MSCI Institute

Global Investment Tracker

May 2026

Rohit Gupta
Rumi Mahmood
Keith Crouch

Contents

Introduction

Global capital markets have follow minute by minute, or

The Global Investment Tracker is a new MSCI Institute publication offering that longer view.

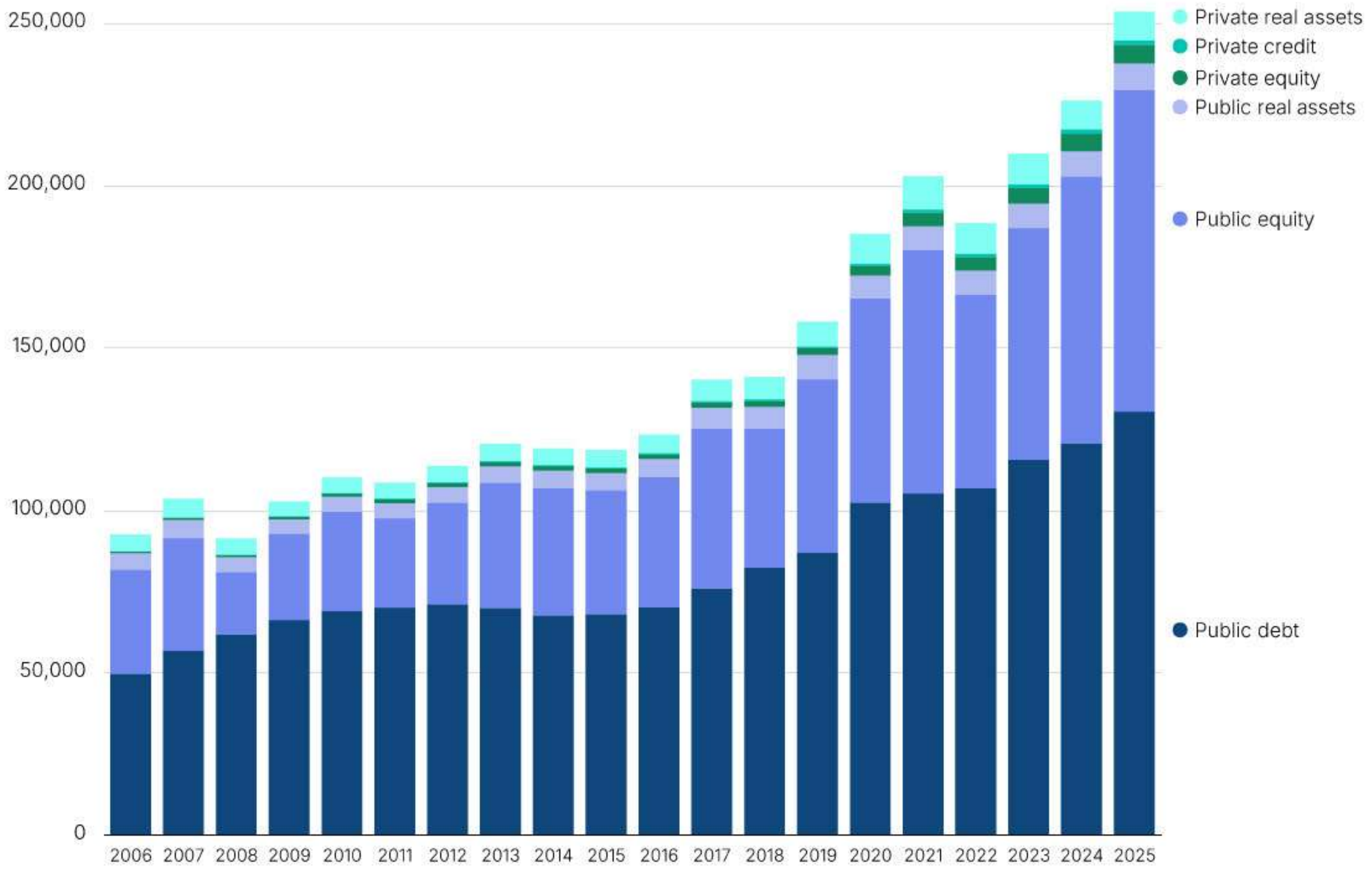
It is written for leaders in business, policy and finance whose decisions both depend on and influence the flow and cost of capital.

In its 20+ charts, the Tracker sets each piece against the whole: how public and private markets have evolved alongside each other, how the geography and sectors of global investment have rewired themselves over three decades, and where the segments drawing outsized attention today, from private credit to hyperscalers, sit in the broader landscape.

How big are public and private markets?

- **The value of public and private markets topped just over USD 250 trillion** as of Dec. 31, 2025, made up mostly of public debt (USD 130 trillion) and public equity (USD 99 trillion). Public markets span listed stocks, bonds and real estate, while private markets comprise private equity, credit and real assets.
- **Private markets have grown dramatically over the past two decades** but are still dwarfed by public markets. Private equity expanded nearly elevenfold, from USD 521 billion in 2006 to USD 5.7 trillion in 2025. Private credit expanded even faster, growing from under USD 100 billion to USD 1.3 trillion over the same period.
- **Public debt is the bedrock of the investable universe.** At USD 130 trillion, bonds issued by governments and corporations represent more than half of all investable capital globally, a position held throughout the two decades shown, even as equity markets have grown faster in proportional terms.

Market value (USD billions)



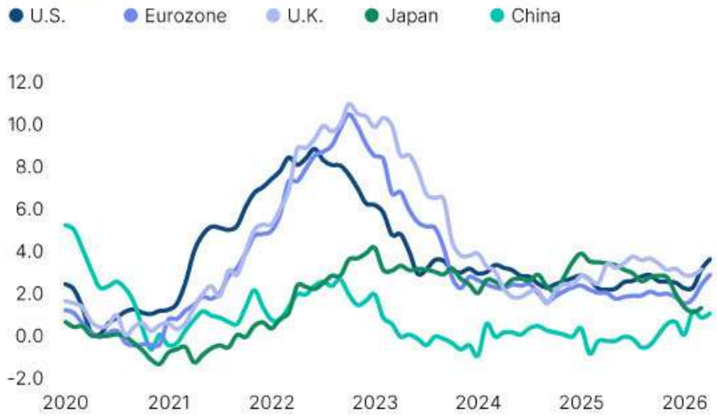
Source: MSCI Institute. Public equity data as of Dec. 31, 2025. Fixed-income data as of Jun. 30, 2025. Listed and unlisted real asset data as of Dec. 31, 2024. Private equity and private credit data as of Dec. 31, 2025. Private market figures include both closed-end and U.S. evergreen (semi-liquid) fund structures and exclude fund-of-funds. Market value of private assets excludes capital committed but not invested.

What forces have shaped markets recently?

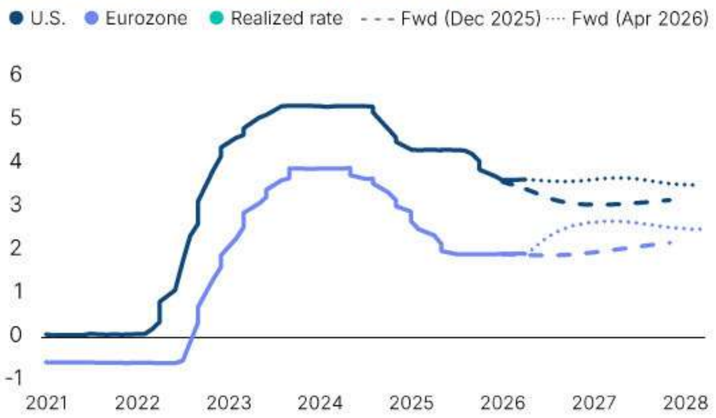
Monetary policy and the macroeconomic backdrop shape capital markets. The last four years were no exception.

- Starting in 2022, inflation driven by the pandemic and Russia's invasion of Ukraine triggered an aggressive round of interest-rate hikes, resetting valuations across every asset class. Rates stayed higher.
- Credit spreads, a measure of the extra return investors demand to hold corporate bonds over government debt, remained broadly contained even as interest rates rose sharply. Short-term spikes in 2025 aside, spreads stayed well inside historical averages throughout, supporting equity returns and the continued growth of private credit.
- Together, these forces have led to public and private markets moving in relative lockstep.

