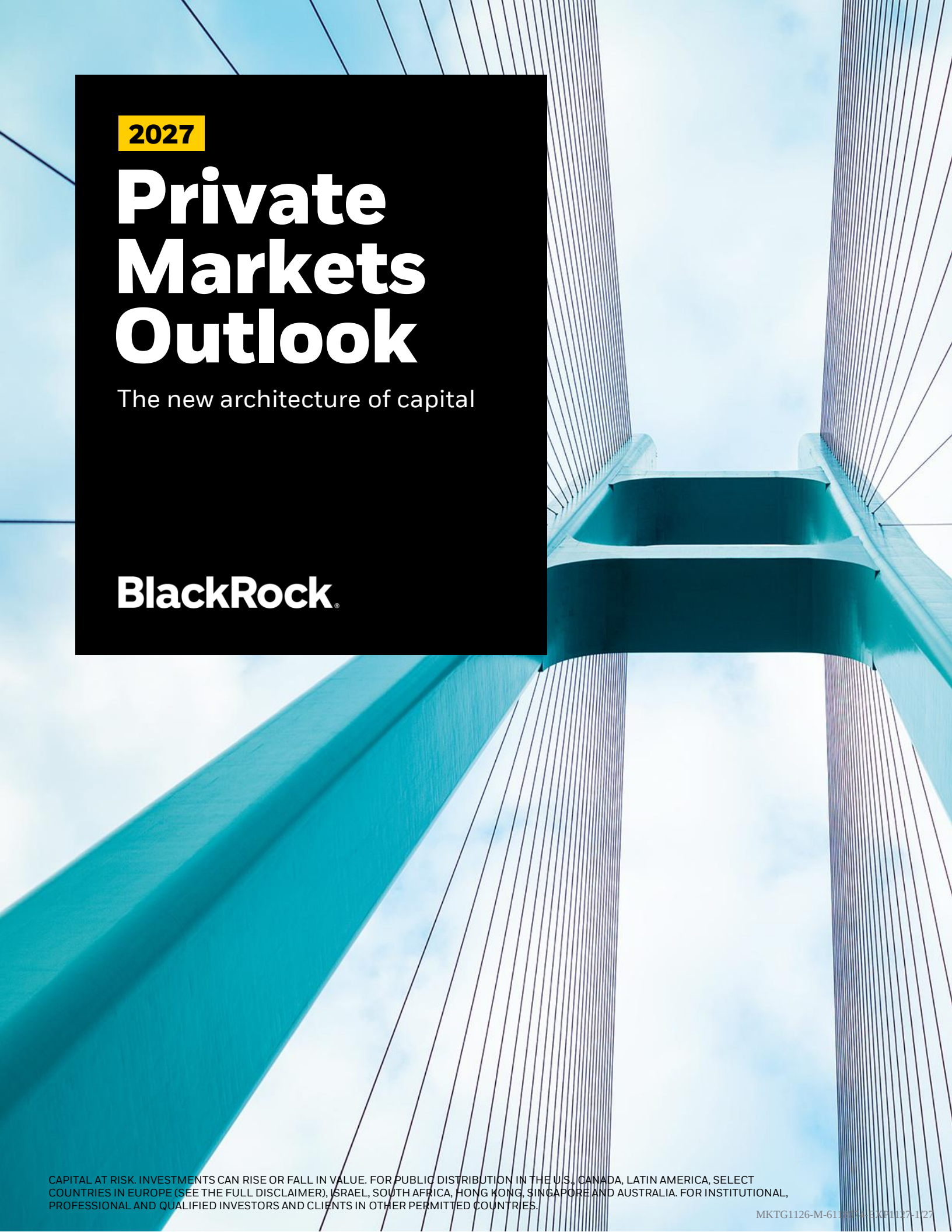


2027

Private Markets Outlook

The new architecture of capital

BlackRock®

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Welcome to the Outlook

In our conversations with clients around the world, one theme is coming through clearly: portfolios are being asked to do more than they were built for.

As public markets have become more concentrated and traditional sources of diversification harder to find, investors are looking more broadly for income, long-term growth and resilience. That is bringing greater attention to the role private assets can play alongside public markets.

Across both institutional and wealth clients, we hear a similar evolution in the conversation. The question is no longer simply whether to allocate to private assets, but how to use them alongside public markets.

That requires a more deliberate approach to portfolio construction. Investors are thinking more carefully about where private-market exposures fit, how they interact with public holdings and what role each exposure is intended to play within the portfolio as a whole. For institutions, that can mean navigating complexity across managers, vintages and strategies. For wealth investors, it means considering implementation, suitability, liquidity characteristics and time horizons. In both cases, the objective is not access for its own sake, but better portfolio outcomes.

At the same time, the financing needs of companies and asset owners are becoming larger and more complex. The artificial intelligence (AI) buildout is one example. It will require substantial capital across technology, digital infrastructure, power and related assets, often spanning multiple parts of the capital structure. That is creating demand for flexible financing solutions and long-duration capital at a scale that few sources of funding can meet alone.

These shifts are also changing what investors expect from their partners. Clients increasingly want fewer, more strategic relationships and greater help connecting investment opportunities to broader portfolio objectives. They need support evaluating trade-offs across return, risk and liquidity, understanding how exposures interact, and adapting portfolios as markets and objectives evolve.

Meeting those needs requires more than a broader range of products. It requires investment capabilities across public and private markets, deep underwriting expertise, portfolio-construction insight, technology and data, all brought together around the client's objectives.

That is why BlackRock has been scaling and connecting our capabilities across private markets while continuing to build on the strength of our public-markets platform, technology and portfolio-construction expertise. Our goal is to help clients access opportunities, finance long-term growth and build more complete portfolios with greater coherence across public and private assets.

The 2027 Private Markets Outlook reflects how we are responding to those needs. It examines the structural forces reshaping private markets, where opportunities are emerging across asset classes and how those opportunities can fit within a broader portfolio. Our commitment is to bring BlackRock's capabilities together around clients' objectives as a thoughtful, disciplined and long-term partner.



Robert S. Kapito
President and a Director of BlackRock

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Source: Unless otherwise noted, source for all data is BlackRock, as of November 2026. 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

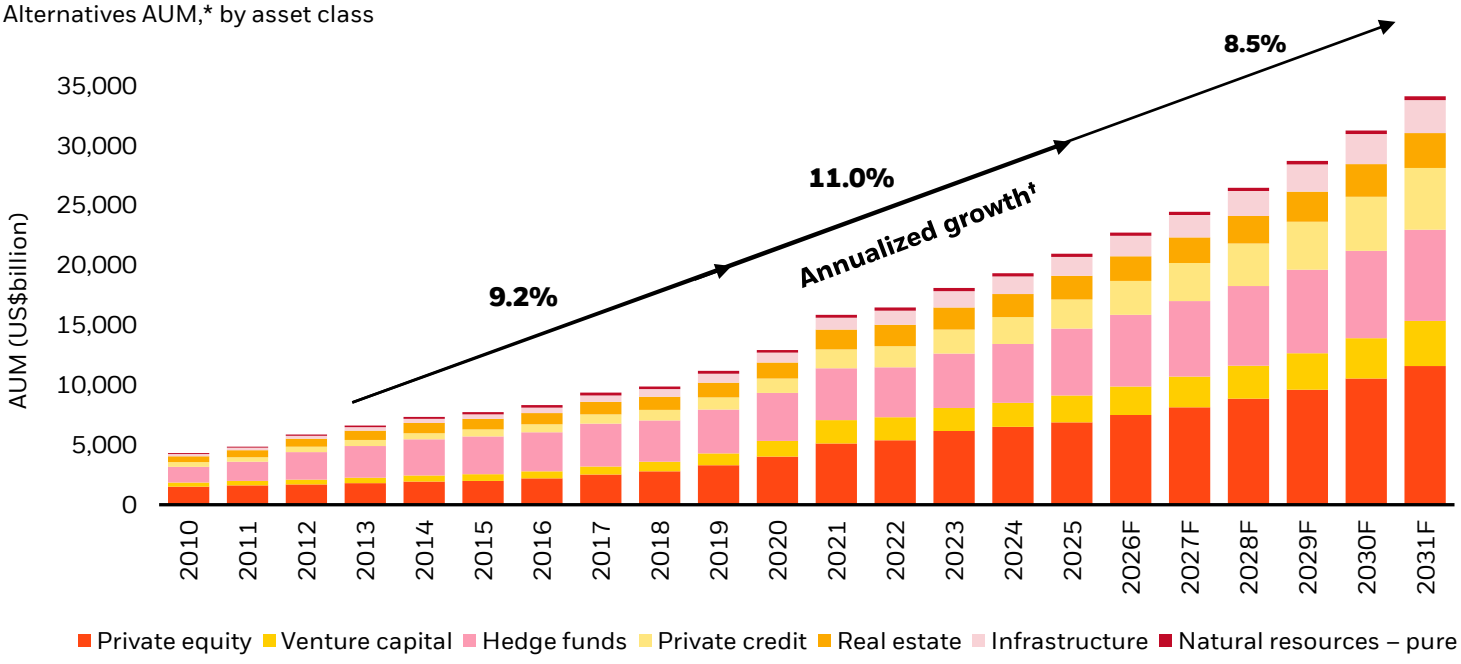
The architecture of finance is changing

The expansion of private markets reflects a broader shift in how economic activity is financed. Capital requirements are rising across technology, infrastructure and industry as companies and projects become larger, more complex and longer term. Companies are also staying private for longer, increasing their reliance on private capital to fund growth. At the same time, governments face mounting fiscal pressures, with global public debt expected to continue rising.[1] Banks and public markets remain essential, but no single source of capital can meet the economy's expanding financing needs.

Rather than replacing traditional financing channels, private capital is becoming more interconnected with them. Banks, public markets and private investors increasingly work alongside one another to finance growth. Private credit illustrates this relationship. By the second half of 2025, private credit represented roughly US$1.4 trillion, or 10%, of U.S. nonfinancial corporate debt, while the Federal Reserve estimated that private equity, business development companies (BDCs) and private credit vehicles accounted for approximately 25% of banks' loan commitments to nonbank financial institutions.[2]

Private-market assets under management (AUM) to exceed US$34tn by end-2031F

Alternatives AUM,* by asset class



Source: Preqin Private Markets in 2031, as of October 2026. All figures are nominal. *Excludes funds denominated in yuan renminbi. Private capital excludes hedge funds; alternatives includes hedge funds. Values for private credit include a top-down estimate for BDCs and other evergreen structures. †Values relate to end of year. The degree of incline for the annualized growth line is not proportional to the rate of growth.

1 International Monetary Fund, Fiscal Monitor: Fiscal Policy under Pressure: High Debt, Rising Risks, April 2026.

2 Board of Governors of the Federal Reserve System, Financial Stability Report, May 2026, Box 4.1, "Developments in Private Credit."

