighted performance metrics that more accurately reflect the

impact of capital deployment and cash flows but require specialized systems, data normalization, and analytical capabilities.

Portfolio Management

Private market funds occasionally experience developments that require actions on the part of investors. Examples of such developments include requests for amendments to legal documents, participation in continuation vehicles, or management of in-kind securities distributed from fund managers to investors. While such developments are uncommon for any individual private market fund, a mature portfolio of funds can produce somewhat regular actions that must be taken and that involve analysis and consideration.

The above considerations commonly require a high level of resources to build, manage, and monitor private market portfolios. This dynamic has spurred the development of a marketplace of solutions offered to institutional investors. The remainder of this paper describes the most common solutions utilized by institutional investors and offers some context regarding why institutional investors might choose certain solutions, or combination of solutions, over others.

The Core Trade-Off: Control, Cost, and Complexity

Across all private market program structures, institutions face a fundamental trade-off. Solutions that offer greater simplicity typically limit customization and may carry higher explicit fees. Conversely, approaches that provide greater control and flexibility require increased internal resources, governance capacity, and tolerance for operational complexity.

“ Private market investments introduce unique implementation and oversight challenges.

Figure 1

Program Structures:
A Spectrum of Four Interrelated Dimensions



Institutions rarely optimize across all four dimensions simultaneously. Instead, they select program structures that align with their current scale, objectives, and constraints, often accepting trade-offs in one dimension to gain advantages in another. As institutions grow and gain experience, many revisit these trade-offs and adjust their approach accordingly.

Product Solutions: Accessing Private Markets Through Commingled Vehicles

The simplest solution offered to institutions to manage the complexity of private market programs is in the form of product offerings (i.e., “product solutions”). Such products are available in the form of an investment fund that generally offers institutions access to a portfolio of investments that is diversified across a variety of key factors. The fund vehicle structure of product solutions also enables the fund manager to govern the administrative, reporting, and portfolio management burdens of the underlying portfolio on behalf of the fund’s investors. The following is a description of the three most common types of product solutions.

Fund of Funds

A fund of funds (“FoF”) is a commingled investment vehicle that invests in a portfolio of private market funds. FoF are structured as closed-end investment vehicles that raise a fixed amount of capital and draw down that capital from investors as needed to fund commitments to underlying primary funds (in addition to covering the FoF’s fees and expenses).¹ FoF vehicles typically have a longer term than primary funds due to the variable amount of time required for the FoF to identify and commit to primary funds as well as the time for those primary funds to fully liquidate. The investment teams that manage FoF are responsible for identifying, conducting due diligence on, committing to, and monitoring the underlying portfolio of primary fund investments. As primary fund managers exit their investments and distribute proceeds to FoF, those proceeds are then passed on to the FoF’s investors.

Many private market FoF managers also manage dedicated secondary fund of funds investment vehicles. Commonly known as “secondary funds,” these investment vehicles primarily purchase interests in mature primary funds rather than commit capital at the outset of a primary fund’s lifecycle. Secondary FoF can provide similar levels of diversification and return profiles as traditional FoF.

The FoF product solution structure allows investors access to a diversified pool of private market funds, and the structure of the FoF shields the fund’s investors from the administrative, reporting, and portfolio management burdens of the portfolio. The principal benefit of a FoF to investors is the simplicity that the structure offers, while the primary drawback to FoF is the high level of associated fees.

Fund of One (i.e., a Separately Managed Account)

A fund of one, also commonly known as a separately managed account (“SMA”), shares all of the attributes described above for FoF, with the distinction that it is a fund that is managed on behalf of a single investor rather than a commingled pool of investors. SMA’s are typically only available to investors that are able to commit very large amounts of capital, generally in the \$100’s of millions per year or more. SMAs maintain all the benefits described above for FoF, but generally allow for some portfolio construction customization and typically offer a slightly lower fee structure than a FoF.

Open-End Funds

While most private market investments are offered through illiquid closed-end structures, select strategies are available in the form of open-end funds. Such open-end funds typically target investments at the lower end of the risk and reward spectrum within the private markets opportunity set, where investment managers seek to buy and hold stabilized assets for long periods of time. Open-end funds are not broadly available in all private market asset classes but are commonly utilized in institutional real estate and infrastructure portfolios. Open-end funds may meet some investors' requirements for a product solution as they are commonly well diversified by number of underlying assets, asset category, and geography. Since a wide range of exposures are available, much of the administrative and other complexities resident in closed-end investment portfolios are not relevant.