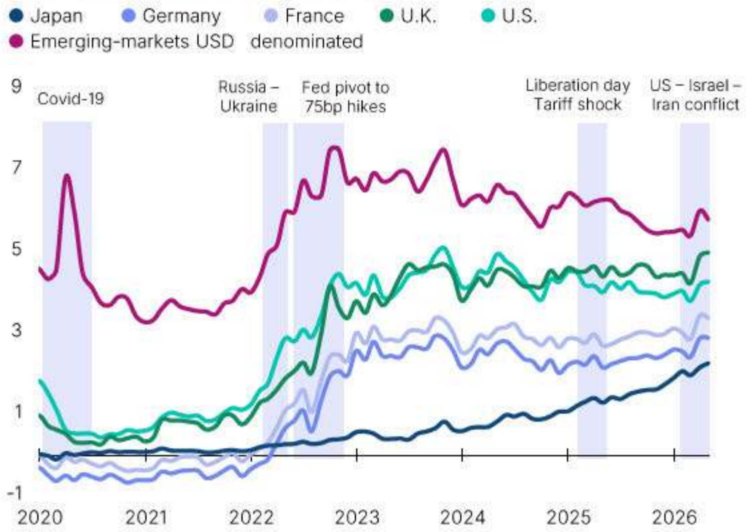
Change in consumer price index (%)



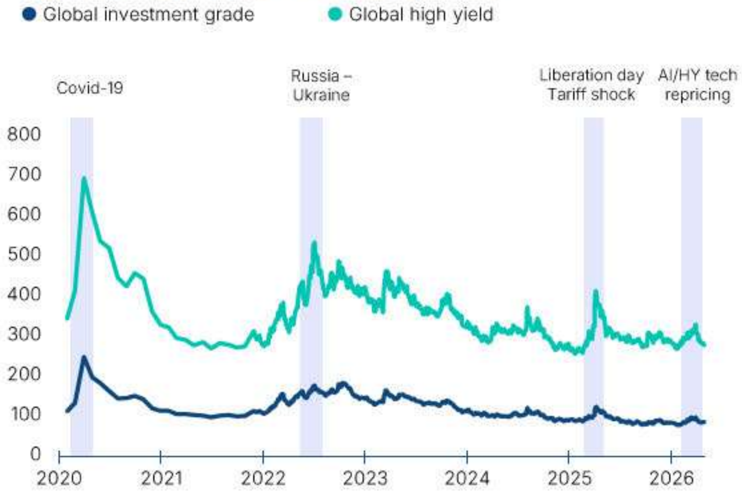
Change in policy rate expectations (%)



Government bond yields (%)



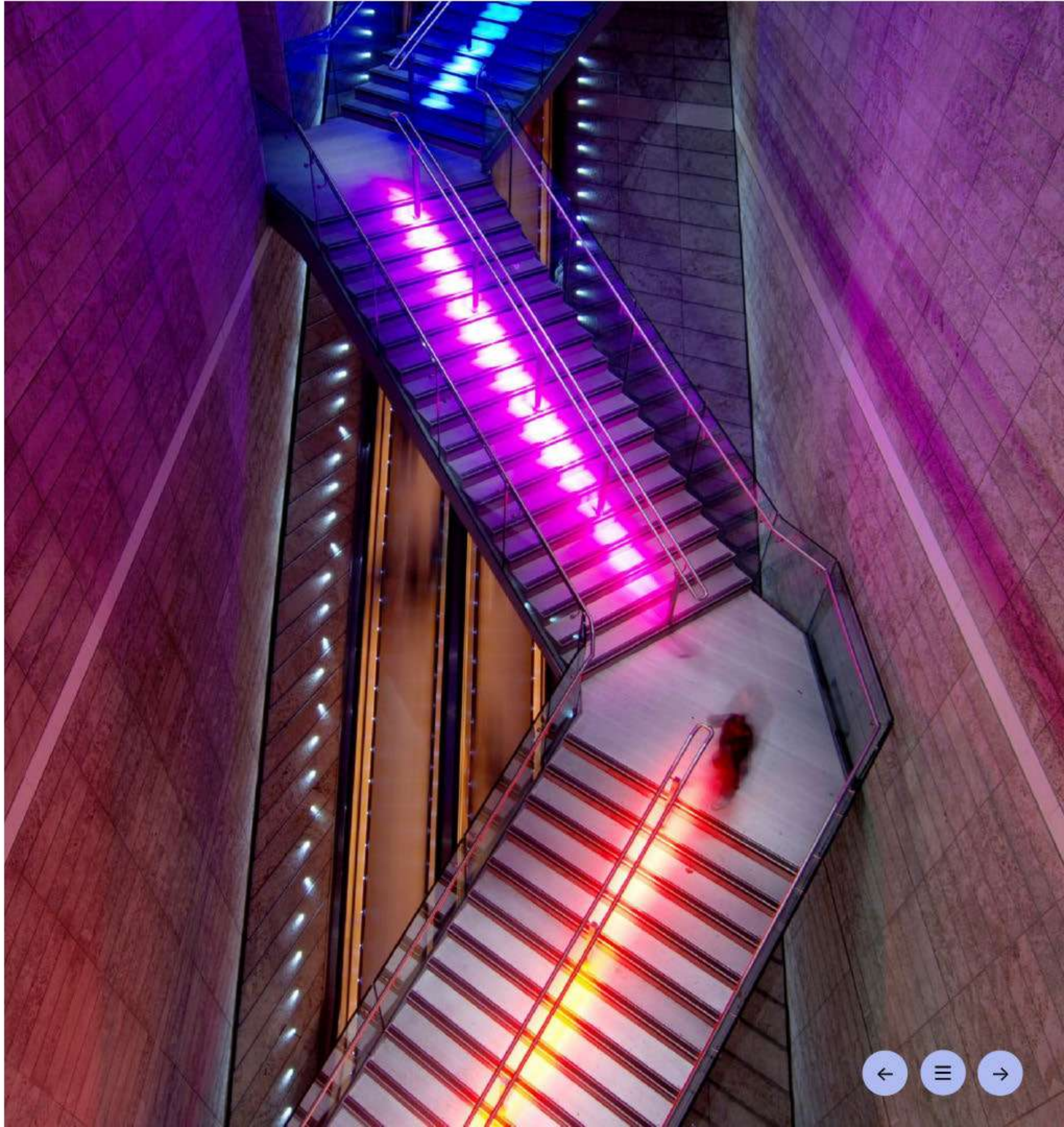
Option-adjusted spread (basis points)



Sources for charts on top row: MSCI Institute, based on data from the U.S. Bureau of Labor Statistics; National Bureau of Statistics of China; Eurostat; Statistics Bureau of Japan, Office for National Statistics (ONS). Sources for charts on bottom row: MSCI Institute, government bond yields reflect benchmark 10-year sovereign yields for each country. Option-adjusted spreads reflect the MSCI Global Investment Grade and Global High Yield Corporate Bond indexes. Data as of April 30, 2026. Option-adjusted spread measures the extra yield investors demand to hold corporate bonds over equivalent government bonds, expressed in basis points (hundredths of a percentage point). A tighter spread signals greater investor confidence; a wider spread signals greater perceived risk.

Private markets

Private markets cover investments that don't trade on public exchanges: stakes in private companies (private equity, buyout and venture capital), direct loans to businesses (the majority of private credit), and real assets such as infrastructure and real estate. Unlike public markets, where prices update by the second and investors can transact continuously, private investments are typically less liquid, valued less frequently, and require longer holding periods. Over the past two decades, private markets have grown from a niche allocation to a cornerstone of institutional investments and, increasingly, of wealth-management portfolios. Here we examine private markets from several angles: what they comprise, where capital is invested globally, the rise of evergreen funds, and how private markets have performed.



What assets make up the private-markets universe?

- **Private markets span three broad strategies**: private equity, private credit and unlisted real assets.
- **Technology dominates private equity**, particularly venture capital, where it accounts for nearly half of all valuations. Buyout funds are spread more evenly across industrials, health care and real estate, reflecting their focus on established businesses.
- **Private credit is led by financials, industrials and information technology but spans a broad range of sectors**, including industrials, health care and real estate, reflecting its role as a source of financing across the wider economy.
- **Real assets divide sharply by strategy**. Private real estate, as the name suggests, is almost entirely real estate. Infrastructure is the opposite, spreading across sectors, a reflection of the broad range of physical assets that fall under that label.

