

INSIGHTS FROM CFA SOCIETY SINGAPORE

## Opening the private-market door – gently

Why Singapore's new long-term investment fund rules must walk the tightrope between access and assurance

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Singaporean households now hold S\$2.9 trillion in net worth, much of it sitting idle in cash. PHOTO: YEN MENG JIN, BT



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[SINGAPORE] The hawker's dream: Each morning at 5 am, Madam Liew opens her kway teow stall in Serangoon. She diligently saves, but inflation quietly erodes her earnings. A financial adviser suggests she invest S\$5,000 in a private fund backing South-east Asian logistics. It offers dividends only from the third year, and locks her money in for nine years. She hesitates, thinking: "What if I need the cash urgently? Will I even know what it's worth?"

The engineer's pause: Julian, a 29-year-old software engineer, sees a robo-adviser banner advertising "private credit – target 9 per cent IRR" (internal rate of return). He clicks in, but freezes at the words: "No liquidity for seven years." Burned by a crypto platform freeze, he recalls how long illiquidity can feel when markets tank.

These hypothetical stories reflect the challenge facing Singapore's regulator. In March, the Monetary Authority of Singapore (MAS) released a consultation paper proposing long-term investment funds (LIFs) – vehicles that could offer [retail investors access to private equity](#), credit and infrastructure.

MAS' stated objective is to "provide retail investors, [in a risk-calibrated manner](#), access to private market investments as part of a diversified investment portfolio" while advancing the equities market review goal of expanding retail choice and potential fund listings.

### Three needles to thread

To bring LIFs to retail investors, MAS must strike a delicate balance on three fronts:

- **Investor protection v market growth:** LIFs could boost Singapore's alternatives ecosystem – but even one misstep could shake public trust. Access must align with product complexity and financial literacy.
- **Manager incentives v investor interests:** Performance fees drive returns – but can also spur aggressive valuations. Alignment tools such as general partner co-investment, clawbacks and hurdle rates must be mandatory.
- **Market integrity v investor access:** Infrequent valuations and liquidity mismatches demand safeguards, such as independent pricing, redemption gates and third-party custody.

### Consultation paper at a glance – six pillars

MAS' consultation paper funnels 25 questions which can be categorised into six big topics.

- **What LIFs can invest in:** Proposes both direct investment and fund-of-fund (FoF) structures.
- **Who can manage LIFs:** Standards for manager experience, governance and licensing.
- **Portfolio limits:** Caps on single investments and diversification requirements.
- **Liquidity rules:** Options for annual redemption, limits on withdrawal.
- **Leverage and valuation:** Borrowing controls and external valuation requirements.
- **Product classification and warning:** Disclosures, risk labels and investor knowledge assessments.

In response to the consultation paper, CFA Society Singapore and CFA Institute jointly submitted our views, including recommendations in a number of key areas, such as regulatory actions, financial education and learning from other markets abroad.

### Five regulatory recommendations

First, start at the sturdier end of the spectrum. We endorse MAS' view that it should give the green light only to LIFs that allocate the bulk of capital to seasoned, cash-flow-generating assets – think brownfield infrastructure or senior secured private credit – while deferring higher risk strategies to a later phase.

In addition, we recommend multi-asset strategies, as mixing public and private asset management could be a good place to start.

Second, mandate "plain English" disclosures with cinematic clarity. Product highlight sheets must explain, in simple language, how valuation lags, lock-ups and clawbacks work.

Fees – both management and performance – should appear in absolute dollars for a hypothetical S\$10,000 investment. Quarterly fact sheets and audited annual reports should be posted publicly.

Third, license managers with proven private-markets DNA. We endorse MAS' view that a retail LIF manager ought to hold a full-retail fund-management company licence.

In particular, we recommend that the LIF manager possess at least two completed fund vintages and manage multicycle track records across downturns – not just boom-era IRRs. Portfolio heads must demonstrate due-diligence chops in originating, structuring, and exiting deals.

Fourth, embed conflict-of-interest brakes directly into fund deeds. Related-party transactions must trigger independent fairness opinions; any sale of an asset from one fund to another managed by the same general partner should require advisory-committee consent and full disclosure.

Leverage provided by affiliates must clear arm's-length pricing checks, and any side letters that grant preferential liquidity or fees must be disclosed to all unitholders.

Fifth, encourage FoFs as training wheels for the mass affluent. Yes, FoFs introduce an extra fee layer, but they also diversify vintage, manager, and sector risk – qualities invaluable to first-time retail investors.

FoFs should therefore enjoy expedited approval if they cap underlying manager concentration, bring a mix of public/private assets and commit to quarterly liquidity windows.

### Education: Singapore's invisible circuit breaker

Rules alone cannot inoculate markets against naivety, and neither can they insulate Madam Liew and Julian from behavioural pitfalls. Financial literacy is Singapore's national defence against mis-selling – and it must evolve.

**Suitability beyond net worth:** A million-dollar condo does not mean its owner understands an IRR waterfall. A customer knowledge assessment-style quiz focused on private-market basics should precede every subscription, with results logged for audits.

**Upskilling the intermediaries:** Relationship managers at banks, financial advisers, digital platforms and independent financial advisers should earn a "private-assets passport" through MAS- or Institute of Banking and Finance-endorsed modules covering valuation, cash-flow modelling and secondary-market dynamics. Sales scripts and marketing decks must be vetted for balance.

**Ongoing investor refreshers:** Regulations could require a short e-learning module whenever capital is called, reminding investors why liquidity is restricted and how valuations are derived. The lesson: lock-ups last longer than memory.

### Learning from abroad, leading at home

Hong Kong allows listed closed-ended alternatives with 30 per cent leverage caps and weekly net asset values; the United Kingdom's model mandates independent valuation committees. Singapore can go further by publishing a "LIF risk dashboard" on defaults, discounts and redemptions, and by linking leverage limits to cash-flow coverage – not a hard 30 per cent cap.

Singaporean households now hold S\$2.9 trillion in net worth, much of it sitting idle in cash. Redirecting even 5 per cent into LIFs could unlock billions for local entrepreneurs, infrastructure and green-energy projects – supporting national goals such as Budget 2025's economic repositioning.

Yet, trust is fragile. A single poorly priced LIF could undo years of progress and regulatory goodwill.

### Closing the loop: back to our investors

Months later, Julian passes MAS' suitability module and realises his emergency fund is thin – he defers private credit for now, feeling empowered rather than excluded. Madam Liew attends an alternatives seminar and decides a five-year lock-up is acceptable – but only with money she won't need for stall renovations.

One day, Singaporeans could own a slice of the high-speed rail to Kuala Lumpur through a regulated fund. They won't need Ivy League-endowment capital – only patience, literacy and a system built on stewardship, not sales.

Done well, Singapore will show the world how to democratise access to investments and open the private-market door – gently.

**The writer, a CFA charterholder, is a member of the CFA Society Singapore advocacy committee**

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CFA Singapore Insights

Investment fund

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