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How structural investment needs are expanding private-market opportunities

AI is one of the clearest examples of the structural forces driving demand for private capital. Deploying AI at scale requires substantial investment in data centers, semiconductor capacity, power generation, transmission and digital connectivity, along with the skilled labor needed to build that infrastructure. Global electricity consumption from data centers is expected to roughly double from about 485 terawatt-hours (TWh) in 2025 to 950 TWh by 2030, with data center expansion projected to account for roughly half of U.S. electricity-demand growth over that period.[3]

The AI buildout is creating opportunities across infrastructure equity and debt, corporate and asset-backed credit, real estate and private equity. As development needs grow, AI-related infrastructure developers and owners are expected to draw on a mix of equity, bank lending, corporate and securitized debt and project finance.[4]

A maturing market reshapes how investors manage capital

Private markets enter 2027 with a growing tension between investors' appetite for long-term exposure and the need to manage existing assets. Private equity illustrates this challenge: 46% of institutional investors surveyed by Preqin plan to increase their long-term allocations, even as 72% identify the exit environment as a major concern.[5] With traditional exit activity remaining constrained, distributions have slowed, limiting the capital available for reinvestment. According to Bain & Company's 2026 Global Private Equity Report, distributions as a percentage of net asset value have remained below 15% for four consecutive years.[6] These dynamics are driving demand for secondaries, continuation vehicles and general partner/limited partner (GP/LP) solutions that allow investors and managers to reshape portfolios rather than rely solely on traditional exits.

These liquidity pressures are also shaping how some investors approach private-market allocations. Recent U.S. survey evidence suggests many family offices are shifting their focus from gaining access to private markets toward optimizing existing portfolios. Rather than funding new commitments through large reallocations from public markets, they expect to rely primarily on distributions from existing private-market investments and cash on hand.[7] Nearly half (49%) intend to maintain their current allocations over the next 12 months, while roughly equal numbers expect to increase (17%) or decrease (15%) allocations.[8] This shifts liquidity from a tactical consideration to a portfolio construction challenge, linking commitment pacing, cash-flow forecasting and portfolio rebalancing more closely than in the past.

Investors are also scrutinizing the underlying drivers of performance more closely. Private credit conditions remained broadly healthy through the second quarter of 2026, but performance became more differentiated as weaker and more highly leveraged borrowers came under greater scrutiny.[9] This highlights the importance of underwriting discipline, sector selection and capital structure positioning.

As private markets become a larger part of portfolios, investors need greater visibility into risk exposures, cash flows, valuations and manager performance across public and private holdings. Advances in data, benchmarking and portfolio analytics are improving transparency, making the ability to monitor and manage private assets nearly as important as the ability to access them.

How a broader investor base is changing private markets

As private markets become a more established part of portfolio construction, the investor base is expanding with them. Institutions remain the foundation, but wealth investors are playing a larger role as model portfolios, evergreen funds and other structures make private assets more accessible. As participation expands, investors need a clearer understanding of liquidity, risk, suitability and return expectations.

Institutions and wealth investors approach these challenges from different starting points. Established institutional programs focus more on managing existing exposures through commitment pacing, stress testing, secondaries and integrated GP/LP solutions. Wealth investors, meanwhile, need to consider how private assets fit within their broader portfolios, particularly their liquidity needs and investment horizons. Newer family offices express particular concern about illiquidity and transparency.[10]

3 International Energy Agency, Key Questions on Energy and AI, 2026.
4 Moody's Ratings, Data Centers Outlook 2026 / Credit Risk Insights for Global Data Centers, 2026.
5 Preqin, Investor Outlook: H2 2026, June 2026 investor survey.
6 Bain & Company, Global Private Equity Report 2026, Feb. 23, 2026.
7, 10 Research conducted by Preqin between July 13 and Aug. 24, 2026, of 206 single-family offices across the Americas, representing an estimated US$491 billion in investable assets.
8 BlackRock, The Changing Face of Family Offices, October 2026.
9 Lincoln International, The Lincoln Private Market Index: Earnings Growth Drove a Q2 Rebound, While Private Markets Became More Selective, Aug. 13, 2026. Covenant defaults fell to 2.7% from 3.1% in Q1, while Lincoln highlighted growing divergence between stronger businesses and more highly levered companies.

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Nearly a third of ultra-high-net-worth investors already allocate to private markets, although performance uncertainty, fees and complexity remain meaningful barriers to broader adoption. Most surveyed investors said they would accept some reduction in liquidity in exchange for higher expected returns.[11] As access expands, these expectations for transparency, reporting and portfolio visibility are likely to rise alongside demand.

Why investment selection matters as private markets grow

Investor conviction is becoming more differentiated as private markets expand. According to Preqin Investor Surveys, infrastructure stands out, with 47% of investors planning to increase long-term allocations, followed by private equity at 46% and hedge funds at 36%. Demand for power and digital infrastructure to support AI-related growth is helping drive interest.

Strong demand, however, does not guarantee attractive returns. Competition for assets, construction and operational challenges, technological disruption and financing risk can erode returns. In our view, disciplined underwriting, asset selection and execution will increasingly distinguish outcomes.

Credit markets illustrate the importance of selectivity. In February 2026, broadly syndicated software loans fell 4.17%, compared with a 0.78% decline for the overall leveraged-loan index, as investors reassessed the implications of AI disruption.[12] Performance increasingly reflects differences in business quality, leverage and cash-flow resilience, underscoring the distinction between lending against projected business growth and lending against contracted or asset-backed cash flows.

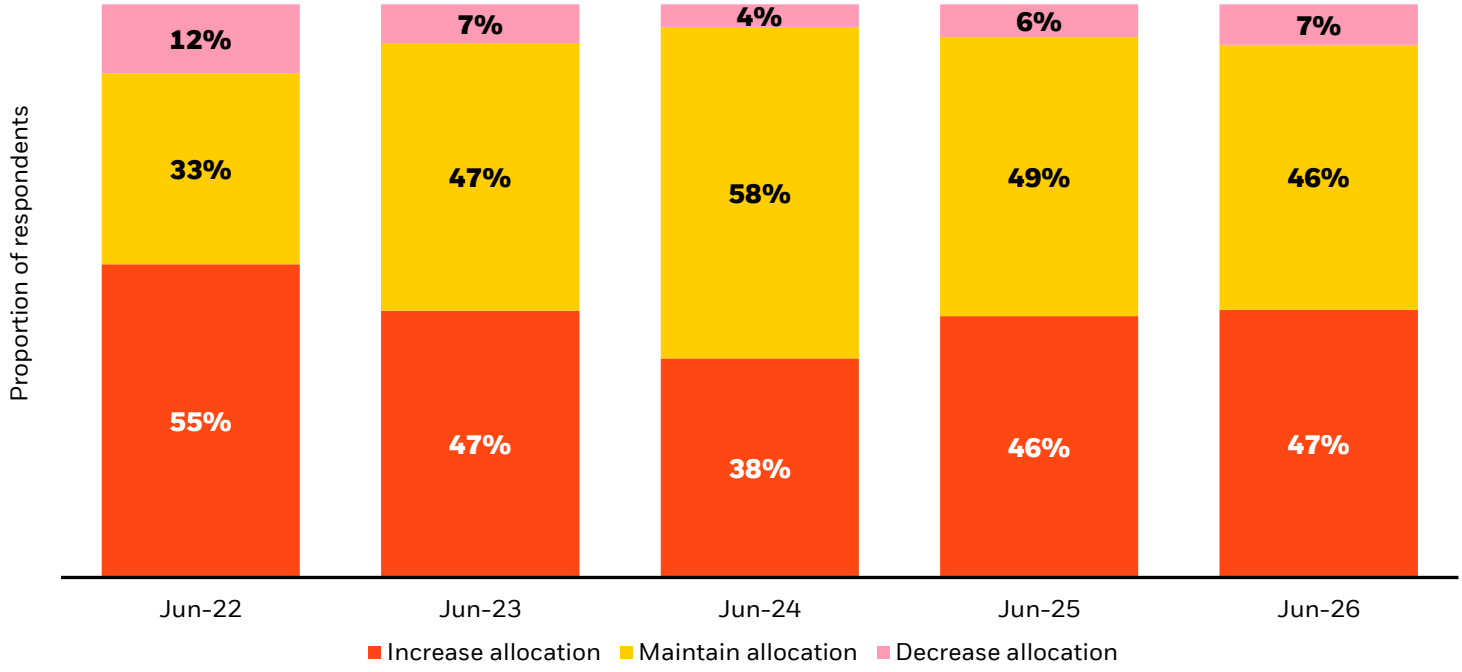
AI may create substantial financing demand, but not every data center, power asset, borrower or financing structure will be equally attractive. Entry valuation, contractual revenues, counterparties, capital structure and the durability of underlying demand will help determine outcomes, alongside the ability to improve operational and commercial performance.

What private-market growth means for investors in 2027

As private capital plays a larger role in financing economic growth, disciplined underwriting, investment selection and portfolio construction are likely to matter even more. The sections that follow examine where we see opportunities, the risks investors should consider and how private assets can contribute to broader portfolio objectives.

Capital is becoming more selective across private markets

Infrastructure leads long-term allocation intentions as investors differentiate more sharply across asset classes



Source: Preqin Investor Surveys, June 2022–2026.

11 FTSE Russell, 2026 U.S. Wealth Pulse Survey, May 2026. 32% of affluent investors already allocate to private markets; 42% cited performance uncertainty as the biggest barrier, while 57% said they would sacrifice some liquidity for moderately higher returns. (LSEG)

12 Morningstar LSTA Leveraged Loan Index Analysis, February 2026, March 4, 2026; and Lincoln International, Q1/Q2 2026 Lincoln Private Market Index research. The Morningstar LSTA U.S. Leveraged Loan Index fell 0.78% in February, while its software index fell 4.17%; Lincoln subsequently documented continued divergence and selectivity across private companies. (LSTA).

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Infrastructure

- Demand for infrastructure investment continues to accelerate. Sustained growth across infrastructure sectors and geographies present long-term, durable investment opportunities.
- Traditional sources of capital face structural constraints. Governments face mounting fiscal pressures, while corporate balance sheets and public capital markets are stretched between competing demands for capital.
- Private capital will play a pivotal role in bridging the infrastructure funding gap. Private infrastructure investments offer investors exposure to essential assets with the potential for attractive income, inflation protection and capital appreciation.

Structural trends shaping infrastructure investment

An estimated US$106 trillion of global infrastructure investments across new projects and the modernization of existing assets are required over the next 15 years.[13] Among the key structural forces shaping these requirements are exponential growth in AI, further digitalization, evolving energy needs, aging infrastructure and economic development in emerging markets.

AI and digital infrastructure

The rapid adoption of AI is accelerating demand for computing capacity, with global data center demand projected to grow at approximately 20% annually through 2030, requiring an estimated US$1.5 trillion in investment.[14] This build-out broadens the investment requirements into associated power infrastructure in power generation and transmission.

At the same time, broader digitalization of the global economy expands data consumption and cloud computing, highlighting the need to bolster communications networks. Accommodating this growth in data consumption will require continued build-out of fiber networks, telecommunications towers and wireless infrastructure, including upgrades to 5G and eventually 6G.

Energy infrastructure

Beyond the needs of the digital economy, rising electricity consumption, energy security considerations and decarbonization objectives are reshaping investment priorities across the power and energy sectors. Global energy-transition investment reached a record US$2.3 trillion in 2025, with average annual spending projected to reach US$3.1 trillion between 2026 and 2030.[15] Meeting these evolving needs will require a comprehensive set of solutions spanning renewable and conventional power generation, energy storage and upgrades to electricity networks.

Aging infrastructure and growth in emerging markets

In developed economies, infrastructure built during earlier periods of economic expansion are increasingly overdue for maintenance, replacement and modernization. Transportation systems, energy networks and utilities are facing substantial capital requirements to maintain service quality and accommodate growing needs. In the U.S. alone, the American Society of Civil Engineers estimates US$9.1 trillion of infrastructure investment needs through 2033.[16] Population growth, urbanization and rising economic activity are increasing the need for new infrastructure across developing economies. Expanding electricity access, transportation networks and digital connectivity will be essential to accommodate growing populations, support industrial development and improve living standards.

