

An aerial photograph of a winding dirt road that snakes through a vibrant green valley. To the left of the road, there are terraced agricultural fields with dark soil and rows of young green plants. The surrounding hills are covered in dense, bright green vegetation. The overall scene is one of a rural, mountainous landscape.

**2026**

# Private Markets Outlook

A New Continuum

**BlackRock**®

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# Welcome letter

**Private markets are evolving to meet the challenges of a new investing era. BlackRock is committed to staying at the forefront of that evolution.**

There's no denying that private assets are becoming a key component of a whole-portfolio strategy for more clients. This is happening at a time when private markets themselves are becoming:

**More transparent:** Investors have more information on private fund managers, the assets they invest in and their performance.

**More holistic:** Whole-portfolio views and risk management are being connected across the spectrum of public and private holdings.

**More accessible:** Evergreen structures and wrappers, such as ELTIFs in Europe and U.S. models featuring private market allocations, are opening up private market asset classes for more investors.

These advances are reshaping portfolios not just for leading institutions but also for wealth investors, away from traditional 60/40 approaches towards 50/30/20 allocations, with private assets making up the 20%. Countries like the U.S. and the UK are considering legislative changes to increase the adoption of private assets within defined contribution plans, initiatives that could transform the future of retirement savings.

To meet this fundamental change to the investment universe and provide the best possible solutions for our clients, BlackRock is rapidly expanding our platform for private markets.

In 2025, we welcomed HPS, a leading global private credit manager, and Preqin, the foremost provider of private markets data and insights, following the integration of GIP, an industry-leading infrastructure manager, who became a part of BlackRock in 2024.

With HPS joining BlackRock, we have combined the firm's private credit, leveraged finance, CLO, private equity co-investments, secondaries and deal-origination capabilities. We believe a single team

working together is best positioned to meet the needs of sponsors, limited partners and private companies for integrated financing solutions.

In infrastructure, we have brought together governments and technology leaders to finance the future of AI and energy. And in data and analytics, we are integrating Preqin and our Aladdin® platform to seamlessly translate private markets into the language of client portfolios.

As more clients integrate public and private markets into their portfolios, they are looking to simplify the equation by seeking solutions from fewer partners who can meet their full set of needs from alpha generation to diversification, and transparency to whole-portfolio outcomes.

We are proud to be at the forefront of enhancing opportunities in private markets for clients of all sizes and around the world, just as we have done across asset classes for more than 35 years.



**Robert S. Kapito**

President and a Director of BlackRock

# Key takeaways

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In 2026, private markets are set to transform how societies build infrastructure, how businesses finance growth, and how investors achieve diversification in their portfolios.
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Episodes of high volatility are leading private credit to take on a larger percentage of overall lending activity, with expanding opportunities in asset-based financing and high-grade corporate credit.
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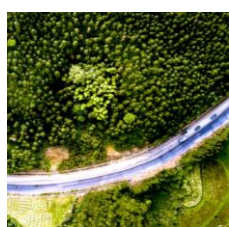
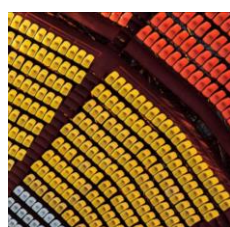
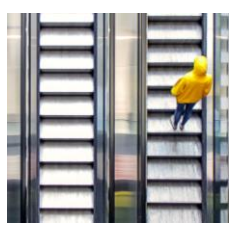
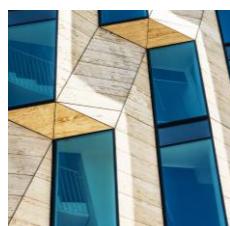
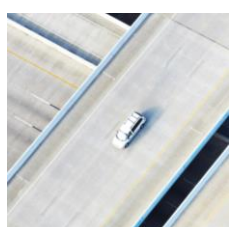
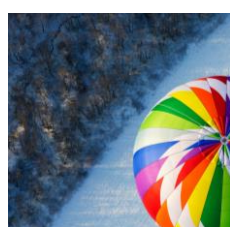
Mega forces, such as digitalization and AI, the transition to a low-carbon economy, and demographic change are increasing the global opportunity set for private infrastructure investment.
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In private equity, more investors are using secondaries for liquidity and portfolio management, and we’re seeing attractive opportunities in both growth equity and co-investments.
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The global real estate market has undergone a reset, with residential, industrial and specialized property types, such as data centers, taking the lead.
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More wealth and retirement investors are participating in private markets, taking advantage of new fund structures for accessibility and liquidity, as well as new technologies for portfolio transparency.

# Table of contents

|                                                                                     |                                         |                                                                                       |                                                          |
|-------------------------------------------------------------------------------------|-----------------------------------------|---------------------------------------------------------------------------------------|----------------------------------------------------------|
|  | <div>Introduction</div> <div>5</div>    |  | <div>Private equity</div> <div>15</div>                  |
|  | <div>Private credit</div> <div>8</div>  |  | <div>Real estate</div> <div>20</div>                     |
|  | <div>Infrastructure</div> <div>12</div> |  | <div>Alternative portfolio solutions</div> <div>23</div> |

Sources: Unless otherwise noted, source for all data is BlackRock, as of November 2025. Assumptions, opinions and estimates are provided for illustrative purposes only. They should not be relied upon as recommendations to buy or sell securities. Forecasts of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice.

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# Introduction

## Private markets at a step change

As the world’s capital seeks resilience in a changing global economy, private markets hold the key to many pressing challenges and opportunities. In 2026, they have the potential to redefine the ways that states and corporations build infrastructure, how businesses finance their growth and how investors build diversified portfolios.

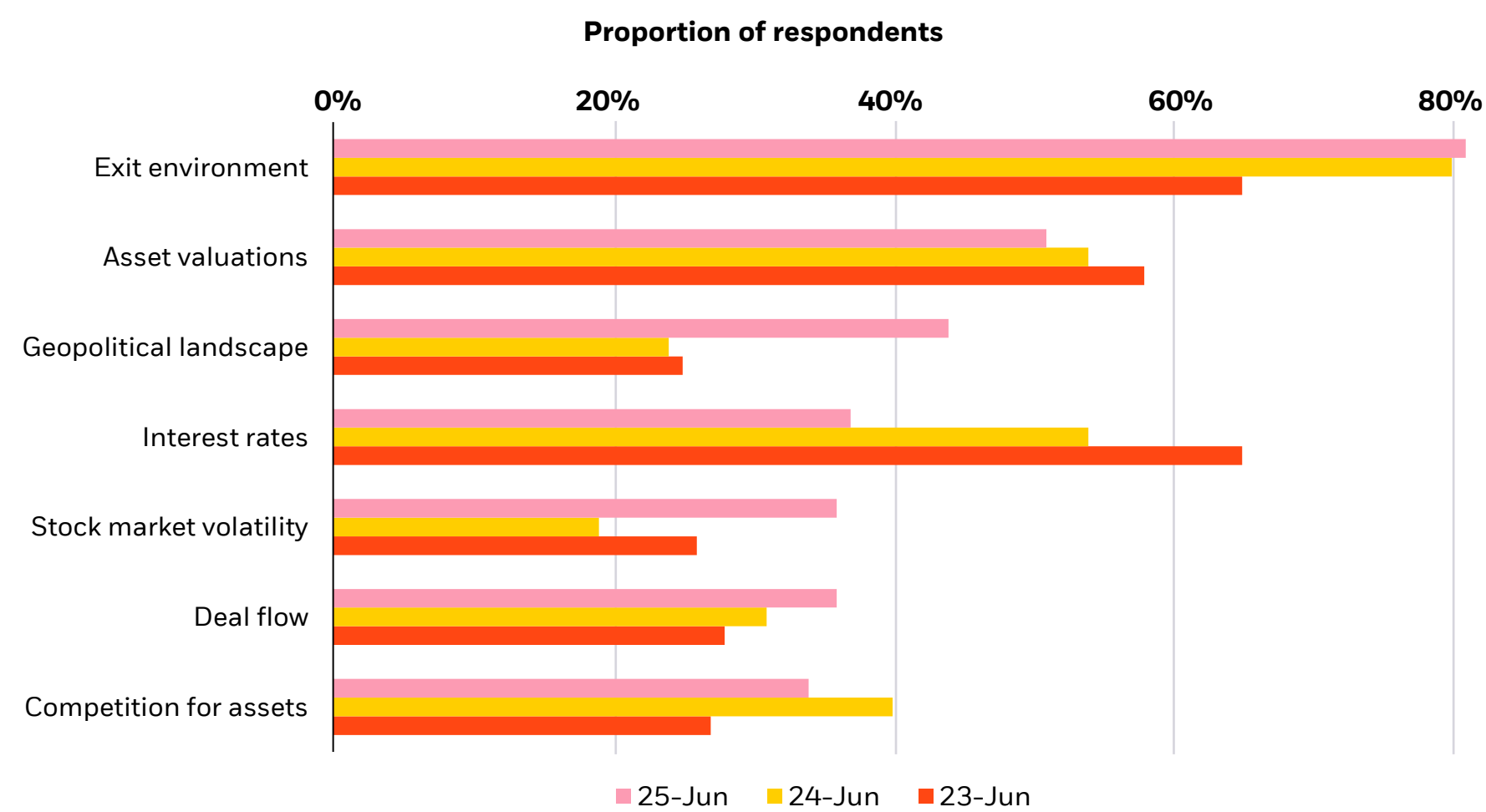
In the U.S., the number of listed domestic companies has fallen from 8,000 in the mid-1990s to fewer than 4,500 today,<sup>1</sup> as a result of consolidation, de-listings, and companies choosing to remain private for longer.

Challenges remain for private investors, though, particularly around liquidity.

With IPO and M&A activity slowing in recent years, many high-quality companies are staying private longer and increasingly working within the private markets for financing, namely through private credit and secondary strategies. As these areas expand, private credit and private equity are becoming essential to capturing the full opportunity set.

## Distributions at a premium

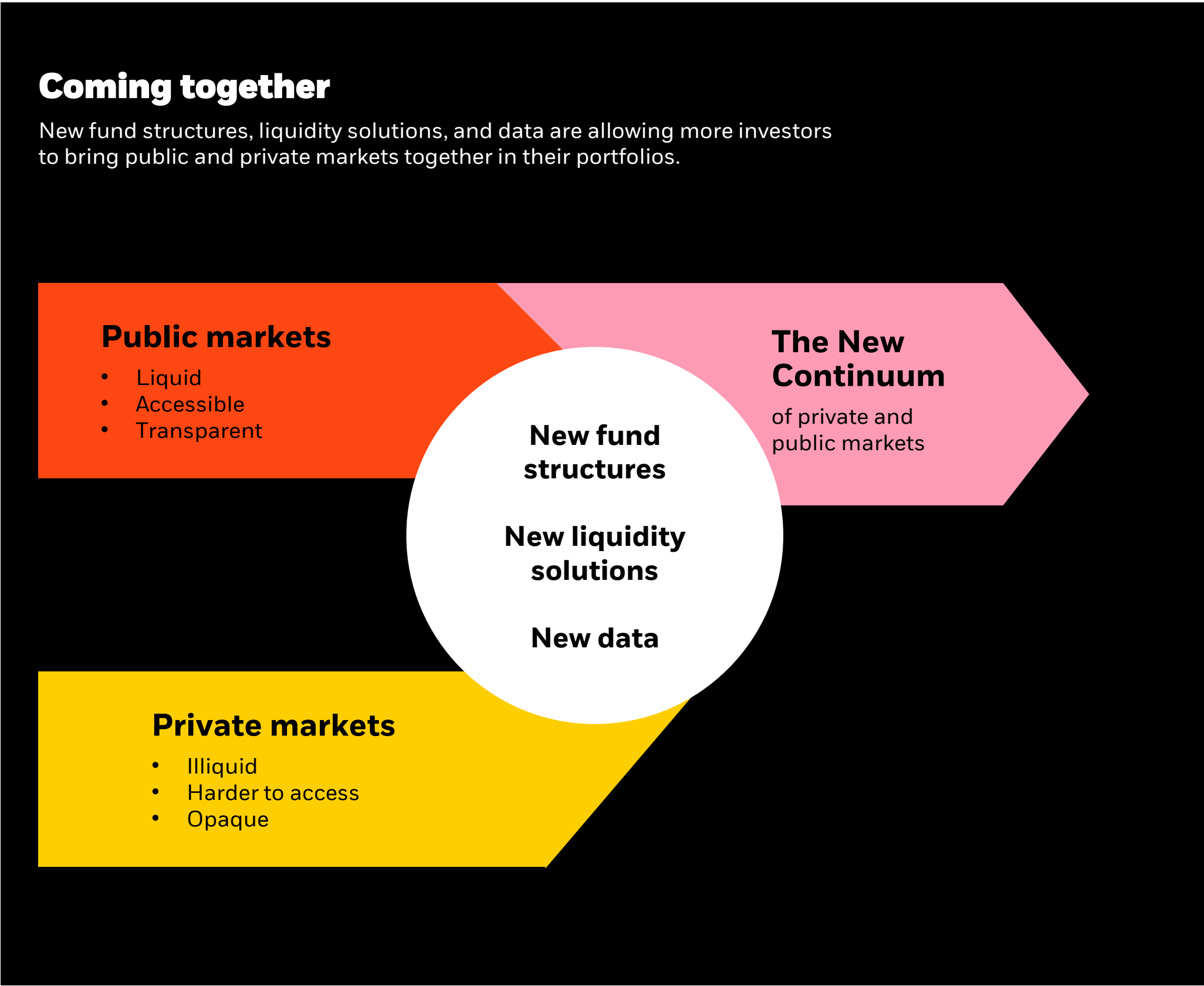
Investors continue to list the exit environment for private assets as a primary concern.



