

On the Record.

Today's private credit opportunity

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BlackRock

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We are introducing a new series exploring the forces driving global capital markets and the opportunities they create to strengthen investors' financial well-being and economic security.

Our aim is to help clients, policymakers and the public navigate change with clear analysis, practical insights and a long-term perspective. Our new series, *On the Record*, kicks off with a look at private credit, a market we anticipate will more than double in size by the end of the decade.¹ We examine private credit's role in supporting economic growth and strengthening investors' portfolios. At BlackRock, we see innovation in private credit as a way to help both investors and the companies that fuel jobs, innovation and growth – continuing our decades-long mission to expand access to capital markets.

Key points

01

We see a growing opportunity in financing private companies

Private credit is expanding as firms remain private for longer, public debt and equity markets undergo structural shifts, and the bank lending landscape evolves. There's a \$40 trillion revenue pool across large private businesses in the US, EU and UK, presenting a significant opportunity for financing middle-market companies and larger firms.²

02

Innovation is expanding investor access to private credit

Innovation is opening private credit to a wider set of investors, with lower entry points, improved liquidity and greater transparency. Adding private credit to a portfolio can help diversify investments, offer income and inflation protection and improve overall performance. It also gives access to a key engine of economic growth, one that's often missing from traditional fixed income.

03

Offering access to private markets is part of our ongoing efforts to help people invest better

BlackRock is expanding clients' access to private credit through innovation, strategic acquisitions and a focus on transparency via data and insights. By making private markets more accessible, we aim to offer investors complements to public securities while channeling capital into businesses and communities worldwide.

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Introduction

The rapid growth of private markets is an important step in the continuing evolution of global capital markets. We estimate that investible opportunities in private equity, private credit and privately held assets in infrastructure and real estate will increase from \$15 trillion today to \$23 trillion in 2029.³

The 2030 opportunity

The private markets universe is projected to increase through the end of the decade to

\$23 trillion

The private credit market is expected to more than double by 2030 to reach

\$4.5 trillion

Opportunities to invest in private assets have long been limited to institutional and high-net worth investors. But innovation in the asset-management industry is changing this, and today we see individual investors increasingly gaining access to private assets, both directly and in their retirement portfolios. Innovation is playing out against a backdrop of changing global markets, macroeconomic and geopolitical uncertainty and rapid technological change, and in an economic environment where private capital – both equity and credit – is more important than ever to fuel this growth.

The private credit market – lending to companies in privately negotiated deals done outside of traditional bank or public debt markets – has grown rapidly and now stands at \$2.1 trillion; we estimate that it will reach \$4.5 trillion by the end of the decade. It is particularly important for middle-market firms that play a vital role in driving economic growth and job creation. In the US, middle-market companies generate more than one-third of private sector GDP and employ more than 40 million people.⁴

Private credit is also increasingly important for firms that once would have turned to public markets for capital to fuel their growth but are now staying private for longer – and even for public companies with demonstrated access to public debt markets.

Accordingly, the scale of the opportunity for private credit is significant. Across the US, EU and UK there are far more private companies with revenue above \$100 million – more than 44,000 in total – than public companies of that size. Over the past 12 months, total revenue associated with these private firms amounted to \$40 trillion, according to S&P Capital IQ. For publicly listed companies of this size, aggregate revenue totaled \$35 trillion.⁵

For investors, adding private credit to a traditional portfolio of equities and public fixed income may help offer a steady income stream, lower volatility, portfolio diversification and a better risk/return profile, with higher returns for less risk. Ultimately, as private markets become more accessible, we anticipate that they will become a standard component of many clients' portfolios. In fact, we see traditional 60/40 portfolios evolving to something closer to 50% equities/30% fixed income/20% private assets.

For BlackRock, bringing the private credit opportunity to a growing number of our clients is just part of our efforts to make investing easier and more accessible for everyone.

Offering private credit solutions and innovating to meet clients' needs continues our decades-long efforts to extend the benefits of capital markets – both to investors and to the companies that power job creation, innovation and economic growth.