13 McKinsey & Company, The Infrastructure Moment, September 2025.
14 McKinsey & Co. as of February 2025, assumes US$10M / MW on Incremental 150GW of DC demand.
15 BloombergNEF, New Energy Outlook 2026, May 2026.
16 American Society of Civil Engineers, 2025 Report Card for America's Infrastructure, 2025.

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Transportation infrastructure represents another key driver of demand for infrastructure investments, with McKinsey estimating US$36 trillion of required funding by 2040.[17] Sustained long-term growth in global aviation demand, driven primarily by rising incomes and the expansion of the middle class, creates a structural need for growth in aviation infrastructure. Ports are also attracting substantial capital investment, as changing trade patterns and supply chains require expanded cargo-handling capacity as well as construction of and upgrades to terminals.

In focus: A new era of electricity demand

Among the most important building blocks of this accelerated need for infrastructure investments is growth in power demand. Between 2026 and 2030, the International Energy Agency projects global electricity consumption to grow by an average of 3.6% annually, around 50% faster than the preceding decade.[17] Another notable shift is the resurgence of electricity use in advanced economies, where growth had largely flatlined for the past 15 years. In the U.S., for example, momentum in data center development is projected to push electricity consumption higher at nearly twice the rate of the past decade.

Meeting these needs will require investment across the entire power system, from generation and natural gas infrastructure to transmission, distribution, storage and grid modernization. The challenge is not producing more electricity, but delivering reliable and affordable power where and when it is needed.

Beyond physical assets: Strategic priorities for governments and corporates

Today, infrastructure's importance extends beyond its role as the physical backbone of the global economy: It is a strategic priority for governments and corporates alike. Amid geopolitical uncertainty and economic fragmentation, energy security, resilient supply chains, and domestic industrial capacity are central to economic stability and competitiveness. The race for AI leadership adds further urgency, as technological ambitions are deeply intertwined with access to reliable power, digital connectivity and the ability to add infrastructure capacity at scale.

Meeting the demand: Structural constraints on supply

The growing need for infrastructure investment comes at a time when traditional sources of capital are increasingly constrained. Governments are contending with mounting deficits, elevated debt burdens and competing fiscal priorities. Across Organisation for Economic Co-operation and Development (OECD) countries, government gross debt exceeded 110% of GDP in 2025 and is projected to continue this trajectory, placing further pressure on public finances. [19] Corporates today also face the challenge of competing capex priorities and balance sheet constraints in navigating the capital-intensive nature of infrastructure investments. Public markets, while an important source of capital, also present the challenge of uneven capital formation and increasing competition, limiting their ability to provide long-term, flexible capital solutions.

Meeting the infrastructure investment demand therefore will require expanding the pool of available capital rather than simply reallocating existing resources. As this demand for capital continues to grow across the infrastructure opportunity set, even greater participation from global investors than today and an expanded range of capital solutions will be critical.

Private capital: Bridging the infrastructure funding gap

The widening gap between infrastructure investment needs and traditional funding capacity is creating an expanding role for private markets. Private capital can provide scaled, long-term capital which, combined with operating expertise, is a tailor-made solution to address the complexity of infrastructure investments. Strategic partnerships with corporates as well as governments represent attractive avenues for mobilizing private capital in undertaking new infrastructure projects. Furthermore, take-privates and other asset carve-outs also present opportunity to unlock additional growth and expansion of existing infrastructure. We believe this primacy of private capital in infrastructure represents a natural evolution of capital solutions to meet the foundational need for investing in the world's future.

Private infrastructure: Ballast in a diversified portfolio

We see private infrastructure's role in portfolios as evolving from a specialized allocation toward a foundational private markets ballast. Real infrastructure assets are characterized by long-asset lives, high barriers to entry, and contracted revenues that can be resilient through economic cycles. Across capital structures (equity and credit) and risk spectrum, private infrastructure presents investors the opportunity to capture attractive income yield, inflation protection, and growth upside that is further bolstered by long-term structural tailwinds.

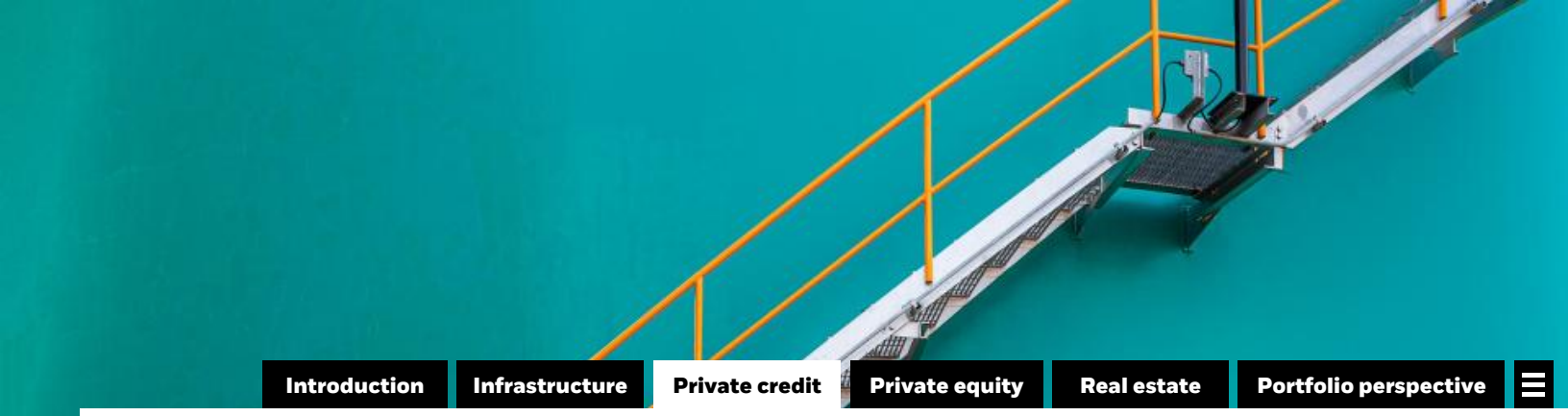
This evolution of private infrastructure is evident in the growing share of investor portfolios allocated to infrastructure assets. Global infrastructure fundraising reached a record of nearly US$200 billion in 2025, while 51% of surveyed institutional investors plan to increase their infrastructure allocations over the next three years.[20] This expanding pool of private capital can provide an additional source of long-term financing to support infrastructure development across sectors and geographies.

While the opportunity set is large, we believe constructing enduring private infrastructure exposures requires discipline, expertise and experience: discipline in delivering differentiated, relationship-driven investments, expertise in executing concrete operational improvements, and experience in consistently monetizing the value created through well-timed exits.

17 McKinsey & Company, The Infrastructure Moment, September 2025.
18 IEA, Electricity 2026, February 2026.
19 OECD Economic Outlook, June 2026.
20 McKinsey & Company, Infrastructure: Investing to Support Global Growth, March 23, 2026.

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Private credit

- The private credit opportunity set continues to broaden as borrowers seek financing solutions that are more flexible and tailored than those available in public markets.
- Market complexity is creating a larger premium for lenders with deep sourcing networks, underwriting expertise and the ability to structure bespoke transactions.
- Investors may benefit from looking beyond traditional direct lending toward areas where capital demand is growing faster than capital supply.

Meeting bespoke financing needs

As their capital needs become larger and more complex, borrowers are seeking more customized financing. Private credit is increasingly positioned to meet that demand through flexible, tailored structures. Entering 2027, higher base rates, wider spreads and disciplined underwriting have improved direct lending economics, creating what we believe is one of the more attractive environments for new capital deployment in recent years. At the same time, demand for tailored financing solutions is expanding opportunities beyond traditional corporate lending.

Corporate-focused private credit

At the start of 2026, market participants anticipated multiple interest rate cuts, with the forward curve suggesting a Secured Overnight Financing Rate (SOFR) level of approximately 3.2% in the second quarter of 2027.[21] Persistent inflation and a more resilient economic backdrop have since shifted expectations, with forward markets now implying that U.S. rates could exceed 4.6% by mid-2027.[22]

Private credit strategies, which typically feature floating-rate structures, are positioned to benefit from a prolonged "higher-for-longer" rate environment.

Importantly, the improvement in yield expectations is not solely a function of higher interest rates. Credit spreads have also widened as lenders have become more selective amid elevated market uncertainty.[23] While dry powder remains relatively accessible, we believe underwriting standards have tightened, and lenders are demanding greater compensation for risk, resulting in more attractive economics on newly originated transactions. In our view, higher base rates and wider spreads have meaningfully enhanced prospective yields across the asset class.

Gross asset yield expectations have risen from approximately 8.5% at the beginning of 2026 to around 10%, reflecting one of the most meaningful improvements in direct lending economics in recent years.[21, 24] For income-oriented investors, this creates an opportunity to deploy capital at higher potential yields while maintaining exposure to senior, floating-rate assets.

21, 22 Bloomberg. SOFR = CME Term SOFR 3 Month. Forward curve forecasts as of Dec. 31, 2025, and Sept. 15, 2026, as applicable.
23 Based on HPS market observations.
24 KBRA DLD as of June 30, 2026. Spread does not reflect the return of direct lending funds, which will be reduced by, among other things, fees and expenses, or the return that may ultimately be realized on an investment. Higher spreads may represent higher cost of capital for borrowers, and such costs may increase the risk of default or the risk that the loan may otherwise become impaired. OID of 1.15% is amortized over a three-year horizon.

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We believe the current backdrop is especially compelling because the potential for enhanced yield can still be achieved while maintaining disciplined underwriting standards. Heightened uncertainty has encouraged lenders to focus on resilient businesses, conservative capital structures and stronger lender protections. As a result, many newly originated transactions offer higher yields, tighter covenants and stronger documentation than during the more competitive lending environment of recent years. [25]

Importantly, we believe improved gross yield potential reflects stronger market fundamentals rather than increased risk-taking. Borrowers continue to value the speed, certainty and flexibility of private capital, enabling lenders to maintain disciplined underwriting standards while capturing higher yields and enhanced downside mitigations.

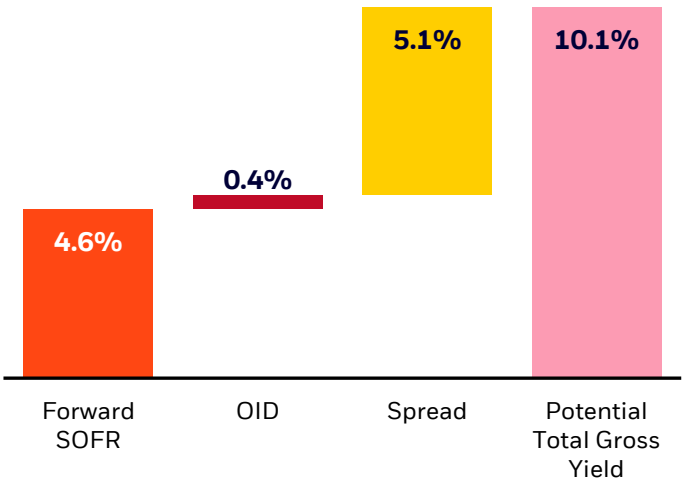
The appeal of today's market extends beyond yield and structure. Borrower fundamentals, particularly for larger, well-established companies, remain resilient. [26] These businesses often benefit from diversified business models, strong free-cash-flow generation and enhanced financial flexibility, helping them to better navigate higher interest rates and economic uncertainty. In our view, this creates favorable conditions for private credit managers focused on upper-middle-market businesses, where credit performance has been resilient.