Sources: 1. IPO Data, Jay R. Ritter, July 2025. Chart: Preqin, June 2025. Investors were asked: ‘What are key challenges for return generation in the next 12 months?’

Equity investors, meanwhile, are solving for liquidity in the evolving secondaries market. As we'll explore further in the private equity section, secondaries can offer investors a reliable place to sell fund holdings as part of their regular portfolio management. And fund managers can sell individual fund holdings on the secondaries market, allowing them to return capital to investors. At the same time, managers are able to offer specific fund holdings to new investors via continuation vehicles.

In addition to acting as a critical “release valve” for liquidity in private markets, secondaries can offer new investors instant diversification with shorter holding periods. And secondaries are emerging as attractive investments in private credit, infrastructure and real estate as well. This newfound liquidity places private assets into a less binary relationship with public markets and into something more like a continuum.



For illustrative purposes only.

An evolving investor base

This continuum is becoming visible in the investor base as well as the vehicles being used to invest in private assets. Newer client segments, such as wealth investors, are increasing their allocations to private markets largely via evergreen fund structures, such as ELTIFs, LTAFs and model portfolios, which can offer greater liquidity.

These open-ended, semi-liquid vehicles offer continuous access, allowing investors to subscribe and redeem regularly, unlike traditional closed-end funds. Evergreen funds can also address legacy barriers, such as intermittent capital calls and limited liquidity, while offering periodic distributions and simplified tax reporting.

This broadening of the investor base isn’t due to just wealth investors. In the U.S. and elsewhere, there is a push to make private markets accessible to retirement investors in defined contribution plans. In August, the U.S. Department of Labor rescinded its previous guidance against 401(k) plan fiduciaries including private assets in their plans. According to BlackRock’s own research,<sup>1</sup> adding private assets to the target-date funds used in many retirement plans could generate about 15% more money in a participant’s 401(k) over 40 years through compounding.

We believe the addition of these new participants will add stable capital and liquidity to private markets, while driving new innovations in the year ahead.

Entire markets, whole portfolios

The new continuum of private and public markets is also reflected in a growing emphasis among investors for a whole-portfolio approach that incorporates active equities, fixed income, cash, multi-assets, index funds and private markets.

A blended approach that incorporates the entire spectrum of public and private asset classes is necessary to capture some of the biggest investment opportunities emerging today, in our view. One example is artificial intelligence, many of whose emerging leaders are primarily accessible to investors only through venture capital, growth private equity and private credit.

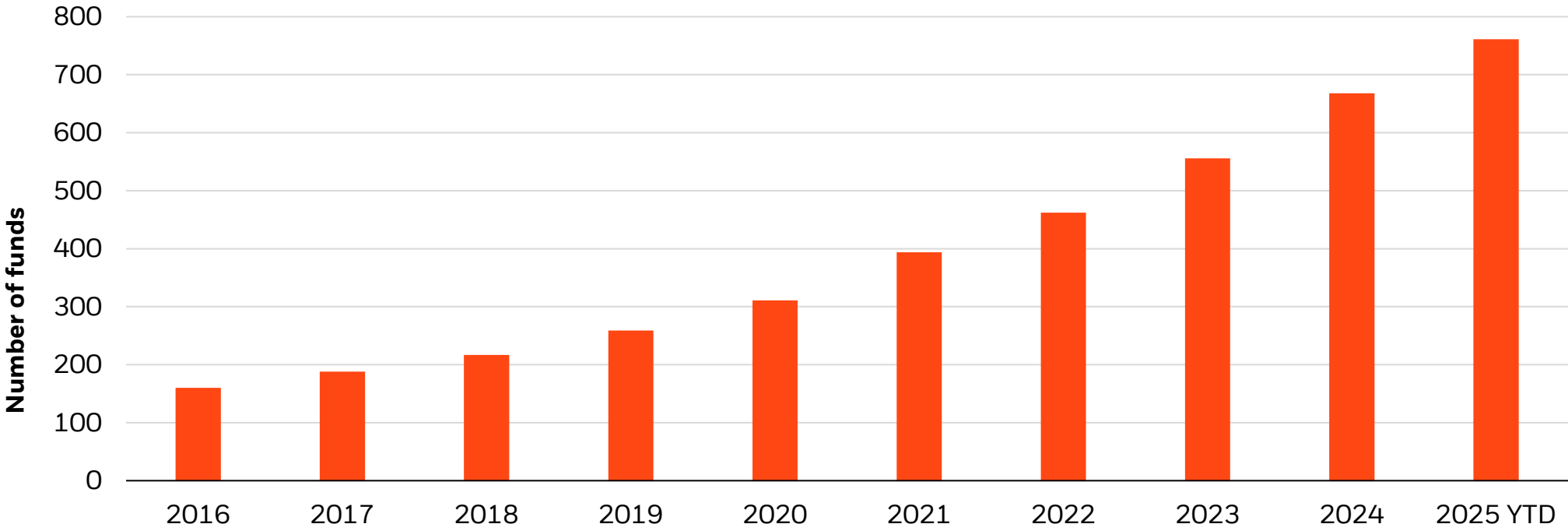
At the same time, the immense buildout of data centers, data transmission towers and cable networks, along with their related power generation and storage needs, are creating fresh opportunities for infrastructure and real estate investors.

As the distinction between private and public markets grows less absolute, there are more insights to be gained from managing both. This dynamic has led more investors to add to their private markets allocations and explore more ways that private assets can improve the risk-reward profile of their overall portfolios.

The complexity and opacity of private markets remain a challenge for this large pool of potential investors. But as investor familiarity and data transparency improve, the trend of more varieties of investors adding to their private markets allocations is one worth watching in the year ahead.

More accessible

The number of evergreen funds continues to grow rapidly, with total NAV exceeding US\$400 billion for the first time.



Sources: Chart: Preqin, October 2025. Total no. of liquid private market funds each year includes BDCs, Interval Funds Non-traded REITs, tender Offers, ELTIFs, and LTAFs. For illustrative purposes only. BlackRock “The Power of Private Markets,” June 2025. Using our proprietary BlackRock Investment Institute’s publicly available capital market assumptions (CMAs) and data from Preqin, eFront and our private-markets investment teams, we estimate that adding private equity and private credit to a target date solution could boost overall investment performance by roughly 50bp on average, each year throughout the strategy’s lifetime. The 15% higher account balance over 40 years figure is derived using our CMAs”) for private credit (direct lending) and US private equity (buyout). The CMAs used are estimated over a 5-30-year investment horizon, allowing for flexibility in portfolio construction and scenario analysis, and assume a 10% return for private credit, 11% for private equity, 5% for public fixed income and 8% for public equities. A 10%-20% average reallocation from public to private, blended across private equity and private credit, is estimated to provide an uplift of approximately 50bp, averaged across target date vintages. Expected returns and risks are forward-looking projections that should not be relied upon when making an investment decision. Such projections do not reflect actual performance and cannot account for the impact that economic, market and other factors may have on the implementation of an actual investment program, nor do they consider the impact of trading decisions, liquidity constraints, fees, taxes and other factors on future returns. No representation is made that any proposed or future strategy will achieve the expected return or its investment objective. Actual returns may be higher or lower than the expected return.

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# Private credit

- ✓ Episodes of high volatility, as we saw in 2025, historically have the long-term effect of acclimating more borrowers to private credit.
- ✓ Asset-based financing is one area of private credit where we expect to see a profound increase in opportunities in 2026.
- ✓ Driven by heightened demand, private high-grade credit has been expanding, and we expect that to continue in the year ahead.

## A change in mindset

Heightened volatility and uncertainty drove more borrowers to private credit in 2025, and we see them leading to continued growth in 2026. That volatility, driven largely by policy announcements and their aftershocks, persisted throughout the year, though investors have re-entered the markets as tariff policy has clarified.<sup>1</sup>

Through this period, private credit fundamentals have held up well as the majority of companies have navigated recent volatility with resiliency and even EBITDA growth.<sup>2</sup> Based on experience with our own portfolio companies, larger companies have generally been able to manage this environment of higher base rates and inflationary pressure, mostly by using a combination of cost controls and cost pass-throughs.

The year's elevated market volatility disrupted the syndicated loan market after a strong first quarter. Broadly syndicated loan new issuance in April 2025 was the lowest it had been since August 2024, at just US\$7 billion. Volatility also gave some banks pause in syndicating new deals: 13 deals representing US\$10.7 billion were pulled from the syndicated market through the end of April 2025, and the leveraged loan market was on the cusp of its longest run without a deal since at least 2013.<sup>3</sup>

While syndicated credit markets opened up in the second half of the year, this type of bank and broadly syndicated loan market reaction to volatility has the potential to create a real and lasting opportunity for private credit.

Periods of elevated market volatility have generally been followed by periods when private credit's share of the total leveraged finance market has grown rapidly.

Private credit issuance levels have historically remained relatively consistent throughout market environments due to the longer-term nature of private credit's underlying capital base. At the same time, the disruption of syndicated loan markets can help reinforce private credit's certainty of execution and the terms it offers relative to public markets.

Even after volatility recedes and other lenders re-enter the market, borrowers often remain receptive to paying the premium financing costs associated with private credit in exchange for increased certainty of execution. This dynamic can be particularly pronounced among issuers financing M&A or facing specific near-term maturities or other deadlines, where execution certainty is more critical.

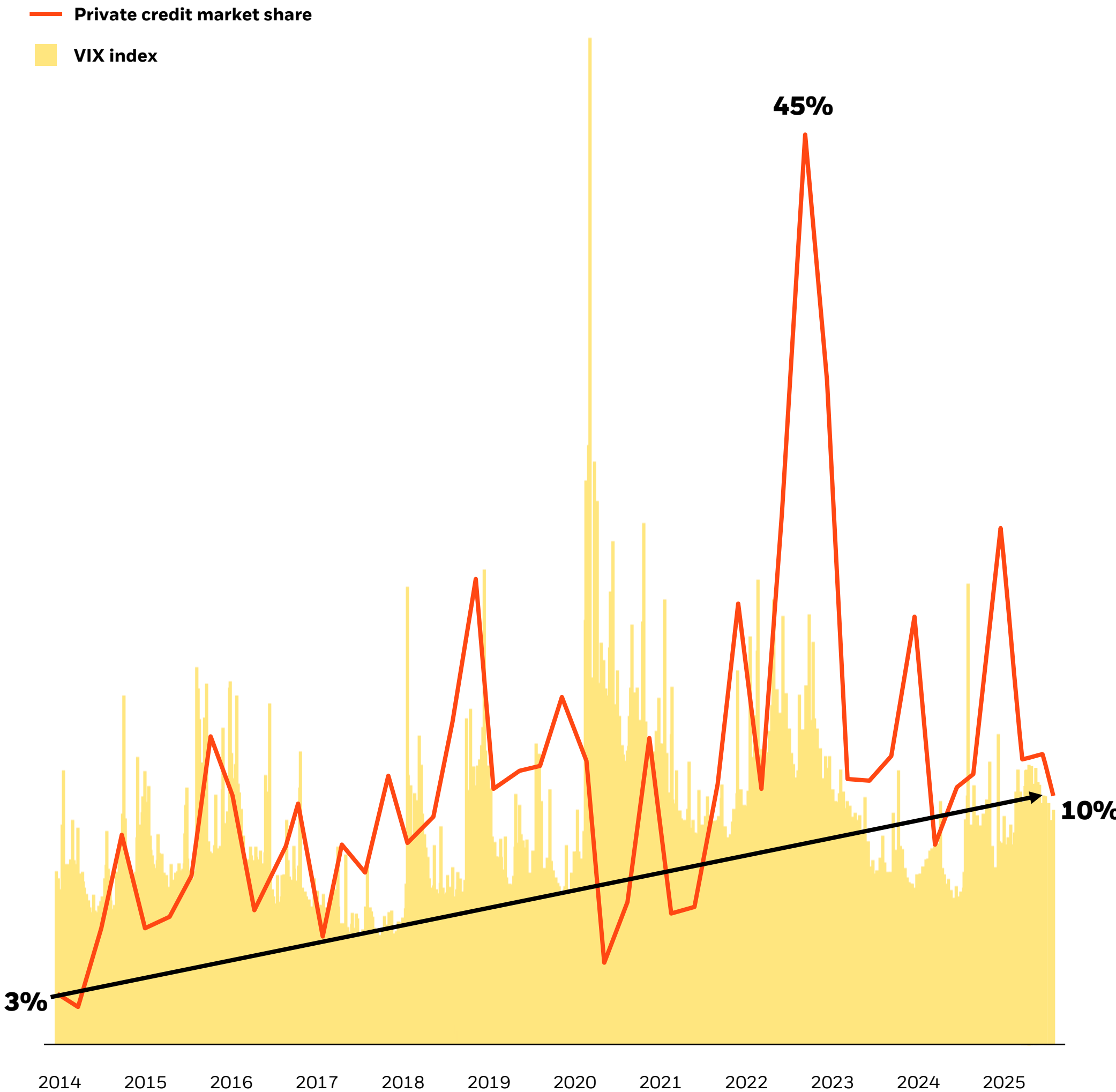
We also believe that repeated bouts of volatility can have a cumulative impact on the mindset of prospective issuers, supporting a structural shift to private credit solutions.

