

# The State of Private Markets 2026

Building for what's next



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### A watershed moment

Private markets have grown faster than the infrastructure supporting them. Better data, common standards and analytical rigor are closing the gap.

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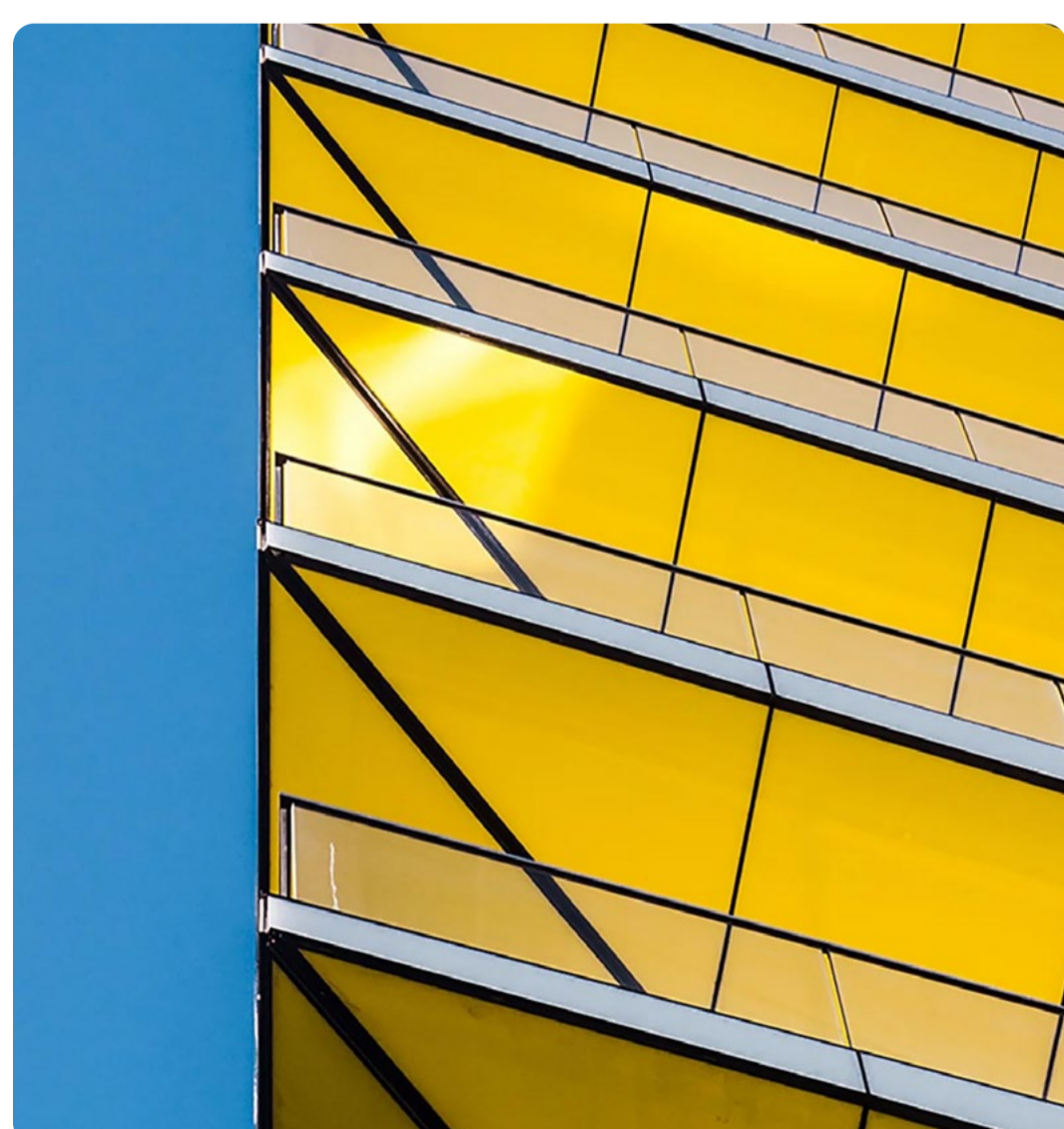
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Private markets are maturing — and so is the infrastructure of data and analytics needed to navigate them with confidence.

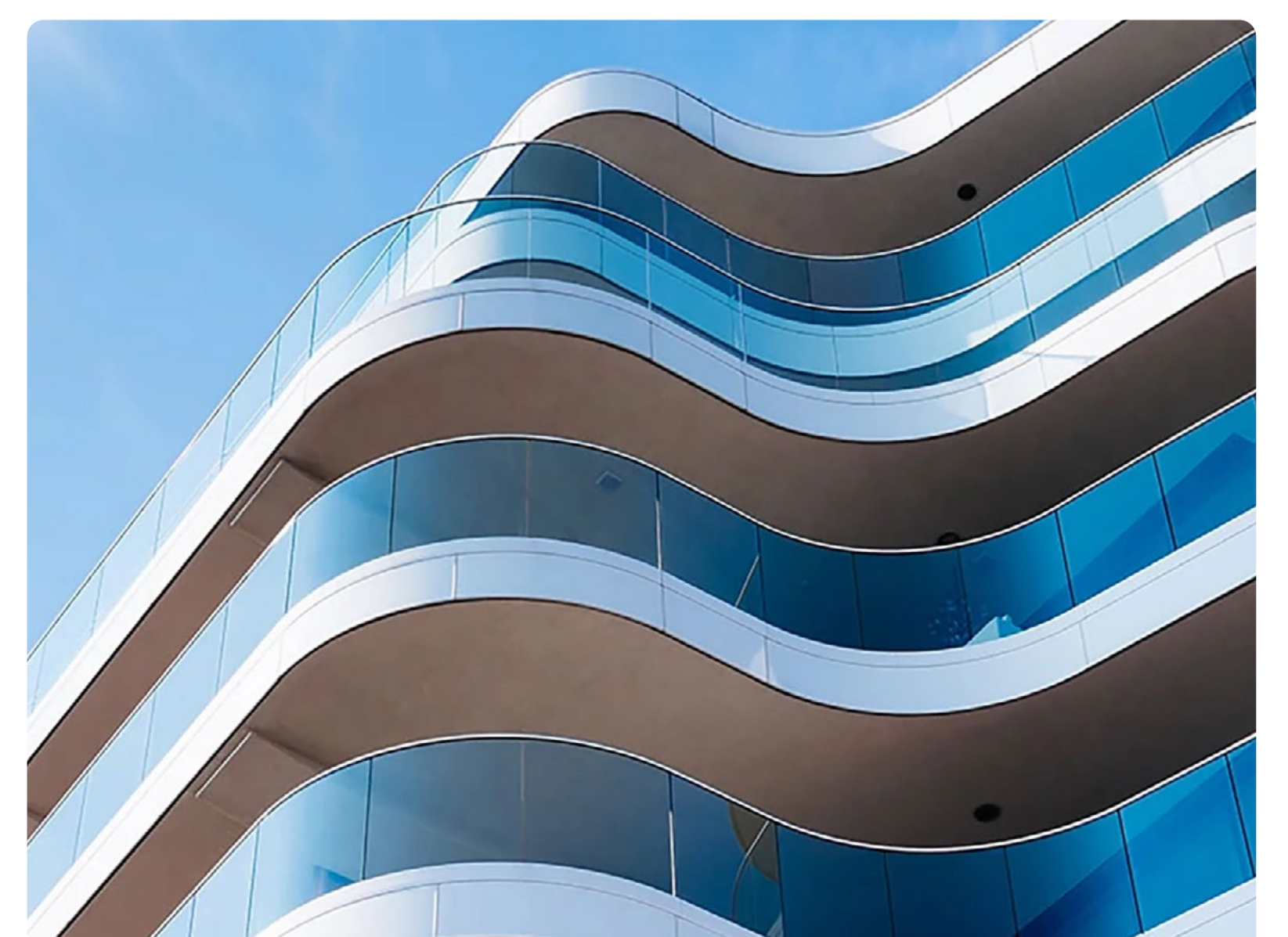
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Venture capital closed 2025 with its first double-digit annual return since 2021. Elsewhere, the picture was not as bright.

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# A watershed moment

Private markets are transforming the global financial ecosystem, becoming a cornerstone of institutional and wealth portfolios alike. With rapid growth in recent years has come a commensurate rise in expectations for transparency, data quality and the kind of rigorous, timely insight into holdings and exposures that sophisticated allocators now apply across their entire portfolio. These are demands that private markets were not historically built to meet. Navigating that gap is what this report sets out to explore.

As I write this in the spring of 2026, the dynamics playing out across the industry are instructive. Pockets of stress have emerged — most acutely within the private-credit market — suggesting a misalignment of expectations between investors and managers. But what should not be underestimated are the genuine questions arising around the integrity of valuations, the gap between expected and realized liquidity in semi-liquid structures, and exposure concentrations that largely went undetected until dislocations in public markets made them difficult to ignore. As these realities suggest, the infrastructure supporting private markets has not kept pace with the quantum of capital flowing into them.

For much of private markets' history, opacity was part of the value proposition, rewarding patient capital and creating barriers that justified the illiquidity premium. That compact is increasingly under pressure from multiple directions: the expansion of private markets into wealth and retirement channels, the liquidity gap being bridged by evergreen and other semi-liquid structures, and the growing expectation that private exposures be evaluated within a total-portfolio framework alongside public holdings.

None of that is straightforward. Integration without sufficient data quality doesn't produce clarity; it produces false precision, which may be the more dangerous outcome. Consistent marks, transparent fee treatment and standardized reporting are not byproducts but prerequisites for private markets scaling responsibly.

**“The infrastructure supporting private markets has not kept pace with the capital flowing into them.”**

MSCI has spent decades building the data infrastructure and analytical frameworks that underpin how public markets are understood, measured and managed. We are now applying that same expertise, rigor and independence to private markets — with the conviction that better data and common standards will define what the asset class can ultimately become and help investors navigate with greater confidence.

We hope the research and insights in this inaugural outlook prove valuable. We welcome your feedback, and encourage you to reach out to discuss anything within these pages further. Our commitment is to continue to innovate in private markets, to build the essential infrastructure needed to help the industry scale — and scale well.



**Luke Flemmer**  
Head of Private Assets

# Highlights

## 01 Transparency in high demand

A fifth of the world's largest institutional portfolios is now in private markets, yet investors are being asked to make faster, total-portfolio decisions with data that is often old by the time it arrives. Rising expectations to analyze investments across the total portfolio are fueling demand for data designed to narrow the gap between reporting periods. The question is not whether investors want to know what they own, it's whether the industry can consistently provide that level of transparency.

## 02 An expectations crisis hits private credit

Investors are learning that semi-liquid indeed means *semi*-liquid, as high-profile bankruptcies in late 2025 triggered a wave of redemption requests in unlisted private-credit evergreen funds. Subsequent concerns about AI threatening software investments sparked volatility in listed vehicles, raising questions about whether price moves reflect genuine deterioration in fundamentals or uncertainty amplified by incomplete information. Smaller closed-end private-credit funds are showing materially higher write-down rates than larger peers, suggesting distress may be more uneven than expected.

## 03 Investors are waiting (and waiting) for their money back

Private-equity exits have slowed as managers continue to hold onto portfolio companies rather than sell at prices the market will bear, and companies stay private longer. The result is an ongoing liquidity drought reshaping how general partners return cash to investors, spurring the use of continuation vehicles and supercharging activity in the secondary market.

## 04 Locked-up capital impacts fundraising

For managers, the pressure is creating a market of haves and have-nots, with nearly two-thirds of GPs ranking fundraising as their top challenge. That's not surprising when the 50 largest managers have captured more than 4 percentage points of additional market share since 2021, reflecting a broader shift of capital toward established managers.

## 05 AI is reshaping the landscape

AI-related assets now account for roughly 16% of global private equity — USD 739 billion, of a USD 4.5 trillion universe — while trillions in new capital may be required to build the infrastructure behind it. A surge in data-center construction is creating opportunities across asset classes, with strong historical returns on data-center investments, though the risks are growing as the facilities themselves become more complex and capital-intensive. For investors, the AI wave is not a single allocation decision but a reason to reassess exposures across the entire portfolio.

## 06 Evergreen funds mark a structural shift

What was once a niche structure has cleared USD 500 billion in assets, growing more than 30% in a single year. In recent months, however, concerns about valuation quality and redemption management have shifted from theoretical to urgent as gates have gone up across some of the largest funds.

## 07 Private markets blur traditional asset-class boundaries

Private-credit funds often carry meaningful equity exposure, while thematic investments such as data centers span infrastructure, real estate, private equity and beyond. Even deal-level analysis may miss important dynamics, such as declining duration in aging credit portfolios. As a result, fund classifications alone offer an incomplete view of underlying risks. A more granular approach — and ultimately a factor-based lens — can better capture exposures across strategies, supporting a more integrated, total-portfolio approach to asset allocation.

Performance  
snapshot

## 01



Asset classes in 2025 presented more than one story. Venture capital staged a comeback after years in the wilderness, while buyout continued to grind through post-boom challenges. Despite the turmoil late in the year, private credit held its ground. Real estate remained under pressure, and the gap between leaders and laggards across private markets widened.

# Venture capital resurgent

Returns for closed-end funds through year-end 2025 were headlined by venture capital's strong fourth quarter, closing with a 7.2% quarterly return and capping a 22.0% annual gain. Private equity more broadly was more subdued, with buyout lagging in both the fourth quarter (up just 2.0%) and for the full year (up 10.1%).

Private credit ended the year up 1.8% in the final quarter for a 2025 return of 9.8%.

Investor attention, however, has already shifted to first-quarter marks, where the real question is how valuations moved alongside the volatility in listed equity markets and the ongoing redemption challenges in evergreen funds.

Real estate, meanwhile, extended its difficult run with another slightly negative quarter, a pattern that has largely defined the asset class since 2021. Its 2025 return was the weakest of the real-asset strategies for a fourth consecutive year.

## Calendar-year and quarterly returns (Percentage)

	Annual			2025			
	2023	2024	2025	Q1	Q2	Q3	Q4
Private equity	5.9	5.8	13.3	1.8	4.3	3.0	3.5
Venture capital	-2.1	5.3	22.0	2.1	4.9	6.3	7.2
Expansion capital	9.3	8.9	6.3	1.3	2.4	2.0	0.6
Buyout	9.6	5.7	10.1	1.8	4.5	1.6	2.0
Private credit	10.2	7.5	9.8	2.0	3.7	1.9	1.8
Direct lending	11.9	7.1	10.9	3.0	4.3	1.7	1.5
Opportunistic lending	11.4	8.5	9.6	1.5	3.5	2.4	1.9
Real estate debt	5.4	6.2	5.8	1.5	1.8	1.6	0.8
Private real assets	1.4	2.6	7.6	1.7	3.3	1.3	1.2
Private real estate	-6.1	-2.7	2.0	0.6	1.7	-0.2	-0.1
Natural resources	1.5	3.6	4.5	0.9	1.2	1.7	0.7
Infrastructure	8.5	6.6	12.8	2.9	5.0	2.3	2.0

Quarterly returns are calculated in USD using the Modified Dietz method and are not annualized. Calendar-year returns represent compounded quarterly returns. MSCI Private Capital Closed-End Fund Indexes. Data as of Q4 2025. Source: MSCI Private Capital Universe

# Some headaches persist

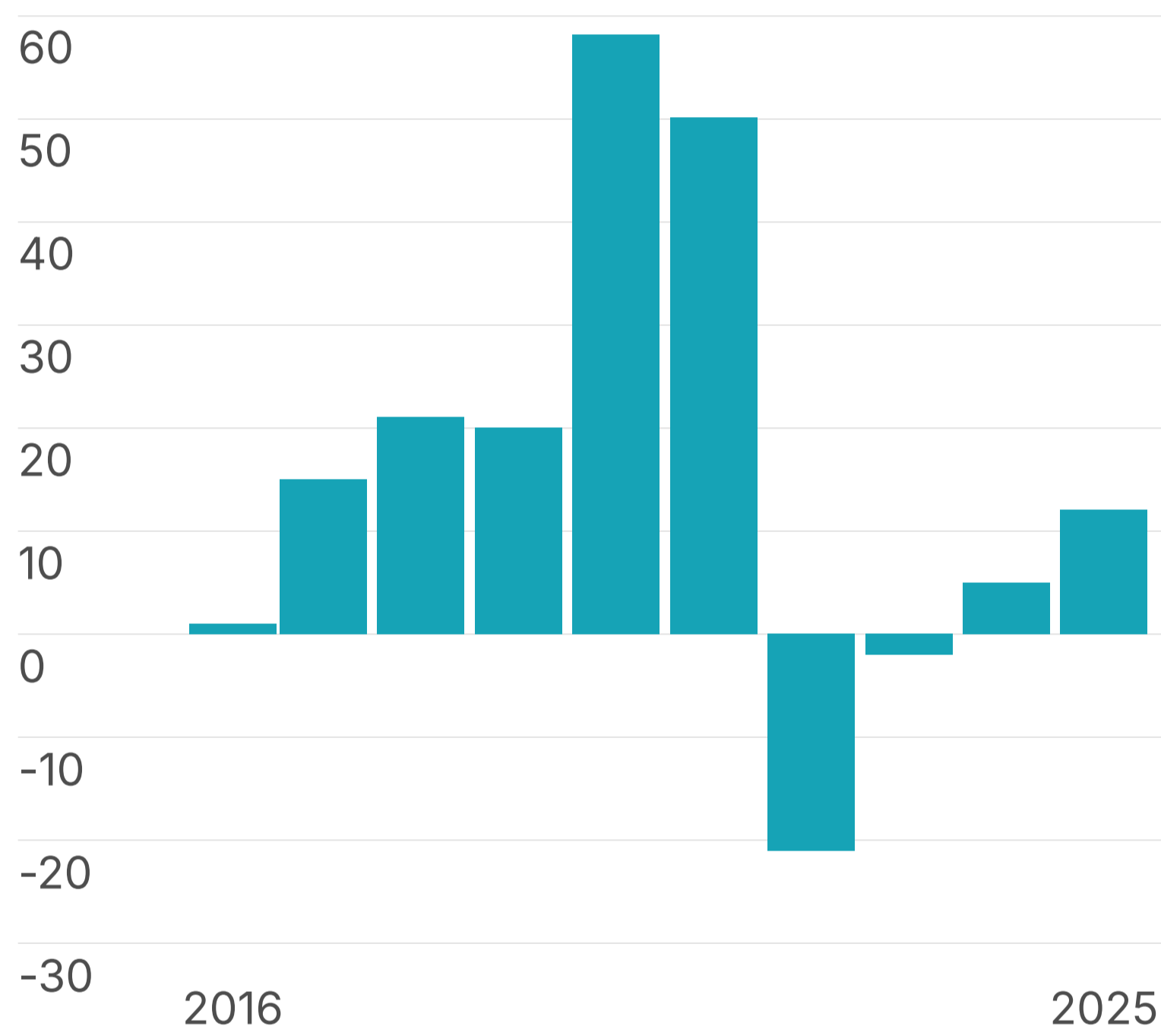
Zooming out from 2025, we see that venture capital's internal rate of return of 19%, while elevating it after a three-year stretch of decidedly mixed returns, was still well below its outsized gains of the 2020-2021 era.

Infrastructure claimed the second strongest return in 2025 at 12%, buoyed in part by continued investment in AI-driven data-center projects, capping off a decade of consistently positive returns.

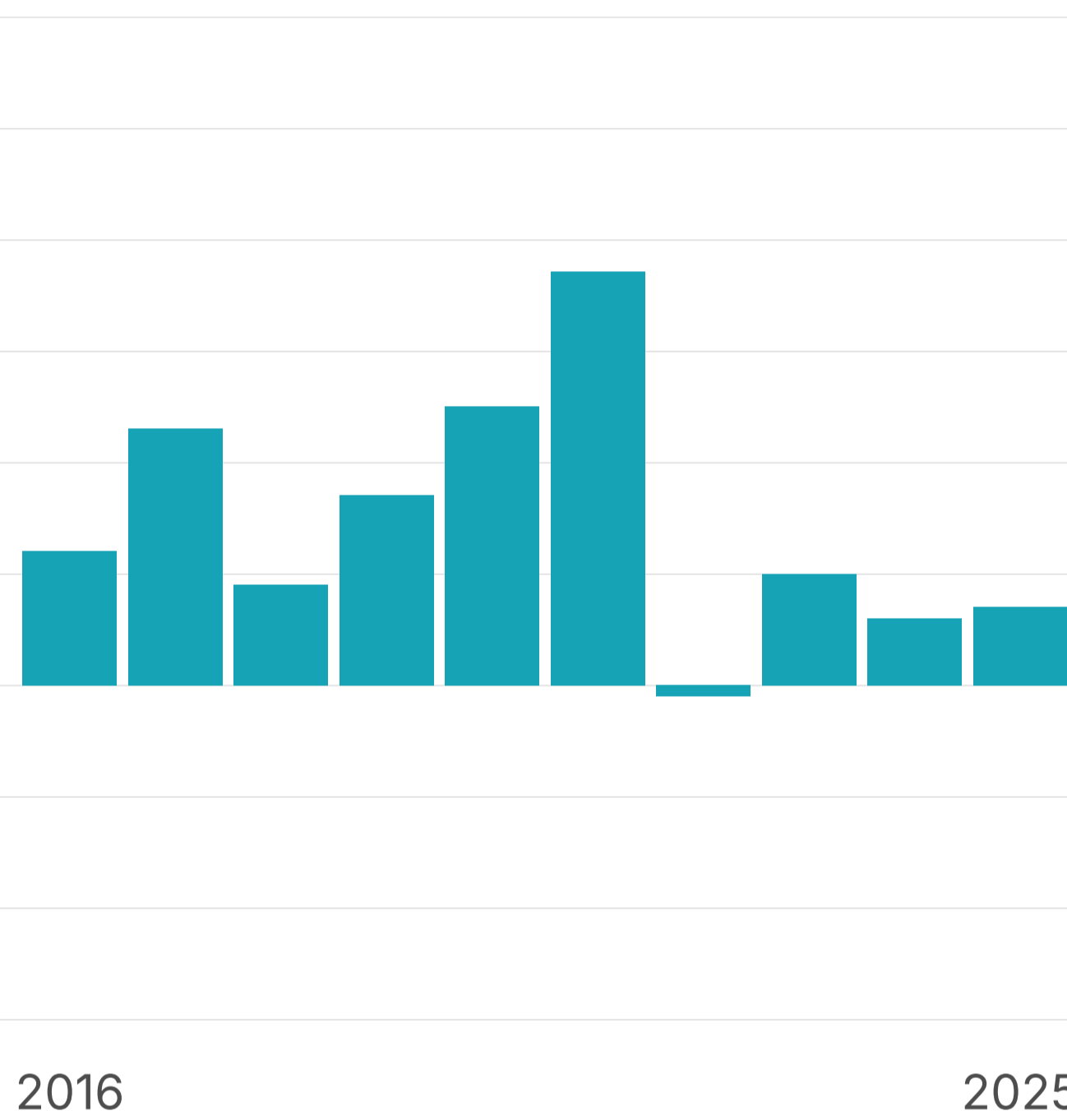
Buyout's middling IRR of 9% in 2025 is a reminder that the asset class is still working through an environment of higher interest rates and weaker exits. Real estate, meanwhile, remains down from the middle-of-the-pack returns it registered for most of the past decade prior to interest-rate spikes.