The current combination of enhanced income potential, resilient borrower fundamentals and sustained demand for private capital supports a highly constructive outlook for direct lending and what we believe is one of the most attractive vintage opportunities in recent years.

Private asset-based finance

Private asset-based finance (ABF) is extending beyond traditional corporate lending, offering investors exposure to financing opportunities backed by physical assets and contractual cash flows. Rising capital needs across digital infrastructure, energy and other sectors are broadening the opportunity set.

Direct lending yields expected to move higher
Potential all-in gross yield



Source: Bloomberg. SOFR = CME Term SOFR 3 Month. Forward curve forecasts as of Dec. 31, 2025, and Sept. 15, 2026, as applicable. KBRA DLD as of June 30, 2026. Spread does not reflect the return of direct lending funds, which will be reduced by, among other things, fees and expenses, or the return that may ultimately be realized on an investment. Higher spreads may represent higher cost of capital for borrowers, and such costs may increase the risk of default or the risk that the loan may otherwise become impaired. OID of 1.15% is amortized over a three-year horizon. Potential total gross yield reflects the sum of (i) forward SOFR expectations for mid-2027 (determined as of Sept. 15, 2026), (ii) direct lending OID information as of June 30, 2026 and (iii) direct lending spread information as of June 2026. The information provided herein is included to show the general trend in the applicable markets in the periods indicated and is not intended to imply that the yields herein are achievable or guaranteed. Actual yields earned over the life of an investment could differ materially from the potential yields presented above. Higher yields represent higher cost of capital for borrowers and such costs may increase the risk of default or the risk that the loan may otherwise become impaired. Potential yield does not reflect the return of any fund, which will be reduced by, among other things, fees and expenses, or the return that may ultimately be realized on this investment.

AI and digital infrastructure remain important sources of private ABF opportunities. Hyperscale data centers benefit from highly rated counterparties willing to sign leases of 15 to 20 years, providing long-term contracted cash flows that can support financing.

The chips and servers inside the data centers can also be financed. Increasingly, both private (known as "behind-the-meter") and backup power generation systems are critical to AI infrastructure development and are important opportunities for private ABF.

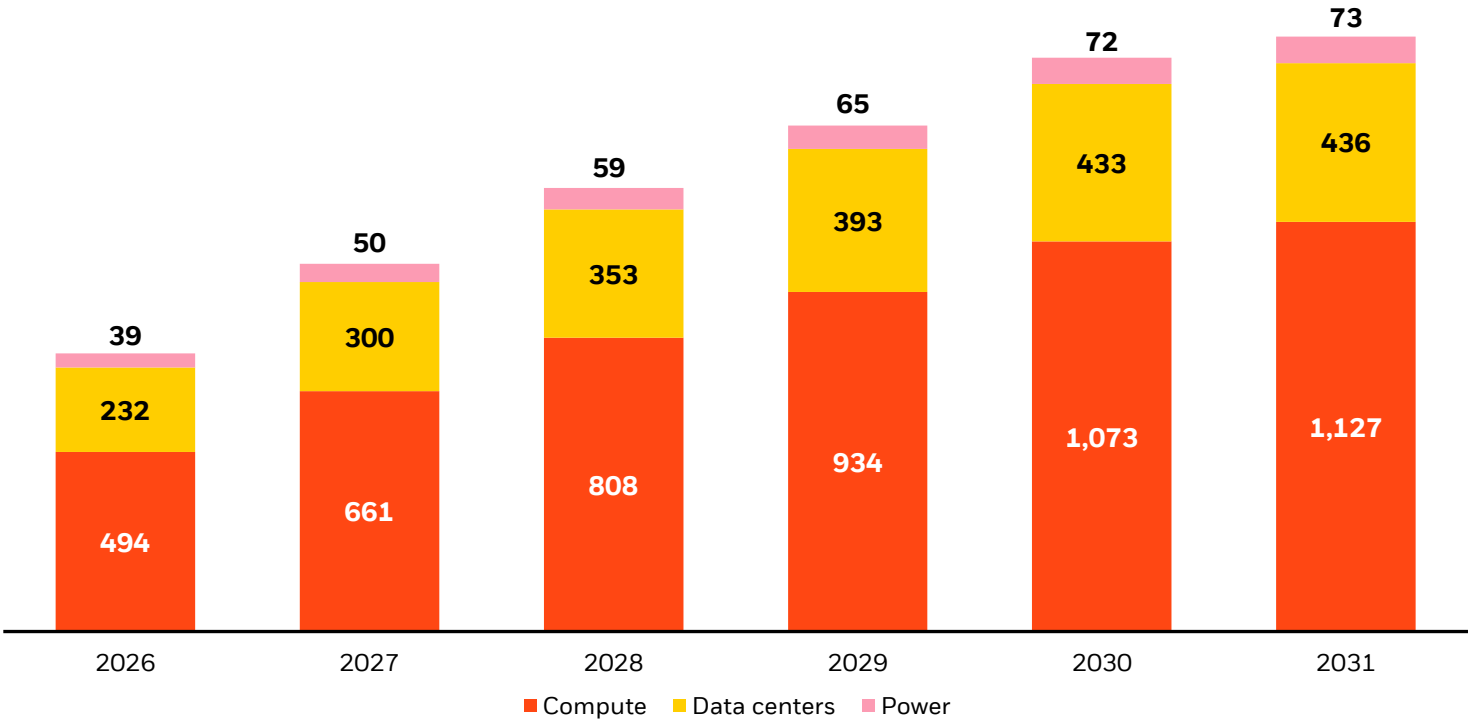
25 KBRA DLD as of June 30, 2026. Spread does not reflect the return of direct lending funds, which will be reduced by, among other things, fees and expenses, or the return that may ultimately be realized on an investment. Higher spreads may represent higher cost of capital for borrowers, and such costs may increase the risk of default or the risk that the loan may otherwise become impaired. OID of 1.15% is amortized over a three-year horizon.

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AI and data center investment is driving a surge in capital spending
AI capex estimates (US$B)



Source: Goldman Sachs, "Tracking Trillions: The Assumptions Shaping the Scale of the AI Build-Out," May 2026.

Beyond AI, private ABF opportunities extend across energy and power, including renewables, gas-fired generation and liquefied natural gas infrastructure. In North America and Europe, investors can also finance essential equipment that businesses lease rather than own, such as medical equipment, commercial vehicles and aircraft.

These finance leases typically amortize over the life of the asset, providing contractual cash flows and a defined repayment schedule. Successful investment depends on the ability to originate assets, assess borrowers' creditworthiness and service the underlying assets efficiently.

Commercial real estate debt is another area where we see attractive opportunities. Property values have reset at the same time that a significant volume of debt is approaching maturity, creating a growing need for refinancing capital. For lenders, this can create opportunities to originate against lower property values and at more conservative leverage levels than earlier in the cycle. Higher base rates and wider credit spreads offer attractive investment income, while the relative value of debt has improved as expected returns have increased significantly since 2021. We believe this backdrop favors selective lending against high-quality assets and experienced sponsors, with an emphasis on structuring investments to protect against downside risk. Residential real estate also offers opportunities amid persistent U.S. housing shortages, including non-qualified mortgages (non-QM) to high-net-worth borrowers that may be better suited for private markets than public securitizations.

Other growing areas include intellectual property royalties, such as music catalogs and sports franchise revenue streams, as well as financing to private investment firms and their underlying assets. While these are intangible assets rather than hard physical assets, many generate contractual cash flows over extended periods, complementing traditional asset-backed exposures.

As financing needs expand across the economy, we believe private ABF will play a growing role within private credit, offering investors access to differentiated assets and contractual cash flows.

Private high grade: Finding value in structured corporate credit

Structured corporate financings allow companies to raise debt capital through special purpose vehicles (SPVs) or joint ventures rather than directly from their balance sheets. These transactions often involve investment-grade parent companies seeking to preserve public debt capacity or finance collateral that is more complex to evaluate.

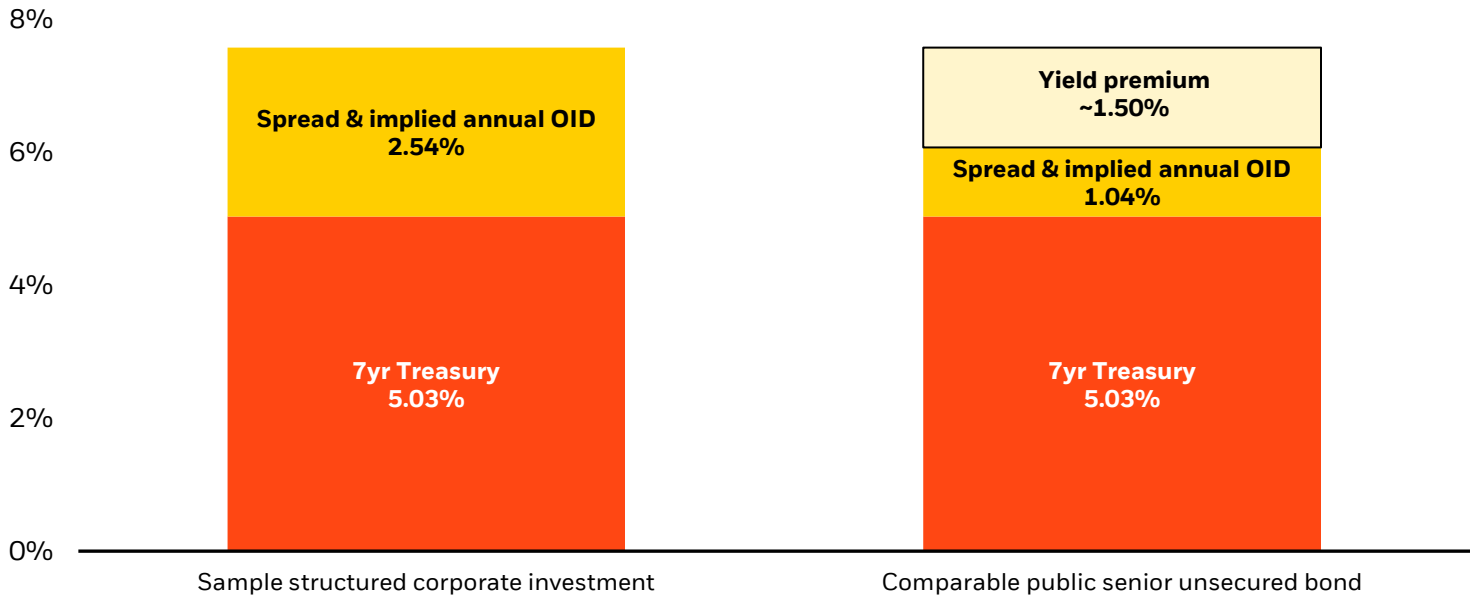
When executed appropriately, we believe these offer some of the most attractive potential risk-return opportunities in credit markets today.

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Structured corporate credit can offer a meaningful yield premium

Example yield comparison



Source: Bloomberg, Seven-year Treasury rate as of Sept. 24, 2026.

Structured corporate investments combine elements of traditional corporate lending and asset-based finance. The issuer may be a bankruptcy-remote SPV or joint venture established to hold a defined pool of assets that serves as collateral to the structured corporate debt, and the credit agreement may include credit support, such as loan-to-value (LTV)-based rapid amortization triggers, that are typically found in ABF transactions.

