



June 2026

Cutting through the noise

Understanding risk, resilience and
opportunity in private markets

BlackRock

Key takeaways

- Private markets are entering a more selective phase amid macro uncertainty, higher rates and uneven recovery. This is driving increased dispersion across private equity, credit and infrastructure and reinforcing the need for underwriting discipline, risk clarity and selectivity.
- In private equity, valuations remain in our view relatively attractive versus public markets, with disciplined entry pricing and capital increasingly concentrated in higher-quality assets. Exit activity is gradually recovering but remains uneven, with distributions expected to improve selectively rather than broadly.
- In private credit, fundamentals are broadly resilient, though early signs of stress are emerging, creating a more complex and differentiated investment landscape.
- AI represents both a structural opportunity and a source of concentration risk, requiring consistent risk frameworks and strong portfolio-level visibility.
- Access to private markets is expanding through evolving structures and digital distribution, but liquidity constraints remain a key consideration. Overall, demand remains strong, with outcomes increasingly dependent on selectivity, structure and effective portfolio construction.

Introduction



Fabio Osta

Head of Alternatives Specialists
Team

As we approach the second half of 2026, private markets investors are navigating an increasingly complex environment. Macro uncertainty, the prospect of persistently higher rates and uneven recoveries across markets are reshaping the landscape, with broad narratives giving way to asset-level differentiation. In this context, the ability to distinguish signal from noise has become critical.

This document brings together insights from across BlackRock's private markets platform, addressing the key questions we are hearing from clients today - from valuations, exit activity and liquidity to AI, portfolio construction and developing access points.

Across private equity, credit and infrastructure, clear themes emerge: dispersion is increasing, and success is becoming ever more dependent on disciplined underwriting, clarity on risk, and selectivity.

To capture a snapshot of wealth client sentiment, we surveyed participants on registration for our webinar 'Cutting through the noise'. We found four key takeaways:

1. Adoption remains at an early stage, with nearly a quarter of respondents still unallocated to private markets and many others at only low single-digit exposures.
2. Despite recent volatility, conviction is holding up well, with just under 70% of respondents unchanged in their allocation plans.
3. The key constraints are structural rather than cyclical: liquidity is the primary barrier, followed by valuations and suitability.
4. Opportunity remains focused on the core, with private equity and infrastructure standing out as the main areas of interest.¹

Overall, the message is clear: demand is building, but translating intent into allocations will hinge on improving access, evolving structures, and empowering investors to navigate complexity with greater clarity and confidence.

¹Source: Survey conducted with 166 clients at registration for webinar 'Cutting through the noise', 3rd June 2026.

Private equity: Valuations, exit activity & opportunities



John Seeg
Global Co-Head,
BlackRock Private Equity Partners

Clients are concerned that private equity valuations may be lagging public markets. How are private equity valuations adjusting in practice?

Entry pricing in private markets has remained notably disciplined in 2026, with global private equity trading at an approximate 30% discount to the S&P 500 over the past five years, which we think creates compelling entry opportunities amid elevated public market valuations. This repricing is already evident in IPO markets, where U.S. issuance rose 21% year-on-year in Q1 2026¹.

While capital remains available for high-quality assets, pricing discipline has tightened materially, with markets exhibiting a high degree of selectivity and sharp asset-level differentiation. Businesses with strong growth, resilient margins, clear cash flow visibility, and credible exit pathways continue to attract capital, whereas more leveraged or lower-quality assets are facing widening discounts and delayed exits. In a higher-rate, inflationary environment, this dispersion is further reinforced, favouring companies with pricing power, durable margins, and robust cash generation

How should investors think about exit timing and liquidity expectations over the next 12–24 months, and where do you see opportunities for investors in the current environment?

Exit markets are reopening, but in a highly selective way. In Q1 2026, global private equity exits reached \$294 billion across 635 transactions; over the past 12 months, total value has declined only modestly, though volumes have fallen to a five-year low². Distributions are expected to improve, but unevenly: higher-quality assets are likely to exit first, while more leveraged or less differentiated businesses may face delays.

Macroeconomic uncertainty may temper the pace of recovery, reinforcing the need for conservative liquidity assumptions. In this environment, returns are increasingly driven by operational value creation. We see compelling opportunities across co-investments, secondaries, continuation vehicles, and carve-outs, but sector selection will be critical. Areas such as AI, healthcare, energy, and infrastructure stand out, with AI in particular driving both opportunity and dispersion across the software market.