Open-end funds are often considered semi-liquid, as they typically allow investors to make contributions and withdrawals at periodic intervals, which offers more flexibility than closed-end structures, but still imposes certain restrictions on access to capital.² Institutional investors that are seeking a low risk and reward portfolio might construct a private market portfolio solely from one or more open-end funds, while those seeking higher returns commonly combine open-end funds with a closed-end investment program.

Outsourced Solutions: Delegating Complexity While Retaining Direct Ownership

Institutions with greater scale often seek alternatives to product solutions to improve cost efficiency or achieve greater customization. One such alternative is the use of outsourced solutions, which involve contracting with a third party to design and manage a private market program on the institution's behalf.

Outsourced solutions are typically structured as service agreements rather than investment vehicles. Under these arrangements, the outsourced provider exercises discretionary authority within a defined mandate, while the institution retains direct ownership of the underlying investments. Services may encompass the full lifecycle

of program implementation, including portfolio construction, manager selection, administration, and reporting, or may be limited to specific functions.

Investment managers that offer funds of funds or separately managed accounts frequently also provide outsourced solutions. While these offerings may appear similar, the key distinction lies in the structural relationship. Separately managed accounts are organized as investment vehicles, whereas outsourced solutions are contractual arrangements in which investments are held directly by the institution.

Outsourced solutions are commonly utilized by institutions with sufficient scale to build diversified portfolios but without the desire or capacity to fully insource all aspects of program management. (See Figure 2.)

It is worth noting that an investor could also use some combination of these options (i.e., blend multiple program structures) to meet their unique needs and objectives. For example, an investor could construct most of their private equity program in house and use an outside advisor or fund of funds to gain access to venture capital. Certain aspects of the program could be managed via an outsourced arrangement to leverage external expertise or operational efficiency.

Insourced Solution: Owning the Complexity

Some large institutional investors possess the scale and resources necessary to internally manage some or all of their private market programs. In these cases, institutions may establish dedicated teams responsible for manager selection, portfolio construction, and ongoing oversight.

Resource Intensity

Certain aspects of private market program implementation are particularly resource intensive and might require sizeable teams of internal experts to execute effectively. It is not uncommon in such cases for institutions to contract with third-party advisors to provide narrow, specialized support to supplement their internal capabilities. See Figure 2 for common services that apply to this consideration.

Independent Perspective

It is common for institutional investors with predominantly insourced private market programs to seek independent third-party perspective as a check on the health, quality, or optimization of the internally managed program. See Figure 2 for common services that apply to this consideration.

Specialized Expertise

In some cases, large institutional investors have needs that extend into areas that require highly specialized skills. Such needs may warrant the inclusion of a dedicated team member and a more intuitive solution might be to hire an advisor to serve such needs. See Figure 2 for common services that apply to this consideration.

Figure 2
Side-by-Side Overview of Program Solution Models by Functional Coverage

	Planning	Portfolio Construction	Monitoring and Reporting	Management and Administration
Outsourced Solutions	<ul style="list-style-type: none"> • Education • Strategic Planning • Commitment Pacing 	<ul style="list-style-type: none"> • Investment Sourcing • Investment Due Diligence • Operational Due Diligence • Investment Selection • Investment Legal Execution 	<ul style="list-style-type: none"> • Manager Meetings • Performance Reporting • Underlying Asset Reporting 	<ul style="list-style-type: none"> • Cash Transfer Management • Audit and Administrative Support • Fee Validation • Amendment and CV Reviews
Insourced Solutions				
Resource Intensity	<ul style="list-style-type: none"> • Limited None 	<ul style="list-style-type: none"> • Investment Sourcing • Investment Initial Reviews • Investment Due Diligence • Operational Due Diligence 	<ul style="list-style-type: none"> • Manager Meetings • Performance Reporting • Underlying Asset Reporting 	<ul style="list-style-type: none"> • Cash Transfer Management • Audit and Administrative Support • Fee Validation • Amendment and CV Reviews
Independent Perspective	<ul style="list-style-type: none"> • Education • Strategic Planning • Commitment Pacing 	<ul style="list-style-type: none"> • Investment Initial Reviews • Investment Due Diligence • Operational Due Diligence 	<ul style="list-style-type: none"> • Manager Meetings 	<ul style="list-style-type: none"> • Fee Validation • Amendment and CV Reviews
Specialized Expertise	<ul style="list-style-type: none"> • Education • Strategic Planning • Commitment Pacing 	<ul style="list-style-type: none"> • Investment Sourcing • Investment Initial Reviews • Investment Due Diligence • Operational Due Diligence 	<ul style="list-style-type: none"> • Manager Meetings 	<ul style="list-style-type: none"> • Fee Validation • Amendment and CV Reviews