Section 01

The scale of the private credit opportunity

Multiple factors are driving growth in the private credit market, including:

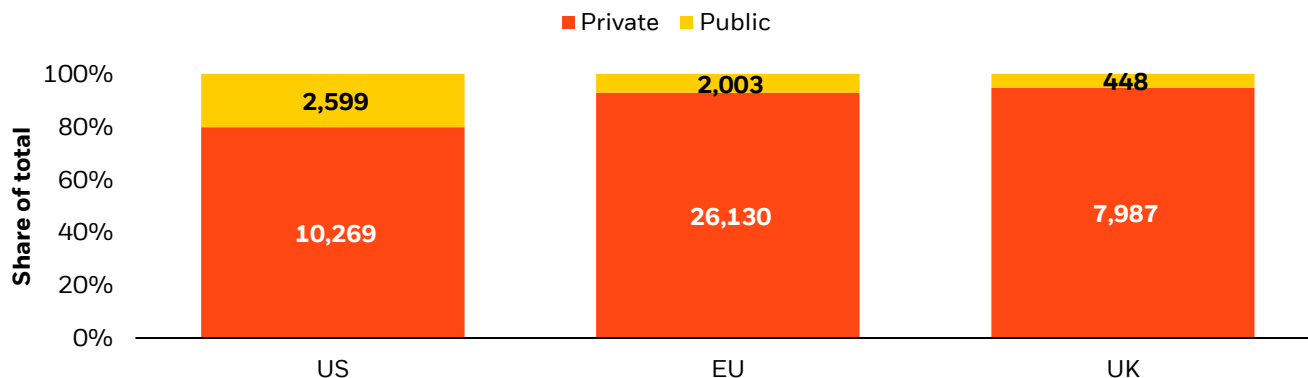
- 1 Investors' desire for diversification and income,**
- 2 Borrowers' desire for customization, partnership and certainty of execution,**
- 3 Structural shifts in public debt and equity markets, and**
- 4 An evolution in the bank lending landscape.⁶**

Traditionally, demand for private credit has come from middle-market companies, many of them private, which play a vital role in driving economic growth and job creation. In the US, middle-market companies generate more than one-third of private sector GDP and employ over 40 million people.

With the syndicated credit market serving ever-larger borrowers, we think smaller companies are increasingly likely to rely on private credit for incremental financing. We also believe these companies can benefit from private credit's partnership-oriented lending relationship and customized financing, as they move through their growth journeys.

Figure 1: The majority of scaled businesses are private – with over 44,000 across the US, EU and UK

Share and absolute count of private and public companies with revenue greater than \$100 million in the US, EU and UK.



Source: S&P Capital IQ, BlackRock. As of August 19, 2025. Company count shown as data labels; bars represent percentage of total. 'Scaled' is defined as businesses with above \$100 million (or equivalent) in last twelve months revenues.

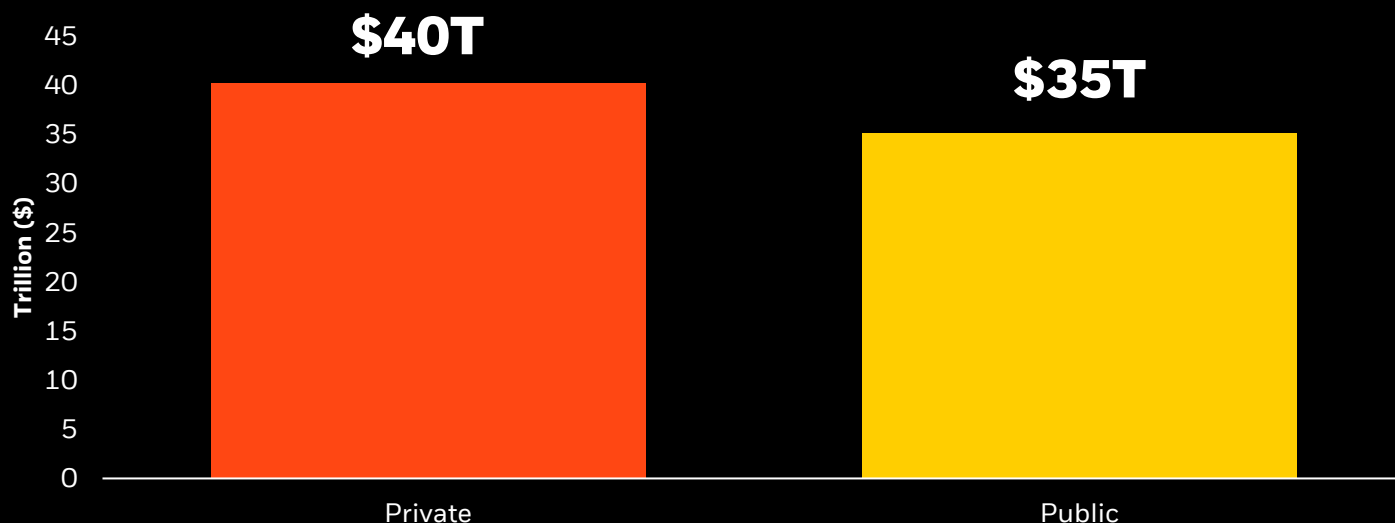
Moreover, this universe is now expanding as firms that once would have turned to public markets are now staying private for longer and increasingly relying on private sources of capital to drive their growth.⁷