Credit is one area where the public-private continuum is a matter of common practice - banks frequently partner with private lenders on larger loans, where the banks' balance sheets may be constrained. At the same time, private credit managers frequently compete for the same deals as syndicated lenders, with borrowers willing to pay the private-credit premium based on other factors, like certainty of execution and the flexibility to customize solutions.

Sources: 1. Chicago Board Options Exchange Volatility Index and Bloomberg Economics' Trade Policy Uncertainty Index, October 2025. 2. Lincoln International - Private market Perspectives, June 2025. 3. Pitchbook LCD, September 2025.

# Volatility and private credit

Following past periods of market turbulence (with the beginning of the Covid lockdowns as one exception), private credit has taken on a larger percentage of lending activity.



Sources: Bank of America Global Research as of March 31, 2025; Chicago Board Options Exchange Volatility Index as of 9/30/2025. For illustrative purposes only. Past performance is not a guarantee or a reliable indicator of future results.

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On the rise: Asset-based finance

Asset-based finance (ABF) continues to be a rapidly growing segment of the market, and we expect that trend to continue in 2026. ABF helps enable the construction, maintenance and efficient financing of the tangible assets we use in our daily lives – from buildings and infrastructure, to fleets of trucks and forklifts, to aircraft, and mission critical medical equipment to name a few. It also includes intangible assets such as music royalty streams, sports franchises and other intellectual property.

The assets being financed generally have long and useful lives, over which they generate contractually based cash flows. Durable cash flows enable the assets to be financed in ways that remain removed from the general credit of the borrower. This can offer two bites at the apple from a credit underwriting point of view: the creditworthiness of the counterparty using the asset and the inherent value of the asset being financed. Both elements often grow with inflation.

For investors, private ABF is a way to capture the illiquidity premium present in private markets. From a portfolio point of view, the return streams from ABF often have lower correlations to broader corporate lending, making them a strong complement to corporate debt holdings in a portfolio. At the same time, ABF can generate attractive returns with meaningful downside protection. The diversity of underlying assets also mitigates single point of failure risk.

ABF as a whole currently comprises a larger portion of the global debt capital markets than even corporate cash flow-based lending. We estimate the total ABF market at around US\$26 trillion,<sup>1</sup> and anticipate it will continue to grow over the next decade, with certain asset types potentially achieving double-digit annual growth rates.<sup>2</sup>

Private financings are a small portion of the overall ABF market today, though we believe they have the potential to approach the level of private financings in the corporate cash flow-based lending market, which today exceeds 10%. This growth may be fueled by increased demand for flexible and customized financings, as operators seek to optimize working capital and fund business growth.

In our view, this growth will be reinforced by the dramatic increase in projected capital expenditure in asset-intensive sectors of the global economy, such as the energy and digital infrastructure sectors. At the same time, bank balance sheets are constrained and cannot provide the capital to meet the lending needs of the global economy – a key reason why the private corporate credit market has grown so rapidly. Increasingly, we also find ourselves as partners with banks on ABF transactions through forward-flow arrangements. These arrangements help banks deploy the capital they have as efficiently as possible.

Perhaps most interestingly, proprietary origination either owned or controlled by private credit players may keep ABF loans and leases in private hands. Many private lenders own or otherwise control origination platforms, which generate growing opportunities for private ABF solutions.

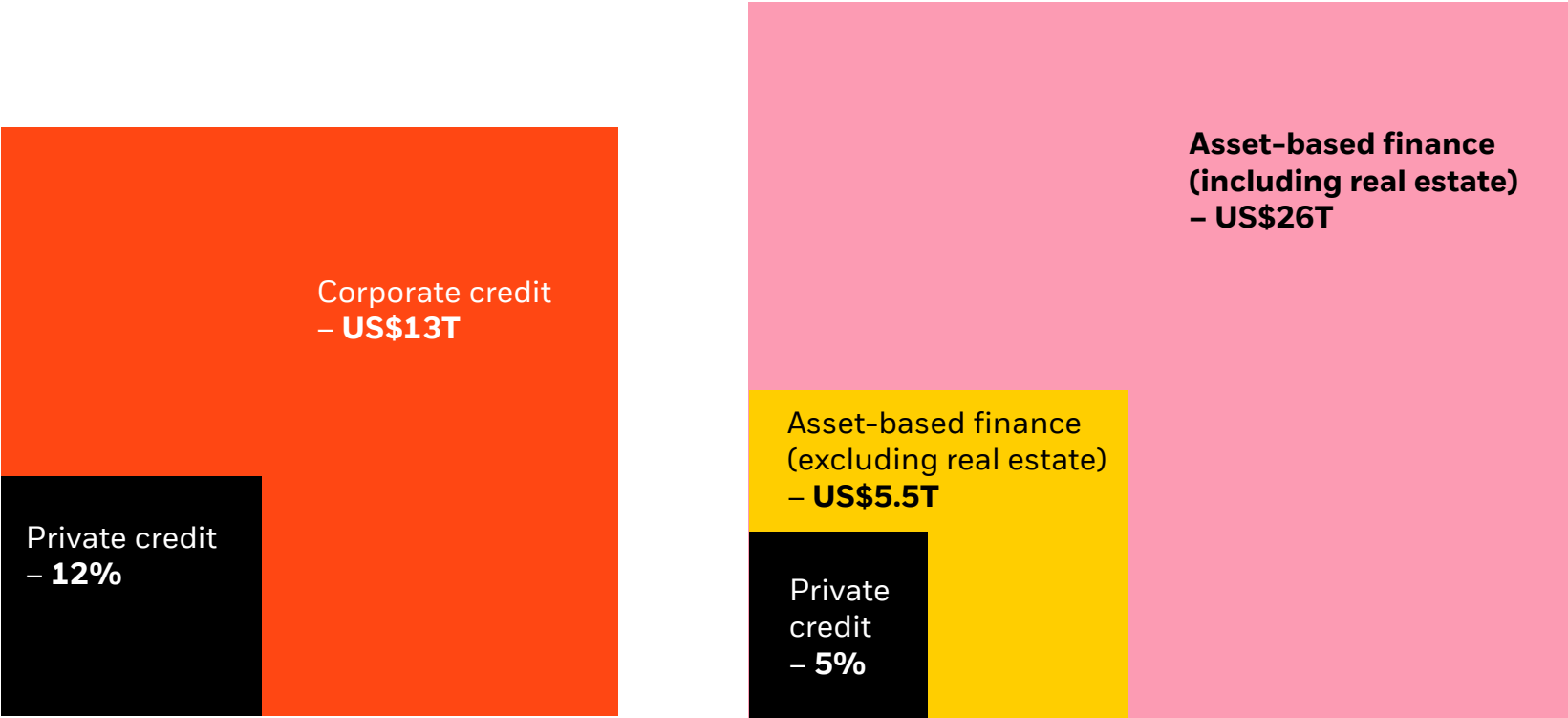
Data centers and equipment leases

Many attractive ABF opportunities involve AI and digital infrastructure. Hyperscale data centers benefit from highly rated counterparties, who are prepared to sign 15-20 year leases – a firm foundation for financing.

The chips and servers inside the data centers can also be financed, as can primary and back-up power generation systems.

Room to grow

Asset-based finance is one area of opportunity where private lenders are just beginning to spread their wings.



Sources: 1. Oliver Wyman, Private Credit’s Next Act”. April 2024, for Asset-Based Finance Asset market size. Corporate Credit market sizing data from the following sources: ICE Bank of America as of June 2024 (Ticker COAO for IG Corporate, H0AO for HY Corporate), Credit Suisse Leveraged Loans Index as of June 2024, and Preqin Private Credit AUM as of June 2024. 2. Research and Markets. “Asset-Based Lending Market Forecast Report,” October 28, 2024; Future Market Insights, “Asset-Based Lending Market,” August 28, 2025; HPS Research. Forecasts of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice .

Beyond data centers, many users of business-critical equipment prefer a balance-sheet-light model where they lease rather than own the assets. Opportunities in this type of equipment finance are extensive and range from medical equipment to truck fleets to aircraft to photocopiers, to name a few. Many of these types of assets come with finance leases, where the sum of the lease payments is close to the value of the asset. The self-amortizing qualities of these leases can be very attractive. The key to success in this sector is an efficient platform that can originate assets, underwrite the credit of the end user in a timely manner and service the assets as needed.

**Real estate, music and private equity**

In other sectors, we think real estate lending is particularly attractive at the moment, notably in the commercial market where there has been a massive repricing as rates normalized. We see yields for senior commercial mortgages typically in the mid-to-high single digits.

On the residential side, the U.S. is facing a shortage of both single-family and multi-family homes. The single-family residential mortgage market features pockets such as non-qualifying mortgages from high-net-worth borrowers that can be a better fit for private markets than public securitizations.

Other rapidly growing areas of ABF include intellectual property royalties such as music catalogues and sports franchises. We also see an opportunity in extending capital to private investment firms and the assets they hold. While these are intangible assets rather than hard physical assets, many generate contractually based cash flows and offer the long, useful lives that hard assets do, making them complementary to a portfolio of hard-asset ABF positions.

**Transformation in private high-grade**

The market for private high-grade credit is experiencing significant change, characterized by growing volumes, new participants and evolving structures. What had been a market historically focused on unsecured corporate debt to repeat borrowers has grown to accommodate a wide range of industries and structures and increasingly includes ABF opportunities. Issuance in 2025 is on track to exceed US\$150

billion, ahead of 2024’s record-setting US\$125 billion.<sup>1</sup> We believe the stage is set for continued growth in 2026.

The increase in deal activity is partially the result of new lenders entering the market. Larger insurance companies with their own in-house capabilities have been the traditional capital providers in this market, and they remain active. Now, however, asset managers have materially increased competition for private high-grade debt. We also expect non-U.S. insurers as well as medium-sized and smaller firms to contribute to greater demand in 2026.

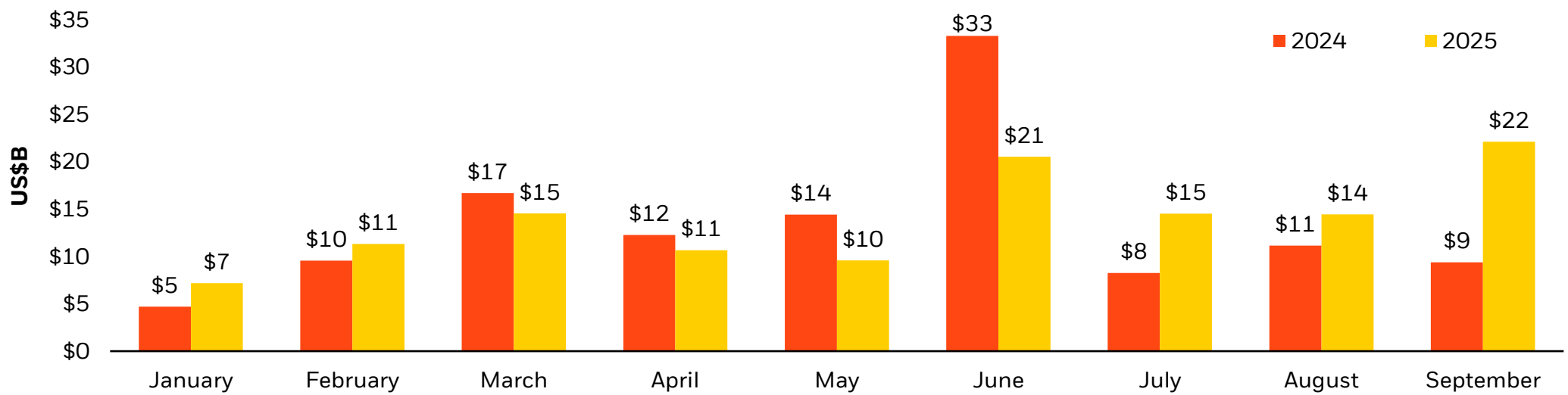
With increased demand comes greater competition - resulting in tighter pricing - though we expect private high-grade assets to continue to offer the potential for excess spread above comparably rated public credit. Private high-grade offers this excess to investors to compensate them for illiquidity, complexity and structuring premia, and we see resilience in the prospect for attractive relative value.