AI: Bubble or infrastructure opportunity?



Vidy Vairavamurthy
CIO,
Alternative Portfolio Solutions

Is AI a bubble or a gold rush?

The “bubble” versus “gold rush” framing is a helpful way to think about where we are in the cycle, because elements of both are clearly present today. On the one hand, the pace of innovation, adoption and revenue growth suggests this is a genuine structural shift rather than purely speculative momentum. On the other, market leadership has been narrow and valuations in parts of the ecosystem are embedding very optimistic expectations, which naturally raises questions around sustainability.

For us, the key is not to take a binary view, but to focus on how these dynamics translate into portfolio risk. We approach this through a single, consistent language of risk, which allows us to look beyond the headline AI narrative and understand what is actually driving returns, whether that is growth sensitivity, duration risk, or concentration. That lens is particularly important in a theme like AI, where very different business models can be grouped together but behave quite differently in a portfolio.

Therefore, we see AI as an evolving opportunity set where the outcomes will be dispersed and where disciplined portfolio construction and risk clarity are key to separating long-term winners from areas where expectations may be running ahead of fundamentals.

¹Source: BlackRock Investment Institute, LCD Pitchbook, Bloomberg as of 31 December 2025. Note: The data compares valuations in the form of EV/EBITDA. LCD Pitchbook data are used for Private Equity and Bloomberg for S&P 500. ²Source: KPMG 'Q1'26 Pulse of Private Equity - Global Insights'

How do you achieve true diversification when AI drives so much of the risk-return in the context of the whole portfolio?

In the context of portfolio construction, we think about diversification starting from first principles: allocating risk deliberately across different return drivers at the whole-portfolio level, first through the lens of underlying risk drivers rather than headline themes. Our starting point is our single, consistent language of risk, applied across both public and private markets, which allows us to decompose portfolios into factor exposures such as value, growth, rates or spreads, and understand how these interact at the total portfolio level. A shared risk framework keeps decision making anchored at the portfolio level, rather than fragmented across asset classes.

This matters most in an environment where a single theme like AI is increasingly influencing both earnings and valuations across asset classes, sectors, and geographies, making it critical to understand how AI exposure aggregates at the total portfolio level.

Private credit: US retail redemptions, sentiment, and software



Dominique Bly
Macro Credit Strategist, HPS

Recent headlines have raised concerns around redemptions and stress in the private credit market. Now the dust is somewhat settled, what view can we take of the fundamentals more broadly and in particular within the software sector, which is an area that clients are concerned about?

Private credit fundamentals remain broadly resilient, with most companies continuing to demonstrate stable operating performance and positive earnings growth, and non-accrual levels remaining relatively low. At the same time, early signs of pressure are emerging at the idiosyncratic level, including rising stress rates, increased use of payment-in-kind structures, and pockets of higher default activity, which points to a more complex and nuanced environment.

This is reinforcing a market increasingly defined by dispersion, with outcomes diverging by borrower quality, sector exposure, and underwriting approach.

Within software, stress indicators mean we need to be selective. While many businesses continue to deliver positive EBITDA growth, resilience tends to be concentrated in companies with high retention products, strong switching costs, and differentiated capabilities. In this context, the key question is less about current performance, and more about how business models will evolve over the next 3–5 years.

What drives resilience in private credit portfolios today, and how does HPS/BlackRock consider this?

We see resilience in private credit portfolios as fundamentally driven by underwriting quality and structural design. Floating rate exposure and a persistent spread premium support income generation in higher-rate environments, while senior secured positioning, robust documentation, and bespoke structuring provide meaningful downside protection. At the portfolio level, diversification across sectors, borrowers, and transaction types can help mitigate concentration risk, complemented by active management focused on early identification of stress and proactive borrower engagement.

In parallel, we think Europe presents a compelling opportunity set, underpinned by differentiated structural dynamics relative to the more mature US direct lending market. With the region still heavily bank-funded, private lenders are increasingly stepping in, particularly in financing larger companies. Demand for private capital continues to broaden, spanning beyond traditional M&A to more diverse financing needs. At the same time, Europe's fragmented landscape favours scaled, flexible platforms with local expertise, enabling access to differentiated deal flow and the potential to capture an associated premium.