The magnitude of the opportunity in financing private companies is significant. Data from S&P Capital IQ shows that, across the US, EU and UK, there are far more private companies with revenue above \$100 million – more than 44,000 in total – than public companies of that size (Figure 1). In fact, 80% of these companies are privately held in the US; in the EU and the UK the share is above 90%.

Figure 2 puts the size of this business opportunity in dollar terms, capturing the aggregate last-twelve-month (LTM) revenues for public and private companies with revenue above \$100 million. The total revenues associated with these private businesses amount to \$40 trillion. For context, publicly listed companies with more than \$100 million in revenue represent an aggregate of \$35 trillion in LTM revenue in the US, EU and UK.

Figure 2: Private company annual revenues total US\$40 trillion, outpacing public company revenues in aggregate

Aggregate annual revenues for private and public companies with revenue greater than \$100 million, in the US, EU and UK.



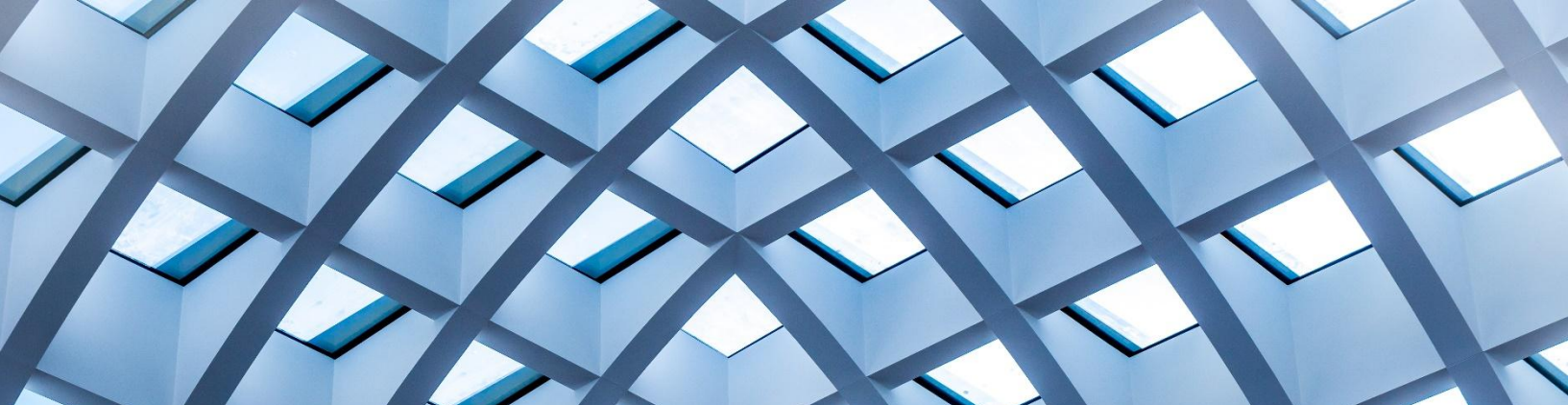
Source: S&P Capital IQ, BlackRock. As of August 19, 2025.

As the market has evolved, private credit managers have been able to raise increasingly large funds: the average fund size has grown from \$627 million in 2020 to \$1.05 billion in 2024, with some funds exceeding \$10 billion.⁸

Accordingly, private credit today is available for the 'jumbo' financings that can meet the needs of even larger public companies looking for flexible and bespoke private financing solutions to help drive their growth. For example, a firm with a strong credit rating that already has access to public markets could opt instead for a private financing

solution to fund a larger-scale, multi-year investment – where certainty of financing execution and customization in structure and/or terms may be highly valued.

We now see public and private credit existing on a continuum of corporate financing solutions, with the growing availability of large financing transactions presenting a structural tailwind for upper-middle market and larger-scale private credit borrowers, alongside a compelling opportunity across the core middle market.