Lenders may also benefit from credit enhancement provided by a high-quality, often investment-grade-rated corporate operating company (the "parent"). The credit enhancement can take different forms, such as an explicit parent guarantee (the most straightforward structure) or a call or put structure that has the effect of collapsing the SPV and folding lenders into the parent's capital structure (a more complex approach). Through these features, the structured corporate opportunity is evaluated from both an ABF and corporate credit perspective, as the credit risk of the parent is often the final determinant of debt performance.

Structured corporate transactions can offer attractive gross yield premiums relative to a parent company's publicly traded senior unsecured debt. In some cases, we believe the structured debt effectively ranks alongside the parent's existing senior unsecured obligations. The premium, however, does not necessarily represent an arbitrage opportunity.

Rather, structured corporate investors are earning their potential yield premium for risk factors other than corporate credit risk.

First, the effort required to source, structure and negotiate these transactions is substantial. There is significantly more capital available to purchase the parent's public debt than to execute such a private transaction, resulting in favorable supply and demand dynamics.

Second, the connection between the structured corporate debt and the parent can be complex. While explicit guarantees provide a direct connection, other provisions, such as a lender put right, whereby all equity ownership of the SPV is sold to the parent to collapse the SPV structure (resulting in structured corporate lenders becoming senior unsecured creditors to the parent), require careful legal and technical evaluation.

Finally, these transactions are often executed bilaterally (or through a few sophisticated lenders) and therefore exhibit limited secondary liquidity. Investors do not have the ability to de-risk their position through a sale in the secondary market, and so they are compensated with an illiquidity premium.

Structured corporate financings illustrate how public and private credit markets are becoming more interconnected. When the borrower's goal is to minimize cost of capital, public markets typically lead to best execution. However, when the objective is to preserve public debt capacity, solve a specific financing need or raise bespoke capital, private markets may offer an attractive solution.

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Private equity

- The distinction between winners and losers is widening, making operational improvement and business transformation increasingly important drivers of returns rather than financial engineering alone.
- Companies exposed to secular growth themes, particularly digitalization and AI-enabled productivity, may continue to command a premium as investors seek durable earnings growth in a slower-growth backdrop.
- With traditional exit pathways evolving, investors are increasingly focused on creating optionality around liquidity and portfolio management.

Growth equity: Finding durable growth in an AI-powered world

The IPO market showed selective signs of reopening in 2026.[27] After several years of subdued activity, a wave of AI innovation is helping drive a resurgence in larger, high-profile offerings. Yet many of tomorrow's market leaders are emerging and maturing outside public markets. As companies remain private longer, private capital is financing businesses at a scale and stage of development historically associated with public markets. Fueled in part by substantial investment in AI, a growing cohort of private companies is achieving significant commercial scale and valuations, reshaping where investors can access some of the world's most innovative businesses.

This shift is expanding the growth equity opportunity set. Private capital is playing a larger role in financing companies through later stages of growth and is offering investors opportunities to participate in businesses as they scale, mature and redefine their industries.

Rapid valuation expansion, particularly across AI-related businesses, has heightened the importance of distinguishing fundamental growth from market enthusiasm. Disciplined underwriting is essential to identify companies with differentiated technology, durable business models and credible paths to monetization, particularly as dispersion in company fundamentals and outcomes creates a more complex investment landscape.

Technology is also changing how investors evaluate companies. Systematic public equity investors have used alternative data to measure consumer behavior, labor market dynamics, supply chain activity and digital engagement over the past two decades. Machine learning and AI can translate these large, often unstructured datasets into structured investment insights. Increasingly, the same toolkit can be applied to private companies.

As private companies mature, their digital footprints expand through hiring patterns, supply chain activity, media sentiment, web engagement and other data. The trends around this data, or "signals," can provide more timely visibility into competitive momentum and market positioning, particularly where traditional financial disclosures may be limited.

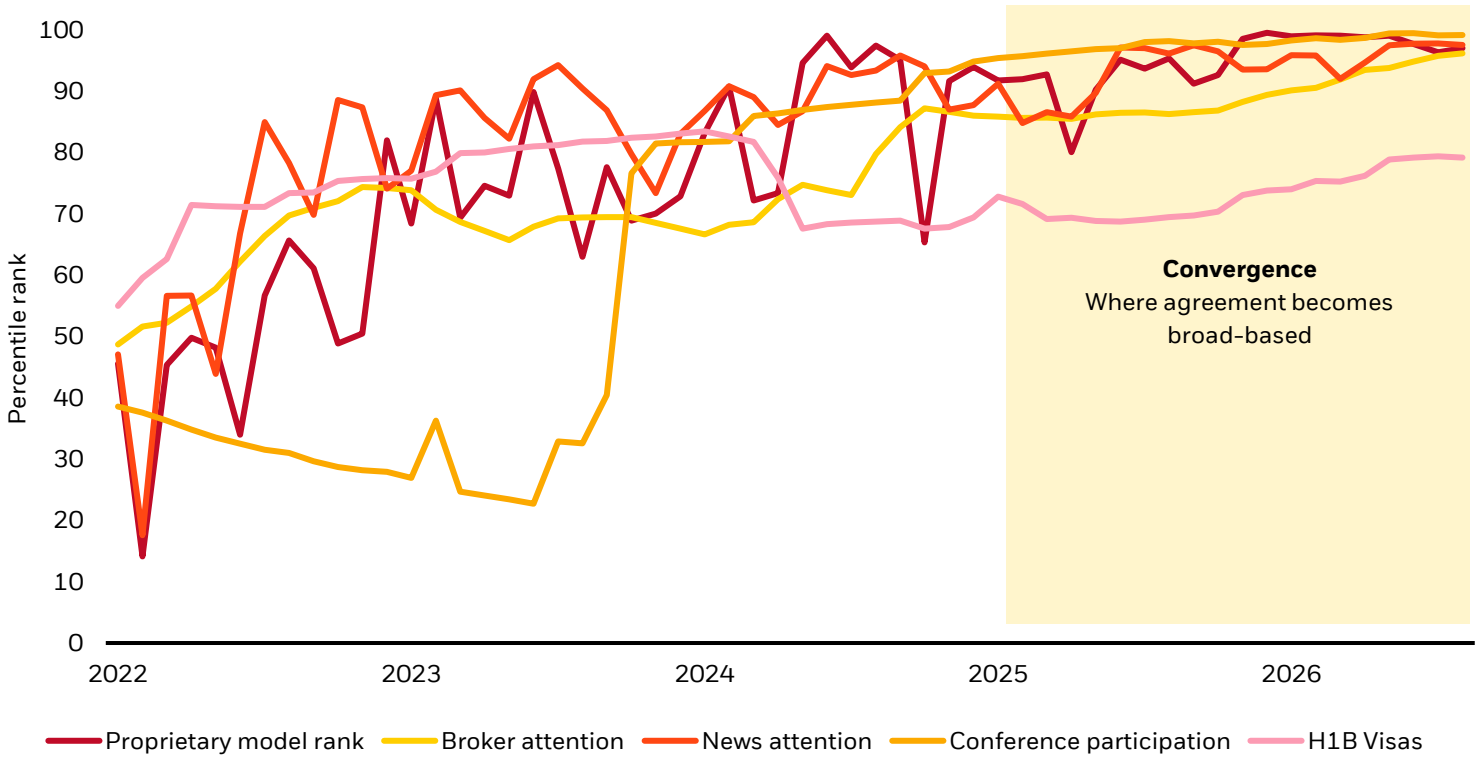
27 Ernst and Young, "What record first-half proceeds signal for the U.S. IPO market," as of August 2026.

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Connecting the dots: A closer view into private companies

Featured comparison (percentile rank)



Source: BlackRock Systematic as of Aug. 1, 2026. Numbers represent percentile rank. A value of 100 is the peak ranking for the signal. A score of 0 means there was not enough data for this signal.

Consider momentum surrounding an agentic cloud platform company. Combining signals across news, hiring, broker attention and industry engagement can reveal when momentum is broadening as multiple independent measures of attention and business activity begin to coalesce. Trends that were once difficult to observe before a company entered public markets are becoming increasingly measurable while it remains private.

For growth equity investors, the advantage lies not in having more data, but in interpreting it effectively. Combining experienced investment judgment with AI-driven analytics and alternative data can expand the information available to investors and bring greater consistency and timeliness to how private companies are sourced, evaluated and monitored throughout their development.

Evergreens: An access model comes of age

Evergreen structures are becoming an important access point to private markets. In the U.S., the evergreen private-market universe exceeded US$650 billion in net assets as of June 2026, more than doubling since the end of 2023.[28]

Within this market, private equity strategies remain a significant driver, with assets increasing nearly fivefold from US$21.8 billion at year-end 2022 to approximately US$108 billion in June 2026.[29] Private equity evergreen strategies also attracted approximately US$14.5 billion of net inflows over
the 12 months to March 2026, compared with US$6 billion over the equivalent period to March 2024.[30]

The trend is also visible in Europe, where evergreen funds grew approximately 24% in the first five months of 2026, reaching €180 billion in May, with private equity representing the largest asset class at €65.4 billion.[31] Supporting this growth is the European Long-Term Investment Fund (ELTIF) framework, which enables eligible long-term investment funds to be marketed across EU member states. ELTIF 2.0 reforms have broadened access and provided greater flexibility, including the ability to offer periodic liquidity.[32] Evergreen structures are gaining traction within the ELTIF market, accounting for more than half of new fund launches in the first seven months of 2026.[33]

28, 29 Morningstar/PitchBook, The Rise of Evergreen Funds: Private Equity Becomes the Industry's Fastest-Growing Strategy, as of October 2026.
30 Morningstar, The State of Semiliquid Funds 2026, as of June 2026.
31 Novantigo, Growing Evergreen Funds Despite Heightened Private Credit Scrutiny, published Aug. 13, 2026. Data as of May 2026.
32 European Commission, Capital Markets Union – Reform of Long-Term Investment Funds, published Oct. 30, 2024.
33 Scope Fund Analysis, ELTIF Market Continues to Grow: 49 New Funds Since the Start of the Year, published Sept. 1, 2026. Data as of July 31, 2026.

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The relevance of these structures also extends beyond wealth investors. For institutional investors, these vehicles can complement traditional private equity programs by providing an additional tool to build and maintain exposure to the asset class over time, while simplifying the allocation and reinvestment process. Evergreen strategies may, therefore, play a growing role alongside established closed-end structures within broader private-market portfolios.

Looking ahead, continued adoption is expected to support further expansion, with U.S. evergreen fund assets projected to reach US$1.1 trillion by the end of the decade.[34] As the market grows, the focus is shifting beyond access alone toward how these vehicles are designed and managed.

Liquidity management is a central consideration in balancing the long-term, inherently less-liquid nature of private investments. This requires disciplined investment pacing, active liquidity management and diversified exposure across investments, sectors and vintages.