Accessing private markets: Liquidity, lock-ups and digital distribution



Alex Cunningham
Head of Private Markets
Structuring & Development, EMEA

Evergreen structures and wealth -friendly wrappers such as US BDCs and ELTIF 2.0 are enabling broader access to private markets. Can you briefly walk us through how the liquidity features of these structures work – particularly in periods of market stress or volatility?

Liquidity in evergreen funds reflects a combination of mechanisms - income distributions, secondary sales, subscriptions and periodic redemptions - rather than a single feature. In practice, this means investors should think of liquidity as managed and periodic, rather than continuous or on-demand. Its meaning can vary materially across structures, making clarity and investor understanding essential. While most funds offer periodic redemptions, these are inherently conditional given their inherent illiquidity, subject to notice periods, lock-ups, and potential suspension in stressed conditions. Liquidity is actively managed through multiple sources, including portfolio cash flows, new subscriptions, and dedicated liquidity sleeves. Features such as gates—typically limiting the level of redemptions in any given period—are deliberate design elements that prioritise fairness across investors rather than immediate access to capital.

Redemption limits play an essential role in managing outflows, enabling capital to be returned progressively without compromising the integrity of the underlying portfolio. When thoughtfully calibrated and supported by robust risk modelling, they smooth liquidity across dealing periods. Challenges can arise when portfolio cash flows and investor inflows fall short, potentially constraining new investment activity, accelerating asset realisations, or creating performance drag as liquidity is held in cash.

Stepping back, how are modern distribution channels reshaping access to private markets – and what does that mean for implementation, particularly in discretionary portfolios? What are the key hurdles clients are facing today?

Digital distribution is expanding access to private markets, reshaping what was historically a highly analogue, advice-led experience into more streamlined, platform-based journeys. Adoption has been strongest in advisory channels, where education and suitability frameworks are already well established.

The next major inflection point will be the integration of private markets into discretionary portfolios at scale. This represents a significant opportunity, but also introduces a number of structural challenges. These include the need to adapt existing portfolio construction frameworks to incorporate illiquid assets, navigate operational and rebalancing constraints, and ensure alignment with underlying client mandates and eligibility requirements.

In addition, the integration of private markets into discretionary solutions often requires rethinking how portfolios are designed and governed—particularly in relation to liquidity assumptions and time horizons.

Ultimately, while the opportunity to scale access is substantial, successful implementation will depend on balancing accessibility and user experience with the structural discipline required for long-term private markets investing.

Disclaimer

FOR INSTITUTIONAL, PROFESSIONAL, WHOLESALE, ACCREDITED, AND QUALIFIED INVESTORS/CLIENTS, AND PROFESSIONAL INTERMEDIARIES ONLY.

For investors in Italy:

This document is marketing material: Before investing please read the Prospectus and the PRIIPs KID available on www.blackrock.com/it, which contain a summary of investors' rights.

Risk Warnings

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.

Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time and depend on personal individual circumstances.

General Disclosure: This material is intended for information purposes only, and does not constitute investment advice, a recommendation or an offer or solicitation to purchase or sell any securities to any person in any jurisdiction in which an offer, solicitation, purchase or sale would be unlawful under the securities laws of such jurisdiction. References to specific company names, asset classes and financial markets are for illustrative purposes only and should not be construed as investment advice or investment recommendations. This material may contain estimates and forward-looking statements, which may include forecasts and do not represent a guarantee of future performance. This information is not intended to be complete or exhaustive. No representations or warranties, either express or implied, are made regarding the accuracy or completeness of the information contained herein. The opinions expressed are as of 3 June 2026 and are subject to change without notice. Reliance upon information in this material is at the sole discretion of the reader. Investing involves risks.

In EMEA, this material is for distribution to Professional Clients (as defined by the Financial Conduct Authority or MiFID Rules) only and should not be relied upon by any other persons

This document is marketing material.