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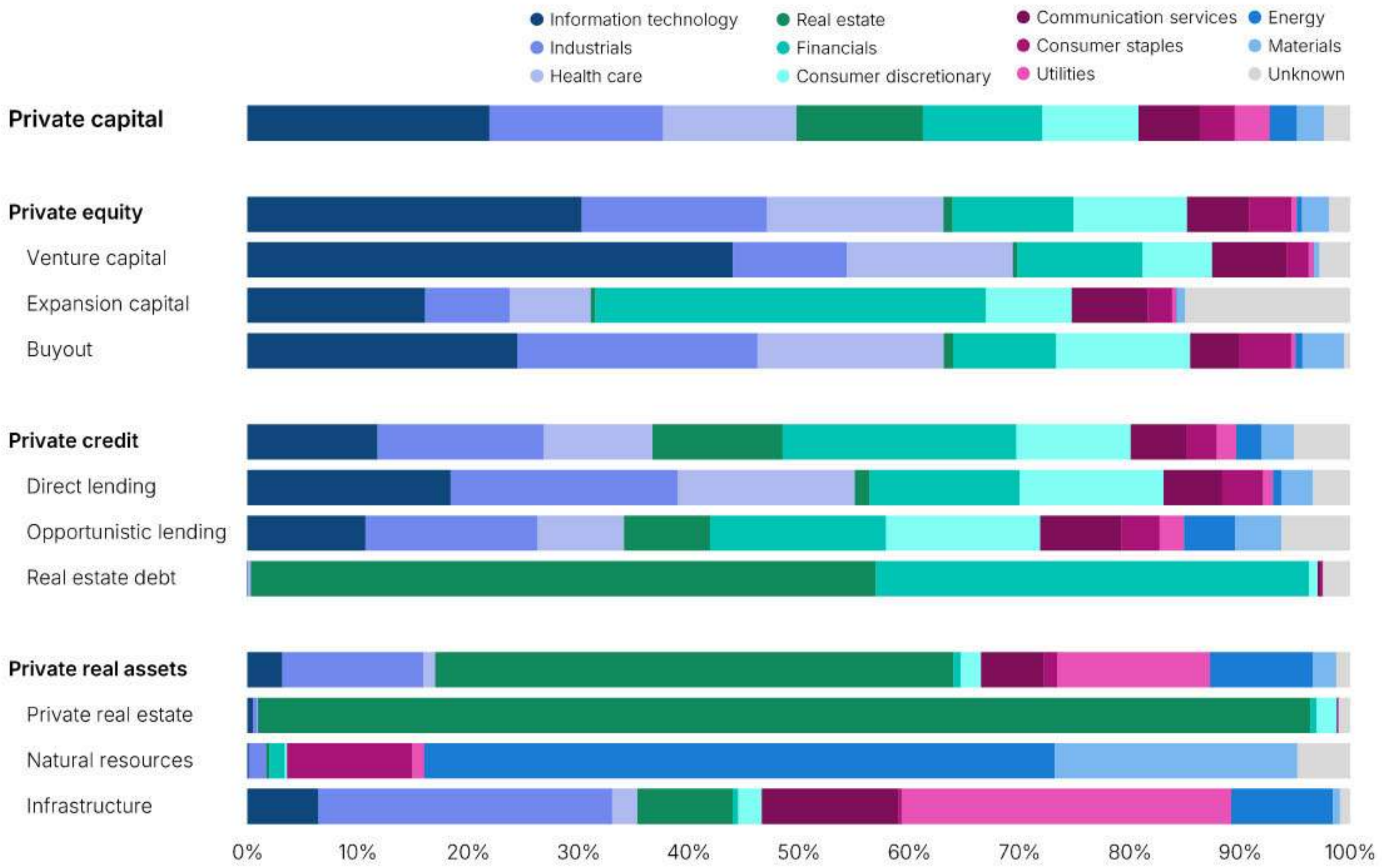
The State of Private Markets 2026 →

Global valuation breakdown by sector

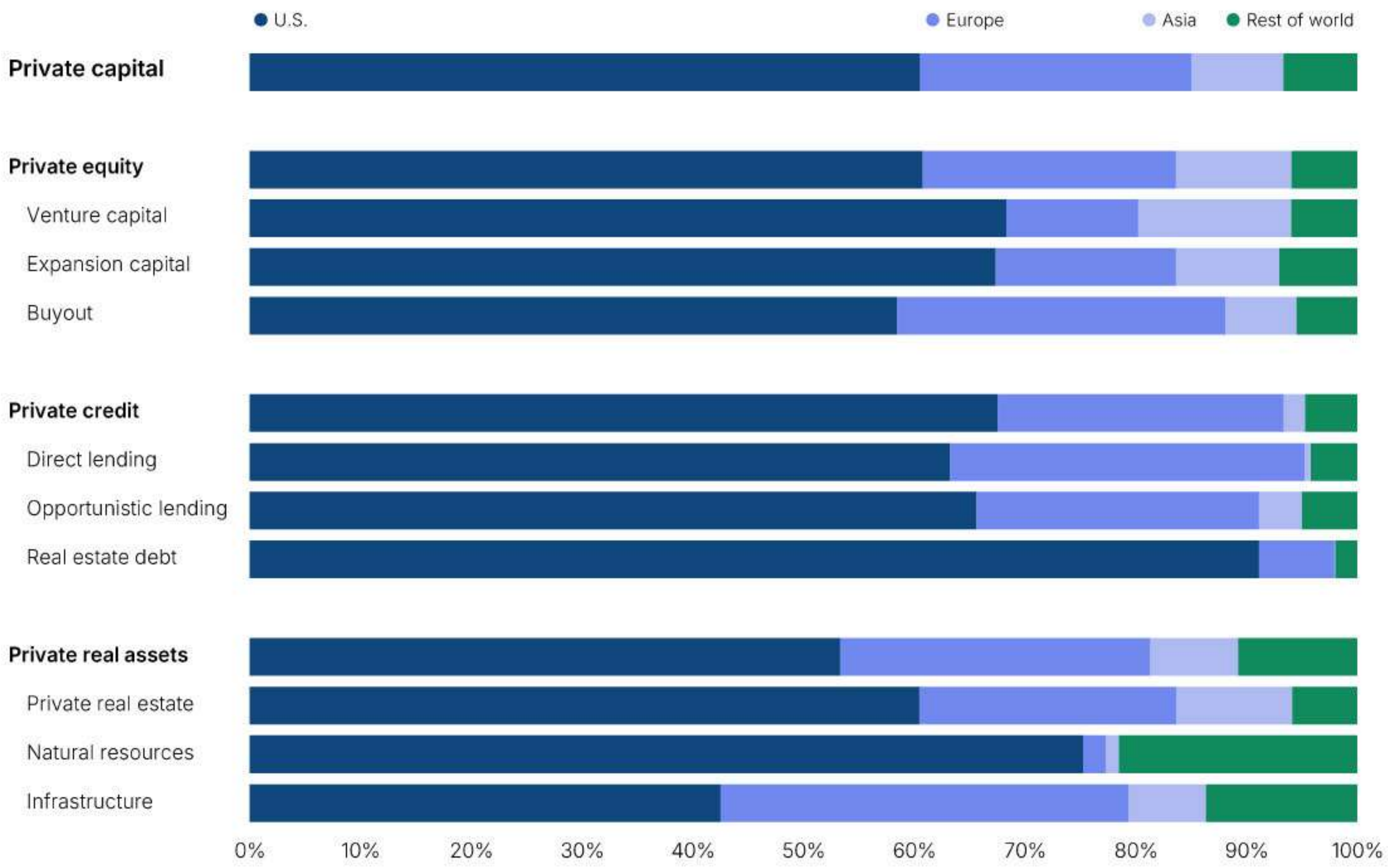


Source: MSCI Private Capital Solutions, data as of December 31, 2025. Sectors represented by PACS™, a proprietary framework developed by MSCI for classifying private assets. The PACS framework leverages GICS® , the global industry classification standard jointly developed by MSCI Inc. and S&P Dow Jones Indices, and GRACS™, the Global Real Asset Classification Standard developed by MSCI. The GICS structure comprises 11 sectors, 24 industry groups, 69 industries and 158 subindustries.

Where does private-capital investment go?