Section 02

Adding private credit to investment portfolios

As the private asset market grows, so do the opportunities for investors to access more of the investible capital-markets universe. Traditionally, private assets have been the domain of institutional or high-net-worth investors, reflecting their high investment minimums, long lock-up periods, complicated tax-filing obligations, limited transparency and regulatory restrictions.

But innovation is expanding the reach of private credit, with new products offering lower investment minimums and greater liquidity. Asset managers are moving to incorporate private assets into defined-contribution retirement plans, potentially making these investments available to millions of individual investors. And data providers such as Preqin are making private markets more transparent.

From investors' standpoint, including private credit in a portfolio can offer several benefits. Regular cash flows appeal to income-oriented investors. Private credit is typically floating-rate, making it more attractive in an inflationary environment. To date, default rates have been low, and realized losses have been modest.⁹ We note, however, that private credit continues to provide lower liquidity and less transparency than public assets.

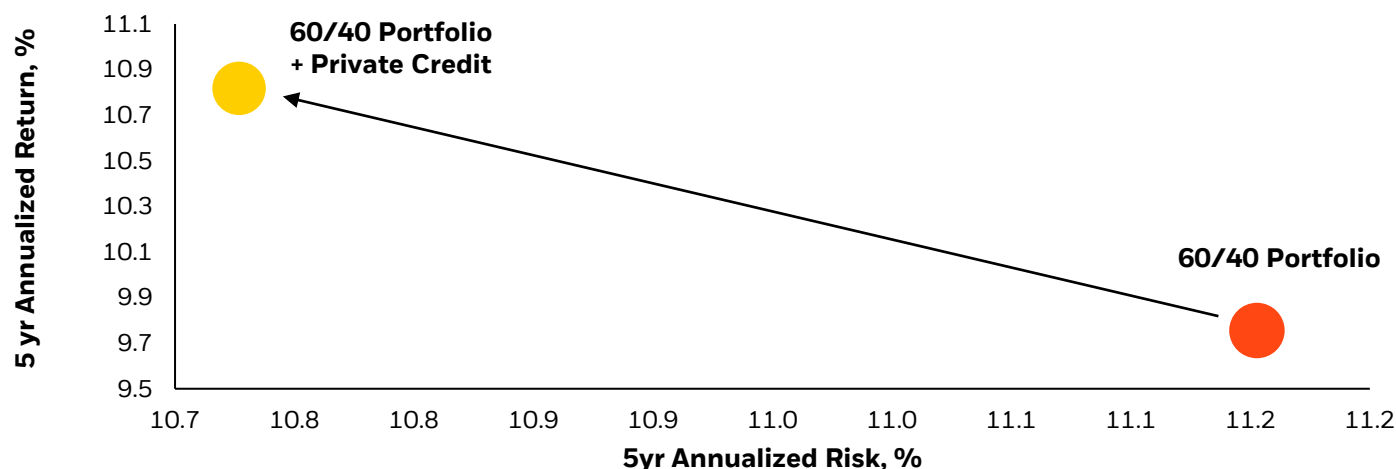
We see portfolio diversification as a major draw. Diversification reflects two ways that private credit differs from listed fixed income securities. First is the 'illiquidity premium' – the higher returns that compensate for the lower liquidity that is inherent in private assets. The second is the different risk profile of loans to private companies. Together, we believe these can yield a significant diversification benefit.

Figure 3 shows the impact over the past five years of adding a 10% private credit allocation to a traditional portfolio consisting of 60% equities and 40% public fixed income (in this case shifting 10% of the fixed income allocation to private credit). The result is an improved portfolio risk/return profile – offering higher returns with lower risk.

Taking a broader perspective, adding private credit to a 60/40 portfolio not only improves the risk/return profile. It also gives investors access to an important source of economic growth – one that is less well represented by traditional fixed income opportunities.

Consider the Bloomberg US Aggregate Bond Index (commonly known as 'the Agg'), one of the most widely owned fixed income indices.¹⁰ This index is heavily weighted toward government and agency mortgage-backed securities, leaving out segments of the modern credit landscape such as private loans and direct lending.