## One-year IRR (Percentage)

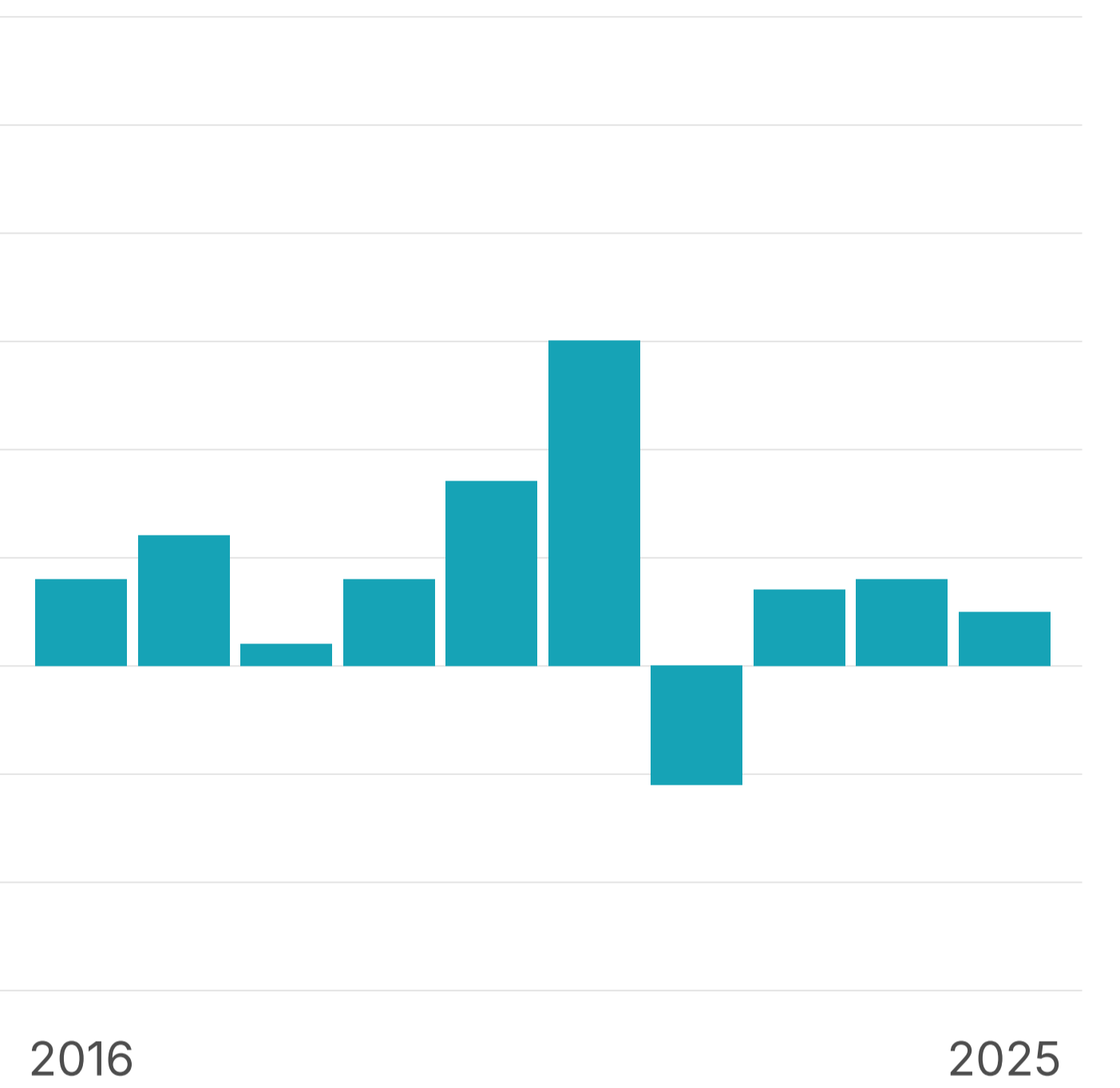
Venture capital



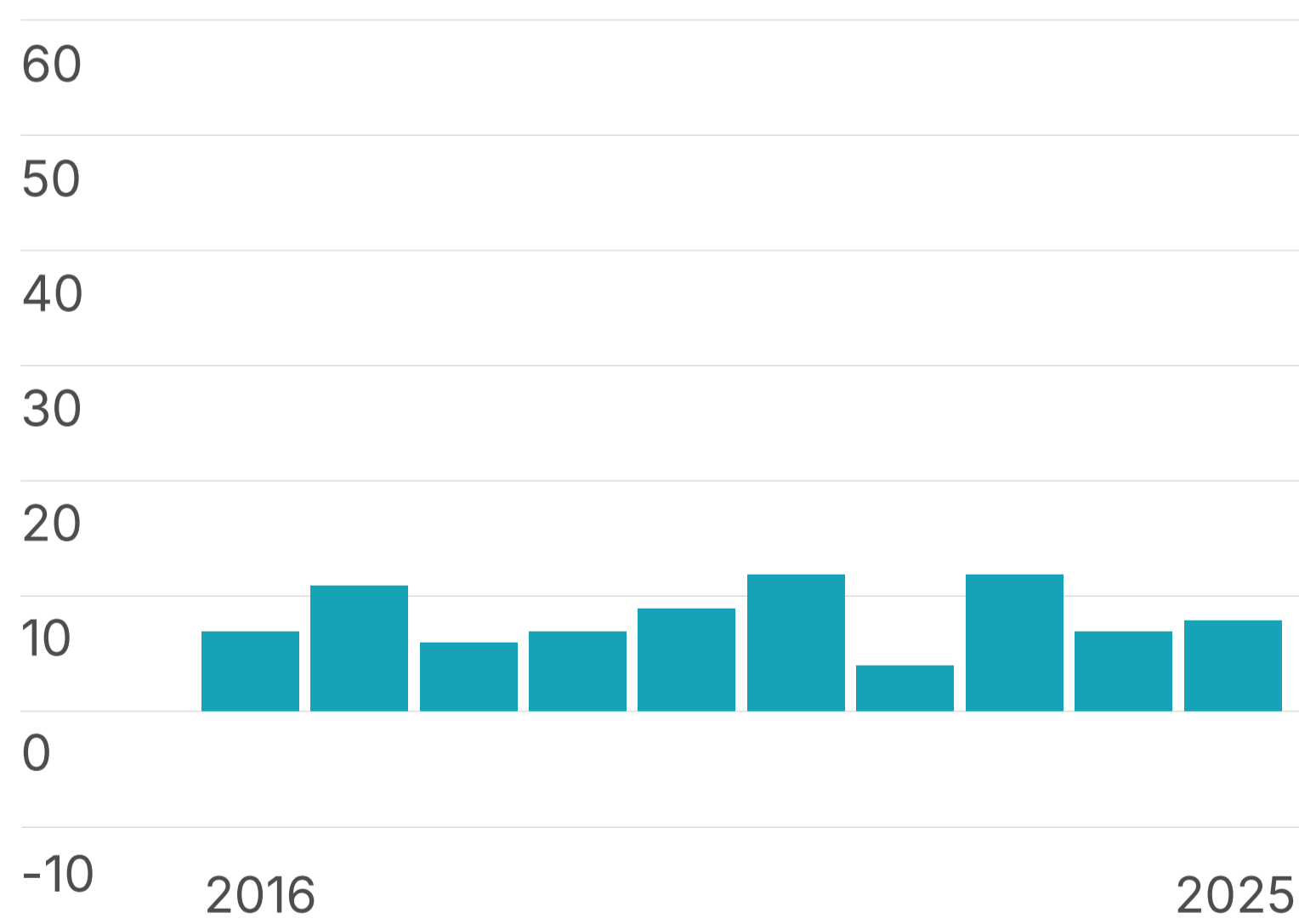
Buyout



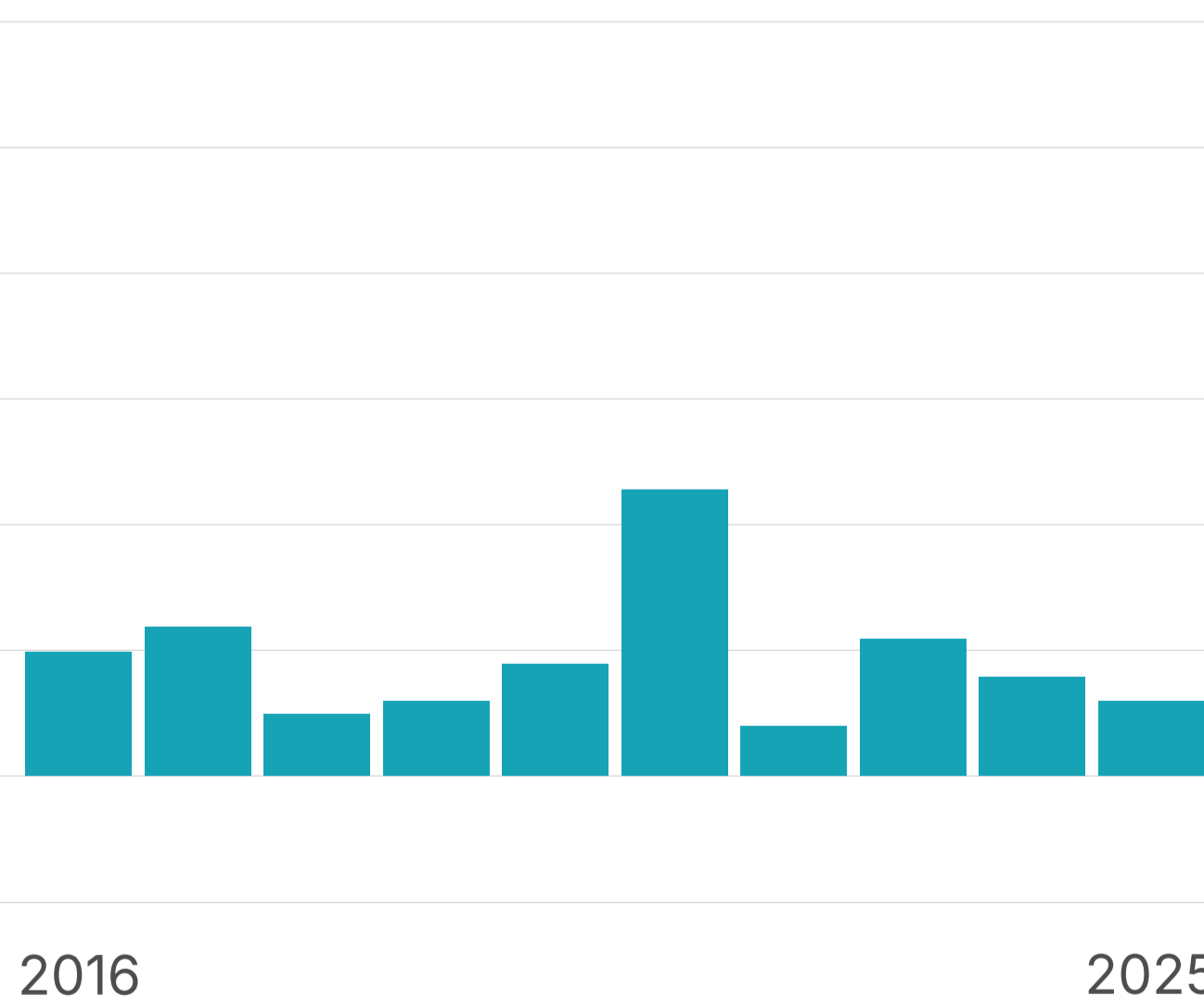
Expansion capital



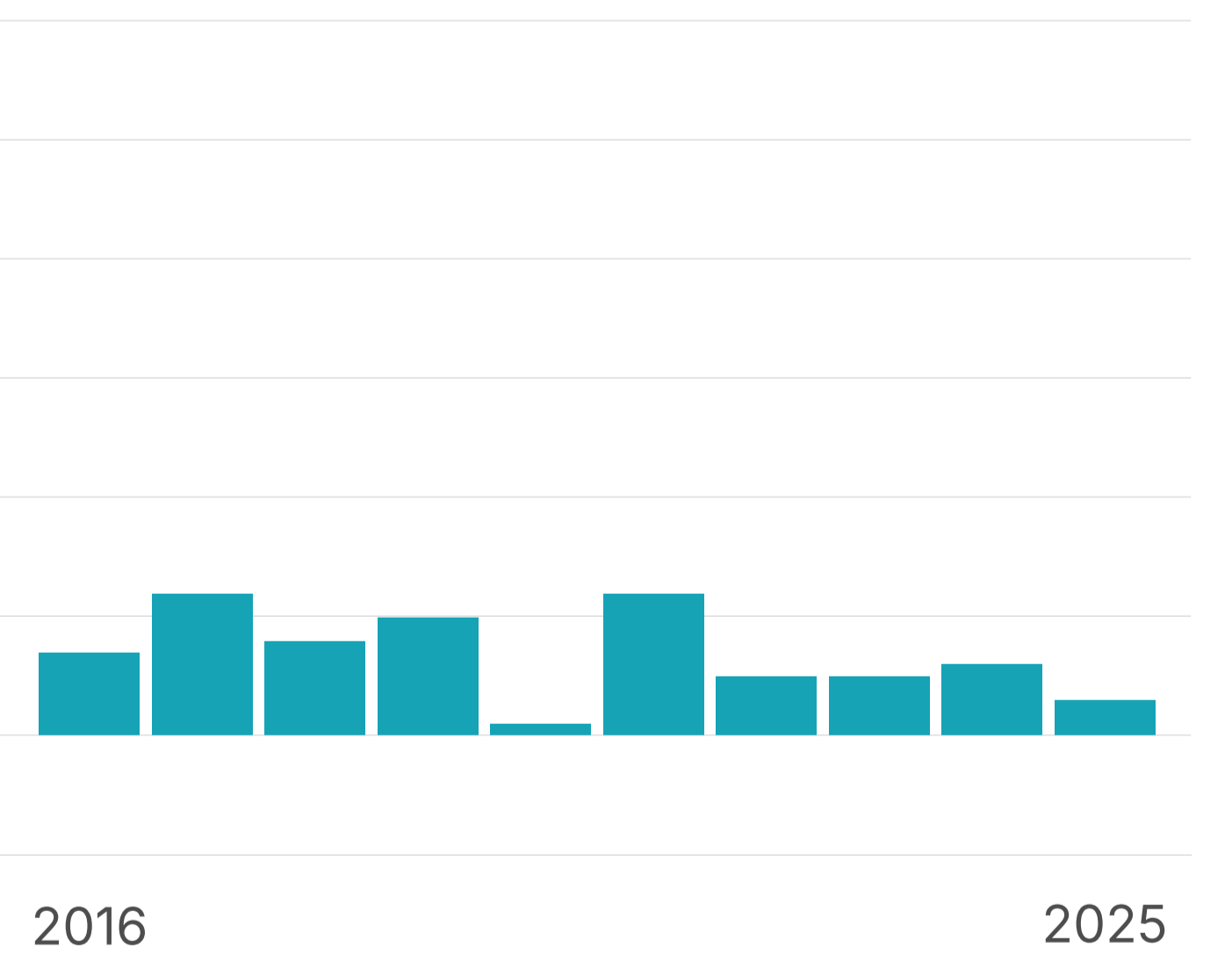
Direct lending



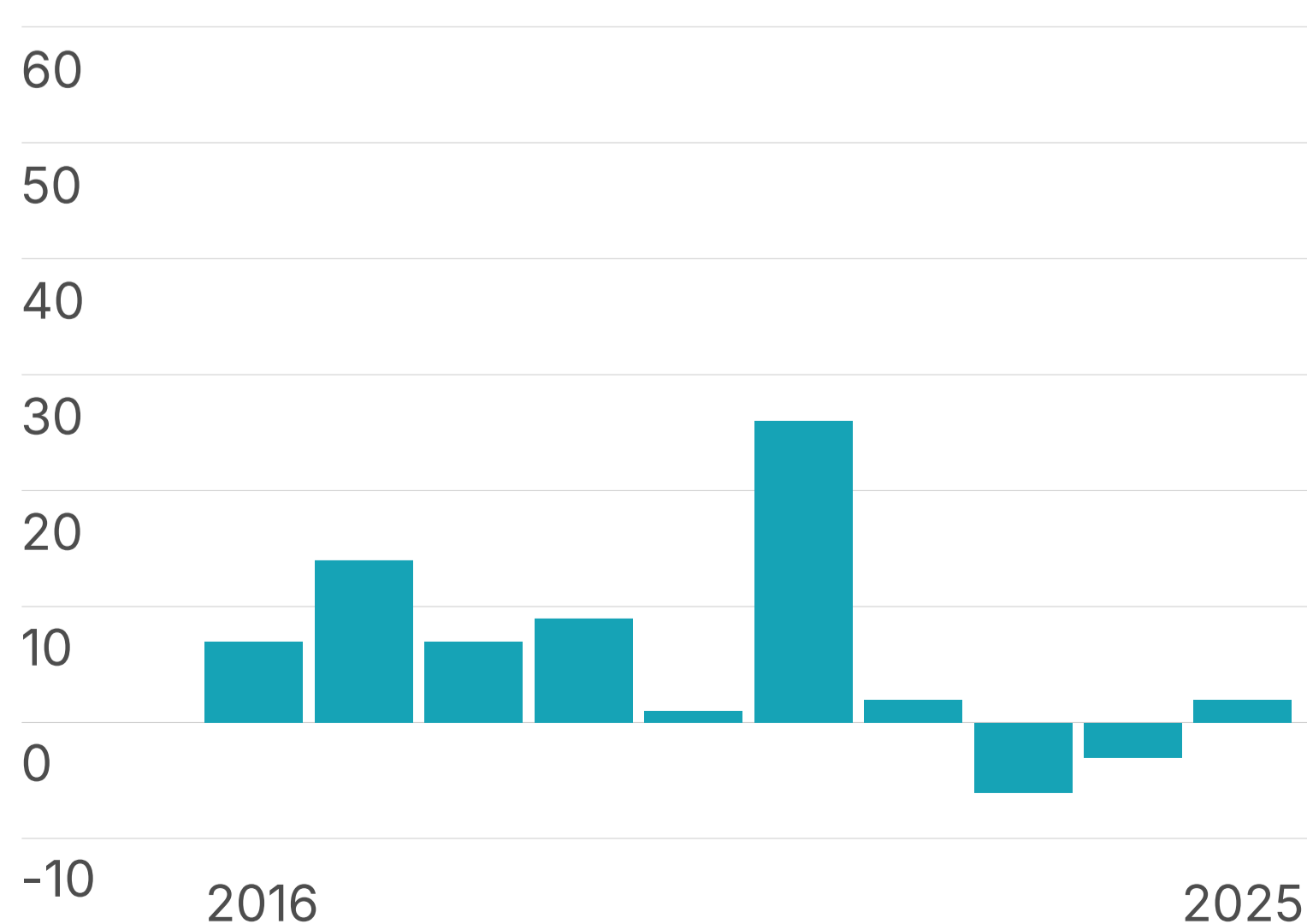
Opportunistic lending



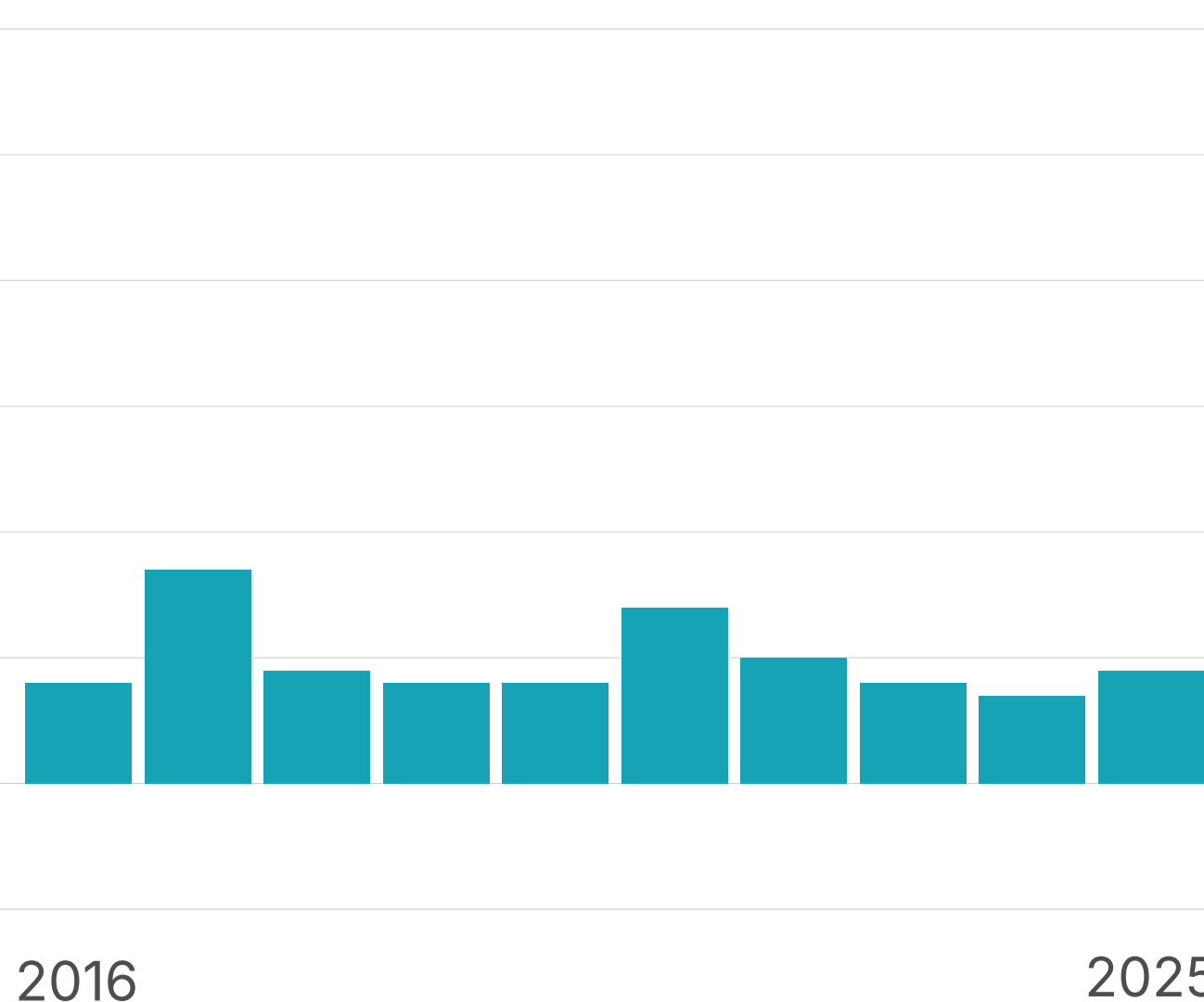
Real estate debt



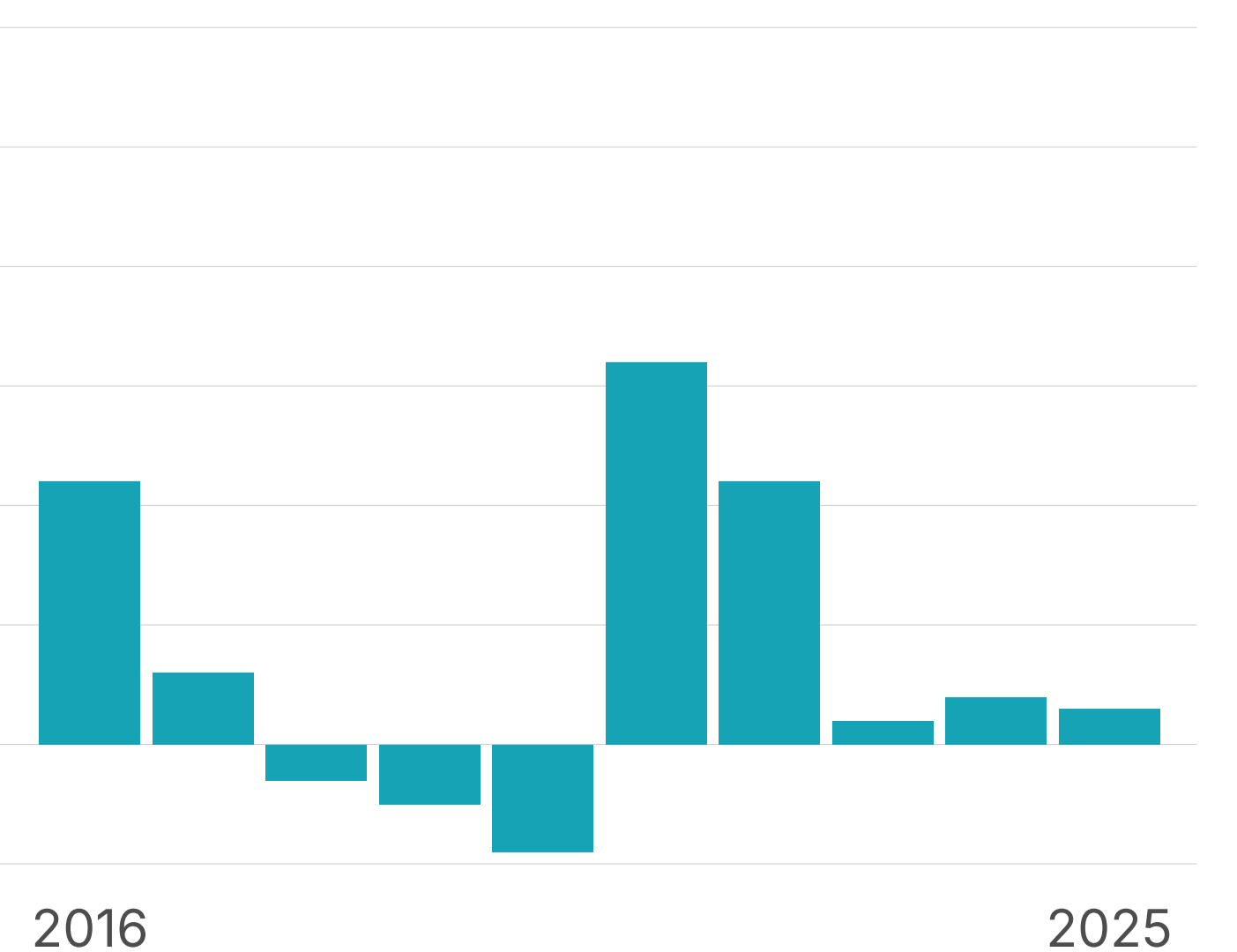
Private real estate



Infrastructure



Natural resources



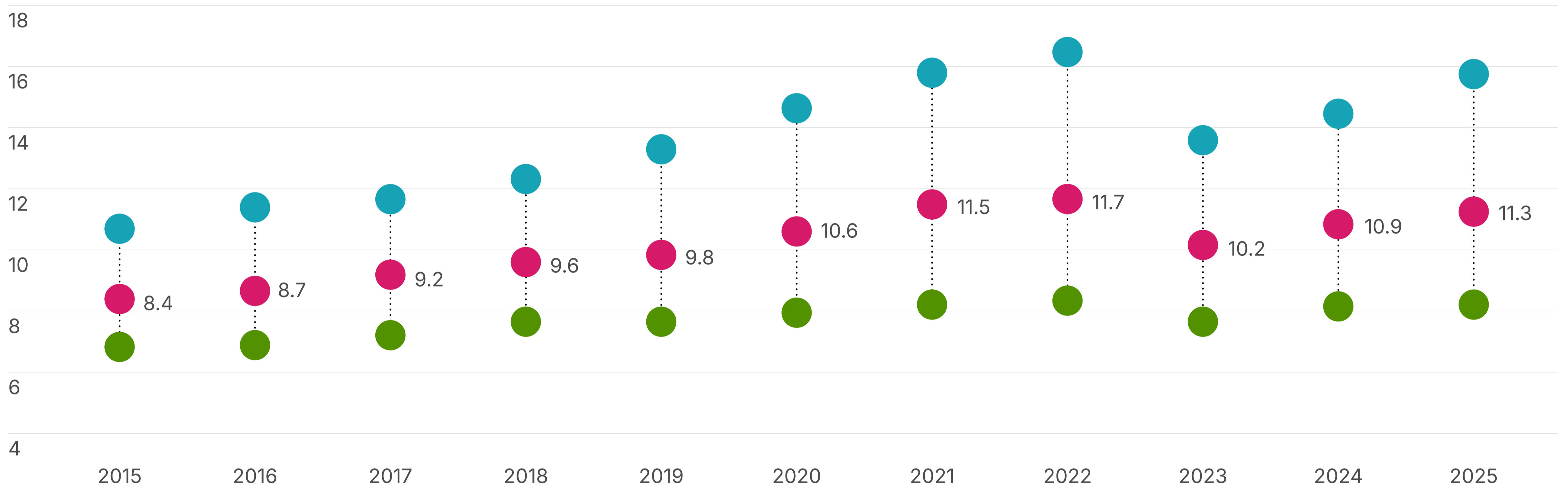
# Buying high, exiting higher

Entry multiples for buyout deals continued their upward climb through 2025, with the median deal priced at 11.3x EBITDA — still shy of the 11.7x peak seen in 2022, but reflective of a market where deal pricing has remained stubbornly elevated. The more striking story, however, is on the exit side. Exit multiples reached their highest level in over a decade,

with the median at 13.2x EBITDA and top-quartile exits approaching 18x. While overall exit activity and cash flows remain muted, the deals that are getting done are commanding meaningful premiums, suggesting that quality assets continue to attract buyers even as the broader distribution environment stays sluggish.