- **Private capital is overwhelmingly a U.S.-led asset class.** The U.S. accounts for 61% of global private-capital investment, a dominance that holds across private equity, private credit and real assets. Private credit skews even more heavily toward the US, reflecting the depth and maturity of American lending markets, with real estate debt particularly concentrated at 91% US exposure.
- **Infrastructure and natural resources are the exceptions.** Infrastructure is split more evenly between the U.S. and Europe, reflecting the continent's long tradition of institutional investment in toll roads, utilities and energy networks. Natural resources has the broadest geographic spread of any strategy, with over a fifth of investment outside the U.S. and Europe entirely, reflecting where the world's commodity and energy assets are physically located.

Global valuation by geography (%)



Source: MSCI Private Capital Solutions, data as of December 31, 2025. Analysis based on drawdown-style funds in the MSCI Private Capital Solutions dataset, excluding evergreen funds and other non-drawdown structures. Data represents the majority of invested capital in institutional private markets.

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What is driving the rise of evergreen funds?

- **The growth of assets in semi-liquid or "evergreen" private-market funds marks one of the most significant structural shifts in private markets in decades.** Since the 1970s, private markets have been defined by closed-end funds, complex underwriting and long-dated, irregular cash flows.

- **Evergreen funds** (so named because capital stays invested continuously rather than being returned on a fixed cycle) aim to provide access to private markets while mitigating three longstanding constraints they are known for: illiquidity, irregular distributions and unpredictable cash calls. They do not eliminate these constraints but reduce them enough to open private markets to a much broader range of investors.

- **Across unlisted asset classes, U.S. evergreen structures now exceed USD 500 billion in assets under management (AUM),** with assets growing by more than 30% in the year ended Sept. 30, 2025. The emergence of such structures means that 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 of AUM in evergreen funds.

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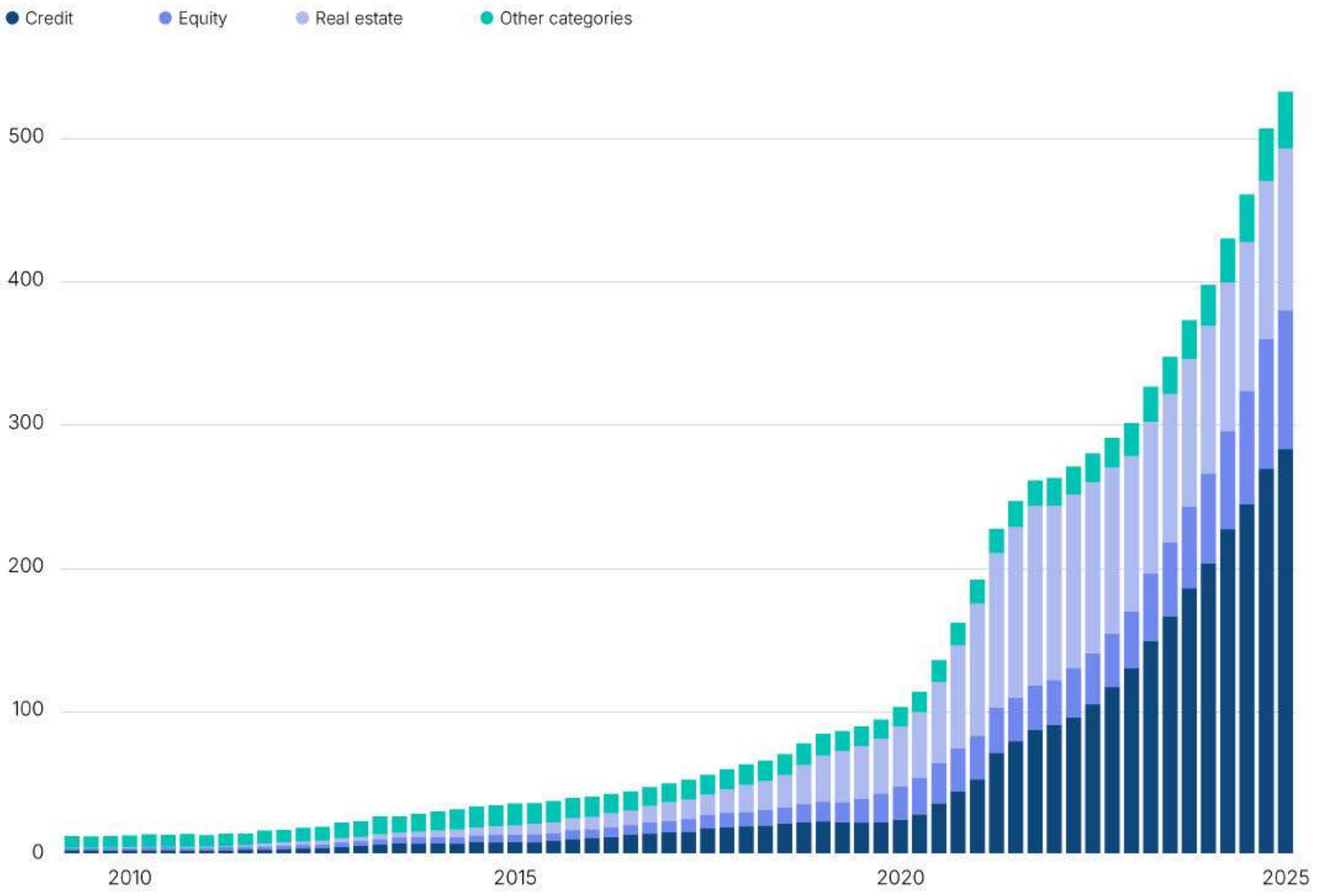
The Ascendance and Implications of Evergreen Funds in Private Markets →

Net asset value (USD billion)



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

How have private markets performed?

- **Private equity is the long-run performance leader in private markets.** Buyout, venture and broad private equity have each compounded at around 14% a year over the past decade
- **Venture capital had a standout 2025.** After three lean years, it returned 21.9% — its best year since the 2020–2021 boom. The recovery is uneven: Companies are staying private longer, and a quarter of fund value is now tied up in investments more than eight years old.
- **Private credit has been one of the most consistent performers across every time horizon.** The asset class is now navigating a more complex phase, with a growing share of loans marked down in value, some funds facing withdrawal pressures, and lending to software companies drawing scrutiny as AI raises questions about long-term business models.
- **Real estate posted its first positive year since 2021**, though the recovery remains fragile. Infrastructure compounded at 10% annualized over the past decade, and is increasingly where capital is flowing as AI-driven demand for data centres requires trillions in new investment

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MSCI Private Capital Benchmarks Summary Q4 2025 →

Annualized returns by asset class (%), as of December 31, 2025

	1 Yr	3 Yr	5 Yr	10 Yr
Private Capital	11.6%	7.5%	9.8%	12.0%
Private equity	13.3%	8.3%	10.3%	14.2%
Venture capital	21.9%	7.9%	8.4%	14.8%
Expansion capital	6.3%	8.2%	9.3%	9.8%
Buyout	10.1%	8.5%	11.6%	14.2%
Private credit	9.8%	9.1%	9.5%	8.5%
Direct lending	10.3%	9.9%	8.3%	8.0%
Opportunistic lending	9.6%	9.8%	11.1%	9.5%
Real estate debt	5.8%	5.8%	6.8%	7.0%
Private real asset	7.6%	3.8%	8.3%	7.4%
Private real estate	2.1%	-2.3%	3.7%	5.5%
Private natural resources	4.5%	3.2%	12.0%	6.6%
Private infrastructure	12.8%	9.3%	10.2%	10.0%

Source: MSCI Private Capital Solutions, data as of December 31, 2025. Returns reflect the MSCI Private Capital Closed-End Fund Indexes, which are based on since-inception cash flows and valuations from over 14,000 funds and funds of funds. Calendar-year returns represent compounded quarterly returns. Returns are net of fees and reflect realized and unrealized changes in fund net asset value as reported by general partners.