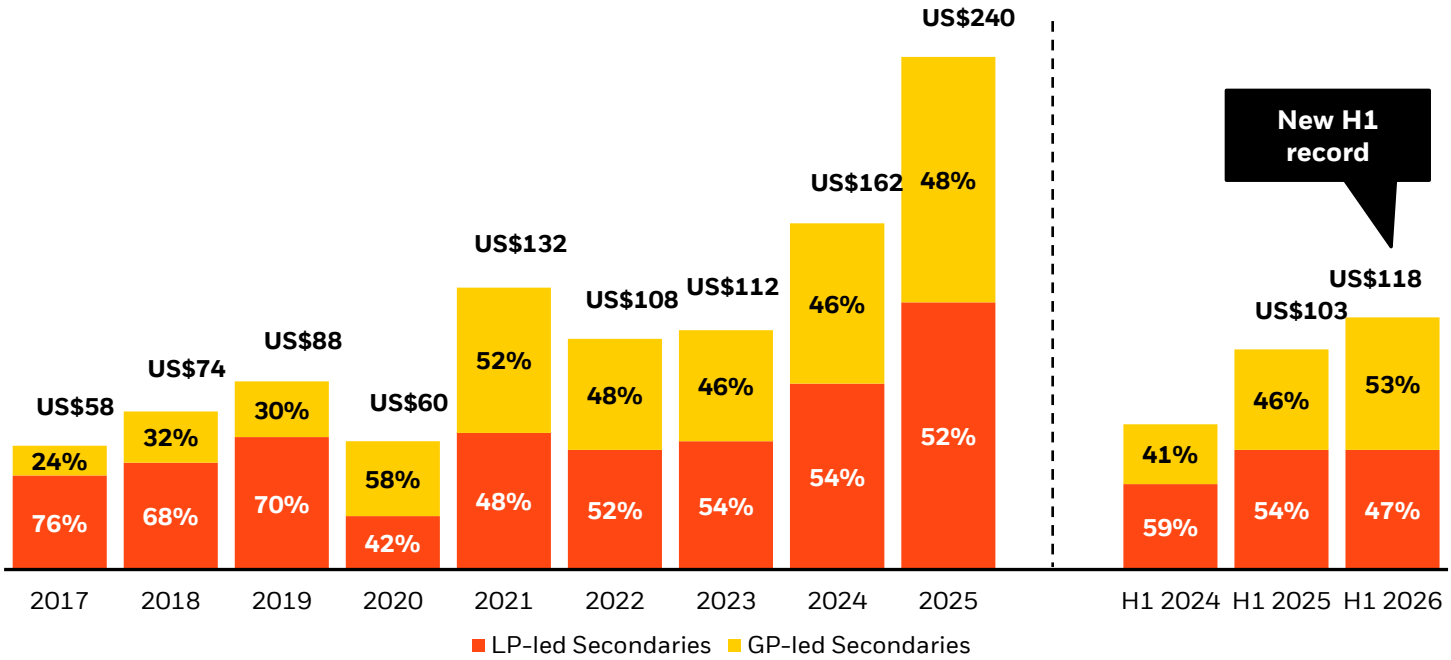
Beyond liquidity management, the underlying investment strategy also matters. A direct co-investment-led approach can offer greater visibility into individual investments and more deliberate control over portfolio construction. Selective use of secondaries can further complement this approach by providing access to more mature investments, broadening vintage diversification and supporting efficient capital deployment.

The continued maturation of the market is therefore placing greater emphasis on the quality of fund design and execution, including the ability to combine differentiated investment access with disciplined portfolio construction and effective liquidity management. Liquidity frameworks need to be aligned with the characteristics of the underlying portfolio, while disciplined deployment can support diversification across market environments. Governance, valuation processes and the management of investor flows are similarly important components of a robust evergreen framework.

Secondaries: A growing market rewards selectivity

The secondaries market enters 2027 in a position of considerable strength, with transaction activity in 2026 potentially exceeding US$260 billion,[35] which would set a new annual record. As the market grows, the opportunity set is becoming both broader and more varied, creating more avenues for liquidity and portfolio repositioning. This is also contributing to greater dispersion across assets, sponsors and transaction structures.

Historical transaction volumes
Secondary closed transaction volume by type (US$B)



Source: Jefferies, Global Secondary Market Review, July 2026.

34 Morningstar/PitchBook, Q3 2026 U.S. Evergreen Fund Landscape, September 2026.
35 Jefferies – Global Secondary Market Review – July 2026.

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Alongside traditional M&A and IPO exits, secondaries provide additional liquidity options through LP-led transactions, where investors sell existing fund interests, and GP-led transactions, where managers initiate liquidity solutions for portfolio assets. Within the GP-led market, continuation vehicles have become an increasingly established alternative to traditional exits. In the first half of 2026, GP-led transactions represented 53% of secondary activity, with continuation vehicles now representing 14% of total private equity sponsor-backed exit volume.[36]

As adoption expands, investors will encounter a wider range of sponsors, assets and transaction structures, placing greater emphasis on asset quality, sponsor alignment, entry valuation, remaining capital requirements and credible paths to realization.

LP-led activity is evolving as well. Sales are increasingly being driven by active portfolio management rather than distress, with investors using the secondary market to generate liquidity, manage mature exposures and rebalance portfolios. At the same time, firm headline pricing masks meaningful dispersion. In H1 2026, average LP pricing held at 87% of NAV, [37] but demand remained strongest for high-quality, diversified buyout portfolios, while more challenged strategies and older assets experienced less consistent buyer interest and wider pricing outcomes.

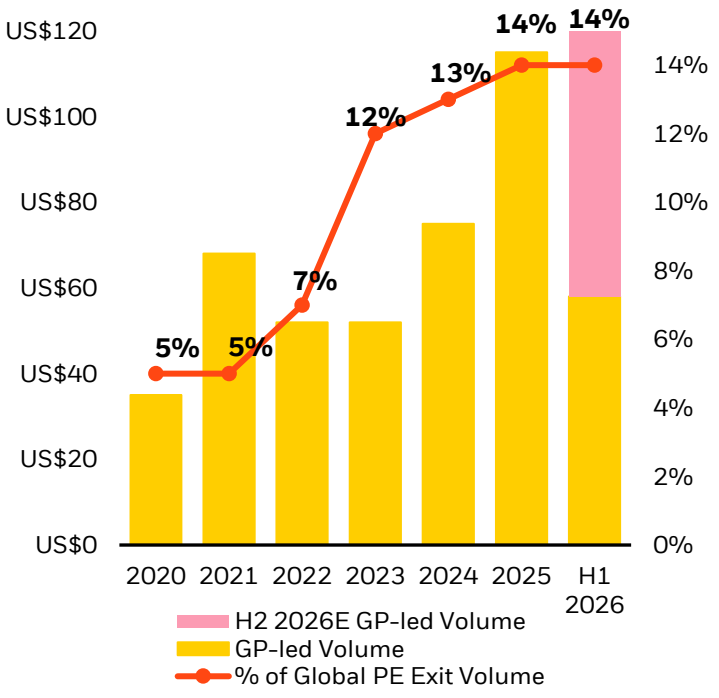
Approximately one-third of LP-led transactions incorporated some form of structured solution, such as the use of deferrals, preferred equity, managed funds and collateralized fund obligations (CFOs) in the first half of 2026,[38] reflecting a broader toolkit for addressing differing liquidity, valuation and portfolio objectives.

Meanwhile, dedicated secondary dry powder declined to an estimated US$194 billion[39] against US$252 billion of trailing 12-month transaction volume[40] — equivalent to less than one year of available capital at recent activity levels. This dynamic could reinforce selectivity as buyers balance deployment with capital availability.

Looking into 2027, continued growth should create more choice, but not necessarily a more uniform opportunity set. Differences across assets, sponsors and transaction structures will place greater emphasis on disciplined underwriting, thoughtful portfolio construction and the ability to navigate complex transactions.

GP-led share of global PE exit volume

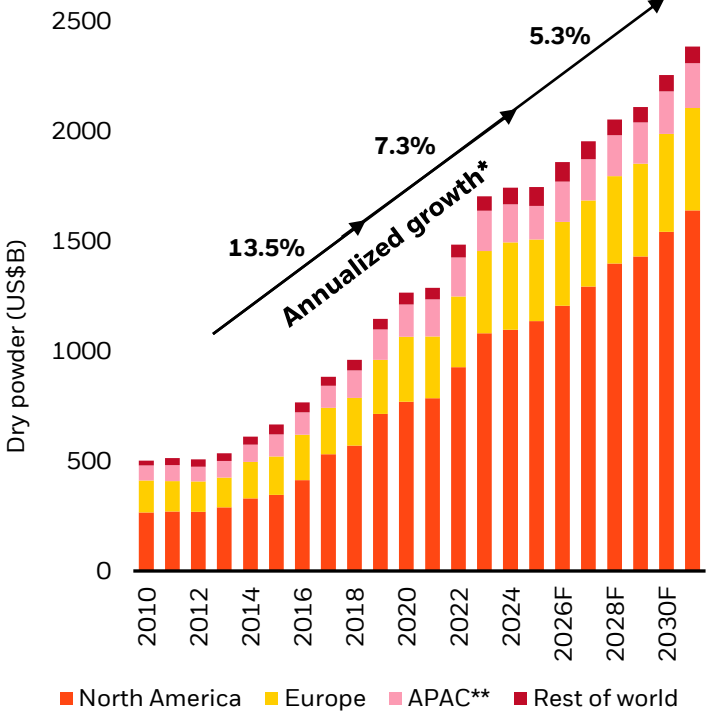
GP-led contributions to global PE exit volume (US$B)



Source: Jefferies, Global Secondary Market Review, July 2026.

Dry powder to grow more slowly than AUM

Private equity dry powder (US$B) by primary geographic focus



Source: Preqin Private Markets in 2031, as of October 2026. *Values relate to end of year. The degree of incline for the annualized growth line is not proportional to the rate of growth. **Excludes funds denominated in yuan renminbi. To avoid double-counting, total excludes separate data for secondaries and funds of funds.

36, 37, 38, 39 Jefferies, Global Secondary Market Review, July 2026.
40 Evercore, H1 2026 Secondary Market Review, July 2026.

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Real estate

- Real estate performance is becoming increasingly tied to structural shifts in how people live, work, consume and use technology rather than broad economic recovery alone.
- Constraints on new development are setting the stage for potentially stronger income growth, especially within property types with strong demand trends.
- Active ownership and asset-level expertise are becoming more important differentiators as investors seek to unlock value in a less synchronized market environment.

Scarcity defines the next cycle

Global real estate enters 2027 with constructive supply-demand fundamentals, creating compelling opportunities for income growth and value creation, although the interest rate environment remains uncertain. Significant repricing since 2022 has created more attractive entry points across many markets, while higher long-term government bond yields are reinforcing the importance of income growth, disciplined underwriting and active asset management. At the same time, resilient occupier fundamentals and reduced development pipelines continue to support the outlook for income growth in selected sectors. We therefore see a market offering attractive individual opportunities rather than a broad-based recovery.

We do not expect a simple rerun of the 2010s. Regardless of the near-term path of policy rates, financing, construction and operating costs are unlikely to return to the unusually benign conditions that supported broad-based yield compression between 2010 and 2020. The recovery in the capital markets can provide a more supportive backdrop, but the next stage of the cycle should depend more on starting income, rental growth, asset relevance and execution.

While repricing has been broad, the recovery is likely to be more selective, with property performance becoming increasingly dispersed across regions, cities, assets and managers.

Macro change is becoming real estate demand

Buildings are the physical expression of the economy, and the mega forces reshaping growth, such as demographic change, digitalization and the reconfiguration of supply chains, are changing where, how and what kinds of real estate the global economy needs. Across residential, data centers and logistics, these shifts are creating new sources of demand while making the location and characteristics of individual assets increasingly important.

Household growth is sustaining residential demand even where population growth is modest. Smaller households, later family formation and migration into successful cities are supporting demand for conventional rental housing, student accommodation and other living formats, often in markets where planning constraints, construction costs and limited development finance restrict supply.