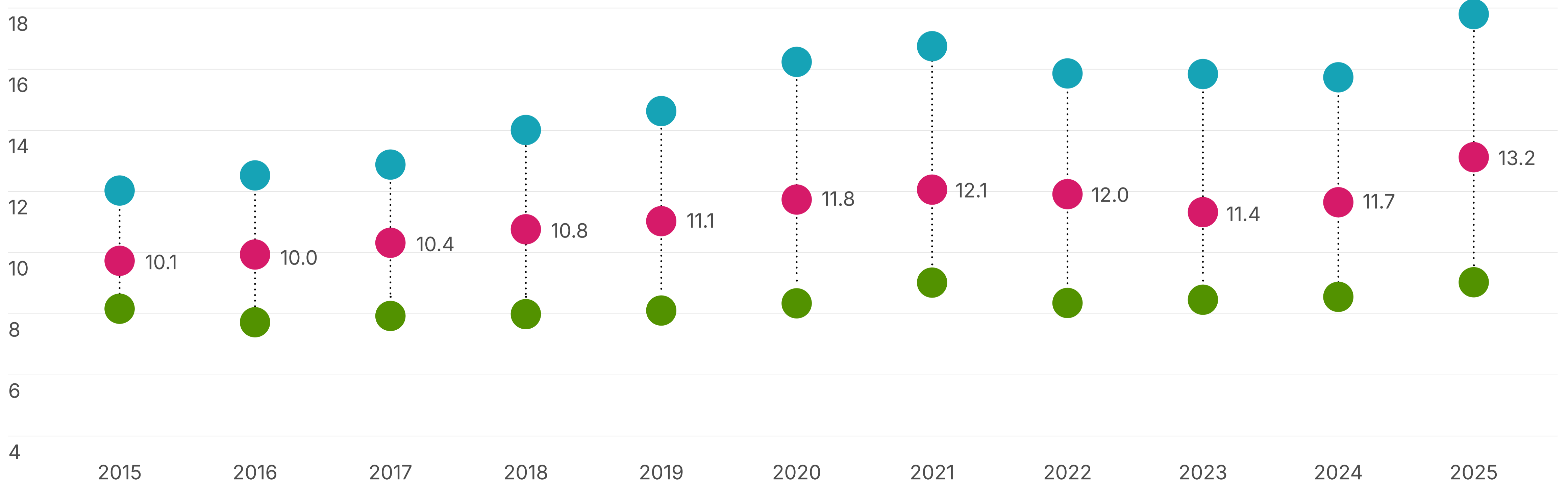
## EBITDA multiple at entry

● 75th percentile ● 50th percentile ● 25th percentile



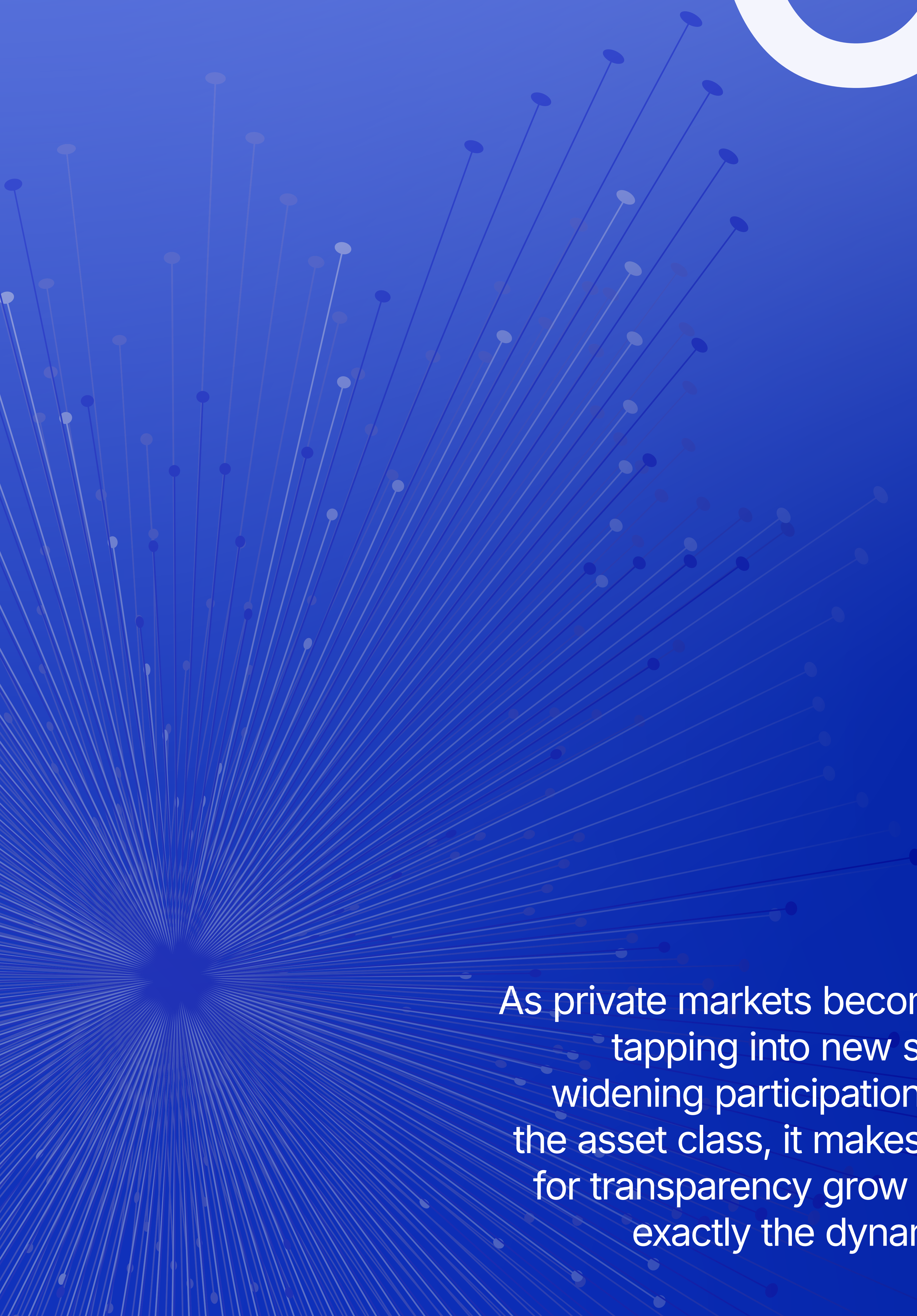
## EBITDA multiple at exit

● 75th percentile ● 50th percentile ● 25th percentile



Why Clarity  
Matters

02



As private markets become more mainstream, tapping into new sources of capital and widening participation with new entrants to the asset class, it makes sense that demands for transparency grow in tandem. And that's exactly the dynamic playing out today.

# Demand for data and transparency

Limited partners (LPs) are driving the push for transparency in private markets with a level of pressure and collective momentum not seen before in the history of the asset class.<sup>1</sup> Investors — institutional and private wealth alike — expect general partners (GPs) to deliver timely, detailed insights at not only the fund but also the individual holdings level, and they want those insights to reflect current market and company-specific dynamics. LPs want clearer, data-driven ways to compare risk and return across listed and unlisted assets, supported by emerging frameworks, benchmarks and analytics that enable them to see their total portfolio clearly. Simply put, they want greater visibility into their investments.

The message is landing. More than two-thirds (68%) of large GPs and over half (52%) of their smaller counterparts cited managing investor expectations and reporting as among their top-five challenges [in MSCI's latest annual survey](#) of more than 100 GPs worldwide.<sup>2</sup>

GPs increasingly want transparency too. A third of respondents to our survey said they lack access to private-asset data they fully trust. A quarter said they need better standardization, data integration and customization incorporated into performance management.

The demand for transparency reflects the movement of private markets to the investment mainstream. Seven trillion dollars, or nearly a fifth (19%) of assets in public pension and sovereign wealth funds globally, was invested in unlisted equity, credit and real estate as of December 2024, up from 13.5% a decade earlier.<sup>3</sup> Some of the largest pension funds seek to invest as much as 40% of their total portfolio in private markets.<sup>4</sup> Investors who are being asked to make faster, total-portfolio decisions may find it difficult to do so if a significant share of their total portfolio can only be analyzed in quarterly hindsight.

## One-fifth of the world's largest portfolios is already in private markets

USD 7T

Public pension and sovereign wealth funds have allocated nearly USD 7 trillion to private markets.

Source: "Sovereign Wealth Funds and Public Pension Funds Are Reshaping Private Markets," Global Principal Investors Report, BCG, December 2024

19%

Allocations to private markets account for nearly a fifth of total AUM in public pensions and sovereign wealth funds, up from 13.5% in 2014.

Source: "Sovereign Wealth Funds and Public Pension Funds Are Reshaping Private Markets," Global Principal Investors Report, BCG, December 2024

9%

The estimated compound annual growth rate of private markets AUM through 2033, more than twice the rate of public market AUM.

Source: "Avoiding Wipeout: How to Ride the Wave of Private Markets," Bain & Company, August 2024

1. We use the term private markets broadly here to refer to a series of asset classes comprising private equity (including venture capital and buyout), private credit, real estate and infrastructure.

2. Large GPs, defined as those with at least USD 5 billion in assets under management (AUM), represented 45% of respondents; GPs with between USD 1 and 5 billion in AUM made up the remainder.

3. "Global Principal Investors Report – Sovereign Wealth Funds and Public Pension Funds Are Reshaping Private Markets," BCG, December 2024.

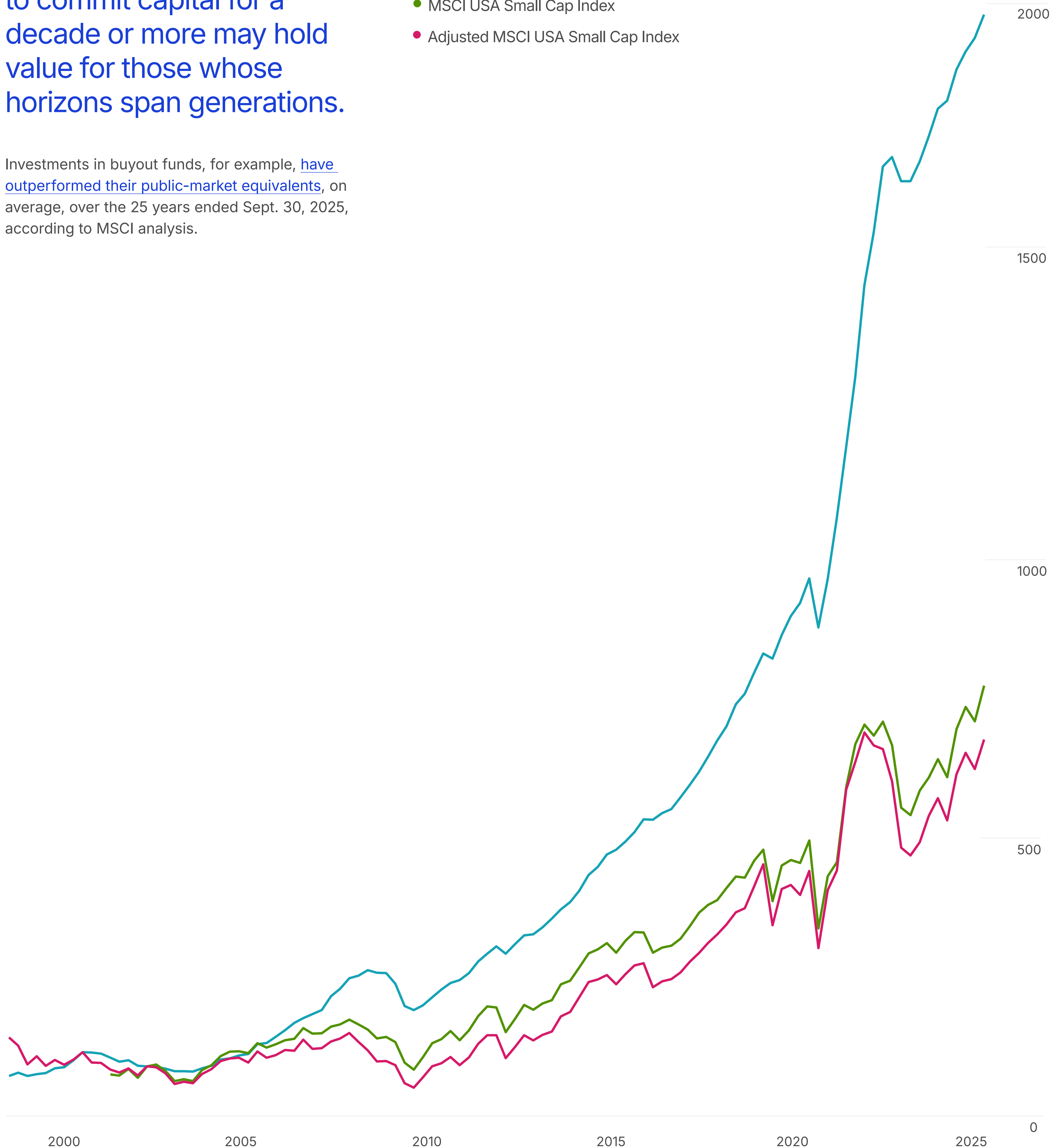
4. "The CalPERS Private Equity Turnaround," Anton Orlich, Managing Investment Director, Private Equity, January 20, 2026. See also, "Enabling a whole-of-fund view for Canadian pensions to accelerate data-driven insights," State Street, April 2025.

The premium that private-market investments offer in return for a willingness to commit capital for a decade or more may hold value for those whose horizons span generations.

Investments in buyout funds, for example, [have outperformed their public-market equivalents](#), on average, over the 25 years ended Sept. 30, 2025, according to MSCI analysis.

**Buyout has outperformed public markets for more than 25 years**  
(Index level)

- MSCI US Buyout Closed-End Fund Index
- MSCI USA Small Cap Index
- Adjusted MSCI USA Small Cap Index



Adjusted MSCI USA Small Cap Index mirrors the allocations and attributes of private holdings, including leverage. Data as of Q3 2025.

“Benchmarking tools in our industry are challenging. LPs are always looking for comparables, and it is hard to find a database to compare against ours.”  
GP

private markets can create value and even be strategically desirable from the perspective of market participants. But if the objective is to broaden participation and attract new pools of capital, private markets will likely exchange some of that imbalance for scale and trust.

Challenges remain. As discussed in this report, [gaps in private-credit disclosure](#) leave LPs struggling to independently assess credit quality, concentration risk or emerging stress within their portfolios, even though these are foundational to risk management. Some asset owners have said [they still rely on public-market proxies](#) as benchmarks for private-asset performance, acknowledging that this is not an optimal approach. For their part, GPs [in our survey](#) said they struggle to identify benchmarks that fit their strategies.

Increasingly, however, data, standards, methodologies and technology are falling into place for a revolution in transparency in private markets. The transformation will depend on both a commitment to openness from managers and continued pressure from investors.

### The benchmarking problem isn't the same problem for every GP

#### Challenges cited by small GPs (Survey responses)

Data accuracy / credibility issues



Identifying / selecting appropriate benchmarks



Difficult / complicated process



#### Challenges cited by large GPs (Survey responses)

Identifying / selecting appropriate benchmarks



Data accuracy / credibility issues



Competitor / peer comparison issues



#### Go deeper

[Transparency, Data & Total Portfolio Thinking with MSCI's Luke Flemmer](#)

[Aligning Benchmarks with Asset-Class Reality: The Case for Private-Capital Indexes](#)

[The 2025 General Partner Survey](#)

Small GPs manage between USD 1 and 5 billion in assets. Large GPs manage more than USD 5 billion. Source: "The 2025 General Partner Survey," MSCI, June 12, 2025

# How MSCI is helping

## A daily view of private credit

The recent repricing of the private-credit markets highlights the value of more frequent and timely performance data. The chart shows the daily MSCI All Country Private Credit Index alongside the quarterly MSCI Global Private Credit Closed-End Fund Index from Dec. 31, 2009 to March 26, 2026.

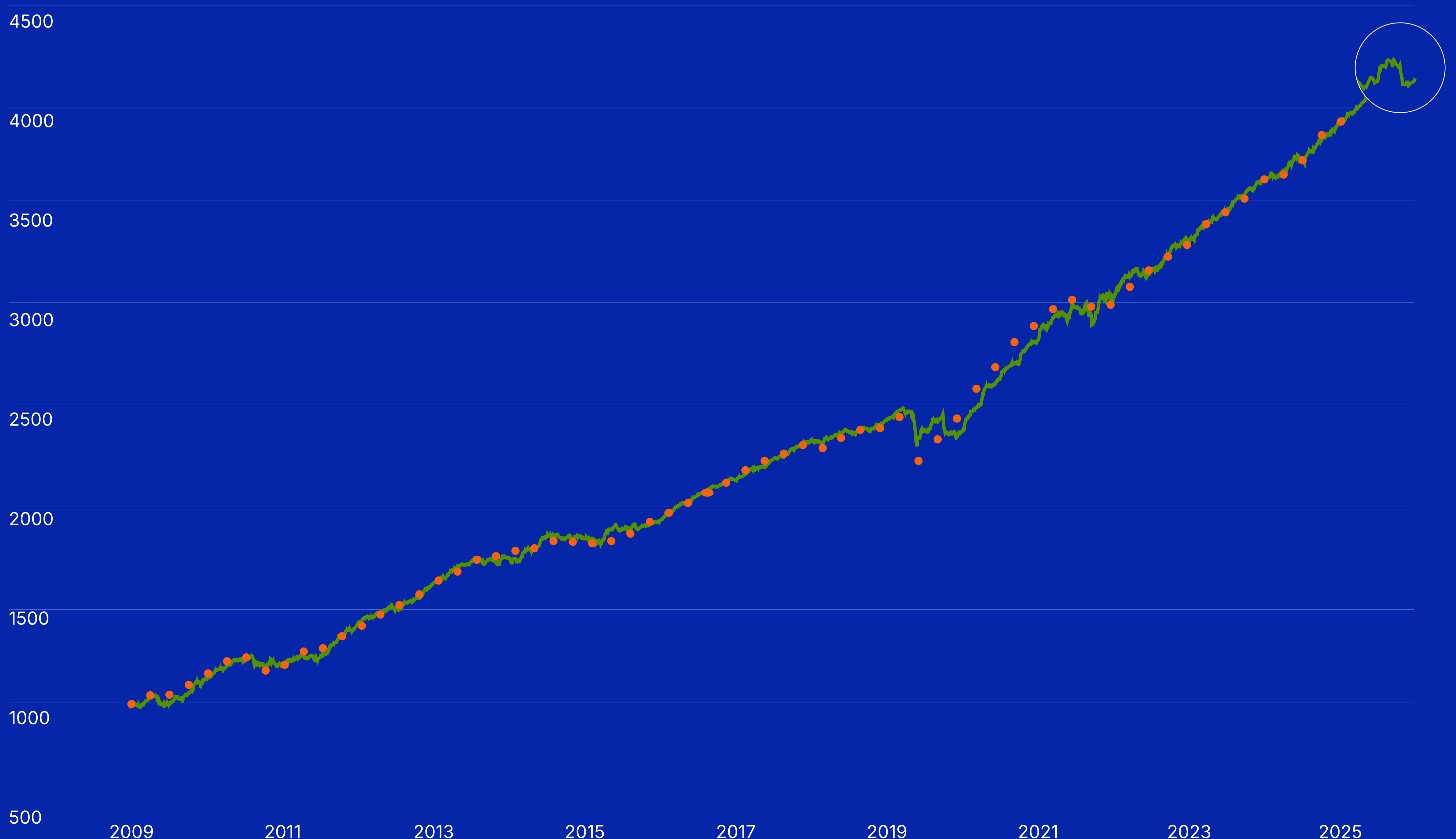
Each orange dot represents a quarterly return that becomes available roughly three months after the quarter closes, while the green line is available continuously. The drop in the MSCI

All Country Private Credit Index in late March demonstrates how the index reflected stress in real time — without waiting weeks for the fully reported data. By the time the quarterly mark is published, the daily index has already spent most of the prior quarter reflecting that same information.

A daily index does not independently appraise the economic value of underlying loans. Rather, it estimates where GP marks are heading before the quarterly index catches up.

### Daily index anticipates quarterly GP-reported returns

● MSCI All Country Private Credit Index (daily index) ● MSCI Global Private Credit Closed-End Fund Index (quarterly index)



The MSCI All Country Private Credit Index has been backtested to Jan. 1, 2010. For ease of comparison, the quarterly index levels (shown as markers) are displayed without their reporting lag of roughly one quarter. Data as of March 26, 2026.

## Five themes for investors now

# 03

Five themes are defining the outlook for private markets in 2026. They range from stresses in private credit and investors waiting for tangible distributions, to private markets' role in powering the AI build-out, the rise of evergreen funds, and the value of greater visibility into exposures across public and private assets to support total-portfolio decision-making. We examine each of them here.

## THEME ONE: PRIVATE CREDIT

# The picture in private credit

2026 began with a series of reminders for investors of both the disruptive potential and opportunity that accompany AI.



Anthropic's announcement in January of a series of open-source plug-ins for Claude Cowork rattled financial markets as investors grappled with the potential of AI to displace demand for business software. Stocks of software companies fell, driven by fears their business models would be upended by AI tools.<sup>5</sup>

The concerns reverberated across private markets too. Shares of exchange-listed business development companies (BDCs), which primarily extend private-credit loans, declined 11% between January 30 and March 11, driven by similar fears.<sup>6</sup> BDCs with higher allocations to software borrowers underperformed their peers. Similarly, semi-liquid private-credit funds fielded a wave of redemption requests, setting off concern about strains on private credit more broadly.

At the same time, short-term earnings-growth forecasts for U.S. software actually rose throughout February. That prompts the question whether investors across asset classes are repricing business models faster than disruption is arriving.

5. "Anthropic's new AI tools deepen selloff in data analytics and software stocks, investors say," Reuters, Feb. 3 2026.

6. Based on the performance of the MSCI US Listed BDC Index.

# Private credit's software problem

For the private-credit market, the fears sparked by the Claude announcement compounded concerns over stress more generally that began in 2025 with the bankruptcies of subprime auto lender Tricolor Holdings and car parts company First Brands Group.<sup>7</sup>

Unlike the stress following those bankruptcies, which raised broad concerns about private-credit underwriting, the sell-off in business software appeared targeted. In listed BDCs, at least, investors were not simply reducing exposure to the asset class but differentiating based on underlying portfolio exposures.

Software borrowers carry a distinct risk profile. Our data shows that IT-sector private-credit borrowers carry median net-debt-to-EBITDA ratios roughly 1.1x higher than industrials borrowers and 0.4x higher than the overall private-credit universe. They are also more dependent on growth expectations — a combination that makes them more sensitive to adverse shocks.

Consistent with this, listed BDCs with greater software exposure significantly underperformed their less exposed peers on average in the week following the Anthropic announcement. BDC returns, however, reflect levered claims on the underlying portfolio. Adjusting for fund-level leverage implies a more muted, roughly 6% decline in underlying asset values over this period.

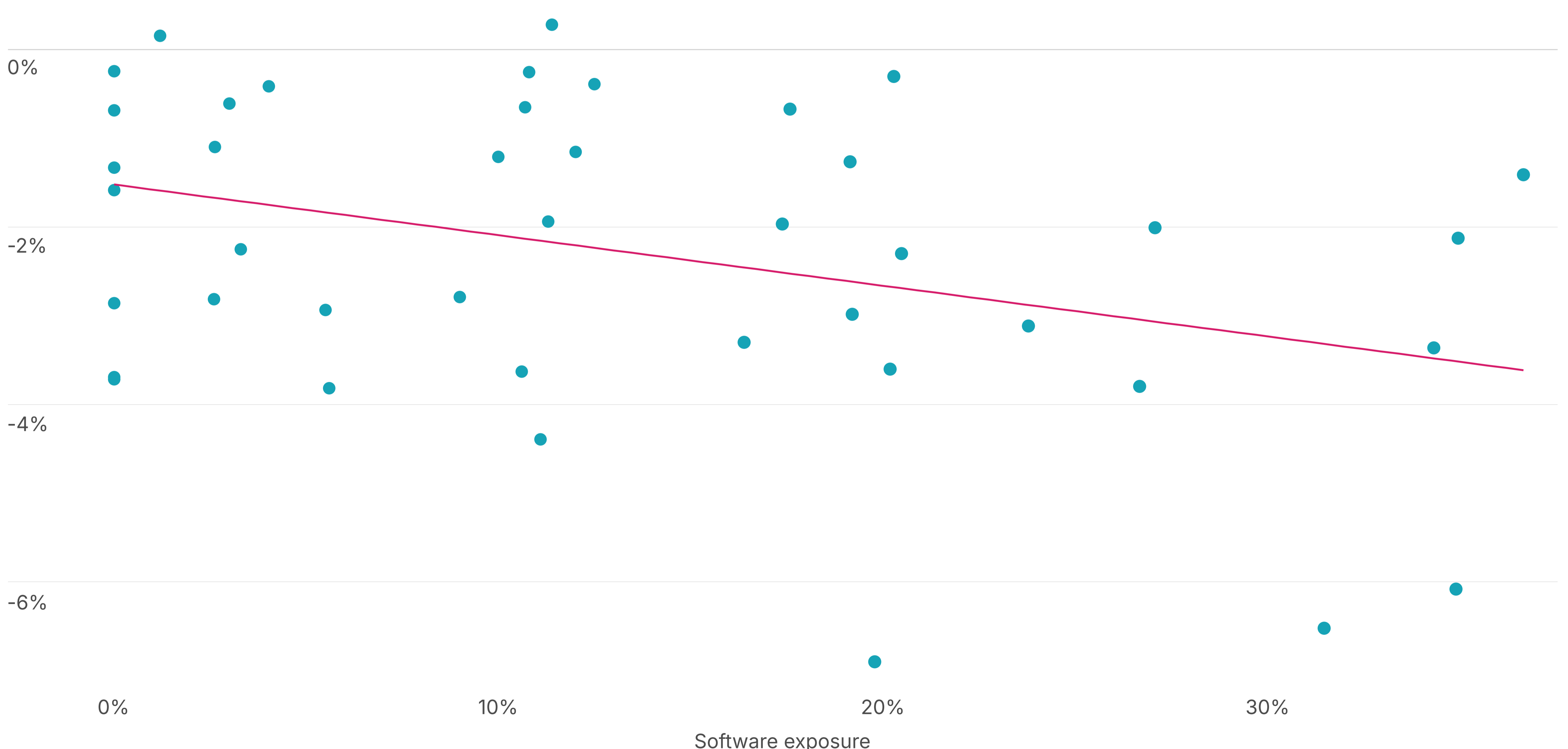
The dynamic is more complex in the newly popular semi-liquid vehicles, where investors cannot simply sell shares daily in a liquid market. Instead, they must file periodic redemption requests, which are generally capped at 5% per quarterly window. This mechanism works in orderly markets, when investors trust net asset values (NAVs). But when confidence in those valuations breaks down, redemptions can quickly become a crowded exit.