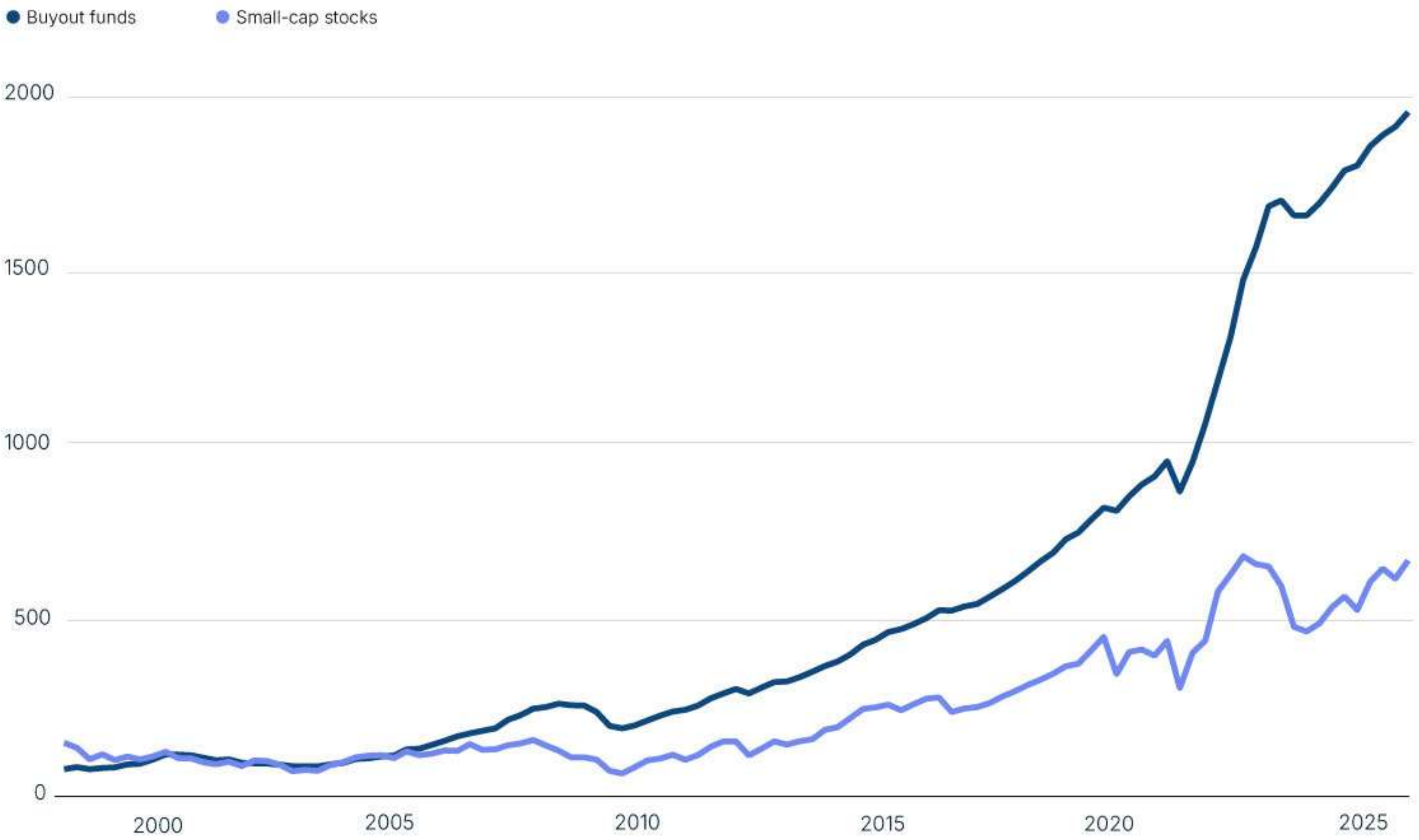
Do private markets outperform public markets? A look at buyout funds.

- **A central question for investors today is how returns in private markets compare with more-liquid public alternatives**. Buyout funds, for example, which acquire controlling stakes in established companies, have outperformed their public-market equivalents, on average, over the 25 years ended Sept. 30, 2025, according to MSCI analysis. The analysis compares buyout funds with small-cap public companies, which share similar characteristics with the businesses buyout funds typically acquire.
- **The comparison is not straightforward.** Measuring private-equity performance against public markets requires a benchmark that accounts for industry composition, geographic exposure, company size and leverage, all of which can shape returns.

Go deeper

Has Private Equity Outperformed Public Equity? →

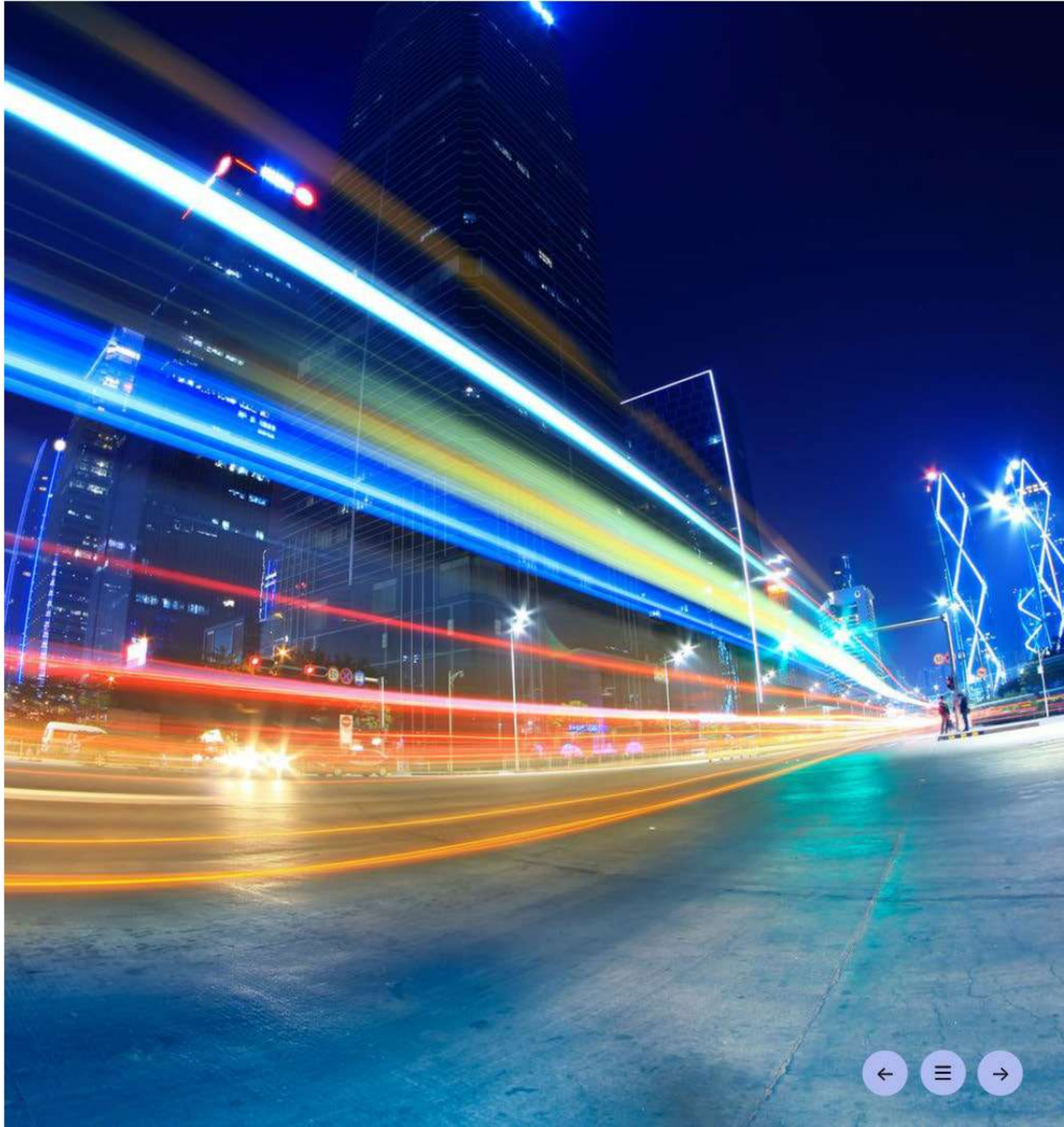
Performance of buyout funds over 25 years (index level)



Source note: Buyout funds represented by the MSCI US Buyout Closed-End Fund Index. Small-cap stocks represented by the MSCI USA Small Cap Index, adjusted to mirror the allocations and attributes of private holdings, including leverage. Indexes are set to 100 on Dec. 31, 2001. Data as of Sept. 30, 2025.