A common theme we’ve observed during the growth of private credit has been that an influx of capital into a market also draws new borrowers. These borrowers are often looking to diversify their funding sources outside of public markets or may have a specific funding need best tackled through the private market. They see the increased demand as a sign that private credit can execute at the required scale and offers a viable alternative to public capital. We observe this trend in private high-grade as well, contributing to the volume of opportunities in both the traditional syndicated private placement market and in more bespoke, often directly originated investments.

Directly originated investments represent the most attractive opportunity set in the private high-grade market, in our view. By engaging borrowers directly, lenders have the opportunity to capture not only potentially higher yields but also bespoke credit protections in the form of covenants, amortization triggers, parent guarantees and more. As competition in the traditional syndicated market continues to grow, we expect directly originated assets to be a key source of performance differentiation in 2026.

**A surge in activity**

Volume in the syndicated private high-grade market has shown notable growth over recent months.



Sources: 1. and Chart: HPS analysis, Private Placement Monitor – Annual Issuance Volume from January 1, 2024 through September 30, 2025. Chart shows private placement supply by month.

# Infrastructure

- ✓ A rapid expansion of digitalization, data migration to the cloud, and artificial intelligence is driving an unprecedented demand for infrastructure such as data centers.
- ✓ The global energy transition and an added emphasis on energy security will require substantial investments in power generation.
- ✓ Global demographic changes – such as rising global populations, especially in cities – is increasing the need for infrastructure investment.



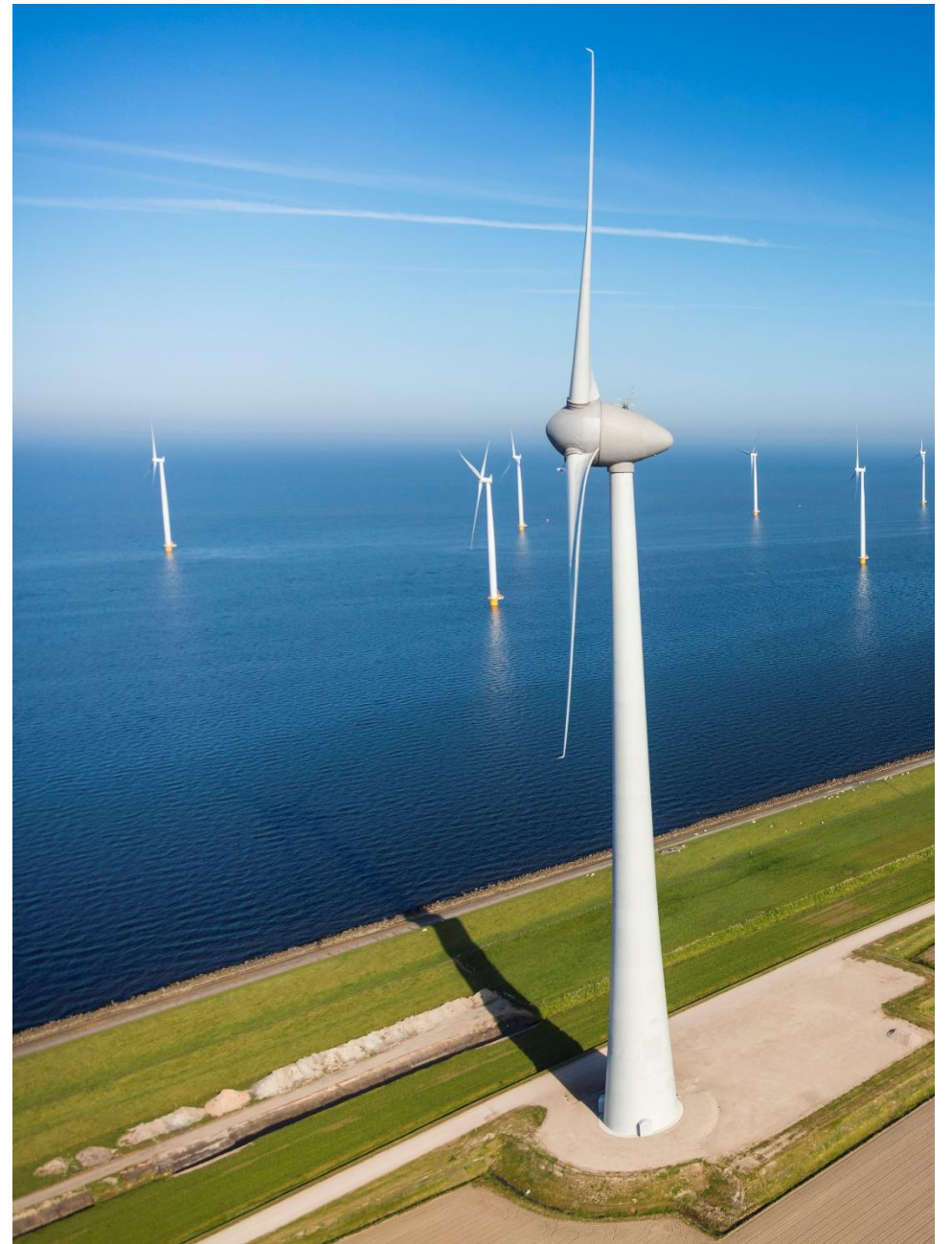
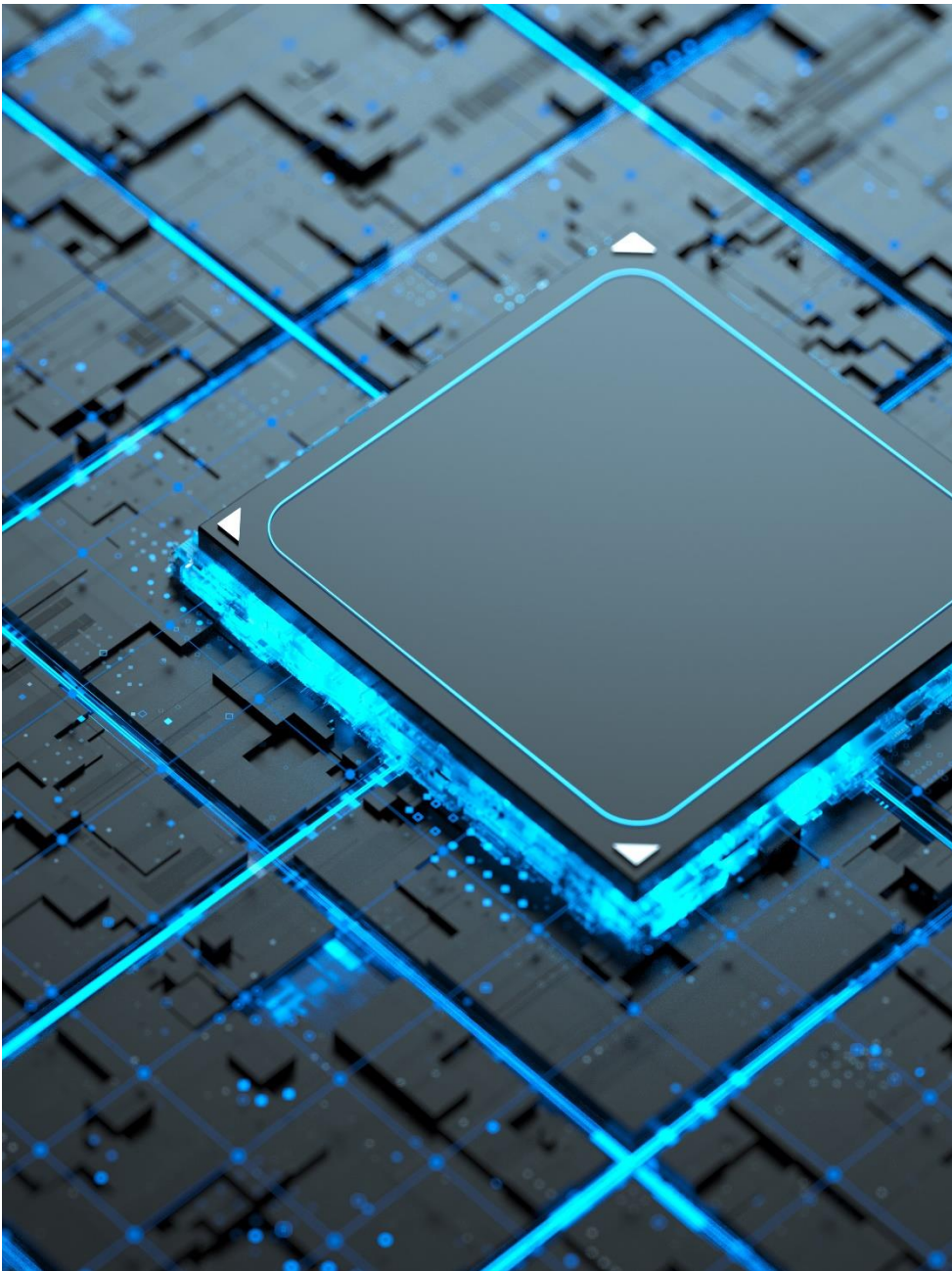
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## A potentially generational investment opportunity

Over the past two decades, the infrastructure asset class has become one of the key pillars of the private markets, providing capital for assets that form the backbone of the global economy.

Looking forward, even more substantial investments in infrastructure will be a required enabler of the foundational forces (outlined below) that will shape global economic activity over the next several decades.

With the availability of public capital constrained by rising government debts and deficits, we believe the convergence of these long-term forces is creating a generational investment opportunity and that we stand at the threshold of a “golden age” of private infrastructure investing.



## Artificial intelligence and digital infrastructure

The rapid expansion of digitalization, data migration to the cloud, and artificial intelligence (AI) is driving an unprecedented demand for cloud computing, data processing, and enabling infrastructure such as data centers.

This growth requires large-scale supply solutions. Through 2030, global data-center demand is projected to grow at a compound annual rate of 20%, with an estimated investment requirement of US\$1.5 trillion.<sup>1</sup> At the same time, demand for electricity to power these data centers is expected to increase to two to four times current levels.<sup>2</sup>

We believe investments in hyperscale data centers present a particularly compelling opportunity that is underpinned by durable demand from long-term supply-demand imbalances, high barriers to entry created by high capital intensity and complexity of execution, long-duration contracts with high-quality counterparties, and highly compelling economics.

## The global energy transition and energy security

The global energy transition is another key driver of the need for infrastructure investments. Achieving the global net-zero objective will require over US\$100 trillion of investments by 2050, approximately US\$40 trillion of which relate directly to infrastructure investments.<sup>3</sup>

At the same time, since the beginning of the Russia-Ukraine war, many countries have placed added emphasis on energy security.

Achieving these goals will require very substantial investments in power generation (renewables, gas-fired, and in the longer term nuclear), and significant upgrades to the electricity distribution systems, as well as investments that enable decarbonization of molecules (e.g. clean fuels, carbon capture, and circular economy).

Sources: 1. McKinsey & Co. as of February 2025, assumes US\$10M / MW on incremental 150GW of DC demand. 2. McKinsey & Co. as of February 2025. There can be no assurance that any forecasts or estimates will materialize. 3. IEA, Net Zero 2050 (2021). There is no guarantee that any forecasts made will come to pass.

Global demographics

Global demographic change is another fundamental trend force that will drive the need for increased infrastructure investment. While the trend in many developed economies is aging populations and declining birth rates, many emerging economies are on the opposite trajectory. The upshot is that global population is projected to remain on a steady upward trajectory over the next half-century, and will surpass 10 billion in the 2080s.<sup>1</sup> This growth will be accompanied by a further acceleration in urbanization, with over 60% of the world’s population expected to live in urban areas by 2050.<sup>2</sup> Again, tremendous amounts will have to be invested in infrastructure, both in advanced economies to replace aging assets, and in emerging economies to meet new demand.

The fundamental forces that are driving the requirement for investments in infrastructure are likely to persist for the long-term. By 2040, the gap between the historical pace of infrastructure investments and the projected funding needs is projected to be US\$15 trillion.<sup>3</sup> As previously noted, the need for infrastructure investment is occurring at a time in which a traditional source – public capital, is increasingly constrained. Governments across the major global economies face rising and potentially unsustainable debts and deficits, making private capital the only plausible solution. Private infrastructure capital brings with it the added potential benefits of more efficient and higher-quality solutions and long-term alignment. As we look ahead, we see private capital playing a pivotal role in bridging the infrastructure funding gap and helping to shape the infrastructure investment landscape for decades to come.



Sources. 1. United Nations, Department of Economic and Social Affairs, Population Division (2024). World Population Prospects 2024: Ten Key Messages. 2. United Nations, Department of Economic and Social Affairs (2019). World Urbanization Prospects: 2018 Revision. 3. Infrastructure Outlook, A G20 Initiative, Global Infrastructure Outlook, includes data from 56 countries across 7 sectors and 5 regions.



# Private equity

- ✓ The secondaries market is both expanding and maturing, with more investors using it as a liquidity source and a tool for regular portfolio management.
- ✓ We see more opportunities in growth equity as companies seek fresh funding on more attractive terms, while managers benefit from an increase in available data.
- ✓ Co-investments are becoming a cornerstone of portfolios as overall deal sizes rise, while investors seek more control, transparency and cost efficiency.