As discussed earlier, the potential disruption to the software industry hit an already fragile private-credit market, resulting in redemption queues in many of these semi-liquid vehicles.

Outdated net asset values created an incentive for investors who worried that values were actually lower than the last report to redeem holdings, sparking even more redemption requests and a wave of headlines about problems in private credit.

The episode highlights the value of redemption limits in semi-liquid private-credit funds, which are designed to prevent fire sales (and appear to have fulfilled that function here). The tensions further highlight how without timely, objective information on sector exposures and borrower fundamentals, investors rely on incomplete information, which can turn uncertainty into volatility whether the underlying fundamentals warrant it or not.

## Software exposure drove the selloff in BDCs (Unlevered price change)



Price change Jan. 30 to Feb. 6, 2026. Source: U.S. Securities and Exchange Commission, MSCI US Listed BDC Index, MSCI Private Capital Solutions

7. "Auto dealer Tricolor files for bankruptcy, moves to liquidate," Reuters, Sept. 10, 2025, and "First Brands files for bankruptcy, revealing billions of dollars in liabilities," Reuters, Sept. 29, 2025.

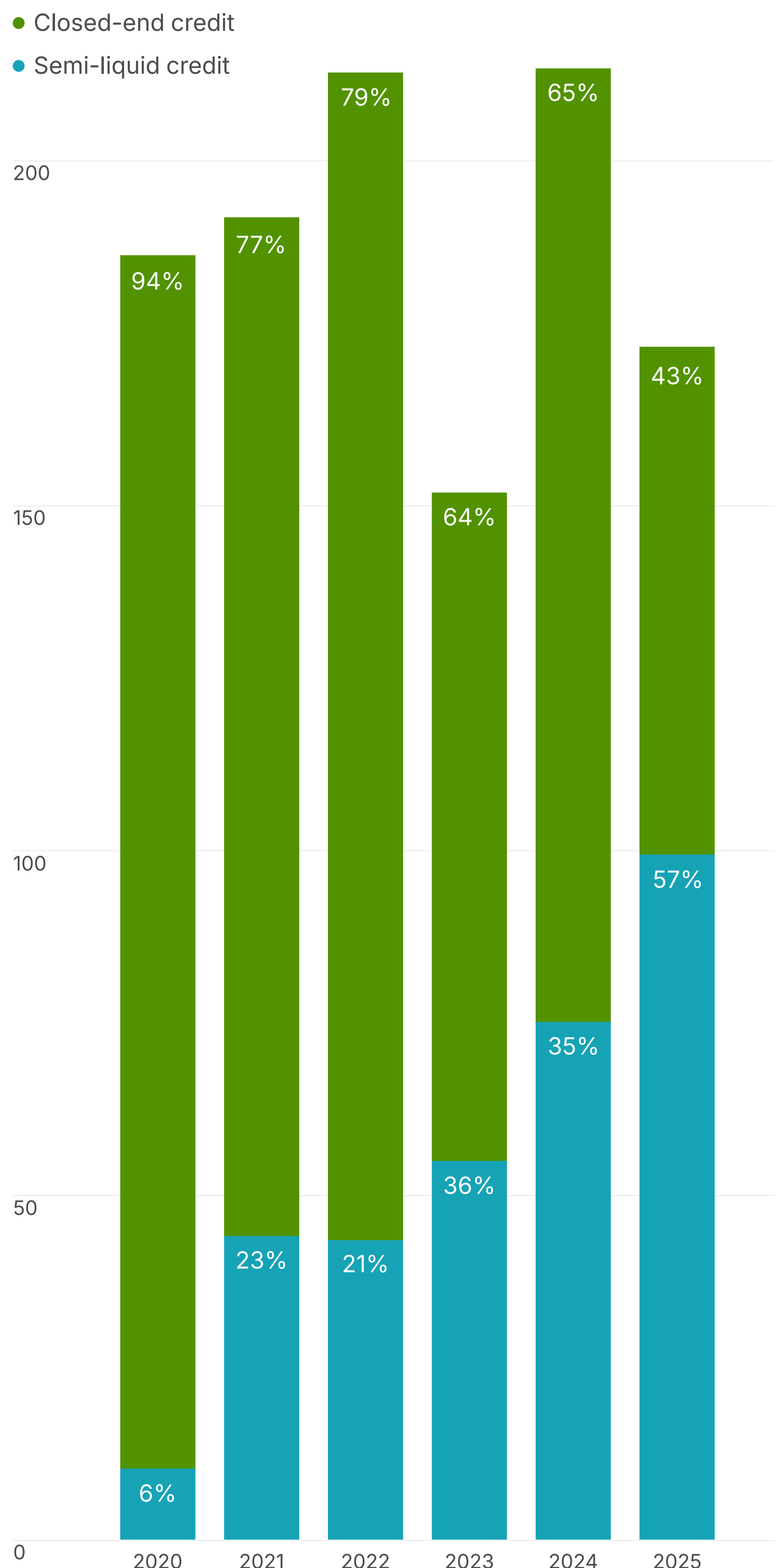
# Wealth investors have increasingly turned to private credit, driving the growth of evergreens

Compounding concerns over private-credit risk, capital from wealthy individuals and smaller institutions has poured into private credit in recent years amid a pullback by big institutional investors. The broadening of the investor base has brought with it greater use of semi-liquid vehicles that — as mentioned earlier — periodically allow investors to withdraw their money, subject to agreed-upon limits. The proliferation of such funds has allowed investor flows to be more reactive — e.g., to fears of AI’s impact on software borrowers — introducing volatility into a historically staid corner of private markets.

The rise of semi-liquid fund structures, often called evergreen or open-ended vehicles, illustrates the shifting composition of private-credit funds. Annual flows into semi-liquid private-credit funds grew from USD 10 billion in 2020 to an estimated USD 100 billion for 2025, even as closed-end fundraising (and fundraising overall) has slowed. Asset managers have been tapping wealth channels that value periodic subscriptions and redemptions over traditional multi-year commitments.

While credit risk has always been central to lending, the rise of semi-liquid funds for wealth participation has introduced a new constraint: Investors can (and do) transact at manager-reported valuations. With increasing redemption requests in semi-liquid funds, the credibility and timeliness of these valuations have become critical.

Private credit migrates from drawdown to semi-liquid (Fundraising, USD billion)



Data as of Q4 2025. Source: U.S. Securities and Exchange Commission, MSCI Private Capital Universe

# Why valuations matter more now

**Private capital was traditionally accessed via drawdown vehicles, which provide quarterly estimates of their value. These NAVs, however, have little direct economic impact on investors.**

A biased NAV may surprise LPs, but it does not affect the profit or loss they make on their investment. Evergreen funds have changed this dynamic. Investors can subscribe to or redeem from the fund at the stated NAV (albeit in limited amounts), making its accuracy paramount. Confidence in these NAVs is central to the current turmoil in private-credit funds (particularly, unlisted BDCs) raising an existential question for the private semi-liquid market.

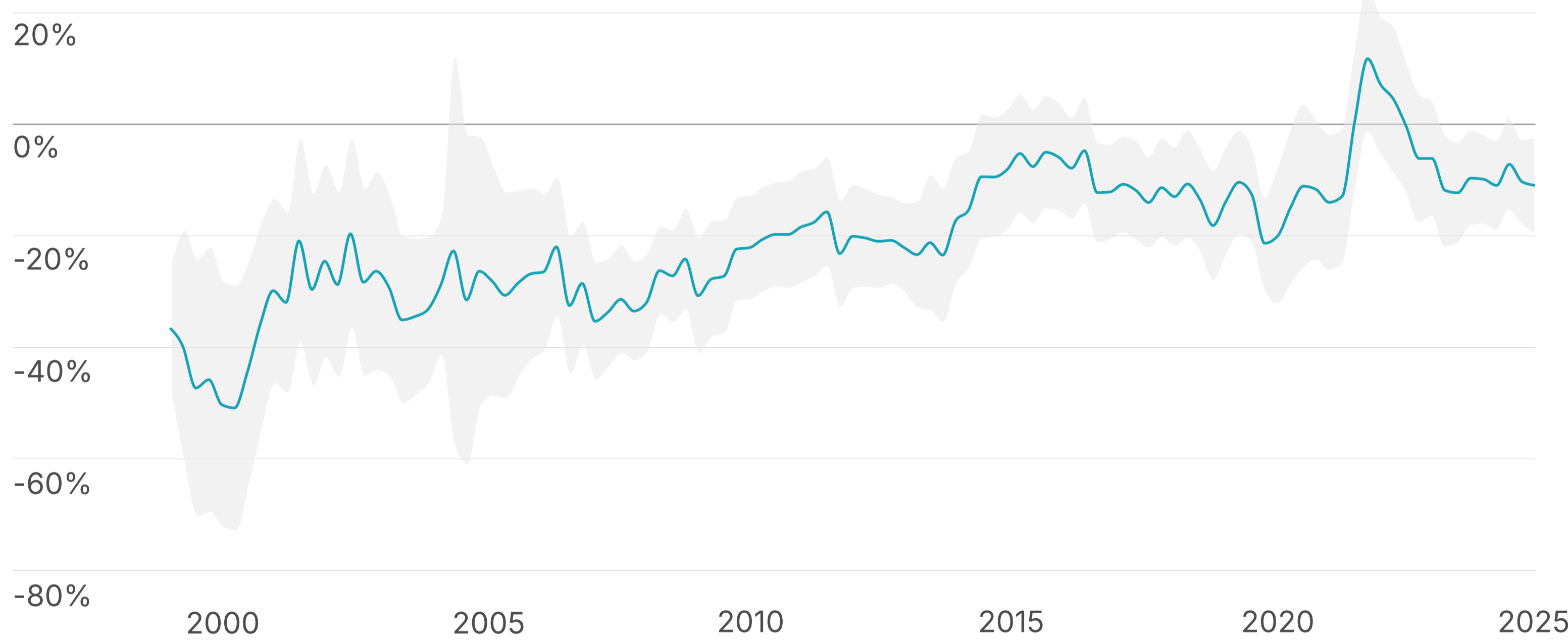
Most drawdown funds report NAVs only quarterly, and with a delay of several months after their reference date, making them both infrequent and lagged. More timely and more frequent valuations would be useful. Yet because investors cannot act on those NAVs (aside, perhaps, in a secondary transaction) their accuracy is not critical.

Evergreen funds, by contrast, typically allow quarterly redemptions. These transactions take place at the manager-stated NAV, opening the door to trading on any inaccuracies in the NAVs. This creates the well-known dilution problem, with investors trading in or out of a fund at the expense of those who remain.

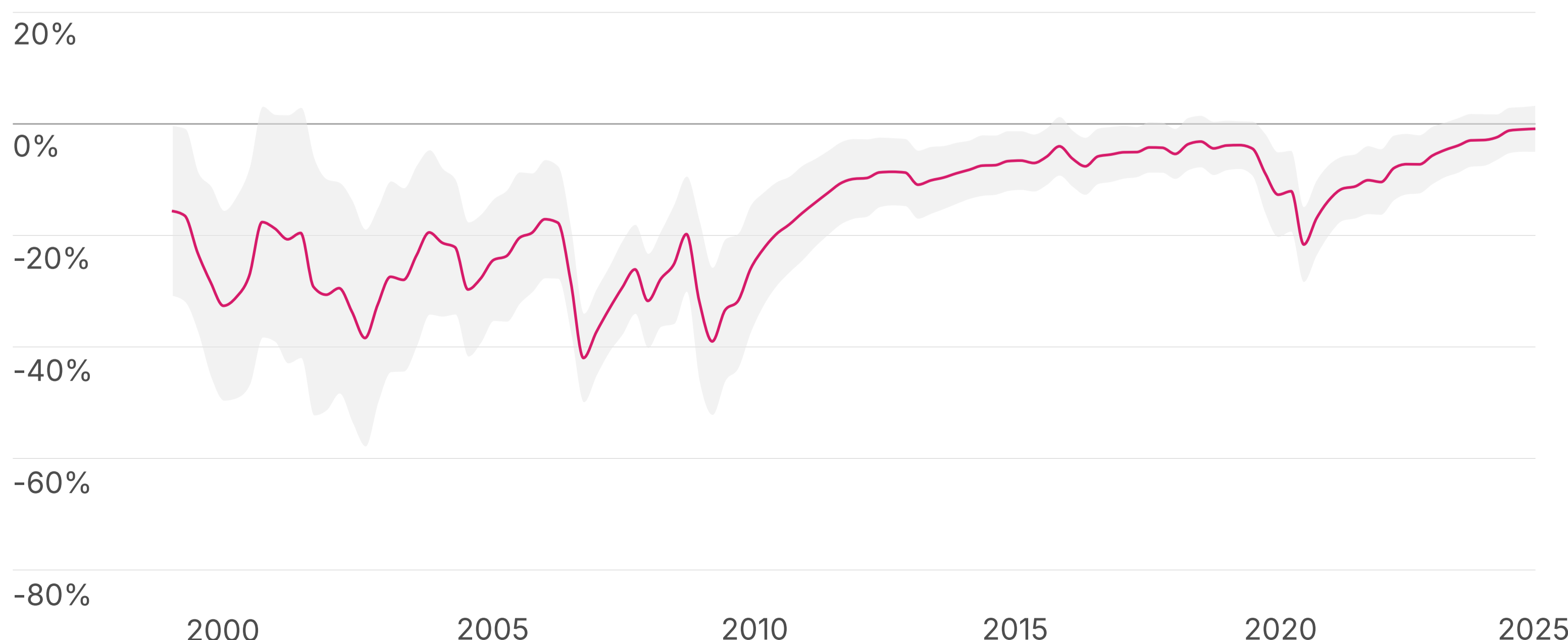
Deviations between manager-reported NAVs and exit prices are not just of theoretical interest. Our analysis highlights valuation biases in drawdown funds, in which large distributions boost the returns of undervalued funds and depress those of overvalued ones. The chart estimates an overvaluation index based on this methodology. It suggests that venture-capital drawdown funds may have been overvalued during the pandemic, and that even buyout funds may now be approaching overvaluation.

## Buyout funds may be approaching overvaluation (Overvaluation of assets relative to exit values)

### Venture capital



### Buyout



But the same managers, and largely the same valuation processes, apply to both drawdown and evergreen funds. Moreover, redemptions at manager-stated NAVs, and investor confidence in those marks, lie at the core of the current turmoil in the private-credit market. Investors appear to have lost confidence in the manager-stated NAVs, driving the price of traded BDCs away from the NAV and fueling demand for redemptions from the unlisted vehicles.

Private markets have been moving toward greater transparency for some time. Evergreen funds have made it critical, and private credit's current travails make it an imperative.

Meeting this challenge requires more than a commitment to disclosure. The market needs valuations that are frequent enough to be actionable, timely enough to remain relevant, and grounded in transparent data and robust methodologies. It also requires analytics that go beyond point-in-time NAVs to encompass the risk embedded in private portfolios, something quarterly self-reported figures have never been designed to provide.

Addressing these gaps is more than a technical exercise. As wealth investors enter private markets through semi-liquid structures, the credibility of valuations becomes a precondition for the asset class's continued growth.

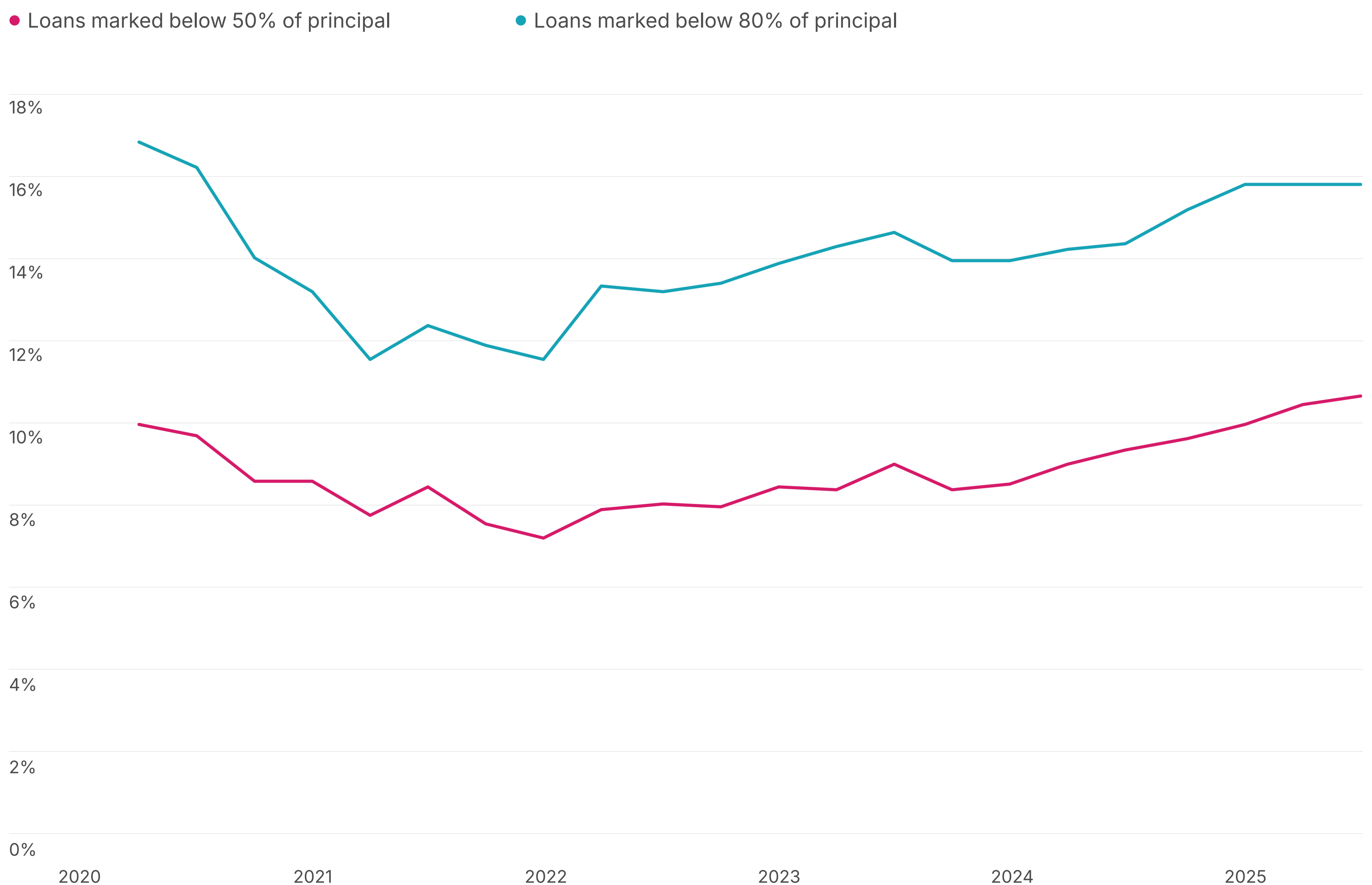
# Borrower stress in private credit

Loan valuations in private credit have been under sustained pressure. Borrowers caught between mounting stress in certain industries and persistently high interest rates have tested the asset class’s ability to deliver the returns that made it so attractive in the first place, and the rise in fair-value write-downs tells a sobering story.

Three years of elevated base rates have strained borrowers’ ability to absorb higher interest burdens, and what began in 2022 as a trickle of write-downs has grown into a larger leak. Among loans in private-credit funds, 15.7% have been marked below 80% of principal — a rough threshold for distress — and more than 10% are now marked below 50% — a level typically associated with deep distress or risk of restructuring — according to the Q3 2025 update of MSCI Private Capital Transparency data.

## Three years of rising rates. Three years of rising write-downs.

(Share of loans written down)



Data as of Q3 2025. Source: MSCI Private Capital Transparency

# Stress weighing on smaller funds

**Distress is not distributed evenly: Smaller private-credit funds have shown materially higher write-down rates than their larger peers.**

The divide is visible across both moderate and severe write-downs. Loans marked below 80% of principal have been a steadily growing fraction of small funds' portfolios since 2022. As of Q3 2025, nearly 20% of loans in small funds were marked below 80, compared with 13% for large funds. Notably, the gap has widened over the past two years, reversing an earlier period when larger funds showed higher levels of markdowns than their smaller peers.

The divergence is even more striking when we consider loans marked below 50. In small funds, the share of loans marked below 50 has more than doubled from pre-rate-hike lows and now

stands at 13%. Large funds, by contrast, have seen severe write-downs trend slightly downward from 2020–2022 levels and stabilize in the high single digits. In other words, the most acute impairments appear increasingly concentrated in smaller vehicles, at least for now.

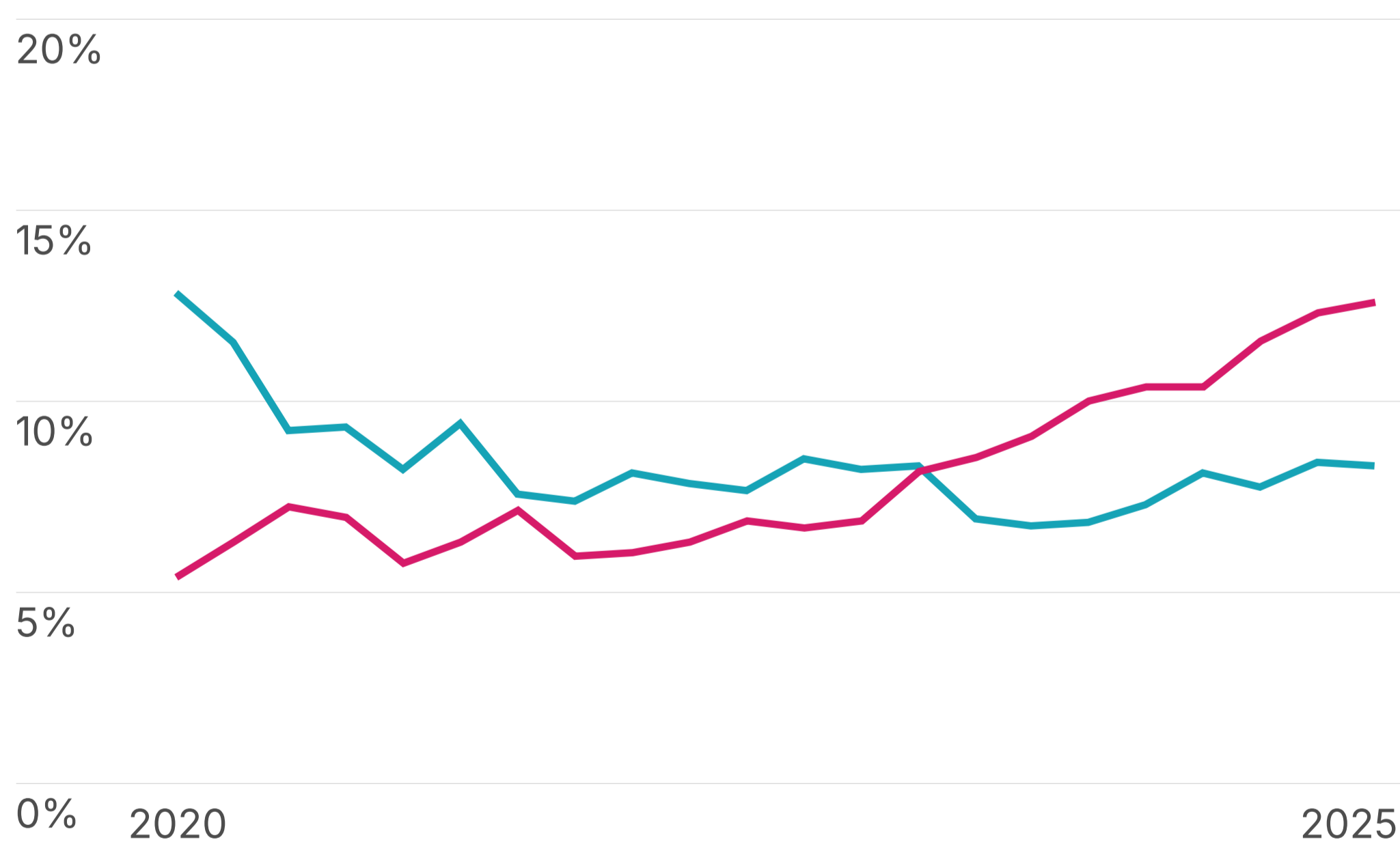
Importantly, these marks do not necessarily imply imminent realized losses. GPs can resort to amendments and maturity extensions to manage troubled credits, delaying or mitigating restructurings. But fair-value write-downs — particularly those exceeding 50% — signal growing pressure that cannot be fully papered over.