Public markets

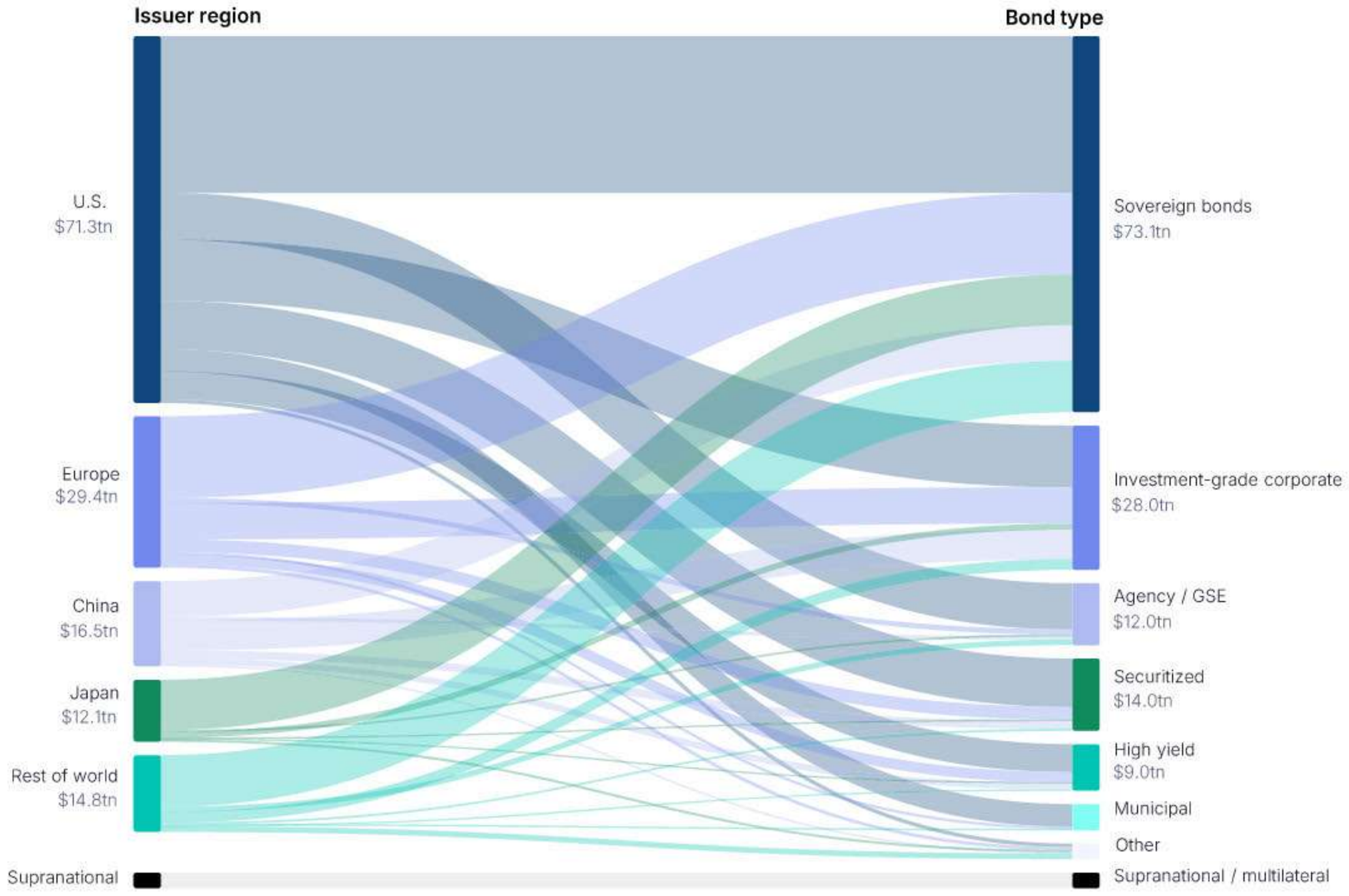
Public markets comprise listed debt and equity and totaled more than USD 250 trillion as of year-end 2025. Debt — bonds issued by governments and corporate borrowers — represents about 57% of public markets by value. Compared with private markets, public markets are defined by liquidity and prices that update continuously. U.S.-based issuers dominate public markets, representing 72% of global stocks and roughly half of global bonds. Here we examine public fixed-income and equity markets from three angles: how they are composed (country and sector), how they have performed (returns and risk), and what drove those results.



What makes up the global bond market?

- **The U.S. accounts for roughly half of all global bond market debt** — approximately USD 71 trillion — more than any other country or region. This concentration reflects both the depth of U.S. capital markets and the dollar's role as the world's reserve currency, which makes U.S. government and corporate bonds the default instrument for global savings and reserves.
- **Sovereign bonds are the largest category in every region,** reflecting two decades of fiscal expansion and a sustained increase in sovereign borrowing worldwide.
- **Corporate bond issuance is concentrated in the U.S. and Europe** where deep capital markets and large institutional investor bases make it an efficient alternative to bank lending. China's market, while the world's second largest, remains largely domestic.
- **Across emerging and developing economies, borrowing is predominantly sovereign.** Corporate bond markets remain limited in size, reflecting the earlier stage of capital market development in much of the world.

The global bond market at a glance (USD trillion)



Source: MSCI Institute analysis, based on data from OECD Global Debt Report 2026, SIFMA Capital Markets Fact Book 2025 and BIS Debt Securities Statistics. Sovereign totals by country and corporate totals for the US, Europe and China are anchored to reported figures. Agency/GSE, securitised, municipal and other category totals are estimated from market structure data; regional allocations within these categories are derived from market convention and should be treated as approximations. All figures in USD trillion, as of Dec. 31, 2025.

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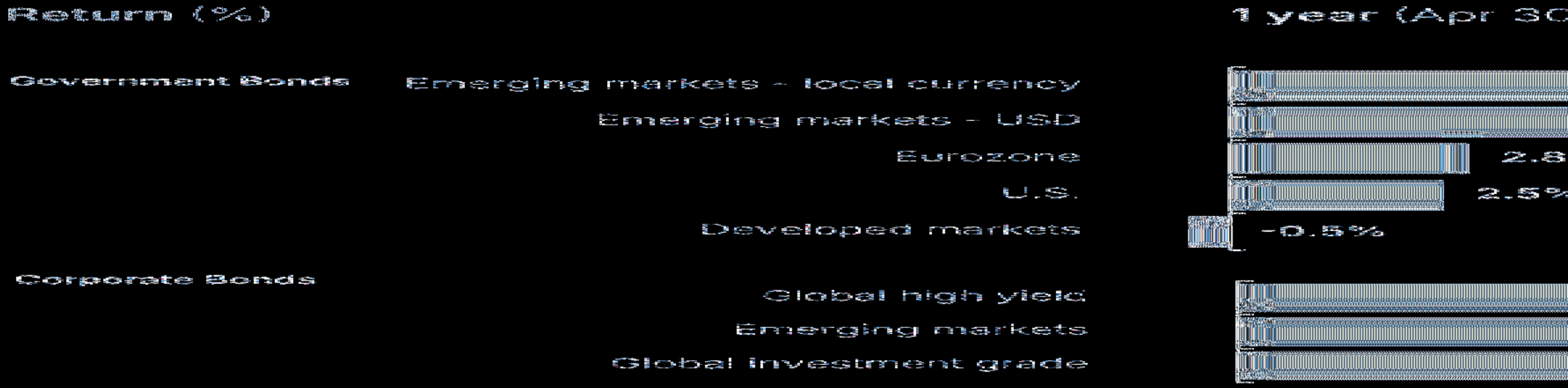
How have bonds per

- **The rise of interest rates starting in 2022 left a lasting mark on government bonds that has not fully reversed.** Developed-market sovereign debt remains in negative territory over five years, reflecting the scale of repricing when policy rates rose sharply. Higher-yielding and shorter-duration segments have held up better, but the overall picture for developed-market sovereigns remains weak across the full period.



Source: MSCI Institute, data as of April 30, 2026. Bonds categories are represented by thei
Government Bond Index, MSCI Government Bond Index - Developed Markets, MSCI Globa

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Which markets dominate equity investing globally?