How Institutions Choose Program Structures

There are a variety of factors that institutions typically consider in the selection of private market program solutions. Every institutional investor has unique goals, needs, and constraints that might result in differing program solutions. Below are the key considerations that significantly influence institutions' selections of program solutions.

Institutional Asset Scale

The total amount of investable assets held by an institution can in some cases limit the program structure options available to certain investors. Most notably, smaller institutions may not have the scale to build diversified portfolios and product solutions may be the only option available to such investors. Another notable example of asset scale determining program structure would be very large institutions that might use product solutions to efficiently access small scale investments, such as venture capital funds or small-market buyouts funds.

Cost and Resources

Cost of implementation is top of mind for most institutional investors when selecting an appropriate program structure. Institutional investors commonly have policy-driven requirements to consider fees and expenses in the selection of products and solutions, and to minimize them as appropriate. Examples of institutions selecting program structures that optimize for cost include:

- › In-sourcing key aspects of program implementation.
- › Hiring a manager for a custom outsourced solution, which can generate meaningful cost savings relative to similar exposure achieved through a fund of funds product solution.
- › Establishing meaningful allocations to open-end core product solutions, which often have lower fee structures relative to traditional closed-end funds.

Sophistication and Expertise

A key consideration for certain institutional investors relates to the sophistication and experience of the trustees and staff that oversee the implementation

of the institution's investment programs. Examples of institutions selecting program structures in consideration of limitations of internal expertise include:

- › Utilizing a fund of funds product solution during the early years of a program's development while the institution's trustees and staff develop private markets expertise.
- › Hiring a manager for a custom outsourced solution because staff size is limited or does not have specialized private market expertise.

Operational Efficiency

Some institutions optimize program structure for operational efficiency due to operational complexity. Certain institutions may have onerous financial reporting requirements, taxation requirements, or other unique considerations that result in sensitivity to the number of investment products in custody, as well as the lagged and inconsistent nature of private market financial reporting. Examples of institutions optimizing for operational efficiency include:

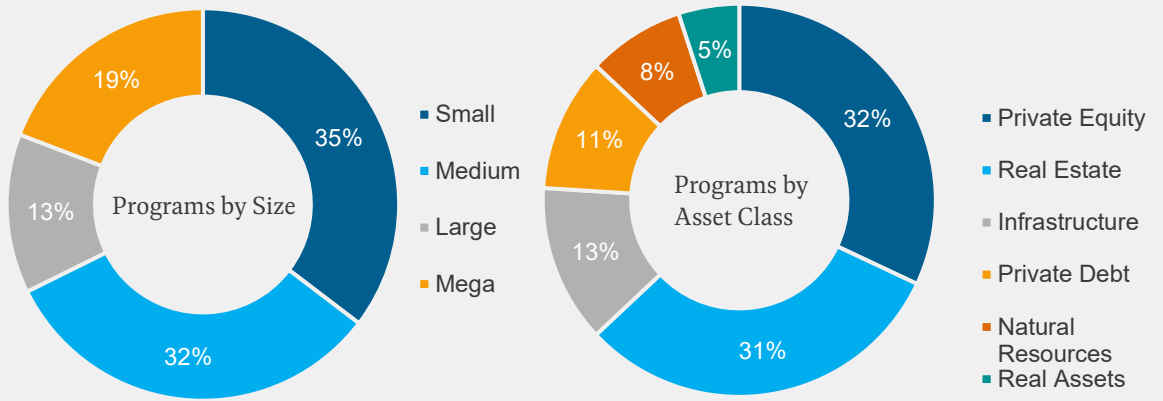
- › Investing through fund of fund product solutions that provide diversified exposure through a single product.
- › Outsourcing operational functions such as cash transfers or performance reporting to limit the scope of administrative work required by internal staff.