The emerging size divide adds a new dimension to distress in private credit. While overall write-down rates remain manageable, the burden is increasingly uneven. Smaller funds — and smaller borrowers — may be the first to feel interest rates bite, but if rates remain elevated, the pain may spread to larger companies and funds too. For allocators, manager selection — and an understanding of portfolio construction at different scales — may matter as much as strategy selection in navigating this phase of the credit cycle.

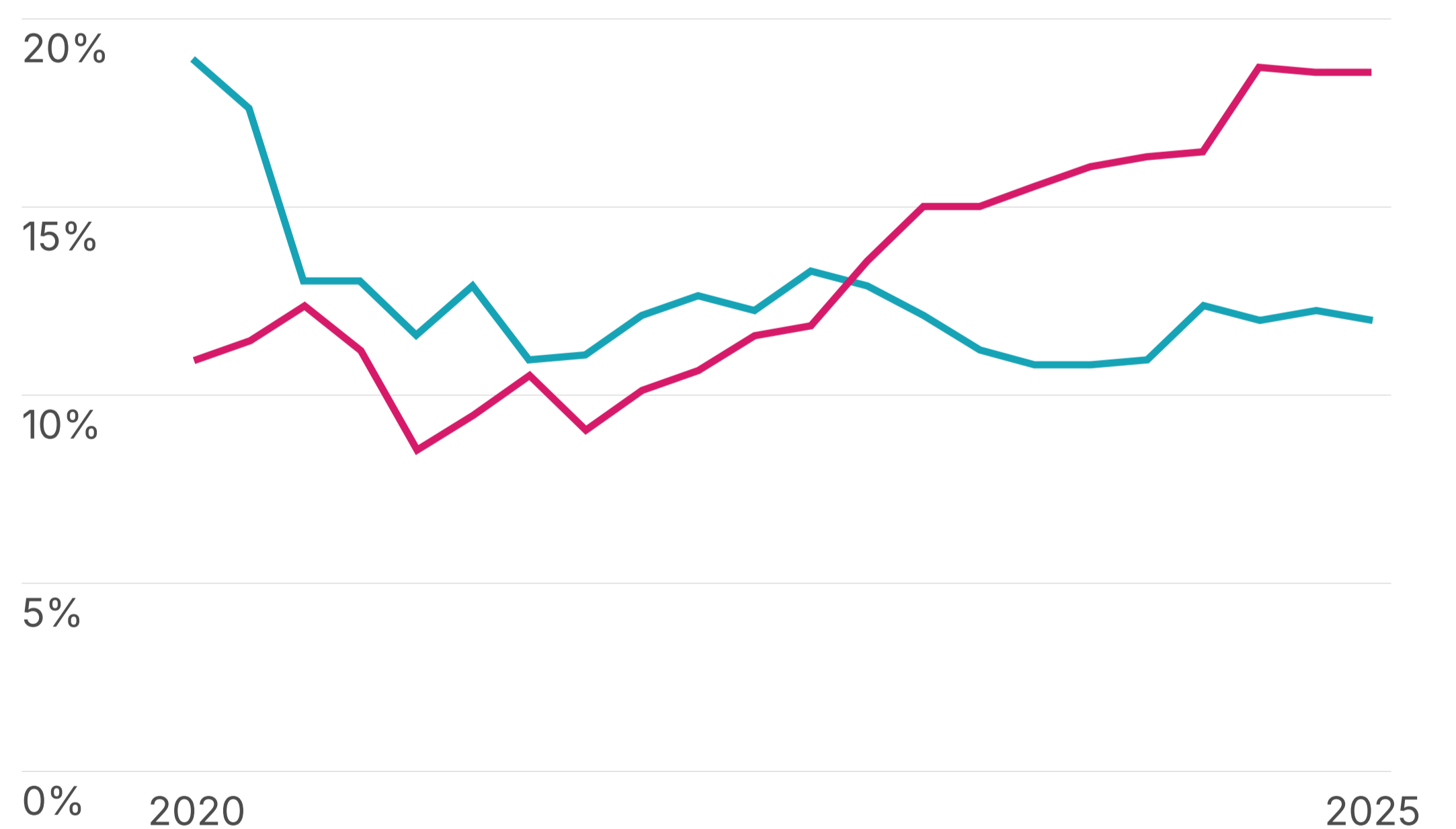
## In private credit, size has meant relative safety (Share of loans written down)

● Big fund ● Small fund

Loans marked below 50% of principal



Loans marked below 80%



Funds with committed capital greater than or equal to the median for their sub-strategy (e.g., direct lending, real-estate debt) and vintage are considered "big funds," while those below the median are small. Data as of Q3 2025. Source: MSCI Private Capital Transparency

### Go deeper

[Run Risk or Rational Repricing? Private Credit's Software Stress Test](#)

[Why LPs in Private Credit Deserve Clearer Borrower Reporting](#)

[Venture-Debt Loan Marks in Deteriorating Health](#)

## THEME TWO: LIQUIDITY

# Investors are waiting (and waiting) for their money back

A backlog of aging portfolio companies and limited exit opportunities has forced private-markets investors in recent years to recalibrate expectations around liquidity and the duration of closed-end investments.



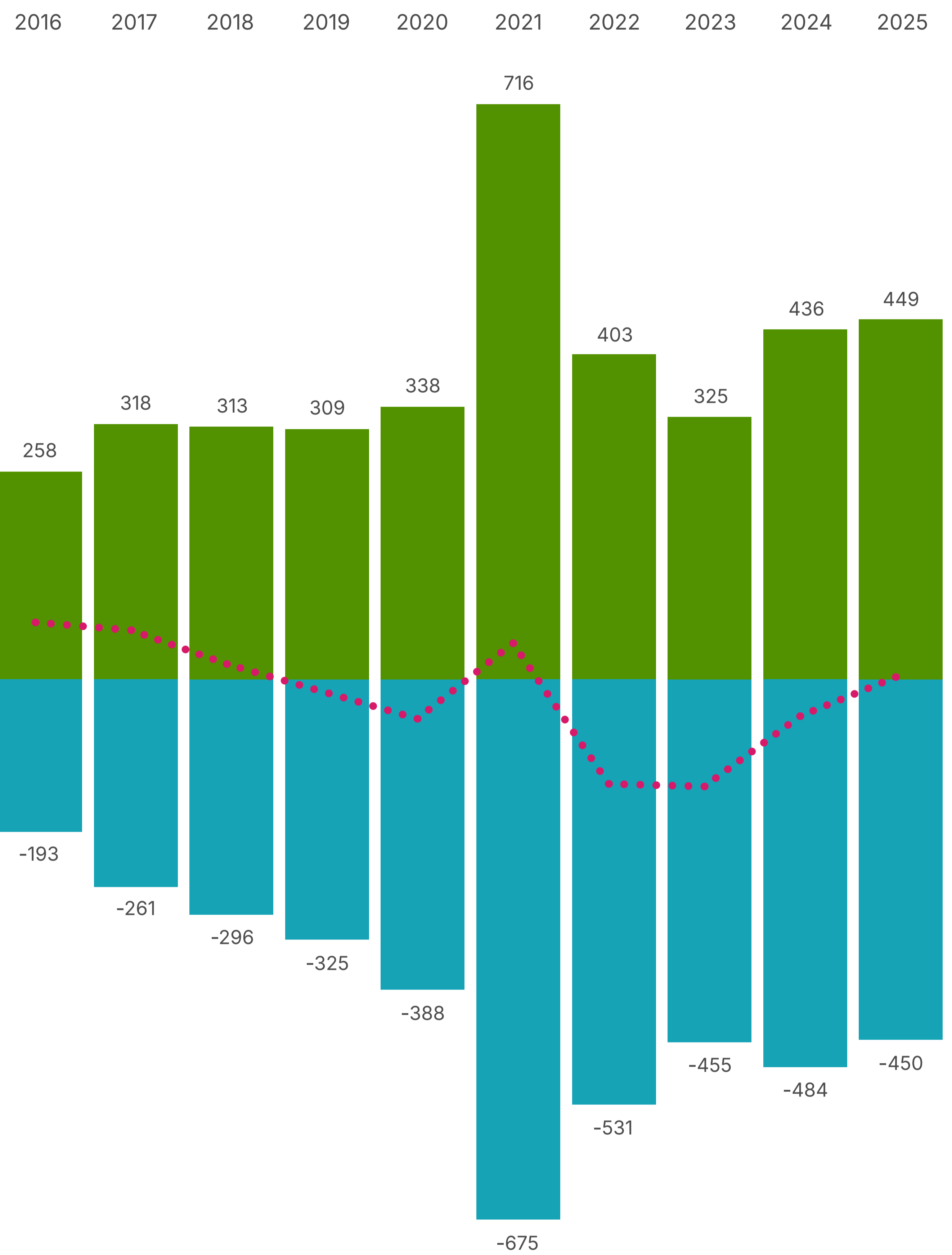
**Private-equity cash flows reached breakeven**  
(Cash flows, USD billion)

- Distributions
- Contributions
- Net cash flow

Across the industry, annual private-equity distributions have averaged USD 400-450 billion in the years since 2021, while capital called has averaged around USD 450-500 billion over the same period.

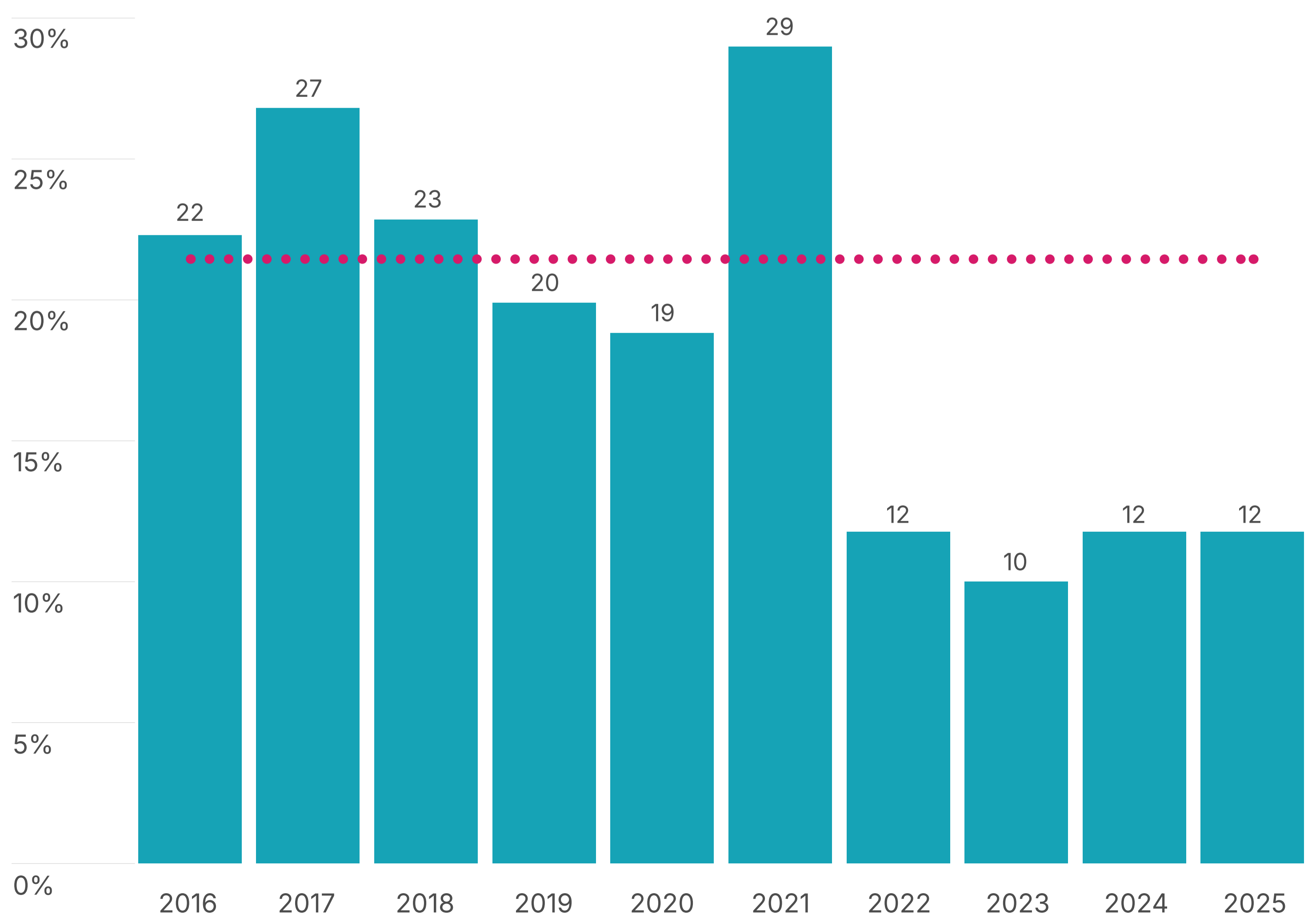
As a result, on a net cash-flow basis over the past few years, newly raised private-equity funds have continued to draw more capital than mature funds have returned, limiting investors' ability to reinvest in new vintages. In 2025, however, contributions and distributions were in balance as fundraising remained slow and distributions ticked up modestly. This convergence brought net cash flows to breakeven for the first time since 2021.

In relative terms, the slowdown in distributions has been even more pronounced given the significant growth of the private-capital industry since 2019. Historically, private-equity distributions have averaged around 20% of valuation annually. In 2025, that rate was just 12% as funds struggle to find meaningful exits.



**The distribution drought in private equity persists**  
(Distribution rate, percentage)

- Average rate 2016-2025



## Underlying investment-holding periods shed light on the dynamics that are playing out in private markets.

Structurally, holding periods have been rising since 2000, as companies are able to stay private longer and tap increasingly large and sophisticated pools of capital to support growth without the constraints of public markets. This shift is most pronounced in venture capital, where the weighted-average holding age of active investments rose from around two years in 2000 to five years in 2019 and nearly six years today. As of Sept. 30, 2025, weighted average holding ages across key asset classes are at all-time highs.

Since 2021, the distribution of investment-holding ages has shifted meaningfully. Investments made during 2020-2021 are now

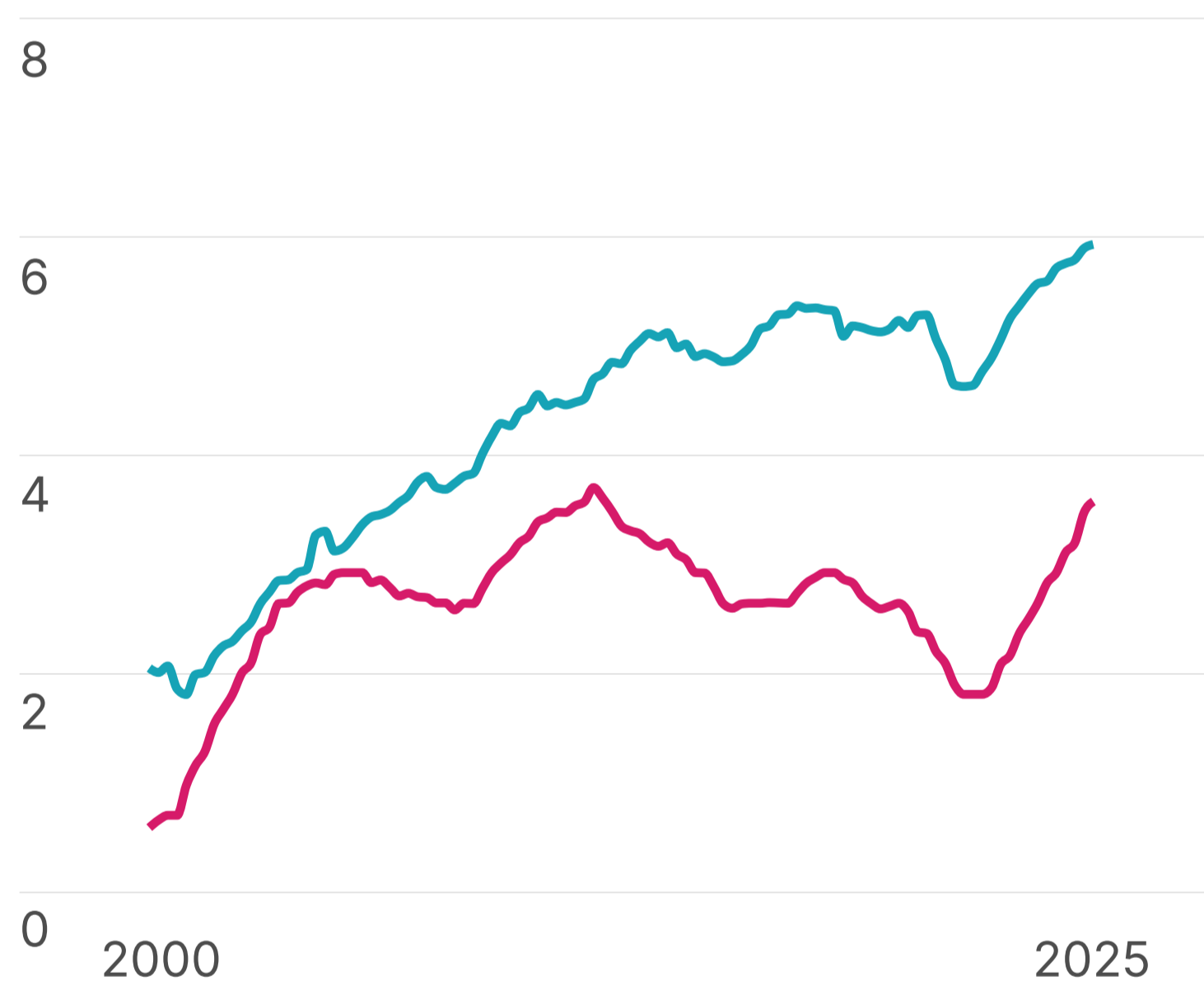
aging, new investments account for a relatively small fraction of aggregate capital, and an increasing proportion of fund valuations is tied up in older holdings. This trend is most pronounced in venture capital, where 25% of current valuation is in investments that are eight years or older.

This compositional view provides clearer insights into previous cycles, in which periods of investment followed by a market correction led to an aging of the overall portfolio. In buyout and real estate, this dynamic played out around the global financial crisis, when a glut of investments made between 2005 and 2007 took nearly a decade to work through.

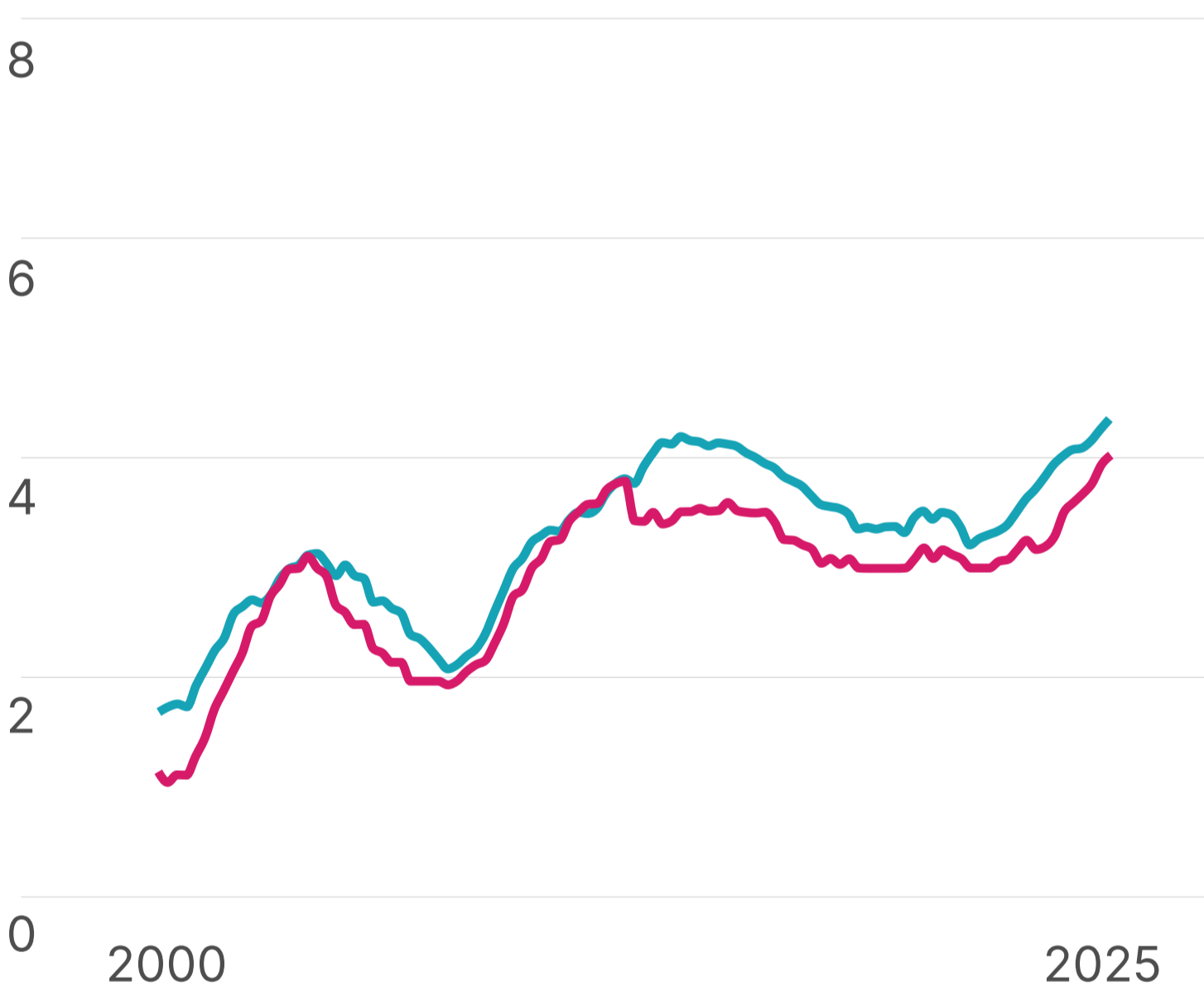
### Holding periods getting longer (Holding age, years)

● Weighted average ● Median

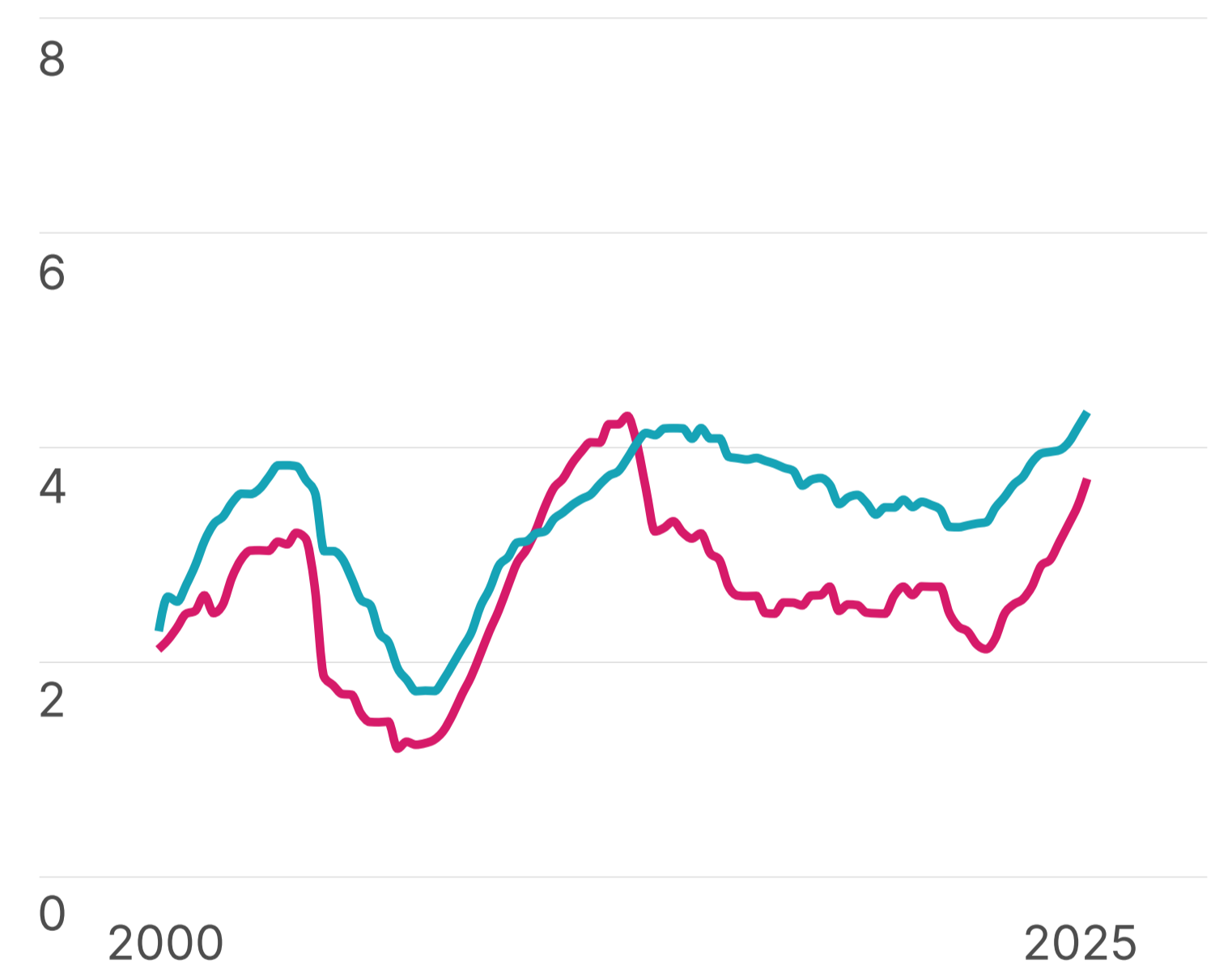
Venture capital



Buyout



Private real estate



### Portfolios growing older (Valuation of unrealized holdings by age in years)

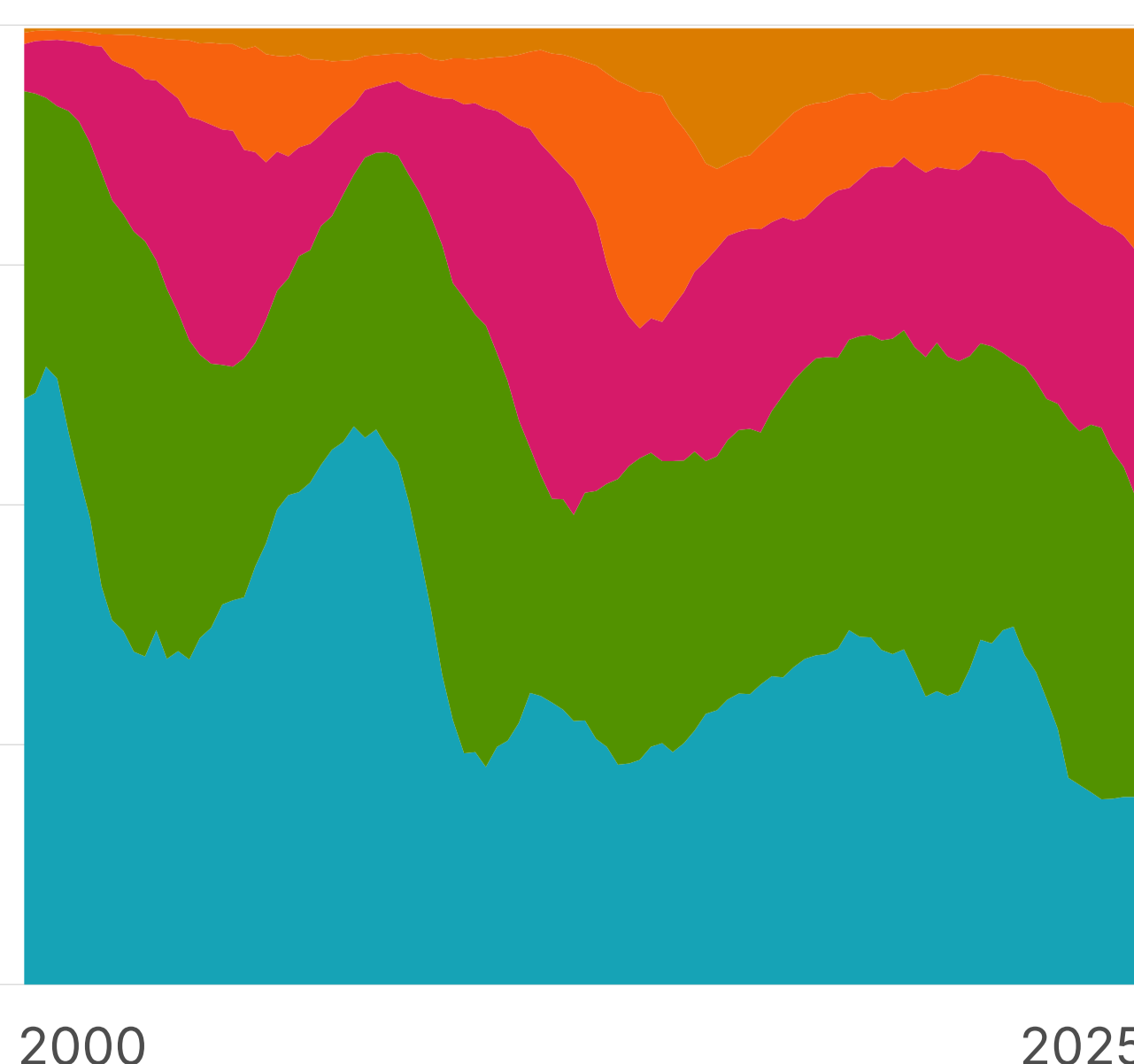
(Valuation of unrealized holdings by age in years)