Digitalization is creating another major demand pool. AI, demand for compute and cloud adoption require more infrastructure, but digital demand is global while the infrastructure serving it is intensely local. Power, connectivity and customer requirements determine where capacity can be delivered. The speed of demand is colliding with the slower pace of grid expansion and planning.

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Household growth exceeds population growth in most countries

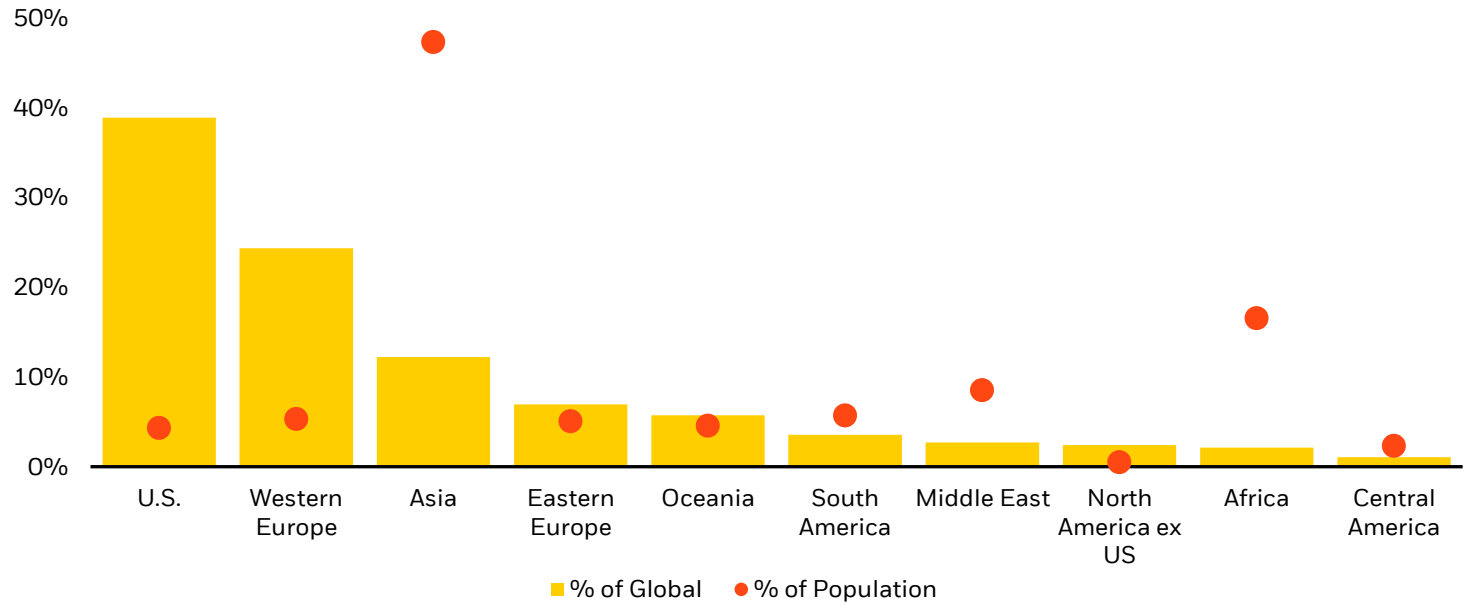
Forecast household and population growth, five-year annualized (2026–2030)



Source: Oxford Economics, as of September 2026.

Data center capacity suggests runway for demand in development

Global share of data centers and population, by count



Source: Data Center Map, as of September 2026; UN, as of December 2025.

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Industrial and logistics networks are also changing. Alongside efficiency and cost, occupiers increasingly prioritize resilience, security and redundancy. For example, the EU's ReArm Europe Plan/Readiness 2030 initiative has set aside €800 billion for pan-European defense readiness.[41] In the U.S., efforts to reshore manufacturing and diversify supply chains are reshaping demand for production facilities and distribution networks. These shifts, alongside additional inventory requirements and e-commerce, require physical space, but demand will not benefit every warehouse equally. Access to transport, labor and power, and relevance to occupiers' networks, are increasingly important.

Scarcity converts demand into pricing power

Strong demand alone does not make a good investment. The critical question is whether supply can respond, and how quickly. Some constraints are cyclical: Development may restart as financing conditions improve. Other limitations are structural and harder to overcome, such as land availability, planning, secured power and grid capacity.

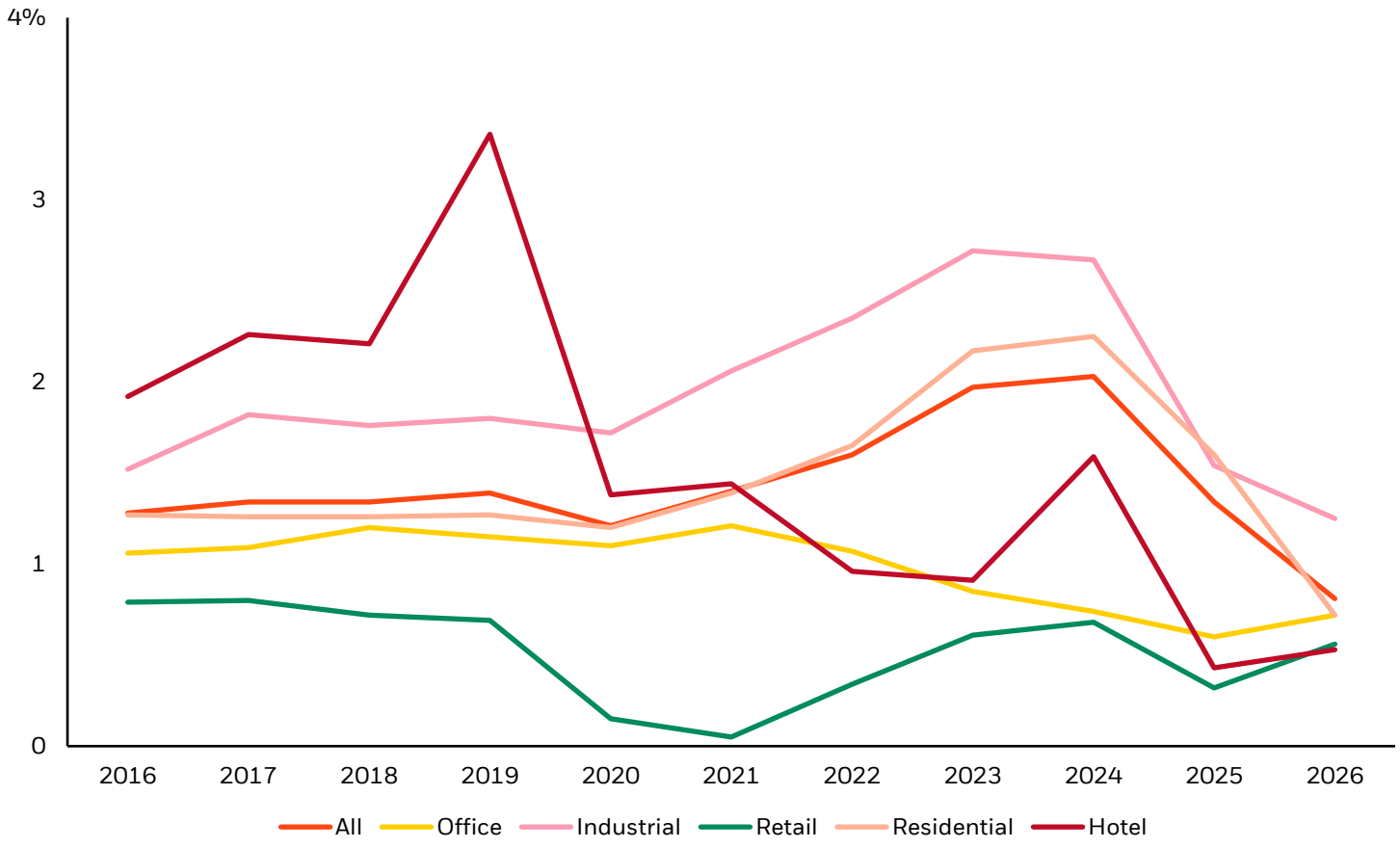
Higher construction and financing costs have already reduced development pipelines across many property types. Yet the most durable opportunities may lie where scarcity persists even after capital markets recover: sites that cannot easily be replicated, locations where planning takes years or assets requiring specialist operating capabilities.

The result is scarcity within abundance. There can be too much real estate overall, yet too little of the space tenants actually want. An extensive data center pipeline is not the same as deliverable capacity. Abundant industrial space does not guarantee suitable logistics facilities close to consumers. Strong housing need does not ensure homes can be delivered at affordable rents.

Across parts of Europe, these dynamics connect household formation, changing industrial networks and digital demand with constrained supply. The opportunity is not simply to buy into a regional recovery, but to address specific shortages in living, logistics and data centers.

In the U.S., net lease build-to-suit investments offer one way to capitalize on these changing industrial requirements, delivering modern facilities tailored to occupiers' needs. Such transactions can offer a yield premium relative to completed assets, providing a potential margin of safety at entry. Contractual rent escalations and limited landlord obligations can also support durable income growth, while significant tenant investment in equipment and automation can reinforce long-term occupancy.

Higher construction costs and interest rates are constraining supply
Global real estate development as a percentage of existing stock



Source: Oxford Economics, as of September 2026.

41 Future of European Defence, last updated Nov. 19, 2025.

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In Asia Pacific, investors can participate in the region's growth through transparent, liquid markets such as Australia, Japan, Singapore and New Zealand, without necessarily taking direct emerging-market exposure. The region's differing economic and property cycles also offer potential diversification benefits within global portfolios. We see particular opportunities in alternative living in Japan and Singapore, last-mile logistics in Australia and New Zealand, and emerging specialist sectors such as self-storage, where structural demand, supply constraints and active management can create value.

Scarcity must nevertheless be underwritten rather than assumed. Affordability can limit rental growth, while improved financing conditions could revive development in some locations. The appropriate unit of analysis is therefore the city, submarket and building, not just the sector.

Areas of focus in 2027

As we head into the new year, we see opportunities in supply-constrained living and well-located logistics across selected cities, as well as data centers where power access and tenant demand create meaningful barriers to entry. Just as importantly, we expect refinancing pressures, liquidity needs and higher capital costs to bring more complex portfolio transactions, recapitalizations and repositioning opportunities to market. With capital available but investor conviction increasingly selective, we believe the advantage will lie with those able to underwrite complexity, drive income growth and execute asset-level business plans rather than rely on yield compression.

This is why we believe the next cycle will be more about alpha and less about beta. Sector selection alone is less likely to compensate for weak asset selection or mediocre execution. Identifying demand is only the beginning; investors must be able to deliver what occupiers need.

Local relationships, planning expertise, operating platforms and development and refurbishment capabilities can therefore matter more than simply gaining exposure to a favored sector. Value creation might involve improving an existing building, leasing vacant space, delivering housing where supply is constrained or converting secured power into usable digital infrastructure.

These are not interchangeable capabilities. Global insights help identify structural change, but local knowledge determines whether it can be translated into an executable business plan. The objective is to manufacture institutional-quality assets by solving physical or operational constraints, then enhance income and, where appropriate, aggregate assets into scalable portfolios.

Discipline remains essential. Entry pricing should provide a margin of safety, while business plans should offer multiple routes to value rather than depend on a single leasing assumption, exit buyer or movement in capitalization rates. The strongest opportunities combine structural demand with actions investors can influence directly.

In this environment, execution becomes a larger part of the return equation. We believe the next phase of real estate investing will reward investors who can pair structural demand with asset-level expertise, local knowledge and capital solutions, particularly where supply is constrained and active ownership can create value.