In the UK and Non-European Economic Area (EEA) countries: this is Issued by BlackRock Investment Management (UK) Limited, authorised and regulated by the Financial Conduct Authority. Registered office: 12 Throgmorton Avenue, London, EC2N 2DL. Tel: + 44 (0)20 7743 3000. Registered in England and Wales No. 02020394. For your protection telephone calls are usually recorded. Please refer to the Financial Conduct Authority website for a list of authorised activities conducted by BlackRock. **In the European Economic Area (EEA):** this is Issued by BlackRock (Netherlands) B.V. is authorised and regulated by the Netherlands Authority for the Financial Markets. Registered office Amstelplein 1, 1096 HA, Amsterdam, Tel: 31-20-549-5200. Trade Register No. 17068311 For your protection telephone calls are usually recorded. **For qualified investors in Switzerland:** This document shall be exclusively made available to, and directed at, qualified investors as defined in Article 10 (3) of the CISA of 23 June 2006, as amended, at the exclusion of qualified investors with an opting-out pursuant to Art. 5 (1) of the Swiss Federal Act on Financial Services ("FinSA"). For information on art. 8 / 9 Financial Services Act (FinSA) and on your client segmentation under art. 4 FinSA, please see the following website: www.blackrock.com/finsa. **For investors in Italy:** This document is marketing material: Before investing please read the Prospectus and the PRIIPs available on www.blackrock.com/it, which contain a summary of investors' rights. For information on investor rights and how to raise complaints please go to <https://www.blackrock.com/corporate/compliance/investor-right> available in Italian. **For investors in Israel:** BlackRock Investment Management (UK) Limited is not licensed under Israel's Regulation of Investment Advice, Investment Marketing and Portfolio Management Law, 5755-1995 (the "Advice Law"), nor does it carry insurance thereunder. **In South Africa,** please be advised that BlackRock Investment Management (UK) Limited is an authorized financial services provider with the South African Financial Services Board, FSP No. 43288. **In the Abu Dhabi Global Market (ADGM),** the information contained in this document is intended strictly for Professional Clients. Issued by **BlackRock Advisors (UK) Limited – ADGM Branch** is a Branch of a Foreign Company registered with the Abu Dhabi Global Market Registration Authority (Registered number 21523), with its office at Floor 25, Al Sila Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, UAE, and is regulated by the ADGM Financial Services Regulatory Authority ("FSRA") to engage in the regulated activities of 'Arranging Deals in Investments'; 'Advising on Investments or Credit' 'Managing Assets'; and 'Managing in a Collective Investment Fund' (FRSA Reference 240099). **In the DIFC,** this material can be distributed in and from the Dubai International Financial Centre (DIFC) by BlackRock Advisors (UK) Limited – Dubai Branch which is regulated by the Dubai Financial Services Authority (DFSA). This material is only directed at 'Professional Clients' and no other person should rely upon the information contained within it. BlackRock Advisors (UK) Limited -Dubai Branch is a DIFC Foreign Recognised Company registered with the DIFC Registrar of Companies (DIFC Registered Number 546), with its office at Unit L15 - 01A, ICD Brookfield Place, Dubai International Financial Centre, PO Box 506661, Dubai, UAE, and is regulated by the DFSA to engage in the regulated activities of 'Advising on Financial Products' and 'Arranging Deals in Investments' in or from the DIFC, both of which are limited to units in a collective investment fund (DFSA Reference Number F000738). **In the Kingdom of Saudi Arabia,** issued by BlackRock Saudi Arabia, authorised and regulated by the Capital Market Authority (License Number 18- 192-30). Registered office: 7976 Salim Ibn Abi Bakr Shaikan St, 2223 West Umm Al Hamam District Riyadh, 12329 Riyadh, Kingdom of Saudi Arabia, Tel: +966 11 838 3600. CR No, 1010479419. For your protection telephone calls are usually recorded. Please refer to the Capital Market Authority website for a list of authorised activities conducted by BlackRock Saudi Arabia. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock.