● 0-1 ● 2-3 ● 4-5 ● 6-7 ● 8+

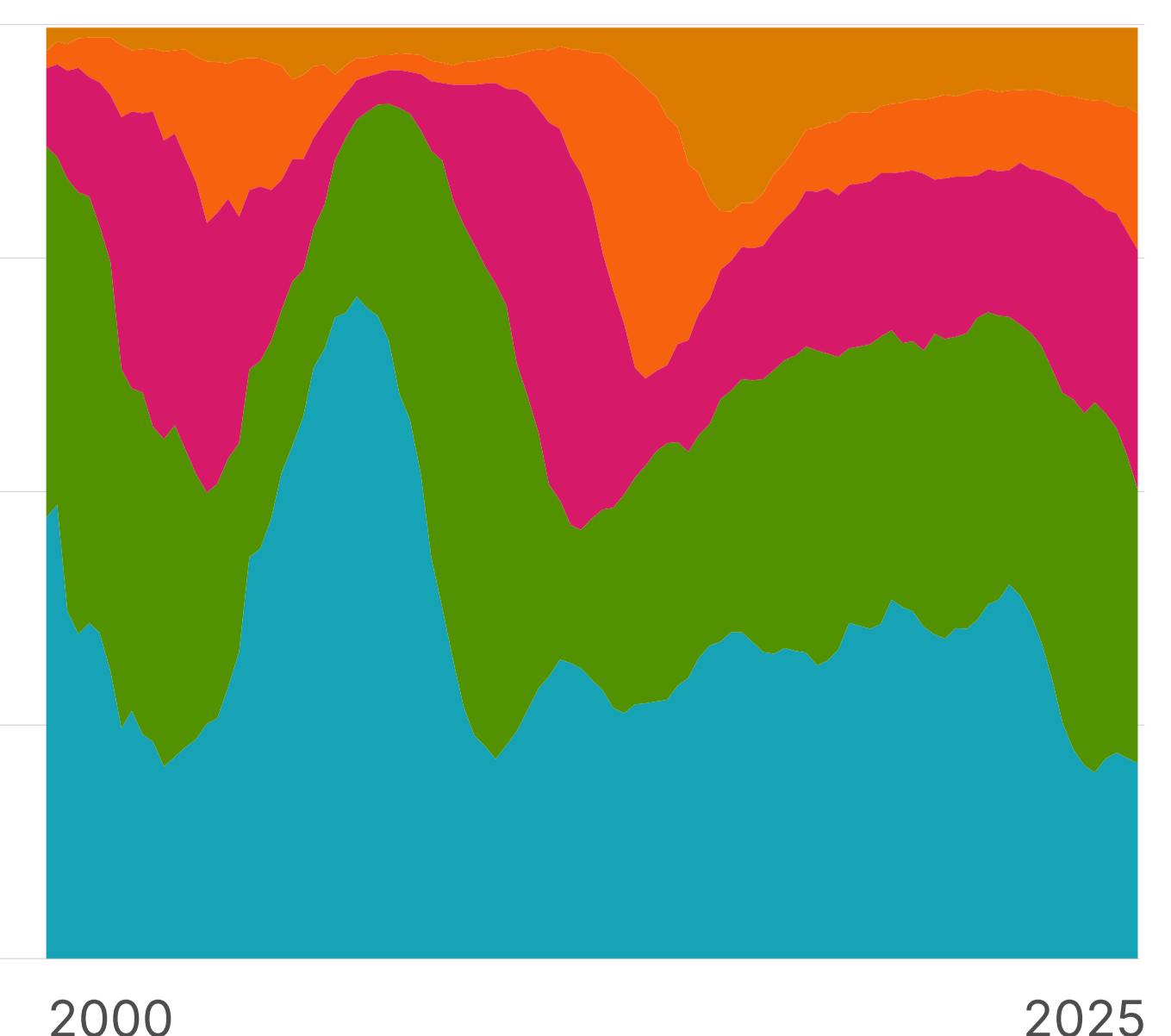
Venture capital



Buyout



Private real estate



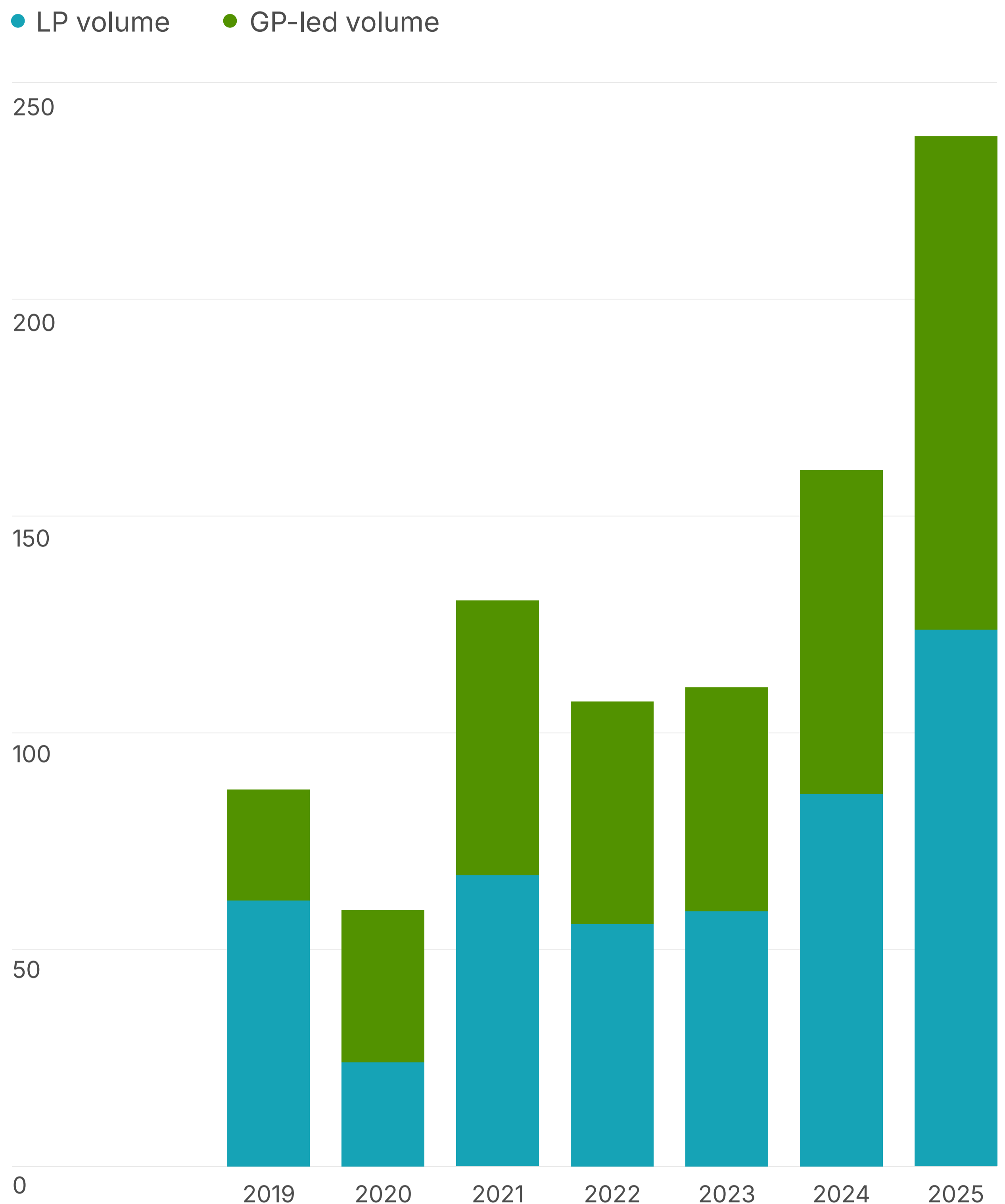
The parallels to the post-crisis period are instructive, but so are the differences. Then, the backlog was largely a function of market dislocation. Today, while elements of dislocation remain, a more durable force is at work: a structural shift in how long companies choose to remain private. For LPs waiting on distributions, the distinction matters less than the outcome.

Amid the slowing of traditional exit routes such as IPOs, GPs have become creative about returning cash to their investors. The volume of transactions in the secondary market reached a record USD 240 billion in 2025, up 48% from a year earlier, with roughly USD 115 billion, coming from GP-led deals, an increase of 53% from a year earlier.

Such deals tend to be structured in the form of continuation vehicles. Between 2016 and 2020 [the ratio of contributions to continuation vehicles](#) relative to distributions from private-equity funds 10 years or older averaged just 6%, indicating limited use of such structures. From 2021 through the quarter ended Sept. 30, 2025, however, the average jumped to 20%, reflecting a noticeable uptick in GP-led secondary activity.

**LPs used the secondary market to get out. GPs used it to stay in longer.**

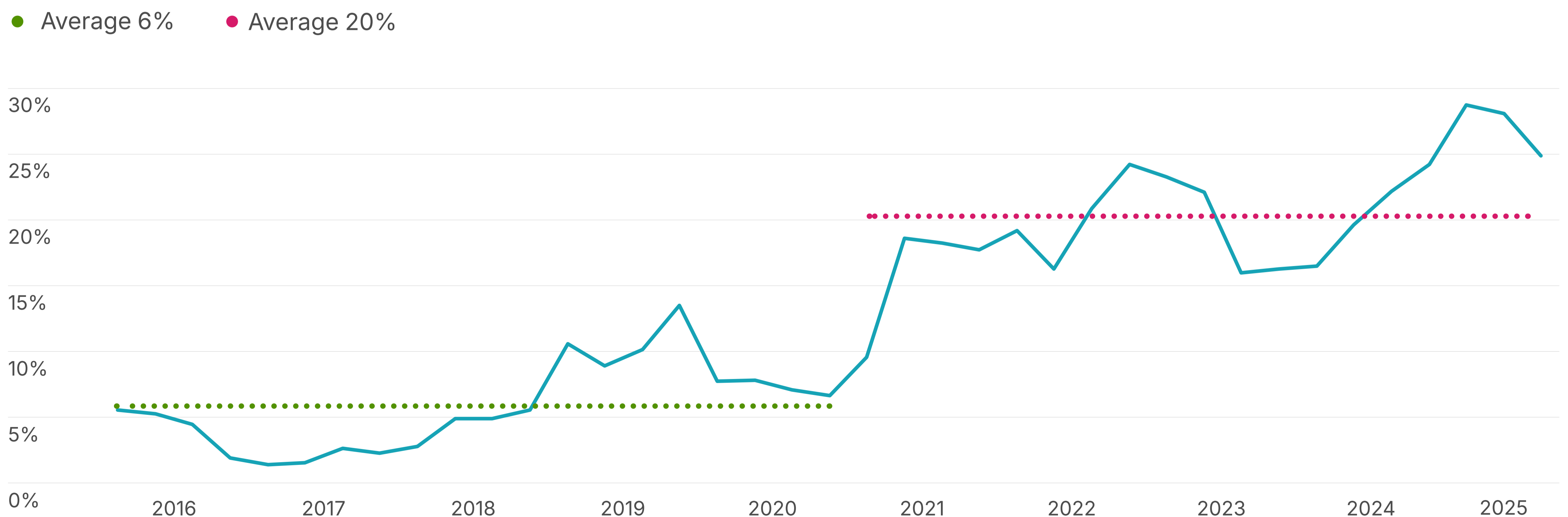
(USD billion)



Source: Global Secondary Market Review, Jefferies, January 2026

**Continuation funds went from an exception to a habit. The data shows when that happened.**

(Contributions to continuation funds as share of PE fund distributions)



Distributions from mature PE funds (10 years or older). Rolling 1-year share. Data as of Q3 2025. Source: MSCI Private Capital Universe

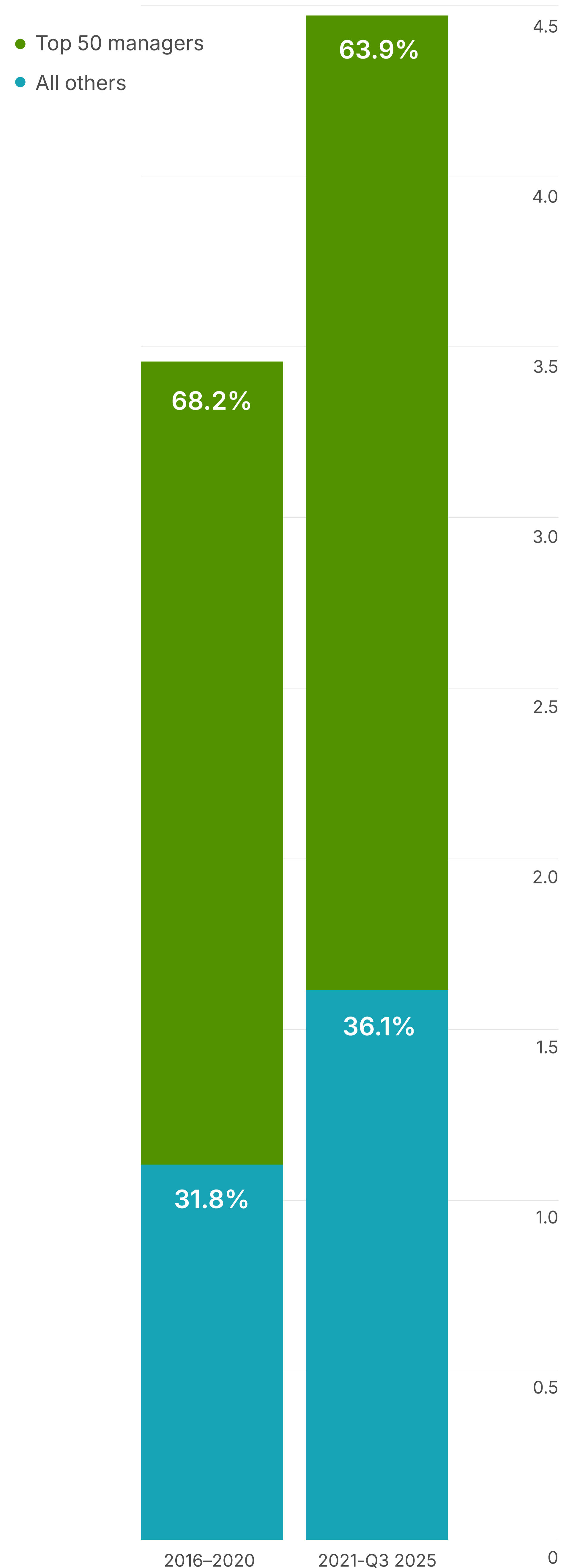
# Manager selection in a capital-constrained environment

The drying up of distributions has contributed to a capital drought that has winnowed managers, particularly those whose track records depended more on riding the multiple-expansion of pre-2022 markets than on genuine outperformance.

It's also contributing to a market of haves and have-nots. Large private-asset managers have continued to raise funds while their smaller counterparts struggle to attract commitments, a trend that is reshaping the competitive landscape in private-asset management. Sixty-one percent of GPs in our survey ranked fundraising as their top challenge, with smaller GPs citing difficulty in securing access to LPs and in addressing concerns around first-time fund risk.<sup>8</sup>

Since 2021, the share of capital raised by the 50 largest private-asset managers industry-wide has climbed by roughly 4.3 percentage points, to just over 36%, while the rest of the industry's share fell to 64%.

While the pool grew, the biggest managers got bigger  
(Capital raised, USD trillion)

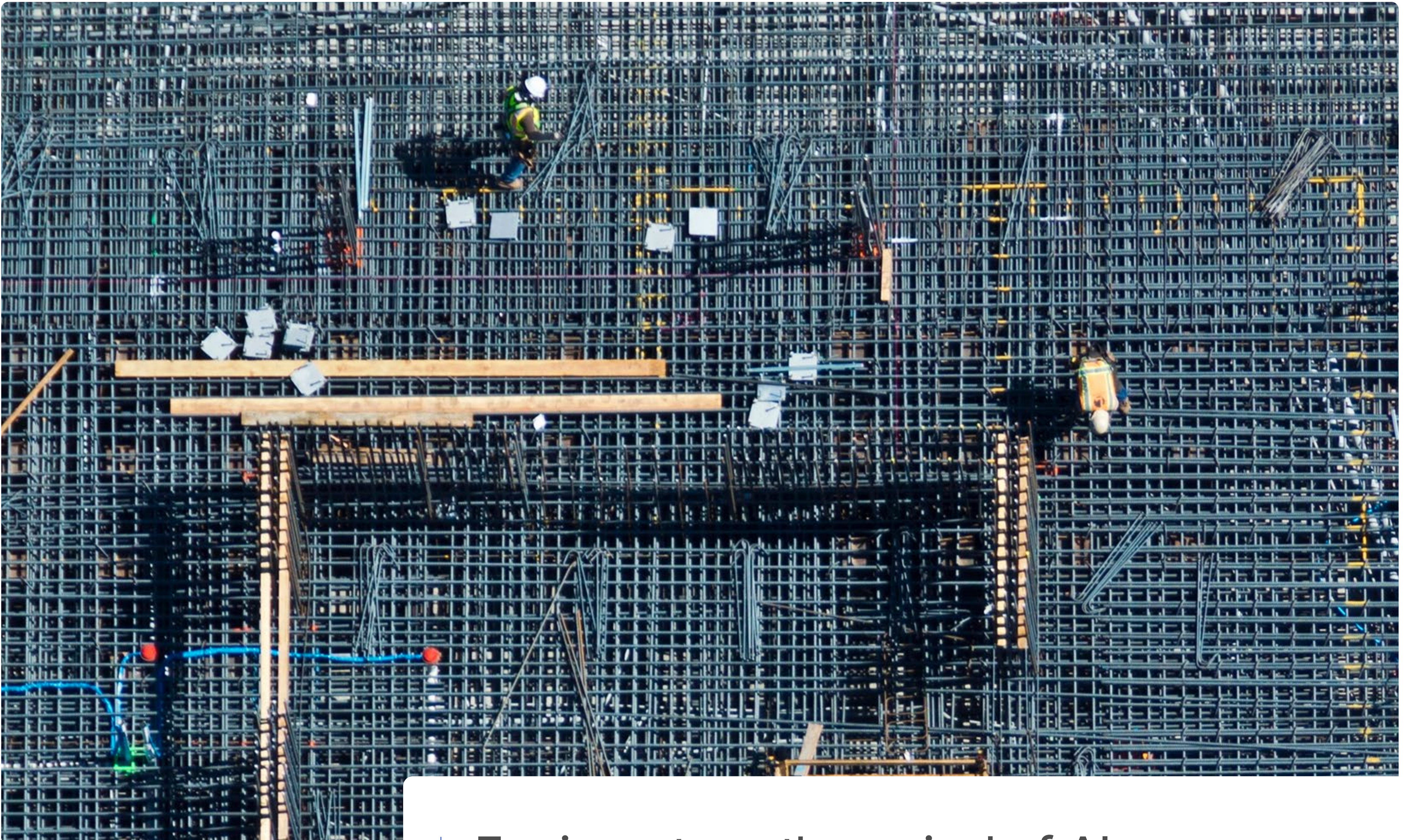


8. "The 2025 General Partner Survey," MSCI, June 12, 2025.

Closed-end funds only. Source: MSCI Private Capital Universe

## THEME THREE: AI

# Private capital in the AI build-out



For investors, the arrival of AI means more than the risk of disruption to established industries. It's also an investment opportunity on a similarly wide scale.

Private-sector AI investments in the U.S. alone have already totaled an estimated USD 471 billion since 2013.<sup>9</sup> Construction of data centers worldwide could require an estimated USD 5 to 7 trillion this decade to keep pace with surging demand for compute power.<sup>10</sup> Roughly a quarter of that could be financed by free cash flow of hyperscalers: The rest has to come from capital markets.<sup>11</sup>

Private markets represent a significant source of capital for infrastructure ranging from data centers to connectivity and power, as well as a major source of investment in AI-enabled software and applications. Indeed, AI-related investments represent about 16% (USD 739 billion) of the roughly USD 4.5 trillion in global private-equity assets, according to MSCI's analysis, based on data as of Sept. 30, 2025.

Most of this private-equity exposure (56%) involves AI technology developers. One-fifth involves companies adopting AI, with the balance including data processors, firms training large language models, AI-deployment companies, or those providing energy or infrastructure.

The resurgence in performance of U.S. equities in the second half of last year was dominated by the AI build-out, which remains the center of gravity thus far in 2026. Eye-watering levels of spending by hyperscalers for data centers and chips highlight expectations for massive growth by the companies involved.<sup>12</sup>

### Most AI exposure in private equity is concentrated in technology developers (Valuation, USD billion)

**448**

AI technology development

**162**

AI adopters

**57**

Data processing

**49**

Model training

**39**

AI deployment

**20**

Energy provider for AI

**9**

AI infrastructure

Data as of Q3 2025. Source: MSCI Private Capital Universe

9. "The AI Index 2025 Annual Report," AI Index Steering Committee, Institute for Human-Centered AI, Stanford University, April 2025.

10. "The cost of compute: A \$7 trillion race to scale data centers," McKinsey Quarterly, April 28, 2025.

11. "The Risks Behind the Expected \$5.3 Trillion AI Data Center Funding Boom," Wall Street Journal, Jan. 25, 2026.

12. "Why AI Companies May Invest More than \$500 Billion in 2026," Goldman Sachs, Dec. 18, 2025, and "Big Tech's 'breathhtaking' \$660bn spending spree reignites AI bubble fears," Financial Times, Feb. 6, 2026.