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Alternative portfolio solutions

- A more fragmented market backdrop is reinforcing the case for combining multiple alternative asset classes to access a broader range of return drivers.
- Portfolio resilience may come less from traditional diversification labels and more from understanding how assets respond to different economic and market conditions.
- The increasing specialization of private markets is creating opportunities for investors to build portfolios around specific themes, risks and objectives rather than relying solely on broad asset-class allocations.

Dispersion is the opportunity

As private markets expand, the broad market tailwinds that supported returns in the previous cycle are fading, creating greater dispersion across asset classes, managers and individual investments. Capturing these opportunities while managing the associated risks requires a more selective approach to portfolio construction, with a clear understanding of the underlying drivers of portfolio returns.

Selectivity across the opportunity set

Infrastructure remains a high-conviction asset class. It sits at the intersection of digitalization and AI, electrification, energy security and demographic change, and is characterized by stable counterparties and diversified sources of return. AI is not only a software story; it is also a power, fiber and grid investment story. We see opportunities across digital infrastructure, power generation and energy-related assets, but we believe entry valuation, leverage and execution make selectivity critical.

In private credit, a more mature and competitive market increasingly rewards underwriting discipline, collateral quality, structure and complexity. Higher base rates and spreads that have widened from their lows following retail investor concerns around U.S. BDCs in late 2025 and early 2026 have created opportunities for selective capital deployment. As performance diverges between borrowers, we favor higher-quality and more structured opportunities, including larger-scale borrowers, asset-backed finance and infrastructure debt.

In private equity, the traditional buyout market continues to work through investments made during the era of low interest rates, with approximately US$3.3 trillion of unrealized value[42] across 33,575 unsold PE-backed companies globally.[43] This has helped transform secondaries from a niche liquidity solution into a core portfolio construction tool, offering access to seasoned assets and managers while mitigating the J-curve effect.

Growth equity and venture look very different, having evolved to become the largest components of the private equity market, based on AUM. AI and technological disruption are driving significant value creation, but in a concentrated manner, highlighting the importance of access, valuation discipline and selectivity.

A relatively small group of late-stage private companies has generated an outsized share of recent valuation growth. This creates a familiar portfolio challenge: Too little exposure to the companies driving market returns can create a meaningful performance gap, while too much can leave portfolios concentrated in the same companies, themes and economic risks.

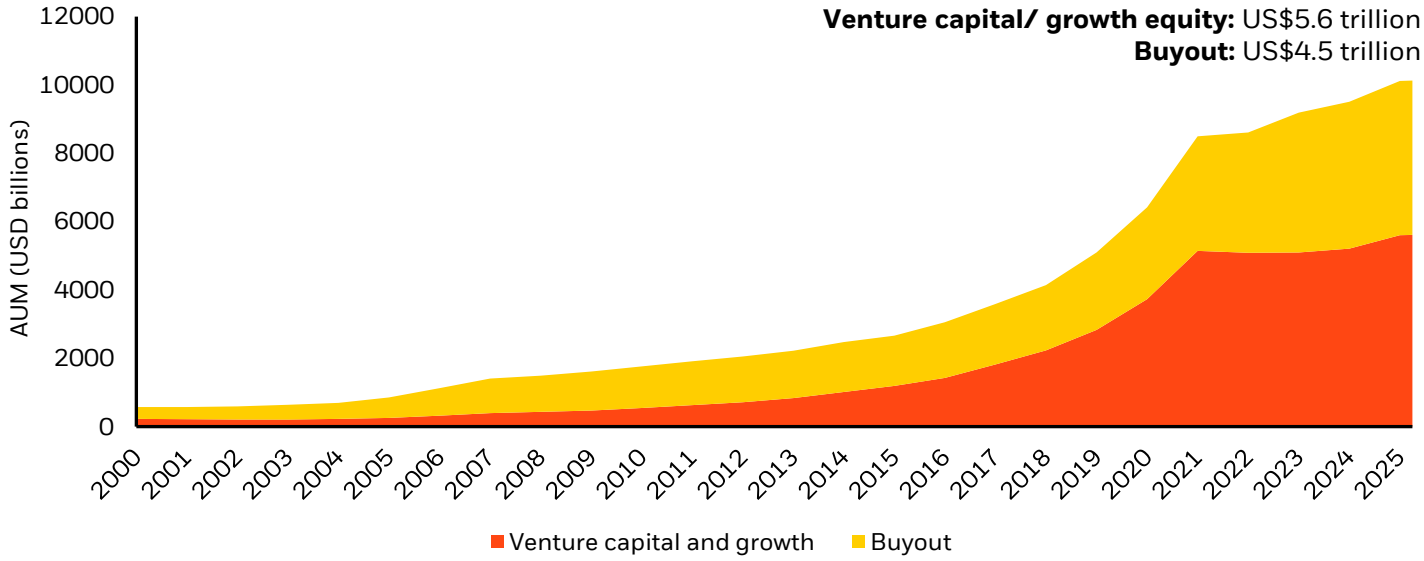
42 Preqin, March 2026.
43 PitchBook, June 30, 2026.

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Venture capital and growth equity reshape the private equity landscape

Assets under management for venture capital/growth equity vs. buyout (USD billions), 2000–March 2026



Source: Preqin, March 2026. AUM includes dry powder and unrealized value.

As in public markets, the answer is not simply to avoid concentration, but to manage it by combining access to important sources of growth with broader diversification across managers, strategies and return drivers. That balance becomes particularly important when diversification across private-market asset classes can still leave investors exposed to many of the same underlying economic risks.

Across private markets, future returns are more likely to depend on operational improvement, revenue growth, manager skill, sector expertise and valuation discipline than on leverage and multiple expansion.

Turning dispersion into portfolio outcomes

For investors, effective portfolio construction starts with understanding existing exposures, economic risks, liquidity needs, return objectives and investment horizons. Rather than relying on predetermined asset-class allocations, investors can evaluate opportunities across primaries, secondaries, co-investments and direct investments, while actively managing sizing, pacing and liquidity.

As performance dispersion widens, outcomes will depend more on what investors own, the price they pay and how investments are structured and implemented.

Diversification beyond asset-class labels

Allocating across private equity, credit, infrastructure and real estate does not necessarily diversify economic risk. Different asset classes can share exposure to growth, equity markets, credit spreads, interest rates and refinancing conditions.

Investors can use private-market data, benchmarks and portfolio analytics to identify overlapping exposures, assess relative value and evaluate how individual investments contribute to overall portfolio risk. We also see opportunities in private-market diversifiers with returns driven more by asset-specific factors, including intellectual property and royalties, insurance and risk transfer, and other nontraditional real assets.

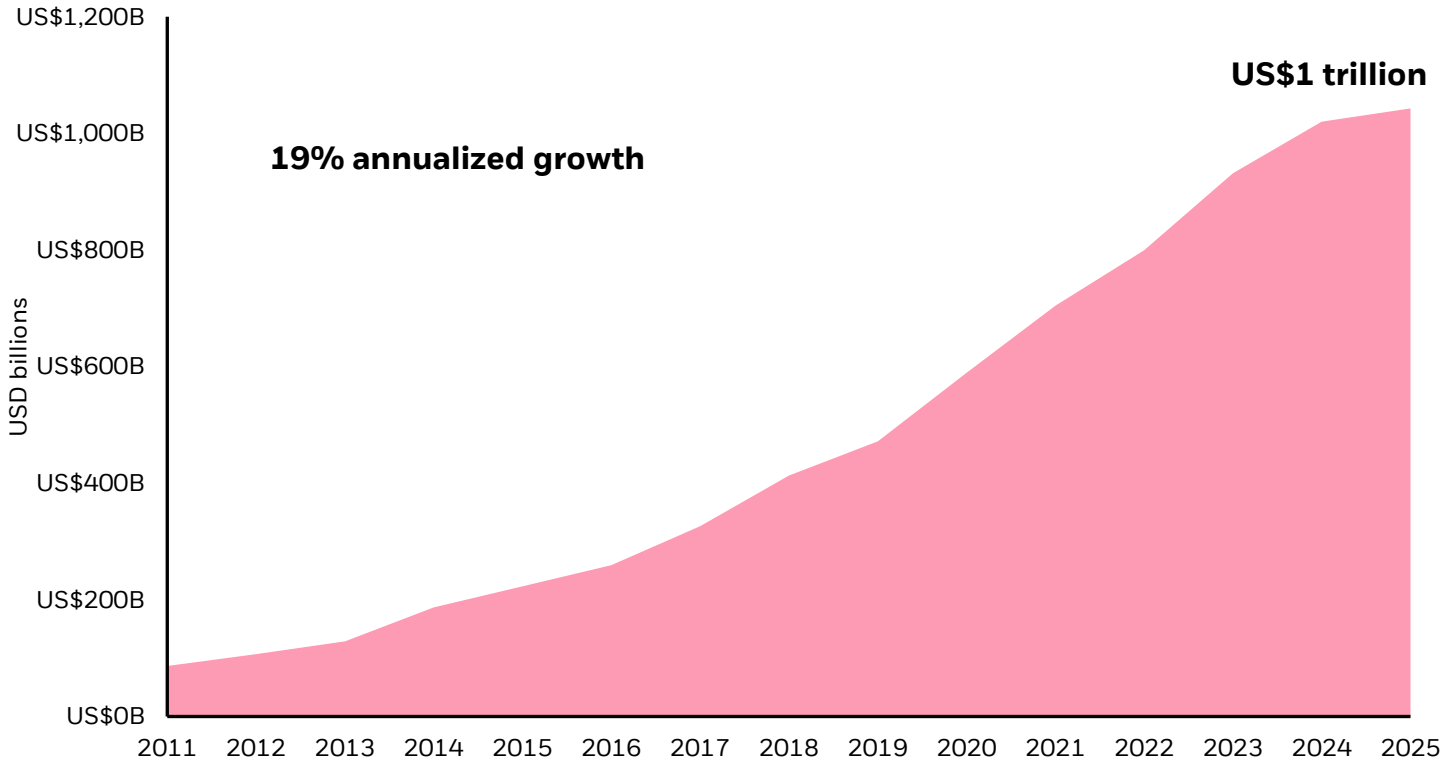
These investments can complement core private-market exposures with differentiated cash flows that are less dependent on traditional corporate earnings or market beta. Diversification is not simply about owning more asset classes. It is about owning genuinely different risks.

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Demand for private-market diversifiers continues to accelerate amid rising concentration

Private-market diversifier assets under management, 2011–2025



Source: Underlying data sourced from Preqin, as of October 2026. For illustrative purposes only. Private market diversifiers are proxied by a subset of the Preqin private markets universe, including: Insurance-Linked Securities, Sports Finance, Sustainability & ESG Niches, Entertainment Intellectual Prop, Esoteric Real Assets, Specialty Finance, Other Alts - Niche Strategy, Geo Unconstrained, Disrupted & Diversifying Sectors.

Building better private-market portfolios for more investors

As access to private markets expands through evergreen funds, interval funds and other investment structures, investors face a broader set of decisions: how much to allocate, which investments to own, how to combine them, which structures to hold them in and how to manage liquidity over time.

Investors should consider how private investments interact with existing exposures and whether they contribute distinct sources of return and risk. That requires looking beyond individual products or asset classes to understand their role within the broader portfolio.

As private markets become a larger component of portfolios, disciplined portfolio construction will be essential to translating individual investment opportunities into better overall outcomes.

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