## Amid change, a focus on liquidity

Private equity is in transition. After years of strong fundraising and performance, private equity investors and managers have turned their focus to liquidity.

The return of capital to limited partners is essential to allow them deploy into new vintages and emerging investments. In addition, LPs are increasingly using liquidity tools such as the secondaries market as part of their regular portfolio management. Liquidity is vital for general partners to source new investment opportunities and create value in their portfolio companies, as well as growing their own businesses by attracting and retaining top talent.

Today, we see value in providing this liquidity. It's a major reason why secondary market volume keeps growing, becoming an integral tool for GPs and LPs alike. Market participants are looking for fewer, more strategic partners to help them with a range of liquidity needs – across debt and equity and across the risk spectrum. These solutions continue to evolve, even as we see signs of deal volume picking up, supported by lower interest rates.

The unifying theme is that private equity is changing. It's still growing, but more slowly. It's more competitive than ever, with deal volume still weaker than expected, and the need for distributions ever-present. This competition is driving innovation in new fund structures as well as more ways to unlock liquidity – innovation which we believe is set to continue.

Technology is another important element in the broader transformation of private equity. In growth equity, broader data sets help managers potentially boost returns by tailoring analytical data science tools traditionally deployed in public markets. This expanded use of data in private equity is just another example of the public-private continuum we see continuing in the years ahead.

# Secondaries move center stage

In 2025, the secondaries market saw a few significant shifts. A constrained environment for both IPOs and M&A led more institutional investors to use the secondaries market as a core portfolio tool to find liquidity. Limited partners represented US\$56 billion of closed volume in the secondaries market over the first six months of 2025, a 40% increase over the same period in 2024, which had been the record.<sup>1, 2</sup>

More LPs in the secondaries market are selling as part of their regular, proactive portfolio management. They are predominantly public and corporate pensions, which made up 48% of volume.<sup>1</sup> Many of these investors are repeat sellers who are selling as part of recurring portfolio management intended to reshape their private market portfolios and generate liquidity.

LPs aren't the only ones seeking liquidity in the secondaries market. GPs led US\$47 billion in closed transaction volume in the first half of 2025, a 68% year-on-year increase.<sup>1</sup>

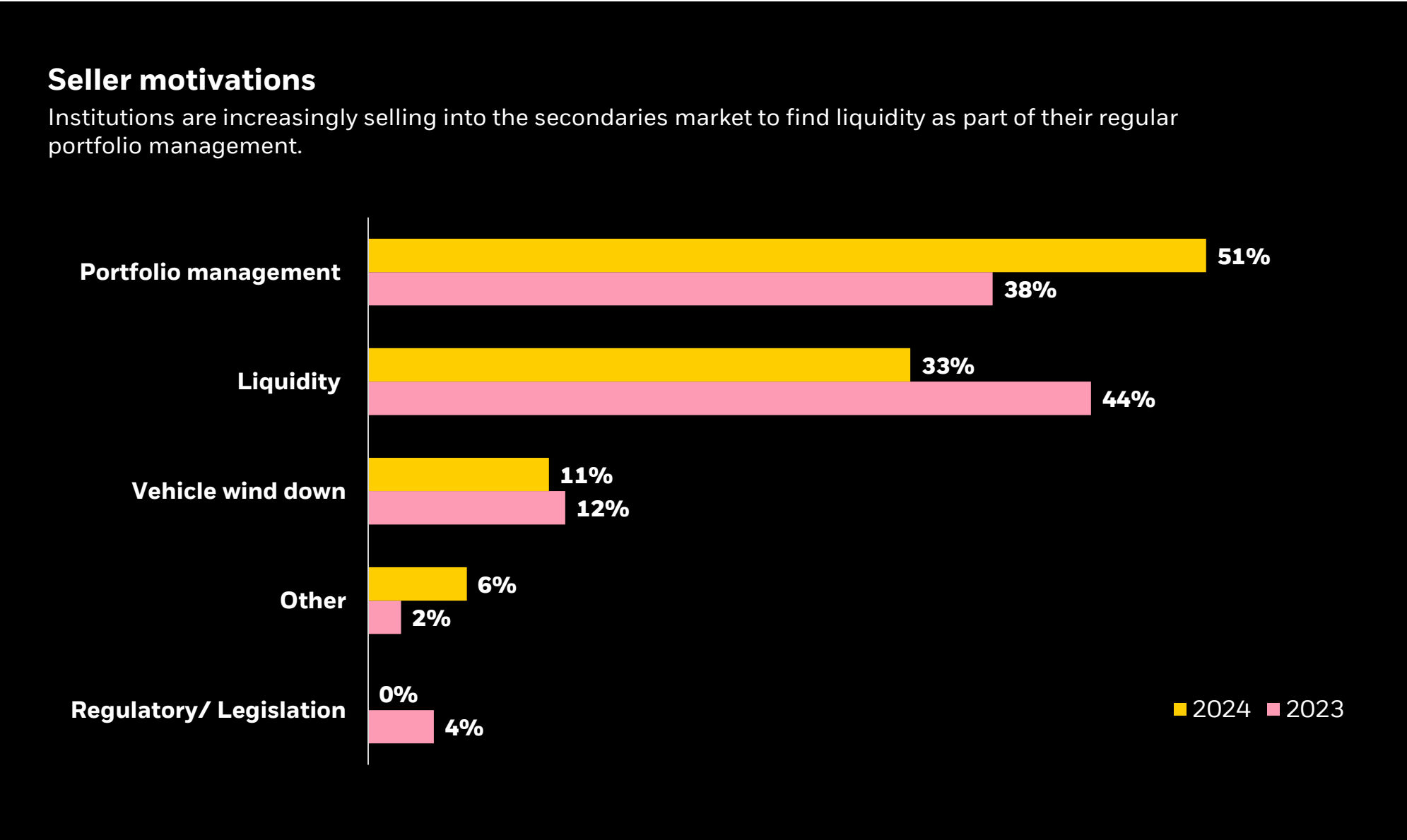
GPs are structuring their sales in a number of ways. Multi-asset sales grew to 53% of transactions in the first half of 2025 up from 32% of volume in the same period the year prior.<sup>1</sup> At the same time, three quarters of the largest 50 global GPs are launching continuation vehicles, which allow them to go on managing high-conviction assets while cashing out existing investors, and allowing new LPs to participate in the growth of those companies.

There were eight continuation vehicle transactions of more than US\$2 billion each in the first half of 2025, which matched the full-year total for 2024.<sup>1</sup> Today, the majority of dry powder for single-asset continuation vehicles is focused on larger transactions of US\$250 million or more, highlighting the potential for less competition and more attractive valuation opportunities in the small and mid-sized space.

As broader M&A markets remain sluggish and sponsors seek alternative deployment channels, an increasing number of GPs are making cross-fund commitments in continuation vehicles, with 34% of GP-led deals including such commitments in the first half of 2025.<sup>1</sup> In addition to launching continuation vehicles, GPs are also active buyers of the funds, often working with direct investor groups, spin-out investors and traditional LPs who are seeking exposure to the attractive deal flow in this evolving asset class.

## Supply imbalance

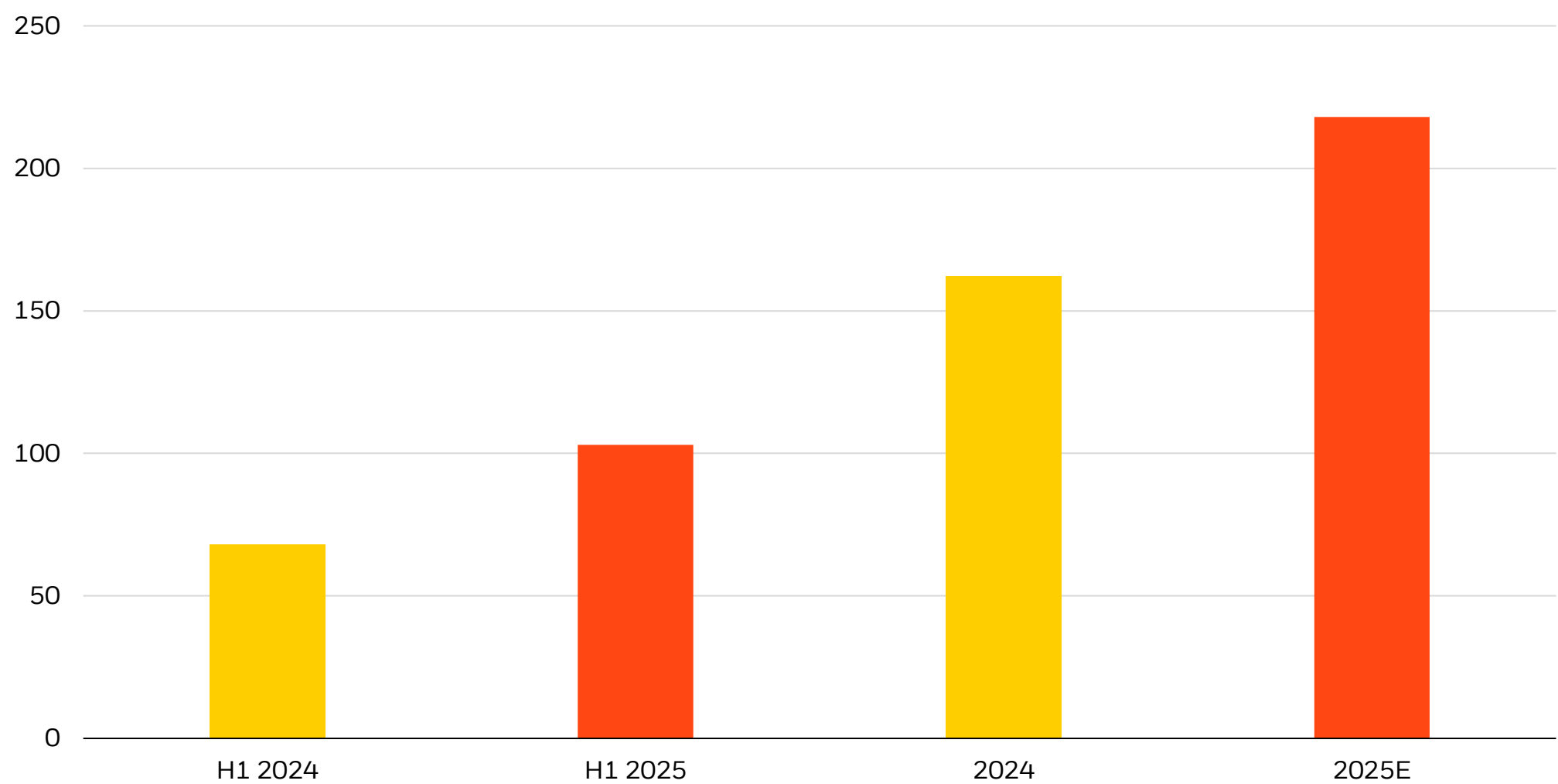
Rising transaction volumes have had the effect of depleting the available dry powder held by secondaries managers, which fell to US\$171 billion by midyear, down from US\$216 billion at the end of 2024.<sup>1, 2</sup> This has the effect of exacerbating the preexisting supply-demand imbalance, as higher transaction volumes outpace fundraising. When comparing the available dry powder with US\$197 billion in transaction volume over the past 12 months, it equates to a capital overhang of less than one year.<sup>1</sup>



Sources: 1. Jefferies - Global Secondary Market Review, July 2024. 2. Jefferies - Global Secondary Market Review, July 2025. Chart: Lazard – Secondary Market Report, January 2025.

## Turning up the volume

Secondaries are on pace to surpass US\$200B in transaction volume for 2025.



Sources: 1. and Chart Jefferies H1 2025 Secondary Market Review. July 2025. 2. Jefferies - Global Secondary Market Review, July 2024. Chart is based on closed deal volume. 3.Greenhill 1H 2025 Global Secondaries Market Review. 4. Preqin, as of July 2025. Buyout, venture, growth, and secondaries. Estimates are provided for illustrative purposes only.

Despite its continued growth, maturation and influx of new entrants, the supply-demand imbalance in the secondaries market has persisted. While the sellers consist of a diverse set of LPs and GPs, the buyer base is relatively concentrated. The eight largest buyers in the secondaries market currently represent 50% of total available dry powder.<sup>3</sup> Those investors are finding ample attractive opportunities, deploying roughly US\$45 billion (21% of their store of dry powder) in the first half of 2025.

Secondaries fundraising has taken on a more significant role in the broader private equity market. Secondaries managers raised US\$130 billion through the first three quarters of 2025, with 3 of the top 10 largest private equity funds raised being dedicated to secondaries.<sup>4</sup>

We continue to see secondaries grow as more institutional investors adopt it as a core strategy. At a time when new investors are entering private markets, such as wealth managers, we see them increasingly buying secondaries as a way to immediately diversify across vintages, managers, strategies, industries, and geographies.