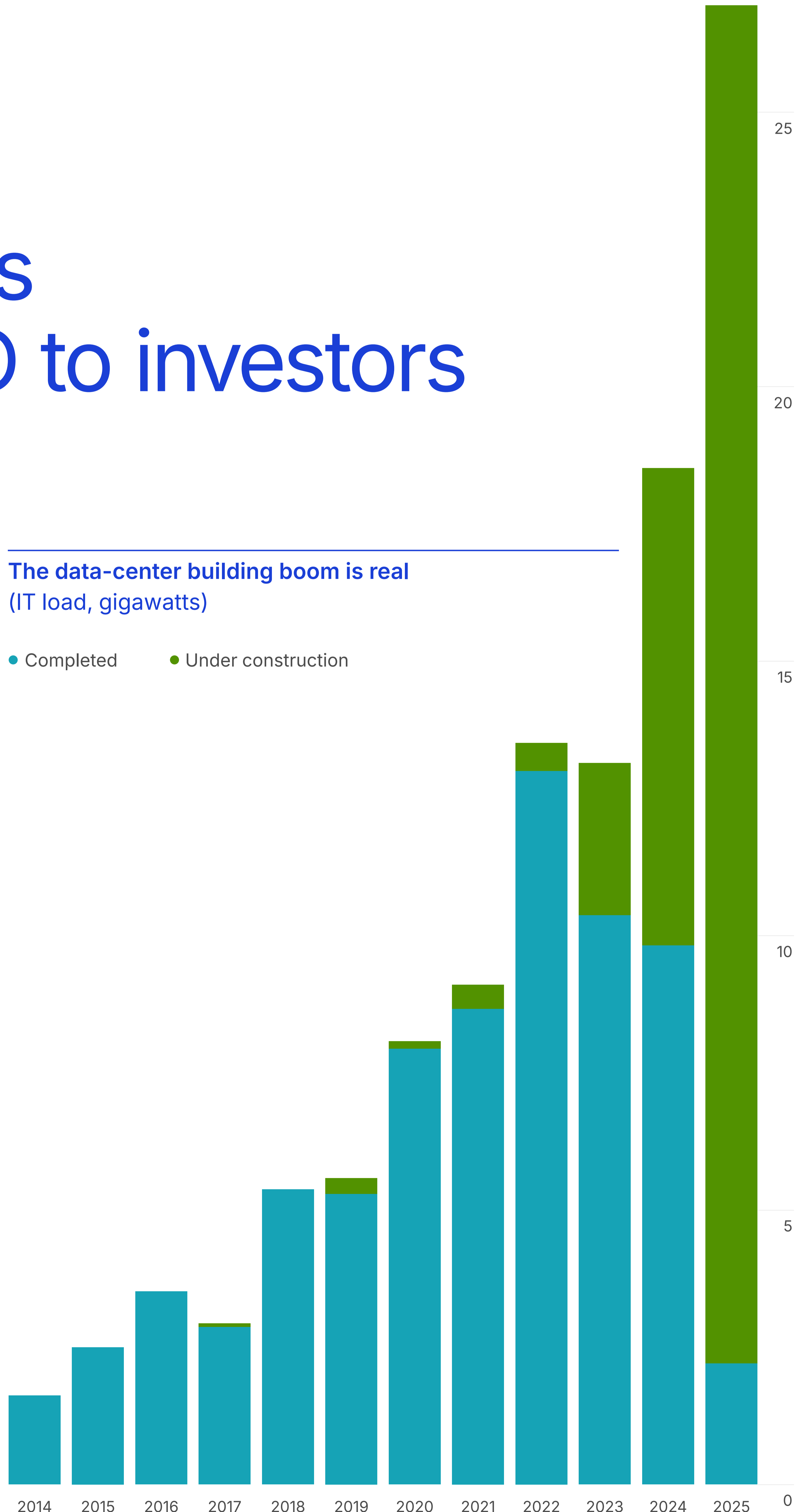
# Data centers bring FOMO to investors

Demand for data-center space has surged as growth in the AI field has accelerated. Anthropic last year announced a USD 50 billion investment in computing infrastructure while OpenAI has said it's looking to commit over a trillion dollars in data-center investment over the next eight years.<sup>13</sup>

Global data-center construction starts reached more than 27 gigawatts in 2025, up 46% from a year earlier, requiring an estimated USD 341 billion in development expenditure. Purchases of standing assets totaled a further USD 54 billion, up 38% year over year. And waiting in the pipeline: more than 240 gigawatts that haven't broken ground yet.

## The data-center building boom is real (IT load, gigawatts)

● Completed ● Under construction



Data as of Q4 2025. Source: MSCI Real Capital Analytics

13. "Anthropic invests \$50 billion in American AI infrastructure," Anthropic, Nov. 12, 2025. See also, "Sam Altman says OpenAI has \$20B ARR and about \$1.4 trillion in data center commitments," TechCrunch, Nov. 6, 2025.

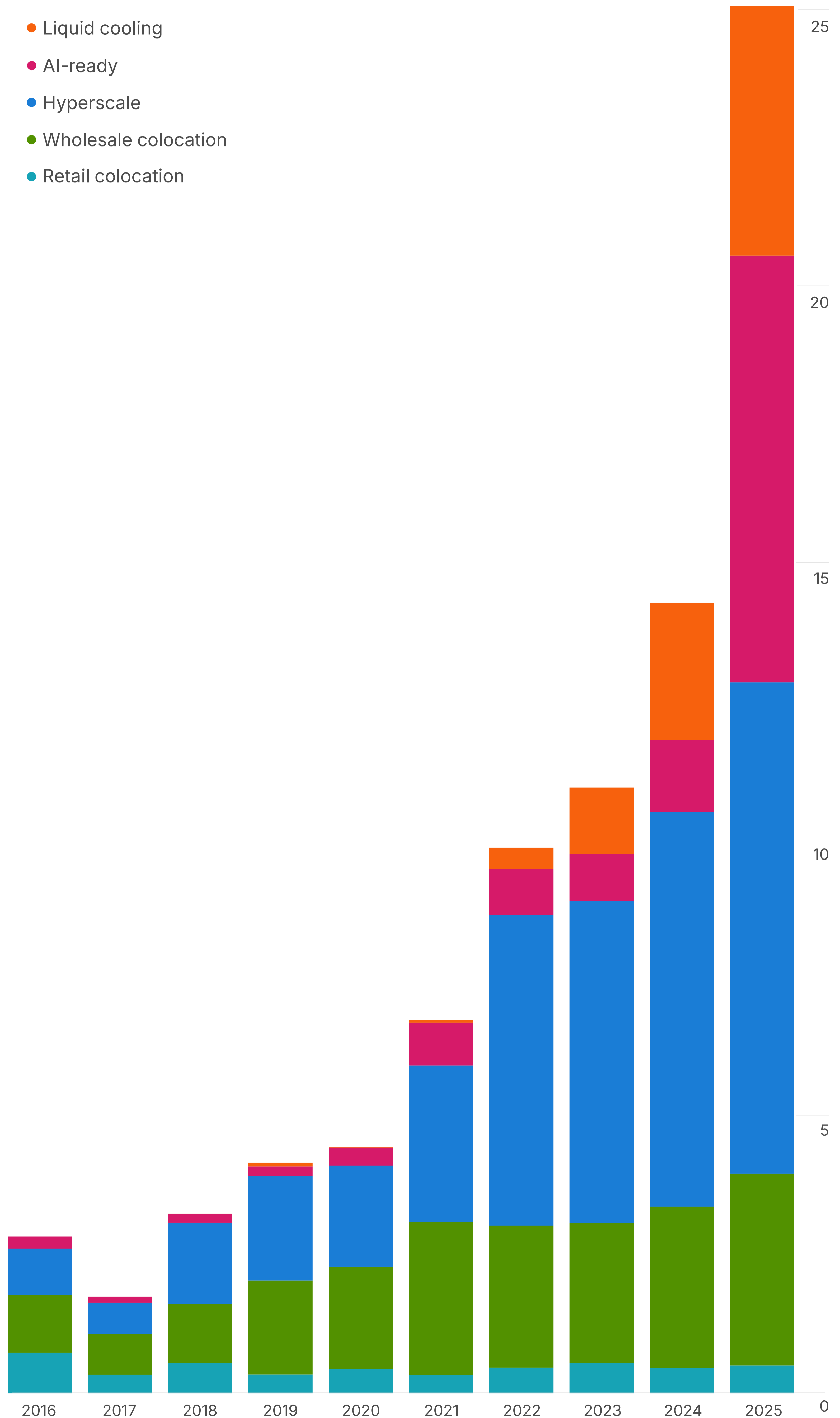
Tellingly, almost half of data centers that began construction last year were termed “AI-ready,” many of which can support various forms of liquid cooling for high-density racks. The increased specifications of fit-outs — whether electrical systems, advanced cooling or specialized mechanical engineering — have added to the complexity of data-center investments while raising the development cost per megawatt materially.

Data centers today are much more capital-intensive than in the past, often requiring billions of dollars of investment and, consequently, much larger equity- and debt-raising exercises. The capital-intensiveness of a data center’s fit-out means that investors must account for a variety of depreciation issues when underwriting an investment. A large share of project value sits in technical infrastructure that depreciates more quickly and unevenly than traditional property assets.

Given the rapid evolution in the cost and complexity of fit-outs, data centers, like commercial buildings generally, risk becoming outdated. The growing use of model inference across leading global technology companies heightens this risk for older facilities, particularly those lacking future-proofed designs that allow new cooling technologies to be integrated without substantial redevelopment of the data-center shell.

**Data centers used to be real estate with servers.  
Now they’re something else entirely.  
(IT load, gigawatts)**

- Liquid cooling
- AI-ready
- Hyperscale
- Wholesale colocation
- Retail colocation



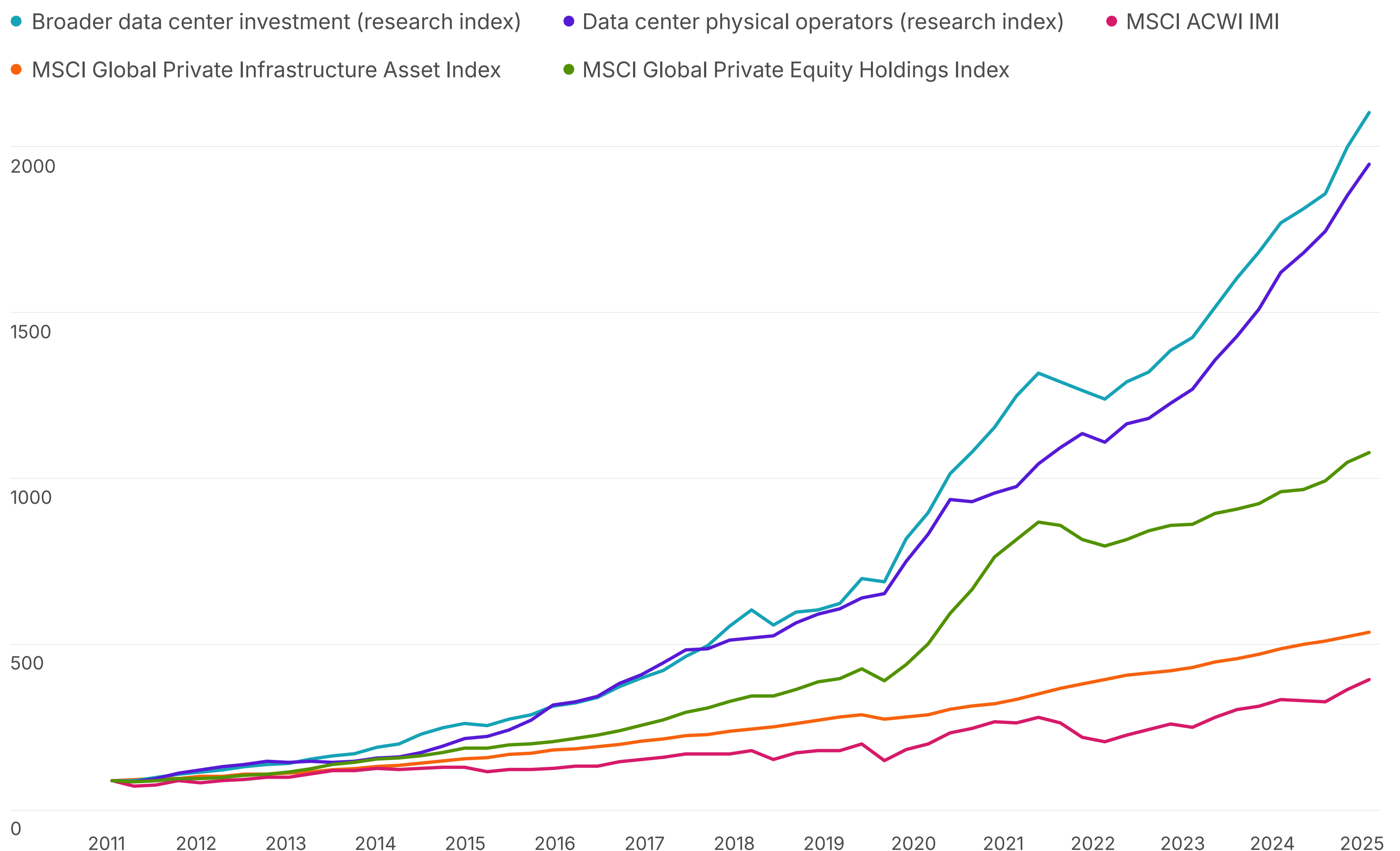
# Looking at data-center returns

Data-center investment has evolved into a genuinely multi-asset-class opportunity, with exposure expressed across real assets, infrastructure, buyout, growth and venture capital. Real assets account for roughly 60% of the investment universe by value (USD 73.2 billion), as of Sept. 30, 2025, with infrastructure the dominant allocation, comprising 52% of total exposure. Equity strategies make up 37%, reflecting buyout, expansion and venture capital.

Investments in data centers have been strong performers in private markets over the past decade. Two research indexes constructed by MSCI — one a broad data-center index and one covering center operators — generated annualized returns of 23.8% and 23.1%, respectively, from Q2 2011 to Q3 2025, outpacing global private equity (18.1%), private infrastructure (12.5%) and public equities (10.1%) by a substantial margin.

The recent picture is more nuanced. Since the launch of ChatGPT in late 2022, physical operators have continued to outperform private markets broadly, but public equities, buoyed by the same AI enthusiasm, have kept pace. That convergence reflects less a weakening of data-center fundamentals than the fact that public markets have now priced in much of the same story that private investors have been building toward for years.

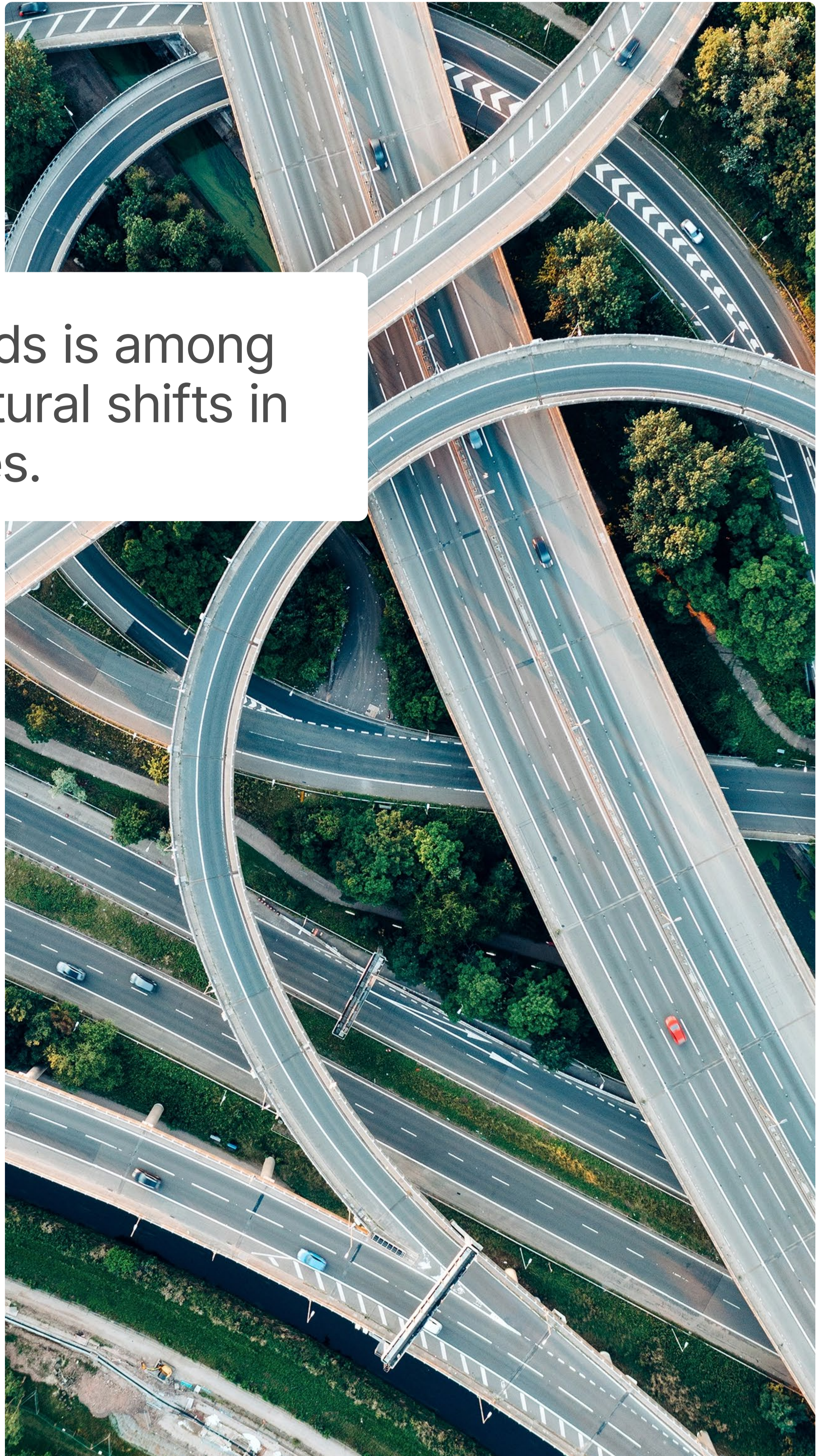
## Data-center investments have significantly outperformed key private-market and public-equity benchmarks (Index level)



Data as of Q3 2025. Source: MSCI

## THEME FOUR: EVERGREEN FUNDS

# Examining the rise of evergreen funds



The rise of evergreen funds is among the most significant structural shifts in private markets in decades.

Evergreen structures challenge the industry’s long-standing model of closed-end funds and long-dated, irregular cash flows by introducing continuous capital, periodic liquidity and a different set of incentives for managers and investors alike.

Across unlisted asset classes, U.S. evergreen structures now exceed USD 500 billion in AUM, with assets growing by more than 30% in the year ended Sept. 30, 2025. What was once primarily the domain of institutional investors and drawdown-style partnerships is now accessible through vehicles designed for broader distribution, including retail investors, who account for roughly one-fifth (20%) of AUM in evergreen funds.

Historically, private equity [has outperformed public assets](#) over varying timelines with an alpha that [can only be partially captured through listed investments](#). Evergreen structures aim to capture the same alpha while mitigating three longstanding constraints of private markets: illiquidity, irregular capital flows and complex commitment pacing. [Their performance has been notable](#) as they have generally delivered returns consistent with the broader private-market asset classes over time, even outperforming in the most recent returns.

Still, the rapid growth of assets over the past few years has come with consequences. The same features that drew a new generation of investors to evergreen funds are now being tested, as expectations of private-market liquidity collide with the reality of redemption gating.

By promising liquidity in an illiquid asset class without sacrificing performance, evergreen funds are likely to become a permanent feature of how private markets raise and deploy capital, with varying implications and challenges for key constituents.

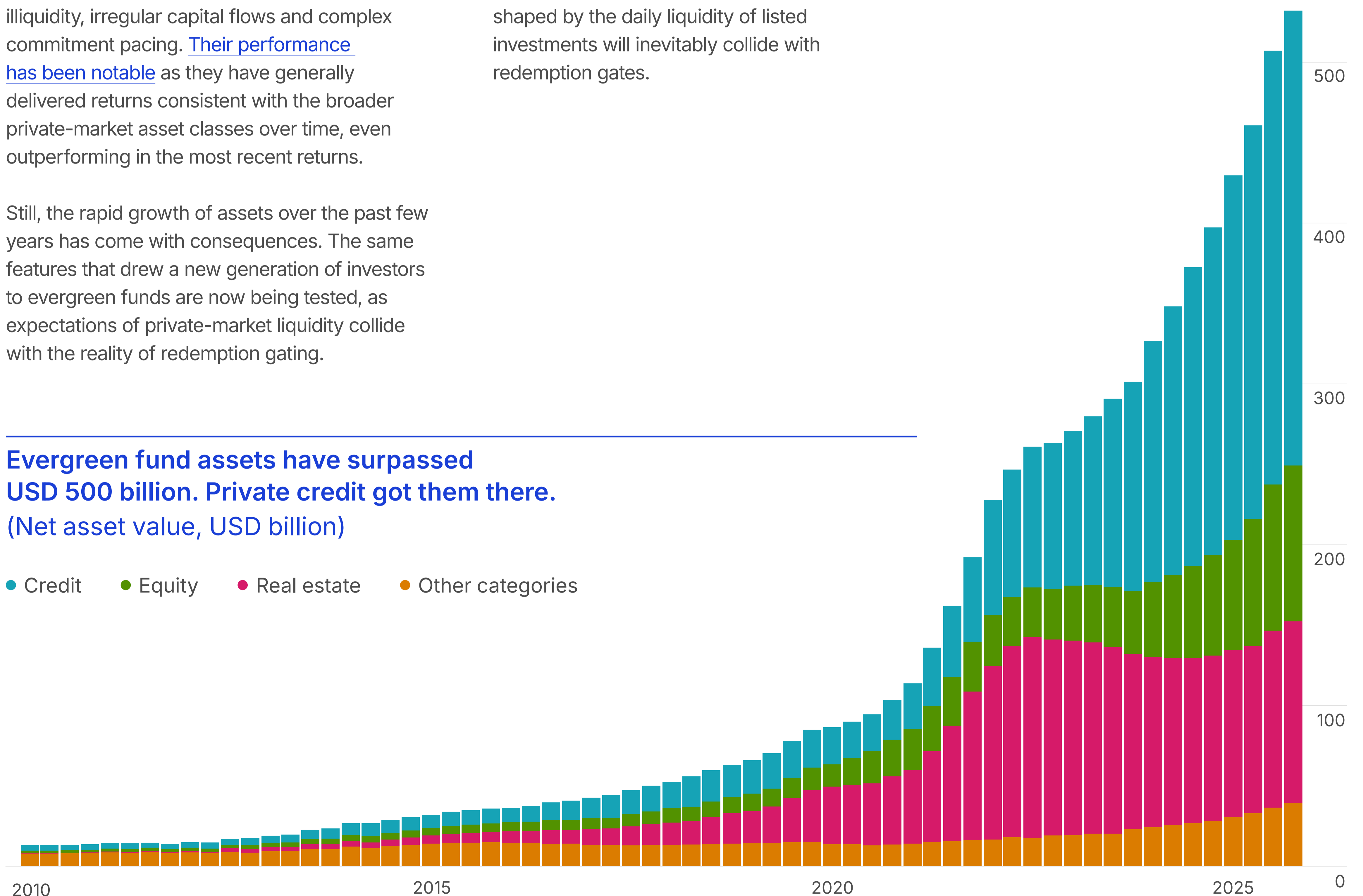
- For asset managers, evergreen funds mean that communications, including persuading investors to remain invested, will become a bigger part of fund management.
- For institutional investors, evergreen structures can support allocation targets without the straitjacket and pacing constraints of drawdown funds. Yet, broader participation by wealth investors could affect the conditions that have historically supported private-market alpha.
- For wealth investors, a new set of investment tools are now accessible, with risks that they may not fully appreciate. And, as has happened in early 2026, their expectations shaped by the daily liquidity of listed investments will inevitably collide with redemption gates.

The continued rise of evergreen vehicles will depend on successfully navigating several challenges. Investors must have confidence in manager-reported NAVs as being more than just a reporting metric — that they represent a market-clearing price at which investors can subscribe and redeem. Any perceived gap between reported and economic value creates a zero-sum tension between those entering and those exiting.

Managers, meanwhile, have taken divergent approaches to the current pressure. Some have exceeded their stated redemption limits, prioritizing investor liquidity in the near term. Others have adhered to their gates, arguing that forced asset sales or added leverage to meet redemptions would erode long-run performance and set expectations the structure was never designed to meet. Both camps face a credibility test, and the industry is watching which approach endures.