Governance or Regulatory Requirements

There are a number of institution-specific requirements that may create structural limitations on options available for program solutions. In some cases, laws or regulations may create barriers that narrow available options. An example of this is some private market funds precluding certain classes of investors (e.g., public funds) from investing due to those investors' need to comply with Freedom of Information Act requirements, and such investors may be required to access some opportunities through product solutions that create an information barrier. Other similar limitations can relate to an institution's legal or governance structure. For instance, some institutions establish in their governance structures a fiduciary requirement that the institution's board of trustees directly select all investments with no permissible outsourcing of such fiduciary duties.

Figure 6
Institutional
Investors Program
Summaries

Source: Small institutions represent clients with total assets up to \$500 million, Medium institutions represent clients with total assets between \$500 million and \$2 billion, Large institutions represent clients with total assets between \$2 billion and \$5 billion, and Mega institutions represent clients with total assets greater than \$5 billion.



Observed Program Structures in Practice

As of March 31, 2025, Meketa Investment Group served over 250 institutional investors, over 150 of which include private market programs in their investment portfolios. Above are charts summarizing those institutional investors based on the size of their total asset size and which private market asset classes (figure 6) they included in their portfolios. Note: the information included on Meketa Investment Group’s private market programs may not be representative of the institutional investor market as a whole.

Figure 7 is a chart summarizing how Meketa’s institutional client base structures their private market investment programs grouped by the size of each institution’s total assets. Meketa’s institutional clients’ selections indicate a relationship between total asset size and preferences or limitations with respect to program structure selection, which supports our anecdotal observations that institutions seek to trade cost for complexity as they increase in scale and resources.

The third chart summarizes Meketa’s client program structures grouped by private market asset class. Product solutions are most utilized in private equity, which is the most complex asset class from the perspective of manager selection, portfolio construction, and administration. Product solutions are also more common in infrastructure and real estate, which are

asset classes that offer numerous high quality open-end core offerings that are appealing to a broad swath of investors. Insourced solutions are most common in infrastructure and private debt, which are somewhat more approachable for investors given their smaller universes of investment managers and lower dispersion of returns.