## Growing opportunity in growth equity

As companies stay private longer, late-stage venture capital and growth equity have become essential access points to the innovative businesses that are driving the next era of transformational growth. These companies, many already household names, are maturing within the private ecosystem.

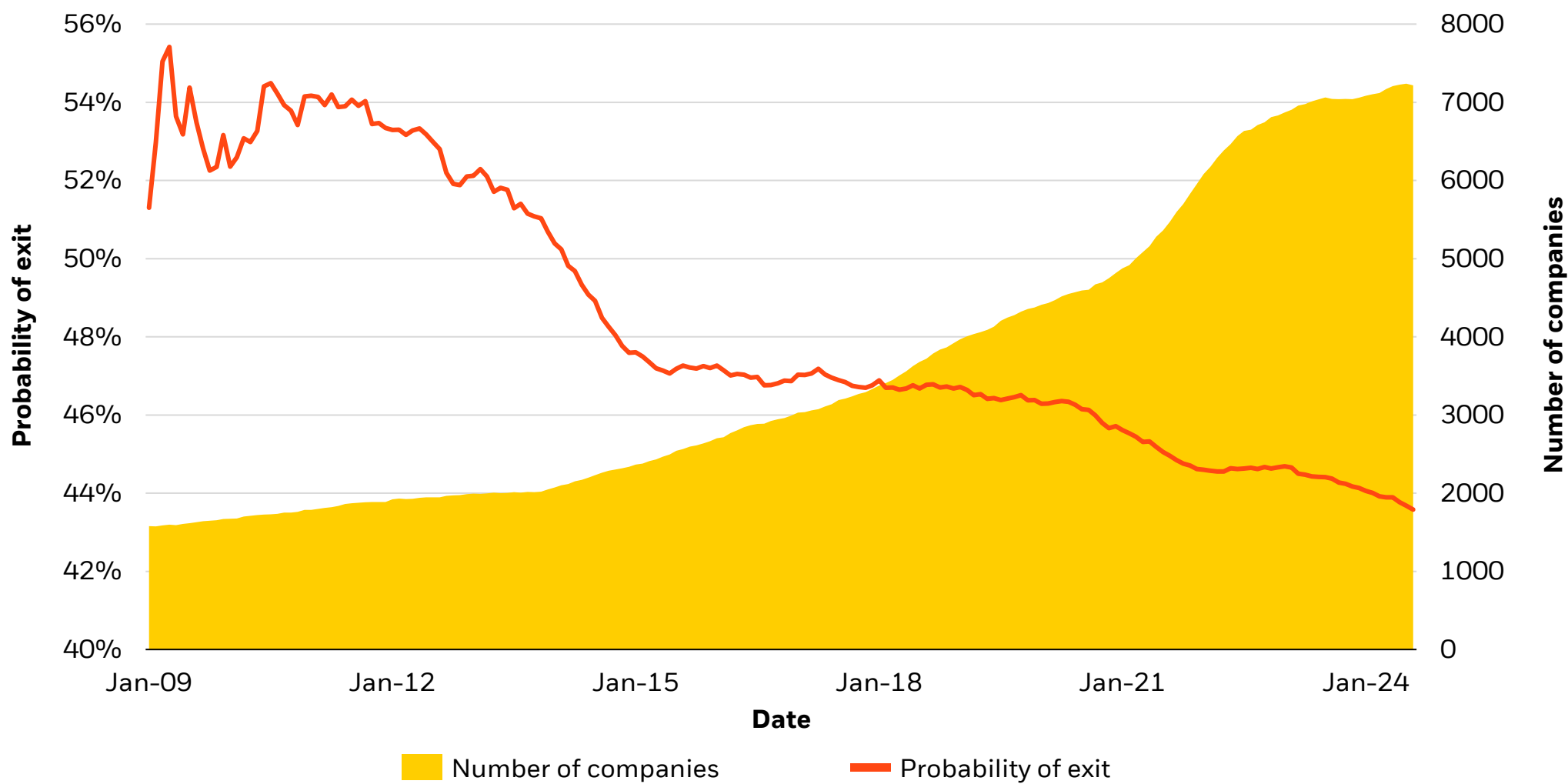
Many of today's most compelling AI-native companies sit squarely in the growth equity universe. The opportunity, however, extends well beyond pure AI model developers and includes healthcare companies that can scale digital delivery models, renewable energy developers building infrastructure and services, and businesses in aerospace and cybersecurity, where AI is changing how companies compete, innovate, and create value.

These dynamics are one reason growth equity continues to rebound from the valuation reset that prompted many high-quality companies to delay IPOs and new capital raises.

For investors, growth equity may offer a balance of resilience and upside potential, targeting businesses that are less volatile than early-stage venture but better positioned to deliver stronger topline growth than traditional buyouts.

## Fewer needles, bigger haystack

The volume of companies in the venture and growth universe has swelled while quality of deals has fallen.



Source: BlackRock and CB Insights, as of December 31, 2024. BlackRock and CB Insights, as of December 31, 2024. RHS: (1)The data was taken from various publications released over several years: Forecast for the years 2018 and 2019 as of 2018; Forecast for 2020 as of May 2021; Forecast for 2021 to 2025 as of March 2021 based on figure for 2020 provided by the source. Figures were rounded to provide a better understanding of the statistic. The figures from 2021 to 2025 were calculated by Statista based on the 2020 forecast figure and the five-year compound annual growth rate (CAGR) of 23 percent provided by the source. The figures prior to 2020 are based on IDC's forecast from late 2018. Forecasts are based on estimates and assumptions. There should not be relied upon as actual results may vary significantly and may not be achieved. Additional information available upon request.

Within a diversified private markets allocation, growth equity and buyouts can play complementary roles, blending the innovation-driven growth of emerging companies with the operational value creation of more mature businesses.

As private companies seek capital to continue their growth, they are offering managers greater access to companies with proven models and durable growth runways, without relying heavily on leverage to generate returns. Late-stage venture and growth capital is focusing on firms with meaningful scale, differentiated technology, and credible paths to monetization. Amid this recalibration, the growth equity story remains one of selectivity. Historically, a minority of companies have driven the majority of value creation, such as those capturing network effects and category leadership advantages that compound over time.

The opportunity set in growth equity has broadened considerably, but so too has the dispersion in deal quality. Investors are navigating a more varied landscape that demands greater rigor in manager selection, sector specialization, and due diligence. Managers that blend traditional investment judgment with AI-driven analytics and richer private company data are gaining an edge in sourcing and evaluating opportunities.

### Where science meets art

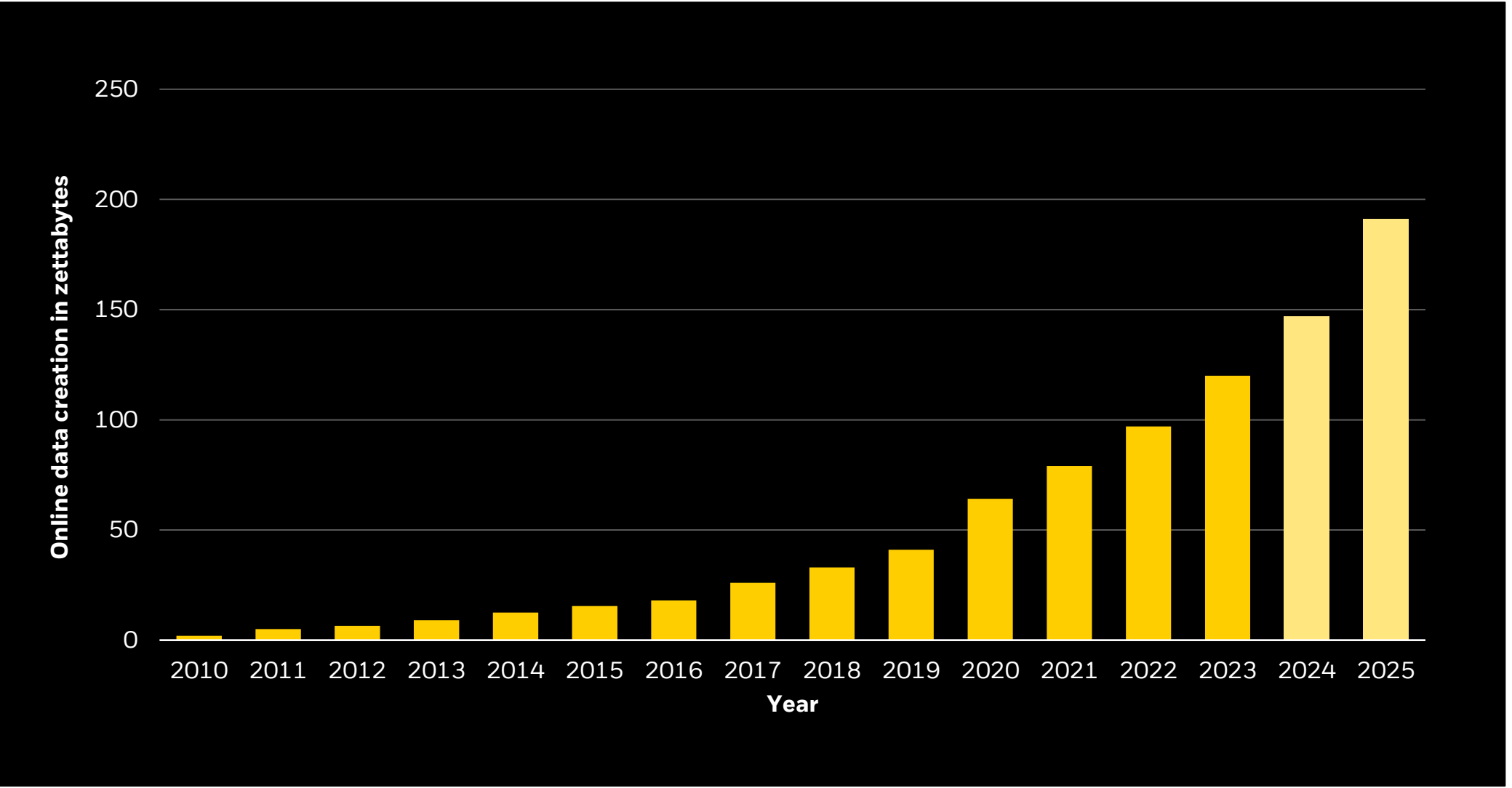
Increasingly, private equity managers are integrating AI and data analytics into their investment process to complement traditional judgment and sharpen decision-making. And as private companies continue to mature, they are also leaving behind richer digital footprints, including:

- ✓ Web traffic
- ✓ Supply chain signals
- ✓ Hiring patterns
- ✓ Media sentiment

These alternative data sources provide experienced investors with near real-time visibility into company momentum and market positioning. In a domain where traditional financial disclosures are limited, data-driven insights are becoming a decisive edge for sourcing, underwriting, and value creation opportunities across private markets.

## Seeing in the dark

The rising tide of data available to investors is making the once-opaque private markets more transparent than ever before to investors who know where to look.



Source: “Big data statistics: How much data is there in the world?”, Riverty, May 28, 2025

## The expanding role of direct co-investments

Direct co-investments are moving firmly into the mainstream, supported by structural and market forces. Since 2005, more than US\$200 billion has been raised across more than 2,400 direct co-investment funds globally, according to Preqin. Companies have also been staying private longer, driven by an abundance of private capital, the cost and regulatory burden of public markets, and a preference for long-term, sponsor-backed growth. As a result, deal sizes have continued to grow, and higher interest rates are requiring sponsors to commit more equity to each transaction. At the same time, investors are seeking greater control, transparency, and cost efficiency across their portfolios.

With direct co-investments, LPs can directly participate in individual transactions and lean into specific sectors and investment themes without waiting for blind-pool capital to be deployed.

Performance has contributed to the rising popularity of direct co-investment funds, which have recently delivered higher IRRs than traditional single-manager buyout funds, according to 2025 Preqin data comparing the performance of the 2020, 2021 and 2022 vintages of each.

Multi-manager structures offer diversification across sponsors, strategies, and industries, which can help mitigate idiosyncratic risk while enhancing risk-adjusted returns. This broader diversification has the added potential benefit of reducing the investor’s dependence on any single sponsor’s deal flow. Looking ahead, direct co-investments are poised to remain essential in portfolio construction.

Fee sensitivity and demand for targeted exposure to long-term themes, such as demographic shifts, digital transformation, and the energy transition, should likely sustain interest in this structure.

Within direct co-investments we see attractive opportunities in a few key areas. One is healthcare, driven by aging demographics and increasingly efficient digital health platforms. Another is technology companies, AI, cybersecurity, and cloud infrastructure reshape enterprise operations. We’re also seeing co-investment opportunities in the energy transition, where the push toward a low-carbon economy is driving growth across renewables, power storage, and decarbonization infrastructure.

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# Real estate

- ✓ As we enter 2026 and the real estate market enters a new cycle, it does so in a fundamentally different form than it had just a few years before.
- ✓ Apartments and industrial properties like warehouses – propelled by global macro forces – are among the biggest opportunities we see in the year ahead.
- ✓ Specialized properties such as data centers, life-sciences facilities, daycares and self-storage are becoming a bigger part of the investible universe within real estate.