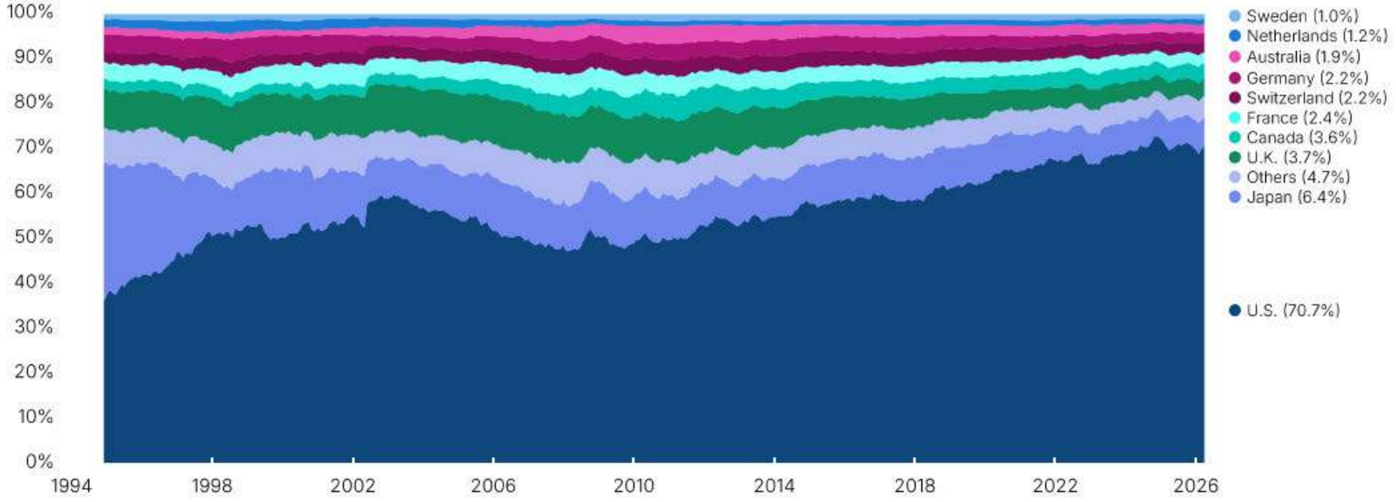
- **The U.S. share of developed-market equity has risen from around 40% in the mid-1990s to 71% today**, meaning a globally diversified equity portfolio today looks very different. The share of global equity represented by Japan, the U.K. and Europe has fallen over the same period, not because their markets have shrunk but because the U.S. market has expanded so much faster.
- **Emerging markets tell a different story**. In the 1990s, market exposures were led by Malaysia, Mexico, Brazil and South Africa. Today, China, Taiwan, South Korea and India together account for most of the equity universe, driven by the rise of Asian manufacturing, technology and consumer markets.
- **Taiwan has recently overtaken China as the largest emerging market** by value, with South Korea close behind, reflecting how heavily emerging-market exposure now leans on a handful of Asian technology companies.

Go deeper

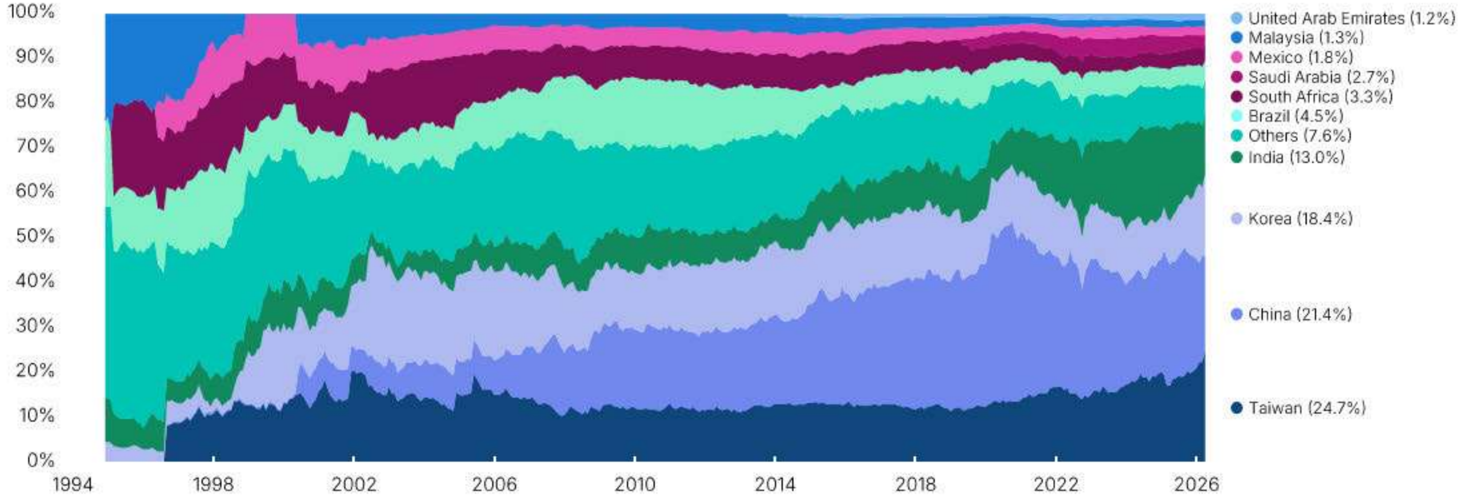
Global Equity Investing Trough the Decades →

Exposure based on market capitalization (1994-2026)

Developed markets



Emerging markets



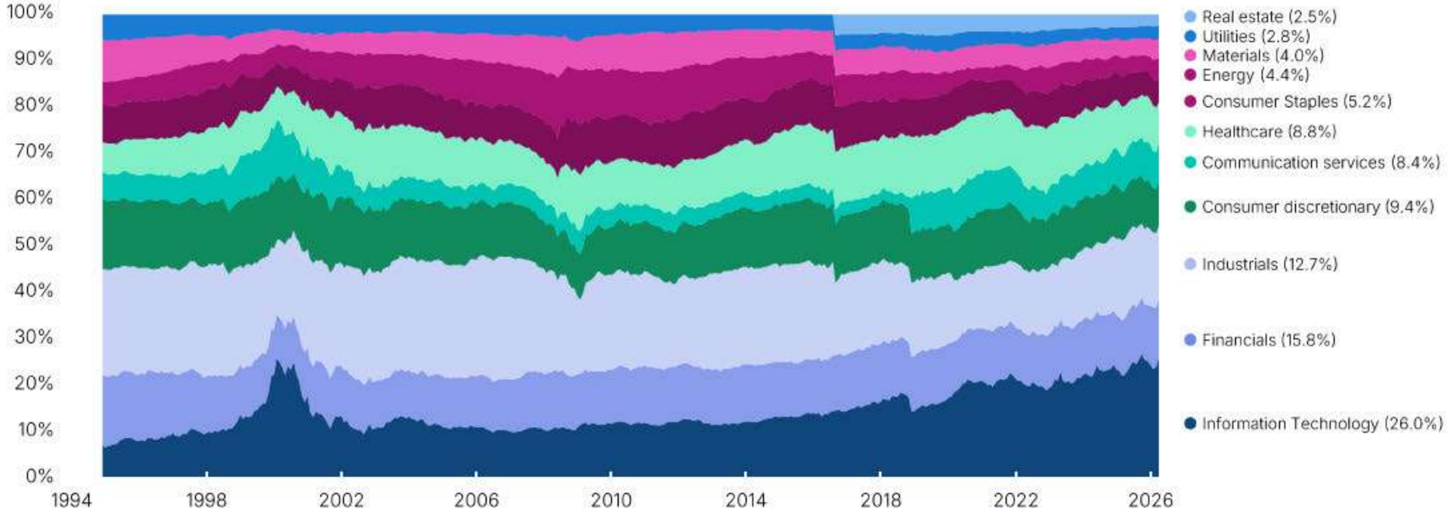
Source: MSCI Index Research, data as of April 30, 2026. Developed-market country weights based on the MSCI World IMI Index; emerging-market country weights based on the MSCI Emerging Markets IMI Index, both including large, mid and small cap. Data from December 1994 to April 2026.

How have sectors changed over time?