Figure 3: On a five-year horizon, adding private credit to a 60/40 portfolio can offer higher returns with lower risk



Source: Morningstar & Preqin data from 3/31/2020-3/31/2025. Private Credit is derived from the Preqin Private Debt Index. Appraisal based private market indices often exhibit smoothed returns. To make comparisons with more liquid securities, we apply Geltner (AR(1)) unsmoothing to the quarterly index series. The Preqin Private Debt Index quarterly series was unsmoothed by BlackRock to mitigate appraisal smoothing and improve comparability to liquid securities. The resulting series is model-based, non-investable, and differs from the official index. Preqin® and the Preqin Private Debt Index are trademarks of Preqin Ltd. The unsmoothed series described herein was derived by BlackRock from Preqin data; Preqin has not endorsed any derived series or conclusions. **The performance quoted represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance quoted. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost. Index returns are for illustrative purposes only and do not represent actual fund performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.**

Against this backdrop, private credit expands the opportunity set available in today's fixed income markets. As illustrated in Figure 4, private credit has a roughly zero correlation with the Agg. This means that private debt returns tend to move differently from – even in the opposite direction to – the Agg, and so including private debt can reduce overall volatility. This in turn improves a portfolio's risk-adjusted return profile, particularly in stressed market environments where conventional assets often become more correlated. In a period of heightened volatility and geopolitical uncertainty, this can be especially helpful.

Ultimately, as private markets become more and more transparent and accessible, we anticipate that they will become a standard component of many clients' portfolios. In fact, we see traditional 60/40 portfolios evolving to something closer to 50% equities/30% fixed income/20% private assets – not just private credit but also private equity and private assets in real estate and infrastructure. Private credit is a gateway to a growing universe of companies that are remaining private, offering access to untapped issuers and differentiated revenue streams beyond the reach of public markets.

Figure 4: Private credit assets offer a unique correlation to the public markets

		1	2	3	4	5
S&P 500 TR USD	1	1.00				
Bloomberg US Agg Bond TR USD	2	0.29	1.00			
ICE BofA US High Yield TR USD	3	0.86	0.43	1.00		
ICE BofA US Corporate TR USD	4	0.63	0.87	0.76	1.00	
Preqin Private Credit	5	0.76	-0.02	0.78	0.39	1.00

Source: Morningstar & Preqin data from 3/31/2020-3/31/2025. Private Credit is derived from the Preqin Private Debt Index. Appraisal based private market indices often exhibit smoothed returns. To make comparisons with more liquid securities, we apply Geltner (AR(1)) unsmoothing to the quarterly index series. The Preqin Private Debt Index quarterly series was unsmoothed by BlackRock to mitigate appraisal smoothing and improve comparability to liquid securities. The resulting series is model-based, non-investable, and differs from the official index. Preqin® and the Preqin Private Debt Index are trademarks of Preqin Ltd. The unsmoothed series described herein was derived by BlackRock from Preqin data; Preqin has not endorsed any derived series or conclusions. **The performance quoted represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance quoted. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost. Index returns are for illustrative purposes only and do not represent actual fund performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.**



Section 03

Unlocking private markets for our clients

For nearly four decades, BlackRock's goal has been to help more people invest better – offering more choice, reducing fees and opening doors for greater access and continuous innovation, all with the goal of bringing more investment opportunities to more people.¹¹

Fifteen years ago, BlackRock acquired the iShares business, allowing us to combine active and index investing under one roof. This gave investors the freedom to blend these strategies seamlessly – something they had not had before. Today, we see offering access to private markets, including private credit, as the next step in expanding client choice across the full range of capital markets.

Investing in public and private markets should not be an either/or proposition. We believe private assets can be a core element of many investors' portfolios, and we want to help investors understand the unique characteristics that make them a powerful complement to public securities, as well as the risks that are inherent to private assets.

We believe making it easier for clients to invest in both public and private markets requires product innovation, greater transparency and a supportive regulatory framework. We are seeking to accelerate this transformation through our recent acquisitions of two premier private credit and infrastructure firms, HPS and GIP, and of private markets data provider Preqin, which provides standardized analytics and performance data. Together these acquisitions help us make private markets more accessible and transparent, facilitating the flow of capital to some of the best opportunities across the economy.

We're focused on these private credit investments because we think everyone should have the opportunity to participate in the economic growth around them. We believe investing in private credit can help to channel financing into the communities where we live and work, supporting local businesses, industries and jobs.