## Reimagining an asset class

As 2026 brings on a new cycle, investors are adjusting to a fundamentally transformed commercial real estate market. We see real estate valuations, outside of office assets, as having bottomed out and now rising. We're seeing a convergence of buyer and seller expectations and improved overall sentiment, which suggests that the market has entered the recovery phase.

Until 2008, offices were the largest segment in the real estate investment universe, accounting for around 37% of global transaction volumes.<sup>1</sup> As a result, the performance of the office sector was often treated as a proxy for real estate as a whole.

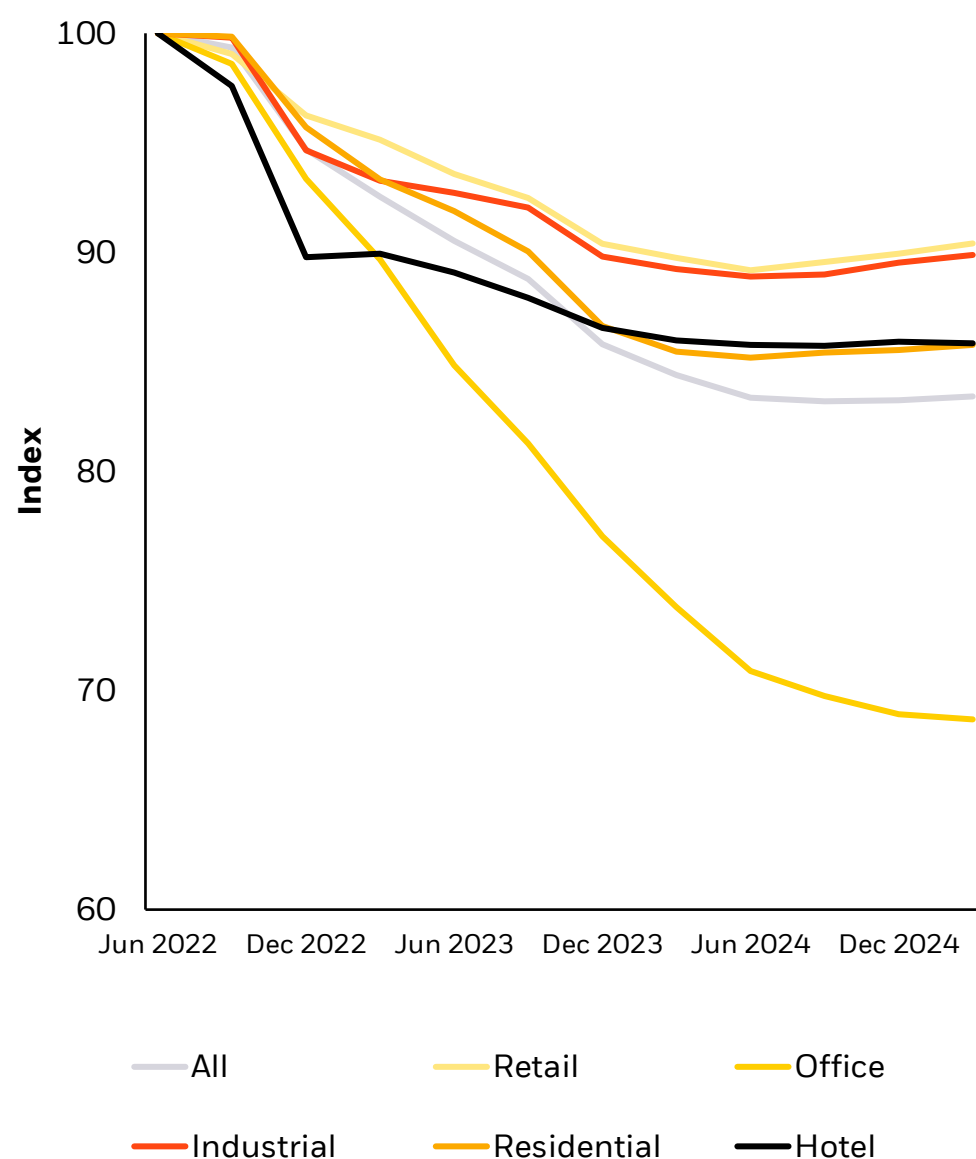
But times have changed, and in the first half of 2025, offices represented only 13% of transaction volumes.<sup>1</sup> The rise of remote working, the impact of AI and the structural oversupply of secondary office stock have all contributed to a shrinking role for offices within portfolios. Although newly built offices with top amenities in prime locations are likely to remain occupied, much of the sector continues to struggle with rising vacancies and doubts about longer-term liquidity.

During this cyclical downturn, real estate fundamentals have remained strong, a clear difference from previous corrections and a testament to the resilience of the tenants. The risk of oversupply is lower, which has created opportunities for strong rental growth. Following an interest rate-driven correction, global real estate markets have bottomed out, in our view, which we believe offers investors an attractive entry point.

In this environment, income generation will likely prove to be the primary driver of outperformance. We expect to see greater dispersion in both manager and asset performance.

## Inflection points

Broad repricing of real estate is creating numerous cyclical opportunities.



Sources: 1. RCA Transaction Volumes Global Q2 2025, 9/30/2025. Chart: MSCI Real Estate Capital Value, June 2025.

**Apartments and warehouses anchoring portfolios**

The real estate investment universe has become increasingly diversified. As investors shift away from the office sector, residential and logistics have stepped into the gap, a trend we expect to continue due to strong structural tailwinds that are expected to drive sustained demand. This diversification away from offices first played out in public markets and the trend is translating into private markets.

The residential sector has become increasingly attractive for institutional portfolios. It offers a degree of inflation mitigation since apartment rents can be reset more frequently. The sector also benefits from key demographic trends, as the high cost of housing is leading a higher percentage of new families to rent rather than buy homes.<sup>1</sup>

The imbalance between supply and demand further reinforces the residential sector investment case. Europe is estimated to require an additional 9.6 million homes, equivalent to 3.5% of its existing housing stock.

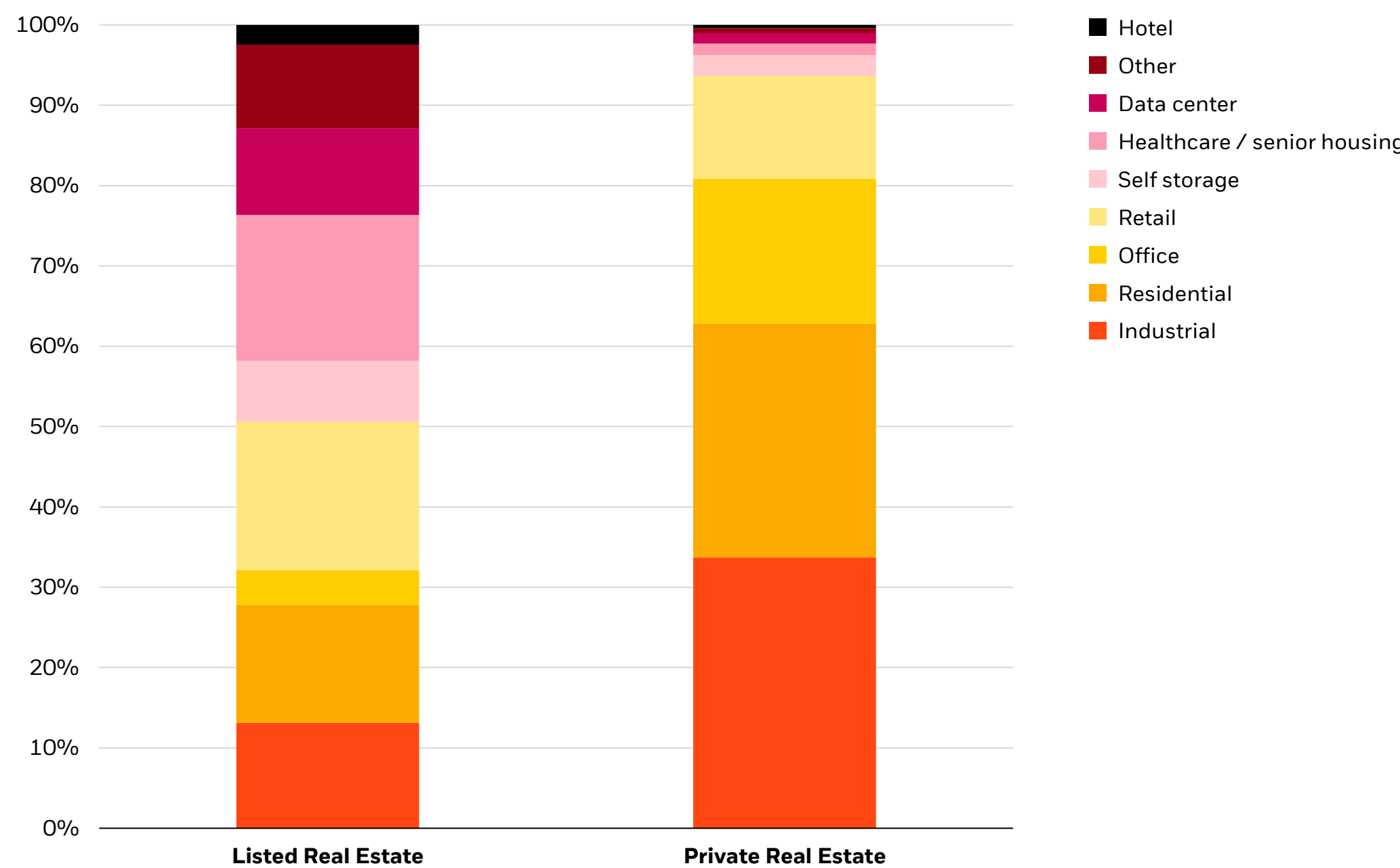
This dynamic is particularly acute in major urban centers, such as Madrid, Berlin and London. In the U.S., the shortfall is forecast at around 4.7 million homes.<sup>2</sup> This enables investors to benefit from resilient occupier demand and sustained rental growth in the sector.

The logistics sector is also well positioned, supported by strong investor demand and long-term structural growth drivers. Its role as critical infrastructure for global trade, e-commerce and urban consumption has kept tenant demand steady, despite recent macroeconomic headwinds.

Demand drivers for warehouse space differ by market. In Europe, fiscal initiatives for higher spending on defense and industrial capacity are set to bolster demand, while the trend toward nearshoring increases the need for modern, efficient distribution networks.

**A new blend**

The composition of the public real estate markets may point to a more diversified future for private real estate.



Sources: 1. "Bankrate's Rent vs. Buy Study," 4/23/2025. 2. US. Census data, Zillow analysis, July 2025, Chart: Public Real Estate (FTSE Nareit All Equity) as of year-end 2024, and U.S. Private Real Estate (ODCE) index as of June 2025.

Next-generation real estate

Parts of the real estate market that had been considered niche or alternative have continued to move into the mainstream through 2025, continuing to top investor preferences. They include build-for-rent single-family residences, data centers and facilities specialized for life sciences, childcare or self-storage.

The demand drivers for these parts of the market are often less tied to economic growth and more aligned to structural drivers such as demographic shifts, digitalization and geopolitical fragmentation. This means they can offer investors differentiated income streams, diversification and insulation from cyclical volatility.

Data centers are a prime example of a niche sector that’s now becoming core to real estate investors. Appetite is increasing, with 39% of real estate investors planning to buy into data center properties.<sup>1</sup>

Real estate investors occupy a vital position in the data center value chain by acquiring land with preexisting grid connectivity, developing structures with behind-the-meter power sources or delivering fully outfitted data center suites.

In many cases, real estate investors develop the properties through their early phases and then sell to more specialized infrastructure or operating funds. In Europe, we find cities like Frankfurt, London, Amsterdam, Paris and Dublin are especially appealing, given the dense concentration of demand, strong digital infrastructure and high barriers to entry, such as grid connectivity or on-site power sources.

At the same time, data centers illustrate how public real estate markets often telegraph how private real estate markets will develop.