In the United Arab Emirates this material is only intended for Professional Investors. Neither the DFSA or any other authority or regulator located in the GCC or MENA region has approved this information. **In the State of Kuwait**, those who meet the description of a Professional Client as defined under the Kuwait Capital Markets Law and its Executive Bylaws. **In the Sultanate of Oman**, to sophisticated institutions who have experience in investing in local and international securities, are financially solvent and have knowledge of the risks associated with investing in securities. **In Qatar**, for distribution with pre-selected institutional investors or high net worth investors. **In the Kingdom of Bahrain**, to Central Bank of Bahrain (CBB) Category 1 or Category 2 licensed investment firms, CBB licensed banks or those who would meet the description of an Expert Investor or Accredited Investors as defined in the CBB Rulebook. **In Albania, Angola, Armenia, Azerbaijan, Botswana, Bulgaria, Egypt, Georgia, Ghana, Jordan, Kazakhstan, Kenya, Kosovo, Lebanon, Mauritius, Morocco, Mozambique, Namibia, Nigeria, North Macedonia, Pakistan, Rwanda, Serbia, Tanzania, Turkey, Uganda, Uzbekistan, Zambia and Zimbabwe this information contained in this document is intended strictly for Central Banks and Sovereign Investors only.**

In the U.S. and Canada, this material is intended for institutional investors

In Latin America and the Caribbean, no securities regulator within Latin America or the Caribbean has confirmed the accuracy of any information contained herein. The provision of investment management and investment advisory services is a regulated activity in Mexico thus is subject to strict rules. For more information on the Investment Advisory Services offered by BlackRock Mexico please refer to the Investment Services Guide available at www.blackrock.com/mx

In Hong Kong, this material is issued by BlackRock Asset Management North Asia Limited and has not been reviewed by the Securities and Futures Commission of Hong Kong. This material is for distribution to "Professional Investors" (as defined in the Securities and Futures Ordinance (Cap.571 of the laws of Hong Kong) and any rules made under that ordinance) and should not be relied upon by any other persons or redistributed to retail clients in Hong Kong.

In Singapore, this is issued by BlackRock (Singapore) Limited (Co. registration no. 200010143N) for use only with accredited/institutional investors as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This advertisement or publication has not been reviewed by the Monetary Authority of Singapore.

In South Korea, this information is issued by BlackRock Investment (Korea) Limited for distribution to the Qualified Professional Investors only (as defined in the Financial Investment Services and Capital Market Act and its sub-regulations).

In Taiwan, Independently operated by BlackRock Investment Management (Taiwan) Limited. Address: 28F., No. 100, Songren Rd., Xinyi Dist., Taipei City 110, Taiwan. Tel: (02)23261600.

In Australia and New Zealand, issued by BlackRock Investment Management (Australia) Limited ABN 13 006 165 975, AFSL 230 523 (BIMAL) for the exclusive use of the recipient, who warrants by receipt of this material that they are a wholesale client as defined under the Australian Corporations Act 2001 (Cth) and the New Zealand Financial Advisers Act 2008 respectively.

BIMAL is not licensed by a New Zealand regulator to provide 'Financial Advice Service' 'Investment manager under an FMC offer' or 'Keeping, investing, administering, or managing money, securities, or investment portfolios on behalf of other persons'. BIMAL's registration on the New Zealand register of financial service providers does not mean that BIMAL is subject to active regulation or oversight by a New Zealand regulator.

In China, This material may not be distributed to individuals resident in the People's Republic of China ("PRC", for such purposes, not applicable to Hong Kong, Macau and Taiwan) or entities registered in the PRC unless such parties have received all the required PRC government approvals to participate in any investment or receive any investment advisory or investment management services.

In Japan, this is issued by BlackRock Japan. Co., Ltd. (Financial Instruments Business Operator: The Kanto Regional Financial Bureau. License No375, Association Memberships: Japan Investment Advisers Association, The Investment Trusts Association, Japan, Japan Securities Dealers Association, Type II Financial Instruments Firms Association) for Institutional Investors only. All strategies or products BLK Japan offer through the discretionary investment contracts or through investment trust funds do not guarantee the principal amount invested. The risks and costs of each strategy or product we offer cannot be indicated here because the financial instruments in which they are invested vary each strategy or product.

For Other Countries in APAC: This material is issued for Institutional Investors only (or professional/sophisticated/qualified investors as such term may apply in local jurisdictions).

THIS MATERIAL IS NOT TO BE REPRODUCED OR DISTRIBUTED TO PERSONS OTHER THAN THE RECIPIENT.

©2026 BlackRock, Inc. or its affiliates. All Rights Reserved. **BLACKROCK** is a trademark of BlackRock, Inc. or its affiliates. All other trademarks are those of their respective owners.