Endnotes

1. Source: BlackRock, Preqin, Cliffwater. Historical data from Preqin and Cliffwater as of March 2025
2. Source: S&P Capital IQ, BlackRock, as of August 19, 2025
3. Preqin data as of Q3 2024, as published in 'Future of Alternatives 2029' in June 2025. Our estimate of private markets in 2029 does not include the asset-based finance market. Private equity is inclusive of venture capital. There is no guarantee that any forecasts made will come to pass
4. JPMorgan Chase, *The Middle Matters: Exploring the Diverse Middle Market Business Landscape* (2023)
5. Source: S&P Capital IQ, BlackRock, as of August 19, 2025
6. HPS, a part of BlackRock, *Market Volatility: Another Factor Driving Private Credit's Expansion* (July 2025)
7. BlackRock, *Private Credit: Further confirmation of its staying power* (March 2025)
8. Preqin, as of July 1, 2025
9. Source: Realized loss rates for the Cliffwater Direct Lending Index (CDLI), as of March 31, 2025. The CDLI is an asset-weighted index of over 19,000 directly originated U.S. middle market loan holdings totaling \$465 billion as of March 31, 2025
10. BNY Investments, *Global Aggregate: Mastering the World's Leading Bond Index* (May 2025)
11. 1. **More choice:** Morningstar, as of April 30, 2025. 725 of the 2906 (25%) Gold or Silver rated global ETFs in the industry are iShares/BLK products. Ratings are calculated on a monthly basis, based on risk adjusted returns. Prospectus Offering Language: Carefully consider the Funds' investment objectives, risk factors, and charges and expenses before investing. This and other information can be found in the Funds' prospectuses or, if available, the summary prospectuses which may be obtained by visiting www.iShares.com or www.blackrock.com. Read the prospectus carefully before investing. Investing involves risk, including possible loss of principal. Past performance does not guarantee future results. Distributor of the Funds: The Funds are distributed by BlackRock Investments, LLC (together with its affiliates, "BlackRock"). The Morningstar Medalist Rating™ is the summary expression of Morningstar's forward-looking analysis of investment strategies as offered via specific vehicles using a rating scale of Gold, Silver, Bronze, Neutral, and Negative. The Medalist Ratings indicate which investments Morningstar believes are likely to outperform a relevant index or peer group average on a risk-adjusted basis over time. Investment products are evaluated on three key pillars (People, Parent, and Process) which, when coupled with a fee assessment, forms the basis for Morningstar's conviction in those products' investment merits and determines the Medalist Rating they're assigned. Pillar ratings take the form of Low, Below Average, Average, Above Average, and High. Pillars may be evaluated via an analyst's qualitative assessment (either directly to a vehicle the analyst covers or indirectly when the pillar ratings of a covered vehicle are mapped to a related uncovered vehicle) or using algorithmic techniques. Vehicles are sorted by their expected performance into rating groups defined by their Morningstar Category and their active or passive status. When analysts directly cover a vehicle, they assign the three pillar ratings based on their qualitative assessment, subject to the oversight of the Analyst Rating Committee, and monitor and reevaluate them at least every 14 months. When the vehicles are covered either indirectly by analysts or by algorithm, the ratings are assigned monthly. For more detailed information about these ratings, including their methodology, please go to global.morningstar.com/managerdisclosures/. The Morningstar Medalist Ratings are not statements of fact, nor are they credit or risk ratings. The Morningstar Medalist Rating (i) should not be used as the sole basis in evaluating an investment product, (ii) involves unknown risks and uncertainties which may cause expectations not to occur or to differ significantly from what was expected, (iii) are not guaranteed to be based on complete or accurate assumptions or models when determined algorithmically, (iv) involve the risk that the return target will not be met due to such things as unforeseen changes in management, technology, economic development, interest rate development, operating and/or material costs, competitive pressure, supervisory law, exchange rate, tax rates, exchange rate changes, and/or changes in political and social conditions, and (v) should not be considered an offer or solicitation to buy or sell the investment product. A change in the fundamental factors underlying the Morningstar Medalist Rating can mean that the rating is subsequently no longer accurate. 2. **Lower fees:** BlackRock as of December 31, 2023. Cumulative cost-savings figure is calculated by taking the difference between the previous fund expense ratio and the new fund expense ratio from 2015 through December 31, 2023, multiplied by the fund assets under management at the time of the fund reduction. Methodology does not account for compounding savings over time. 3. **Greater access:** BlackRock as of December 31, 2024. Cumulative cost-savings figure is calculated by taking the difference between the previous fund expense ratio and the new fund expense ratio from 2015 through December 31, 2024, multiplied by the fund assets under management at the time of the fund reduction. Methodology does not account for compounding savings over time

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