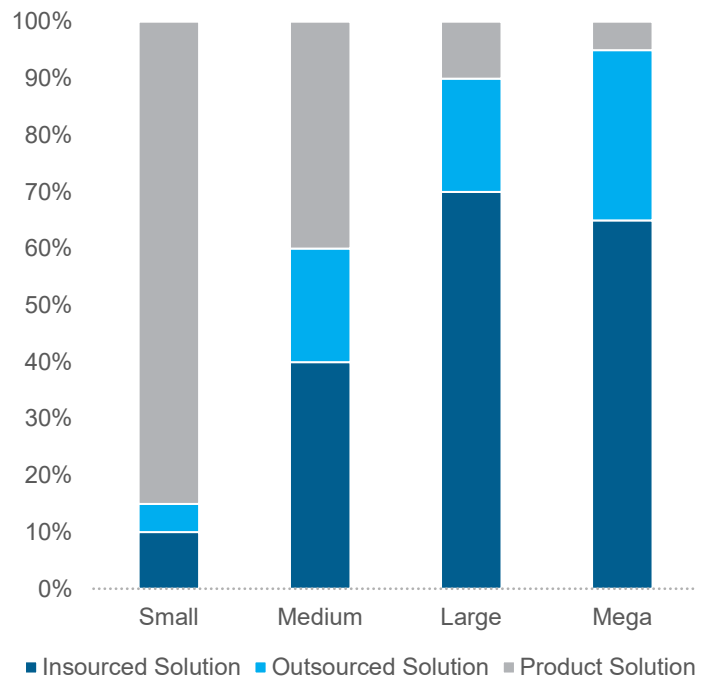
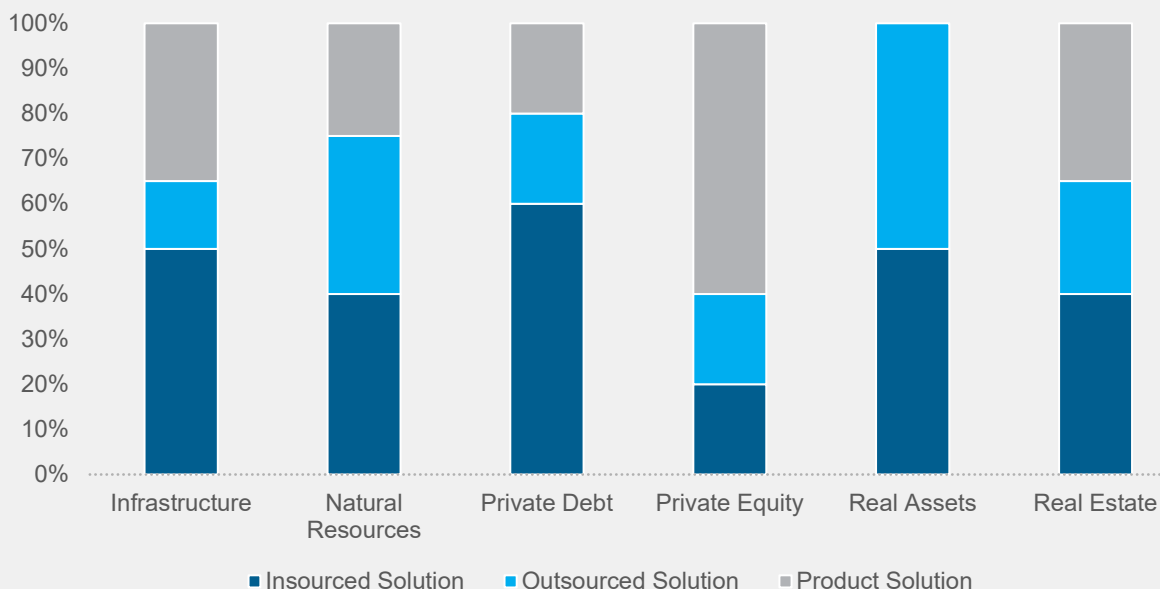


Figure 7
Program Structure by Total Asset Grouping

Source: Meketa’s clients commonly utilize multiple structures within an individual Private Market program, and this data only captures the predominant structure utilized by a given program.

Figure 8
Program Structure
by Asset Class

Source: Meketa's clients commonly utilize multiple structures within an individual Private Market program, and this data only captures the predominant structure utilized by a given program.



Conclusion

Selecting an appropriate private market program structure is among the most consequential decisions an institutional investor can make. The choice shapes not only how a portfolio is built and managed, but also how resources are allocated, how governance obligations are met, and how effectively the institution can adapt as market conditions and internal capabilities evolve. There is no universally optimal structure. Each approach involves trade-offs that must be evaluated in the context of an institution's specific scale, expertise, cost constraints, and long-term objectives.

In practice, most institutions do not remain static in their approach. As they accumulate private market experience, grow their asset base, and develop internal expertise, many migrate along the spectrum from product-driven solutions toward greater customization and direct oversight. This evolution is not linear, nor is it universal; some institutions deliberately maintain simpler structures due to governance requirements, resource constraints, or a preference for operational efficiency. Others blend multiple structures across asset classes to optimize outcomes across different dimensions of their program simultaneously.

Ultimately, the most effective private market programs are those that are intentionally designed, with clear awareness of the trade-offs involved and a structure

that reflects the institution's current capacity while preserving the flexibility to evolve. Institutions that periodically reassess their program structure in light of changing scale, resources, and market opportunities are better positioned to manage complexity, control costs, and achieve their long-term investment objectives.

End Notes

- ¹ Source: A primary fund refers to a private market investment vehicle that pools capital from multiple investors to make direct investments into portfolio companies or assets.
- ² Source: Open-end funds may impose mechanisms such as subscription and redemption queues, gates, or other liquidity management tools to control capital flows. These features can affect the timing and availability of investor subscriptions and withdrawals.

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