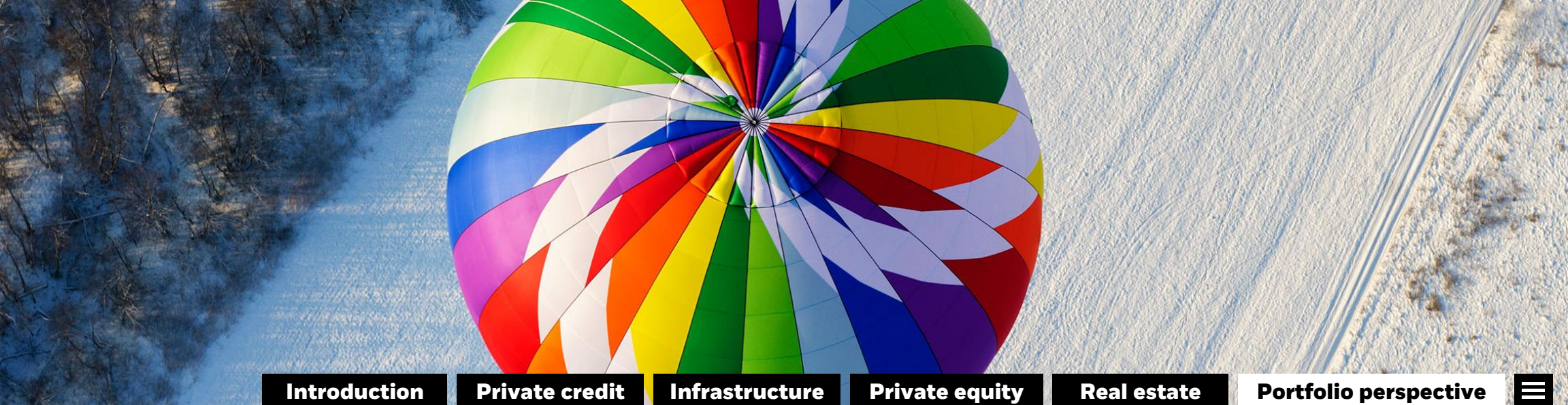
No longer niche

Among specialized real estate sectors, data centers lead the way, though other favorites vary widely from region to region.

| Rank | US                     | Europe                    | Asia Pacific       |
|------|------------------------|---------------------------|--------------------|
| 1    | Data centers           | Data centers              | Data centers       |
| 2    | Single-family          | New energy infrastructure | Health/Wellness    |
| 3    | Senior housing         | Student housing           | Logistics          |
| 4    | Multifamily            | Logistics                 | Senior housing     |
| 5    | Shopping centers       | Multifamily               | Multifamily        |
| 6    | Manufacturing          | Self-storage              | Student housing    |
| 7    | Student housing        | Retirement living         | Hotels             |
| 8    | Logistics – warehouse  | Co-living                 | Life sciences      |
| 9    | Flex                   | Education                 | Affordable housing |
| 10   | Logistics – fulfilment | Serviced apartment        | Self storage       |

Sources: 1. PERE Perspectives, February 2025. Chart: ULI Global Emerging Trends in Real Estate 2025. Respondents scored sectors prospects and the scores for each sector are ranked, rank 1 correlates to strongest prospects.





# Alternative portfolio solutions

Private markets have moved from the periphery to a foundational pillar of asset allocation. Once reserved for large institutions, they are now integral to a much broader investor base seeking to achieve objectives such as differentiated return streams, income stability, and portfolio resilience. Growing participation from wealth and retirement investors globally is accelerating, supported by regulatory developments across regions that are making private assets more accessible.

This expansion brings enormous opportunity; it also raises questions about sizing, structuring, liquidity and whole-portfolio integration.

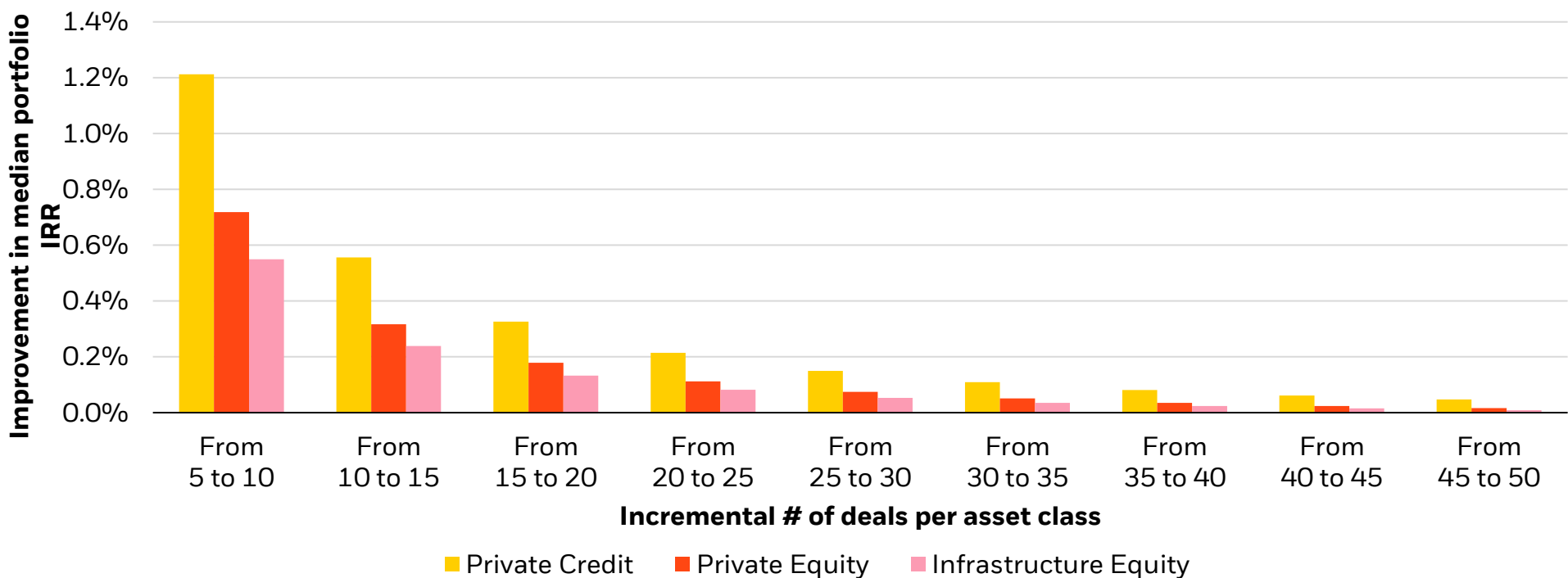
Finding the answers begins with a single practical question: how do we fit the parts together to achieve the best outcomes?

This starts by acknowledging that not all private asset classes behave the same way. Our analysis of buyouts, private credit and infrastructure shows distinct risk-return profiles, which can inform portfolio design. For example, allocators can benefit from diversifying widely across more positions in credit, while concentrating in fewer but larger deals in infrastructure, with buyouts sitting in between. This kind of optimized allocation – aligning investment sizing to the return distribution of each asset class – can lead to both higher median returns and lower volatility.

For private credit portfolios, the marginal benefit of increasing the number of positions is largest compared to private equity or infrastructure. This is because credit’s upside is naturally capped, so you are primarily diversifying away the default risk by adding more loans – a highly beneficial trade-off.

## A range of outcomes

Different approaches to investment sizing can have different effects, depending on the risk profile of the asset class.



Source: BlackRock analysis, October 2025. Past performance is not indicative of future results. This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise or even an estimate of future performance. The results shown are gross of advisory fees and, accordingly, do not reflect advisory fees a client would have paid, which, when compounded over a period of years, would decrease returns. Using Preqin data and BlackRock proprietary analysis, the team modeled 100,000 simulations (hypothetical scenarios) to estimate potential outcomes for private equity, private credit, and infrastructure investments. Instead of using a standard statistical distribution (e.g. normal distribution), the team used a custom distribution tailored to the characteristics of historical buyout performance. This custom distribution was calibrated using actual data from buyout deals that were fully exited (liquidated) and originally invested during the 2000-2011 investment period. This historical sample served as the basis for the assumptions in the simulation.. Additional information available upon request.

By contrast, adding more buyout deals may help a lot initially, but each new deal also slightly dilutes the impact of a potential huge winner.

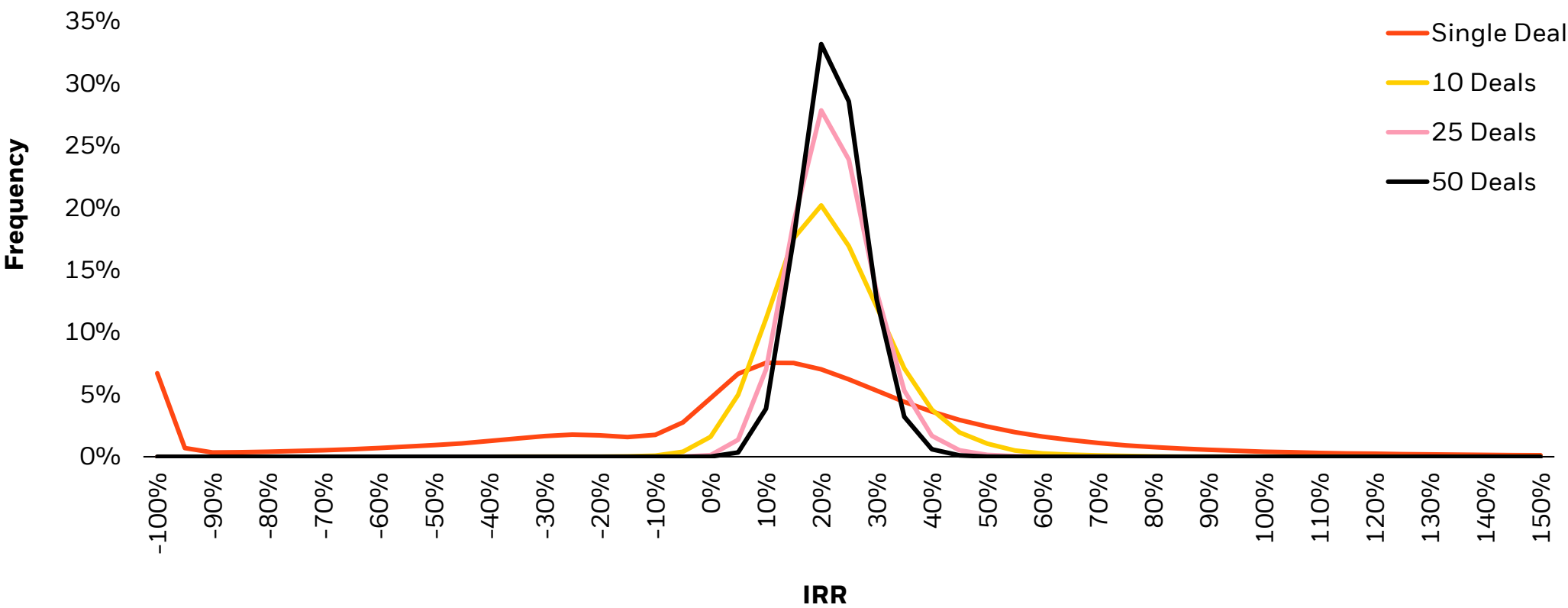
Our analysis shows that, as a rule of thumb, the optimal average size of a given position in private credit should be around 80% that of a buyout position. Additionally, we found that the optimal average infrastructure equity position should be around 1.2x that of a buyout position.

Increasingly, investors ask how private markets exposure can advance portfolio objectives such as resilience, income and long-term compounding.

These objectives can be complex issues to solve for with private markets, where return distributions are often skewed and fat-tailed, liquidity is uncertain and outcomes vary widely on a deal-by-deal basis. For example, in buyouts, outsized winners pull up averages, but the median outcome sits lower. A single deal carries a higher risk of capital loss, but portfolios of 15–20 deals converge closer to the mean and reduce the probability of poor outcomes. By understanding how many positions are required to pull outcomes toward the average and reduce fat tails, investors can build more resilient portfolios.

### Balancing risk and reward

The distribution of outcomes for a single buyout versus portfolios of buyouts shows the stabilizing effect of diversification.



For illustrative purposes only. Using Preqin data and BlackRock proprietary analysis, the team modeled 100,000 simulations (hypothetical scenarios) to estimate potential outcomes for private equity investments. Instead of using a standard statistical distribution (e.g. normal distribution), the team used a custom distribution tailored to the characteristics of historical buyout performance. This custom distribution was calibrated using actual data from buyout deals that were fully exited (liquidated) and originally invested during the 2000-2010 investment period. This historical sample served as the basis for the assumptions in the simulation. The results shown are gross of advisory fees and, accordingly, do not reflect advisory fees a client would have paid, which, when compounded over a period of years, would decrease returns. Additional information available upon request.

#### Liquidity, governance, and innovation

Position sizing is only part of the equation. Successful implementation requires balancing cash flows, governance and operational complexity. Sizing and allocation decisions are not just a function of risk-return targets, but also of liquidity, cash flow pacing and governance.

Key considerations include:

- **Liquidity pacing:** Managing capital calls and distributions alongside liquid exposures.
- **Correlation management:** Private assets increasingly share risk drivers with public markets—real estate valuations, refinancing risk in credit and macro shocks are all interconnected.
- **Fund structure:** Interval and tender-offer funds are reshaping access for U.S. wealth clients, and so does the ELTIF 2.0 label in Europe. These wrappers blend

potential long-term returns with liquidity but require disciplined liquidity sleeves and pacing.

These innovations are critical for making private markets scalable beyond institutions. Every investor is unique, and building a successful private markets program is both art and science. The art lies in navigating liquidity pacing, governance and practical constraints. The science lies in understanding skewed distributions, correlations and diversification benefits across asset classes.

Private markets, when thoughtfully harnessed, can deliver the elusive combination of higher potential returns with managed risk. The goal, however, is clear: help investors move beyond siloed exposures to construct portfolios where the whole is greater than the sum of its parts.

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