**Evergreen fund assets have surpassed USD 500 billion. Private credit got them there.**  
(Net asset value, USD billion)

● Credit ● Equity ● Real estate ● Other categories

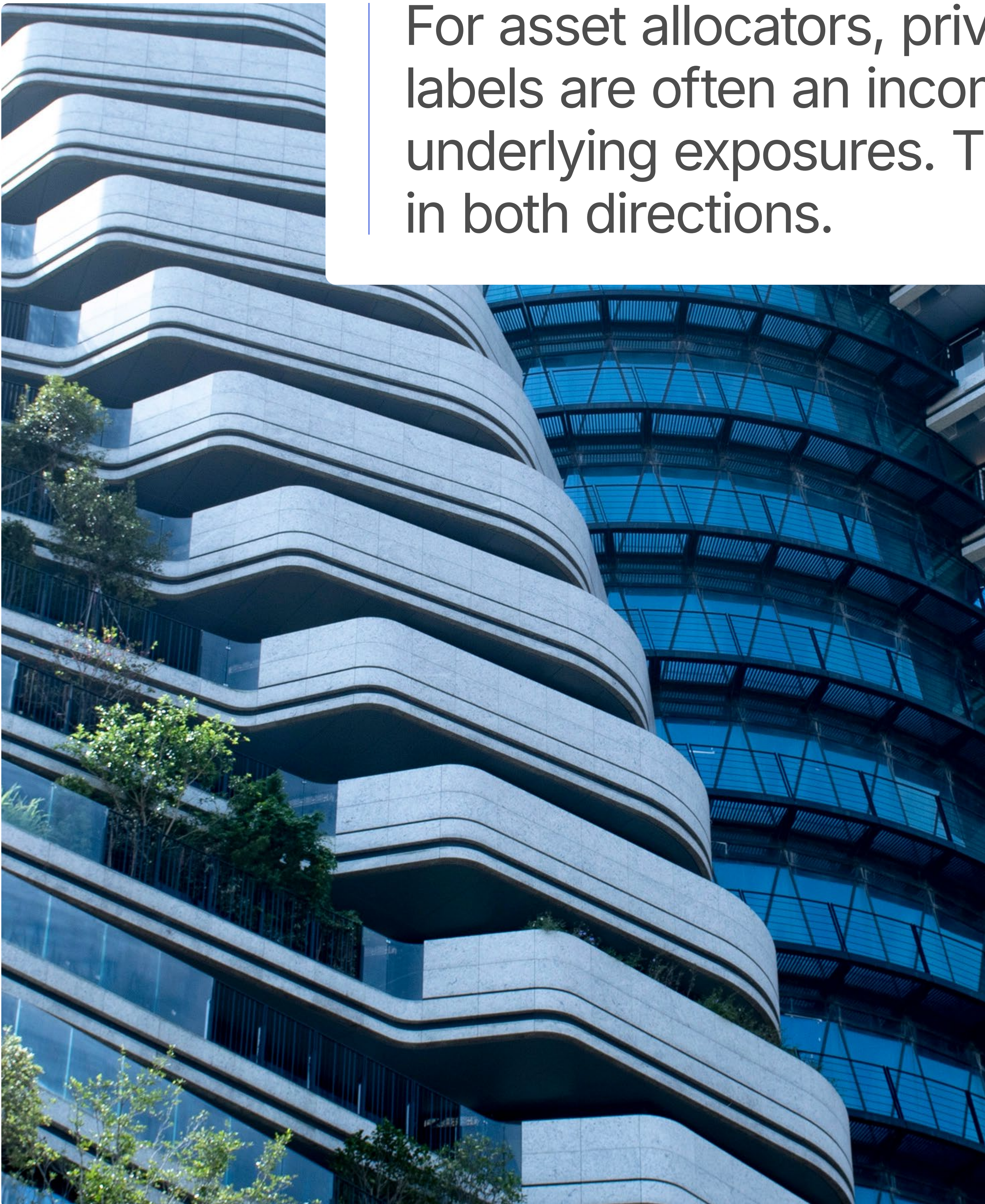


Data as of Q4 2025. Source: U.S. Securities and Exchange Commission, MSCI Private Capital Solutions

**Go deeper**  
[The Ascendancy and Implications of Evergreen Funds in Private Markets](#)

## THEME FIVE: TOTAL PORTFOLIO

# Private markets' heterogeneity and the case for a total- portfolio approach



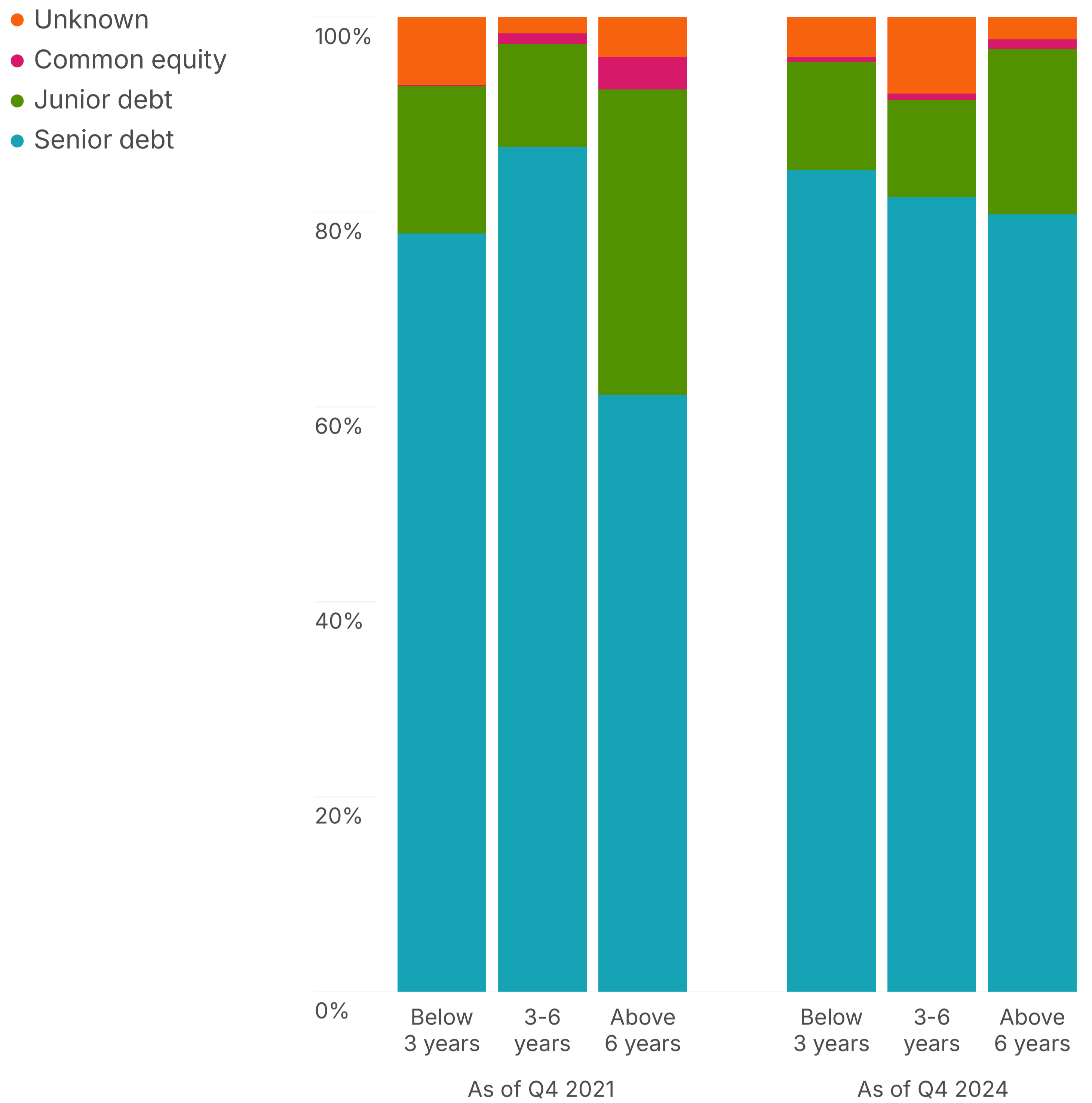
For asset allocators, private-asset labels are often an incomplete guide to underlying exposures. The problem runs in both directions.

Private-credit funds are exposed to more than just credit, while similar assets and risks appear across taxonomically distinct strategies. This blurring highlights the importance of transparency into deals that funds have invested in, including how investments are structured (e.g., loan terms), and ultimately, a factor view of the drivers of risk and return.

Private-credit funds illustrate this blurring in one direction — through compositional heterogeneity. Even funds focused on senior direct lending have some equity exposure, while opportunistic credit and subordinated direct lending can have substantial allocations. In 2025, for example, most of the assets (by value) in subordinated-direct-lending funds were equity.

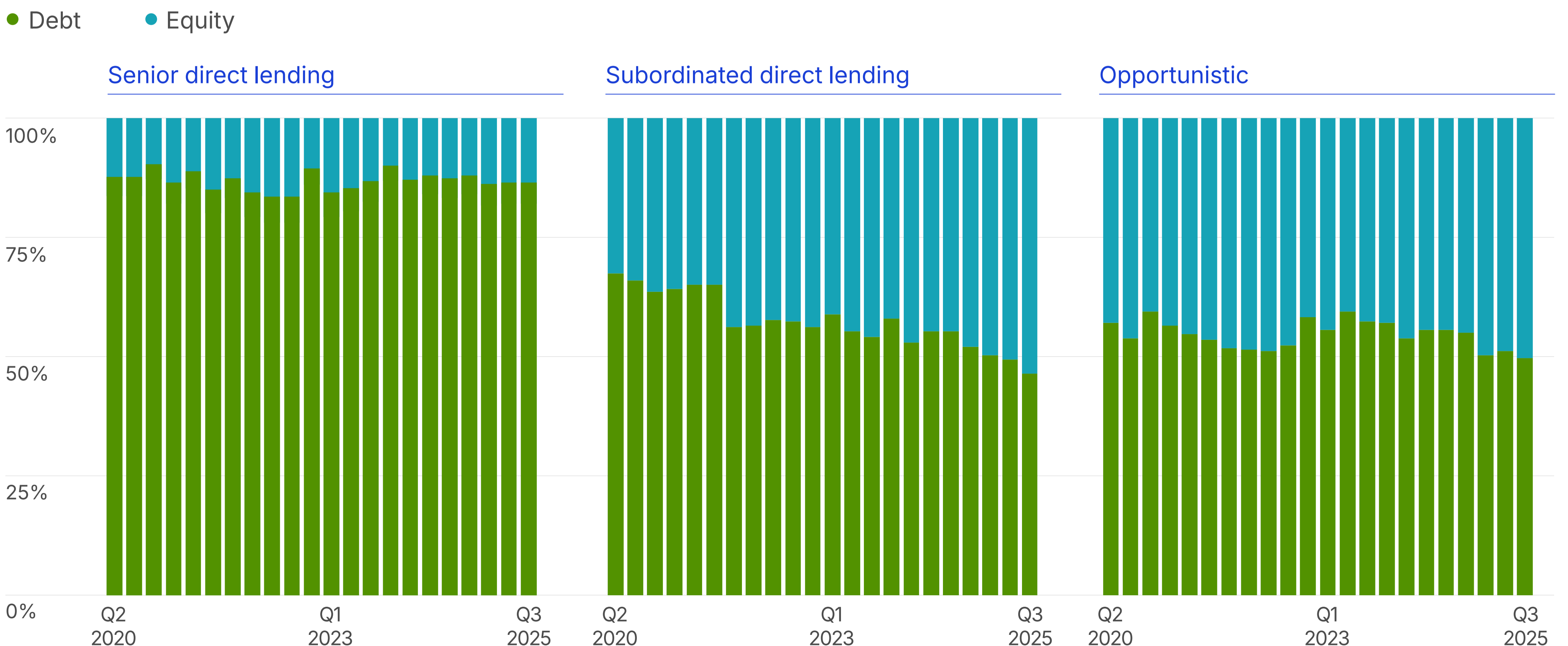
The picture, however, is more nuanced. As funds age, two dynamics emerge: Loan maturation reduces the credit share of the fund, while restructurings can increase equity or equity-like exposure. But compositional drift is only part of the story. An asset-class-specific view may also obscure a duration effect. As remaining loans shorten, spread duration declines, increasing the relative importance of equity exposure. This second dynamic also points to the value of a factor perspective.

### The migration from senior to junior debt (Composition of funds by fund age group)



Composition by security market value, North America senior direct-lending funds. Source: MSCI Private Capital Transparency

### Private-credit funds hold more equity than their names suggest (Composition by security value)



Data as of Q3 2025. Source: MSCI Private Capital Transparency

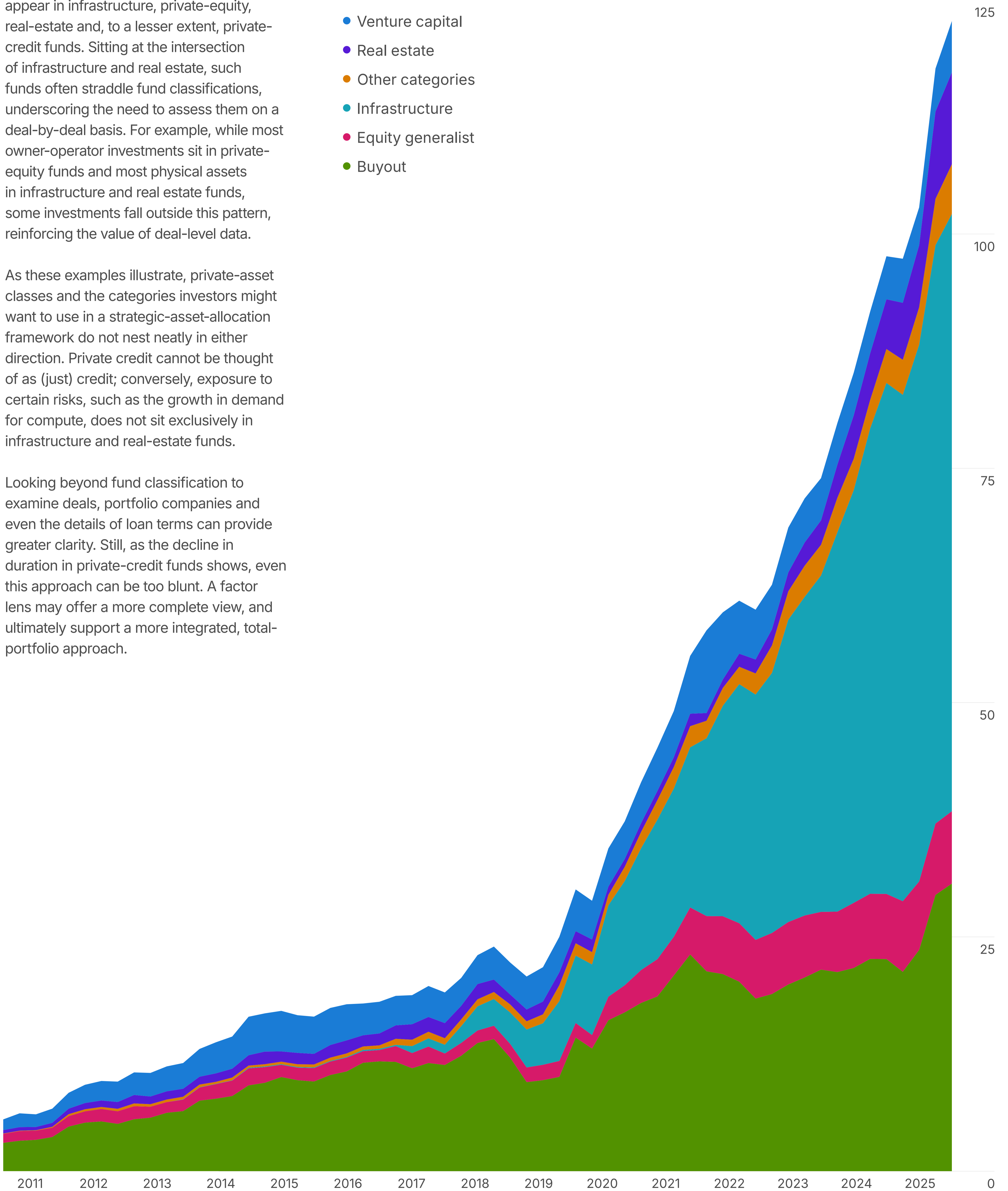
Data-center investments illustrate a different kind of blurring — thematic heterogeneity. In our drawdown universe, such investments appear in infrastructure, private-equity, real-estate and, to a lesser extent, private-credit funds. Sitting at the intersection of infrastructure and real estate, such funds often straddle fund classifications, underscoring the need to assess them on a deal-by-deal basis. For example, while most owner-operator investments sit in private-equity funds and most physical assets in infrastructure and real estate funds, some investments fall outside this pattern, reinforcing the value of deal-level data.

As these examples illustrate, private-asset classes and the categories investors might want to use in a strategic-asset-allocation framework do not nest neatly in either direction. Private credit cannot be thought of as (just) credit; conversely, exposure to certain risks, such as the growth in demand for compute, does not sit exclusively in infrastructure and real-estate funds.

Looking beyond fund classification to examine deals, portfolio companies and even the details of loan terms can provide greater clarity. Still, as the decline in duration in private-credit funds shows, even this approach can be too blunt. A factor lens may offer a more complete view, and ultimately support a more integrated, total-portfolio approach.

### Data centers entail exposure across asset classes (Holdings valuation, USD billion)

- Venture capital
- Real estate
- Other categories
- Infrastructure
- Equity generalist
- Buyout



# Conclusion

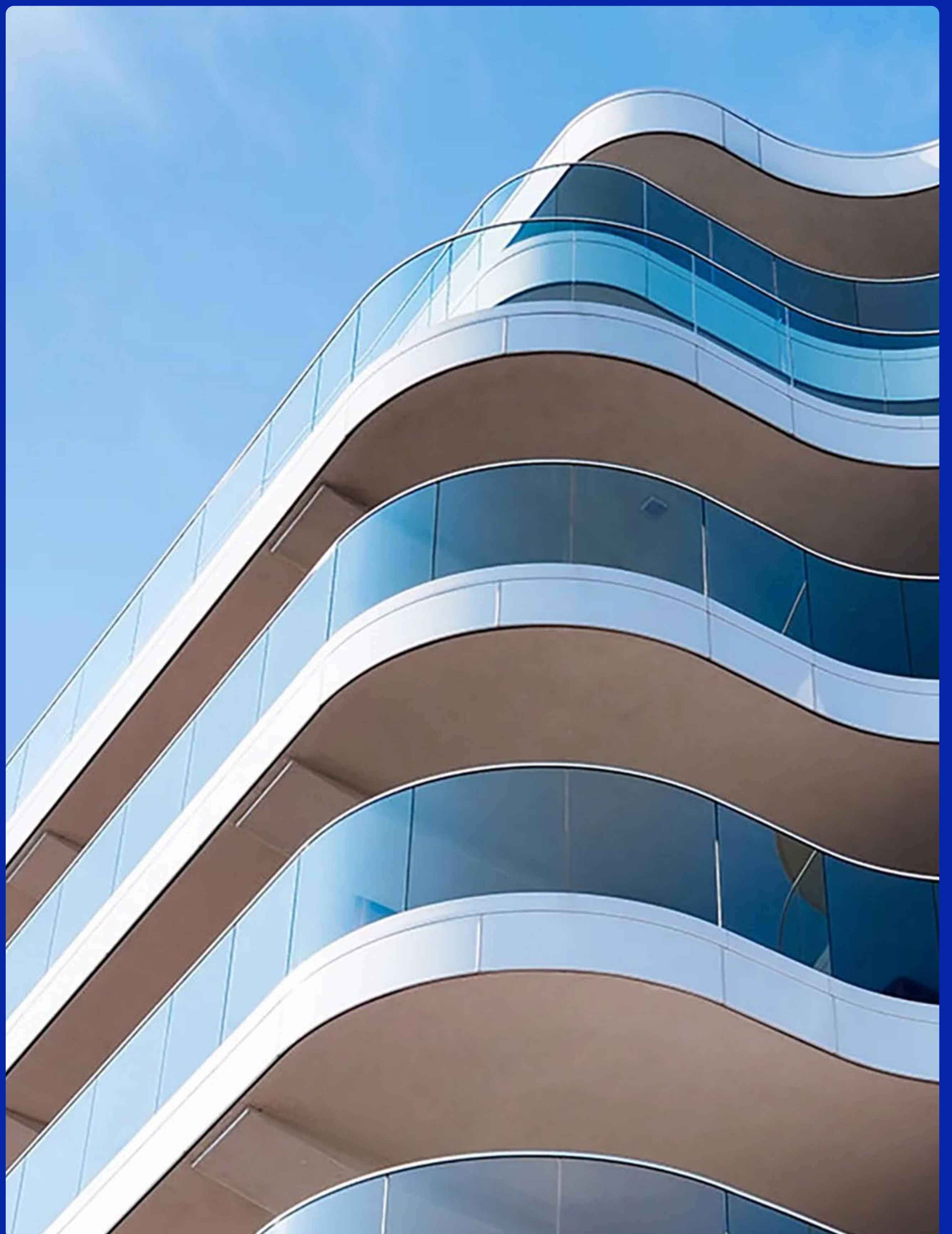
The growth of private markets is strengthening the fundamental case for transparency, as investors seek to understand how these assets behave within diversified portfolios.

Stress in private credit and a liquidity drought reshaping how GPs return capital (and how LPs plan around it) sit alongside durable long-term performance. At the same time, the expansion of private markets within the wealth channel, the proliferation of evergreen structures and total-portfolio mandates are pushing the market toward greater comparability. As private markets become more mainstream, it's not surprising that the opacity long associated with the industry — and justified by an illiquidity premium — is coming under pressure.

The AI build-out is drawing massive amounts of private capital into data centers that have delivered strong returns, but whose risks cut across asset classes in ways that challenge assumptions about diversification.

Navigating this complex and evolving landscape with confidence requires high-quality data, analytical rigor and independent measurement, applied with the same discipline long used in public markets. That is what MSCI is building and what the research and tools in this report are designed to support.

The infrastructure of private markets is taking shape. Our commitment is to help investors navigate it with confidence.



# Our dataset

The insights in this report are grounded in MSCI’s research-quality, cross-validated data spanning USD 17.3 trillion in private investments, with AI-powered analytics and domain expertise, to drive transparency, comparability and actionable insights.

**The MSCI Private Capital Universe** captures over 15,000 closed-end funds, with more than USD 13 trillion in capitalization. Impartial and representative, our data is 100% LP-sourced and undergoes a thorough cross-validation by MSCI’s research teams before being added to our database.

**Real Capital Analytics** is an industry-leading global database of commercial properties, transactions and participants for asset owners, asset managers, brokers and lenders, with data on over 1.4 million properties and nearly two million deals spanning more than 170 countries — covering roughly USD 57 trillion of capital market transactions.

**MSCI’s Index Intel** covers approximately USD 2 trillion in private real-estate assets and uses data sourced directly from managers and owners.

28,000+

Funds

USD 17.3T

in private investments

589,000

Underlying investments

USD 57T

in public and private real estate transactions

# Acknowledgements

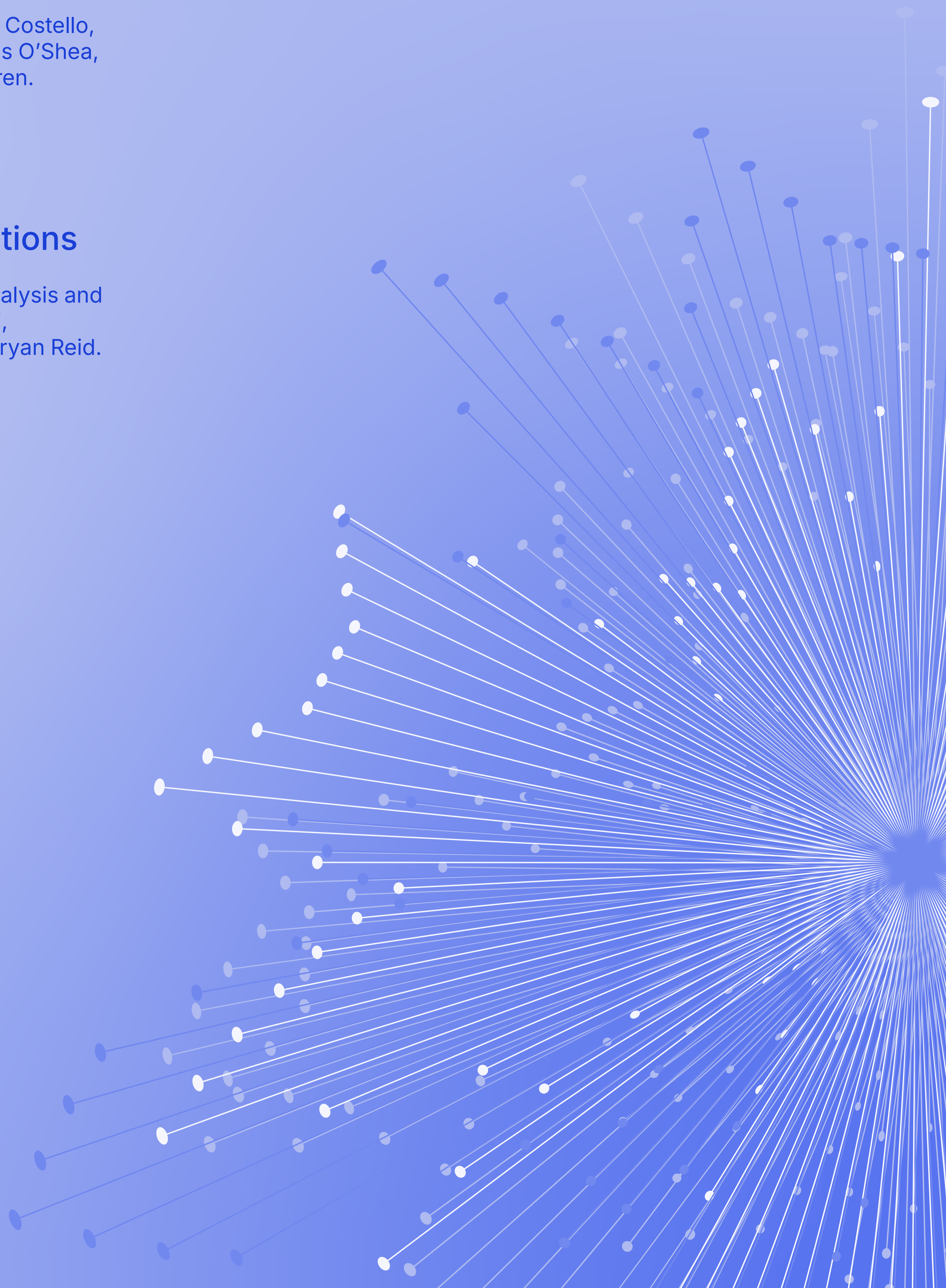
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# About MSCI Private Assets

MSCI is redefining what's possible as an independent partner for private markets, bringing together research-quality data, industry-leading analytics and purpose-built solutions. The result: integrated intelligence that helps investors measure, manage and invest with confidence across a complex, evolving ecosystem.

## Why choose MSCI Private Assets?

### 1. Integrated intelligence for confident decision-making

Make better informed investment decisions with a connected ecosystem of data, analytics and tools built to bring clarity and control to private markets.

### 2. Trust, independence and objectivity

Rely on an independent partner whose insights are grounded in transparency and aligned with the needs of asset owners, managers and consultants across the private-markets landscape.

### 3. Industry-leading data. Continuous innovation.

Leverage research-quality, cross-validated data spanning USD 17.3 trillion in private investments — and combine it with AI-powered analytics and deep domain expertise to facilitate transparency and comparability.

### 4. Total portfolio integration

Bridge public and private markets with seamless data integration and analytics, enabling benchmarking, risk assessment and fully informed portfolio construction.

# About MSCI

MSCI (NYSE: MSCI Inc.) strengthens global markets by connecting participants across the financial ecosystem with a common language.

Our research-based data, analytics and indexes, supported by advanced technology, set standards for global investors and help our clients understand risks and opportunities so they can make better decisions and unlock innovation. We serve asset managers and owners, private-market sponsors and investors, hedge funds, wealth managers, banks, insurers and corporates.

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