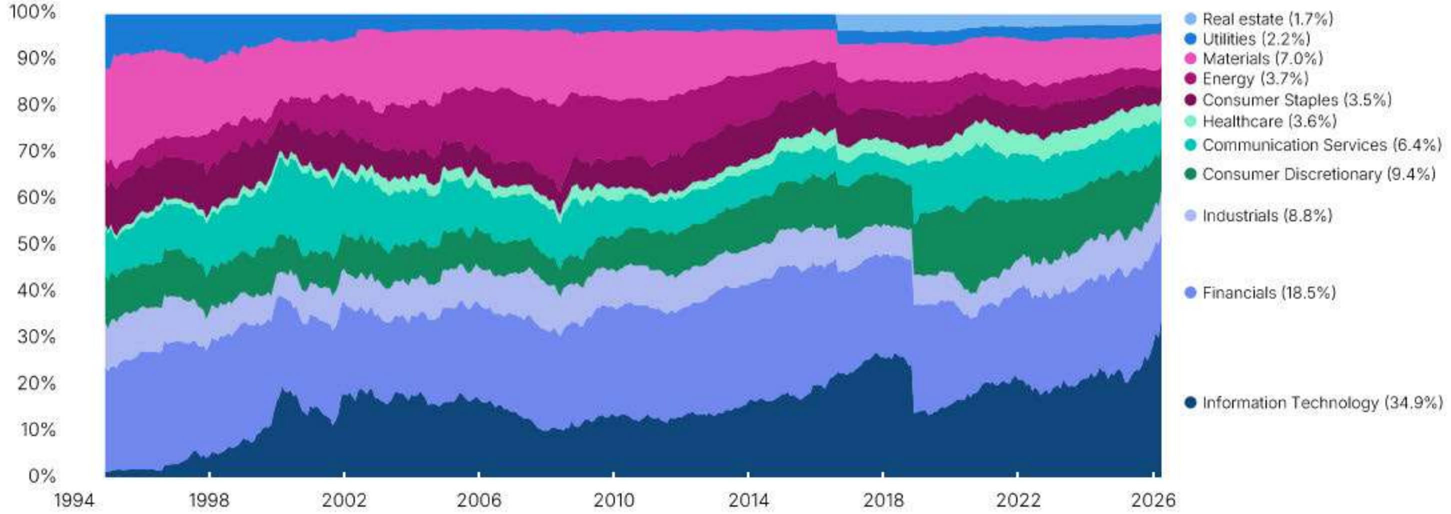
- **Emerging markets have undergone a more dramatic sector shift than developed markets** over the past three decades, moving from commodity heavy to technology dominated. Energy, materials and utilities together made up well over a third of the emerging markets index in 1994. Their combined share has fallen to roughly 13% today, while IT has grown from a marginal presence to the single largest sector.
- **The shift toward technology has reshaped both developed and emerging markets.** IT and communication services together have nearly tripled as a share of developed markets and more than tripled in emerging markets, driven by the rise of such companies as TSMC, Samsung, Tencent and Alibaba.
- **The health-care sector has roughly grown by a third as a share of developed markets**, driven by aging demographics and biotech, and grown significantly in emerging markets too, though it remains a much smaller slice there.
- **Consumer staples has been roughly halved as a share of market value in emerging markets** amid the growth of the technology, financials and consumer-discretionary sectors.

Exposure based on market capitalization (1994-2026)

Developed markets



Emerging markets

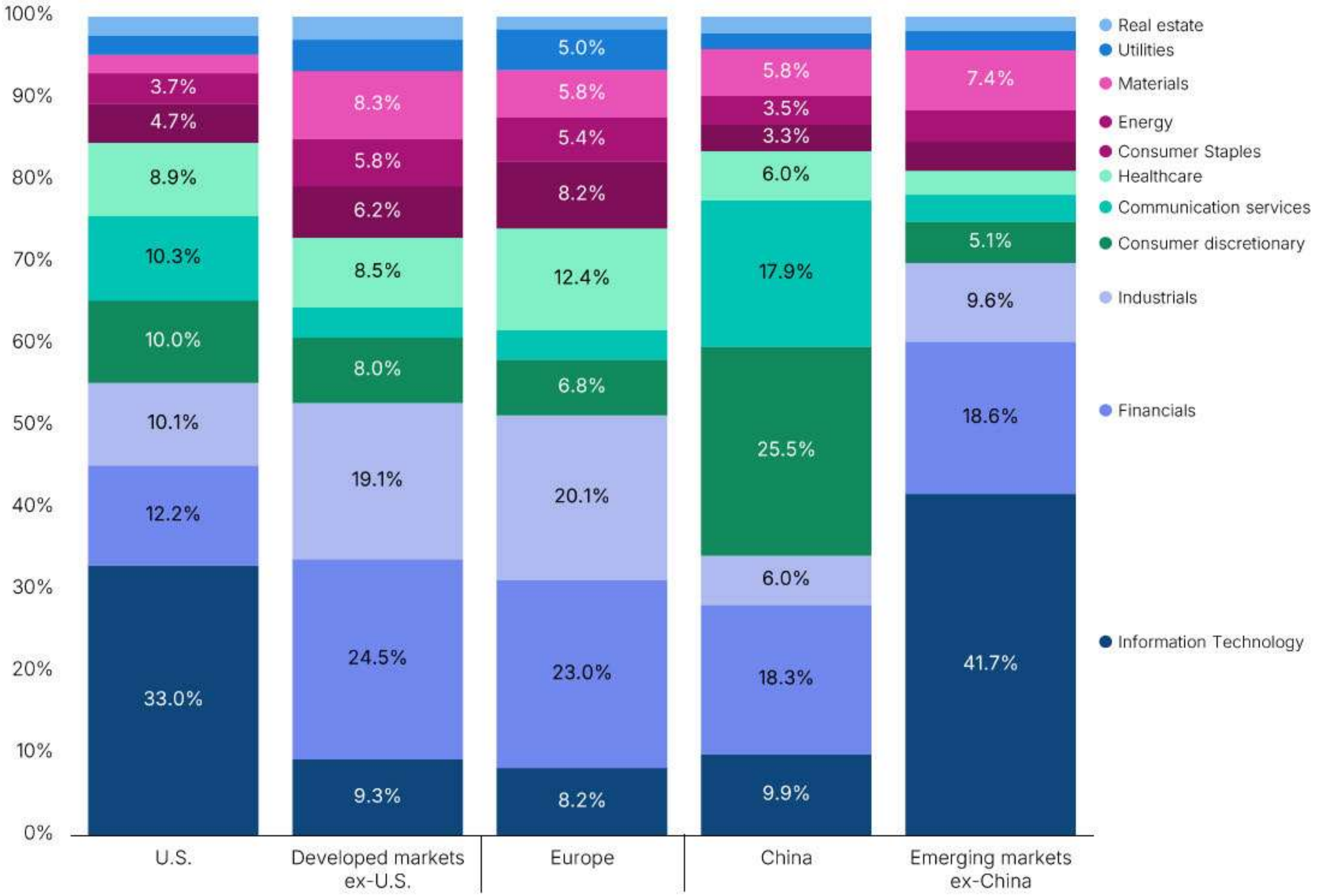


Source: MSCI Index Research, data as of April 30, 2026. Developed-market country weights based on the MSCI World IMI Index; emerging-market country weights based on the MSCI Emerging Markets IMI Index, both including large, mid and small cap. Data from December 1994 to April 2026.

Which sectors make up global equity markets?

- **Information technology is the dominant sector in U.S.** equities, at 33%, but its weight is even higher in emerging markets outside China, at nearly 42%, driven by a concentration of semiconductor and technology hardware companies. The global equity market's technology tilt is not a U.S. story alone; it's an Asian one too.
- **Europe's sector mix looks markedly different from the U.S.** Financials are the largest sector at 23%, followed by industrials at 20%, reflecting the weight of European banks and manufacturing conglomerates. Information technology, at just 8%, is a quarter of its U.S. share, which helps explain why European equities have historically traded at lower valuations than their American peers.
- **China stands apart from every other region shown.** Consumer discretionary and financials together make up nearly half the market, reflecting the dominance of large platform and e-commerce companies rather than the hardware manufacturers that define emerging-market technology stocks outside China.

Sector exposure (%)



Source: MSCI Institute. Sectors represented by GICS®, the global industry classification standard jointly developed by MSCI Inc. and S&P Dow Jones Indices. The GICS structure comprises 11 sectors, 24 industry groups, 69 industries and 158 subindustries. Sector weights represent the proportion of each GICS sector within the corresponding MSCI IMI index as of April 30, 2026.

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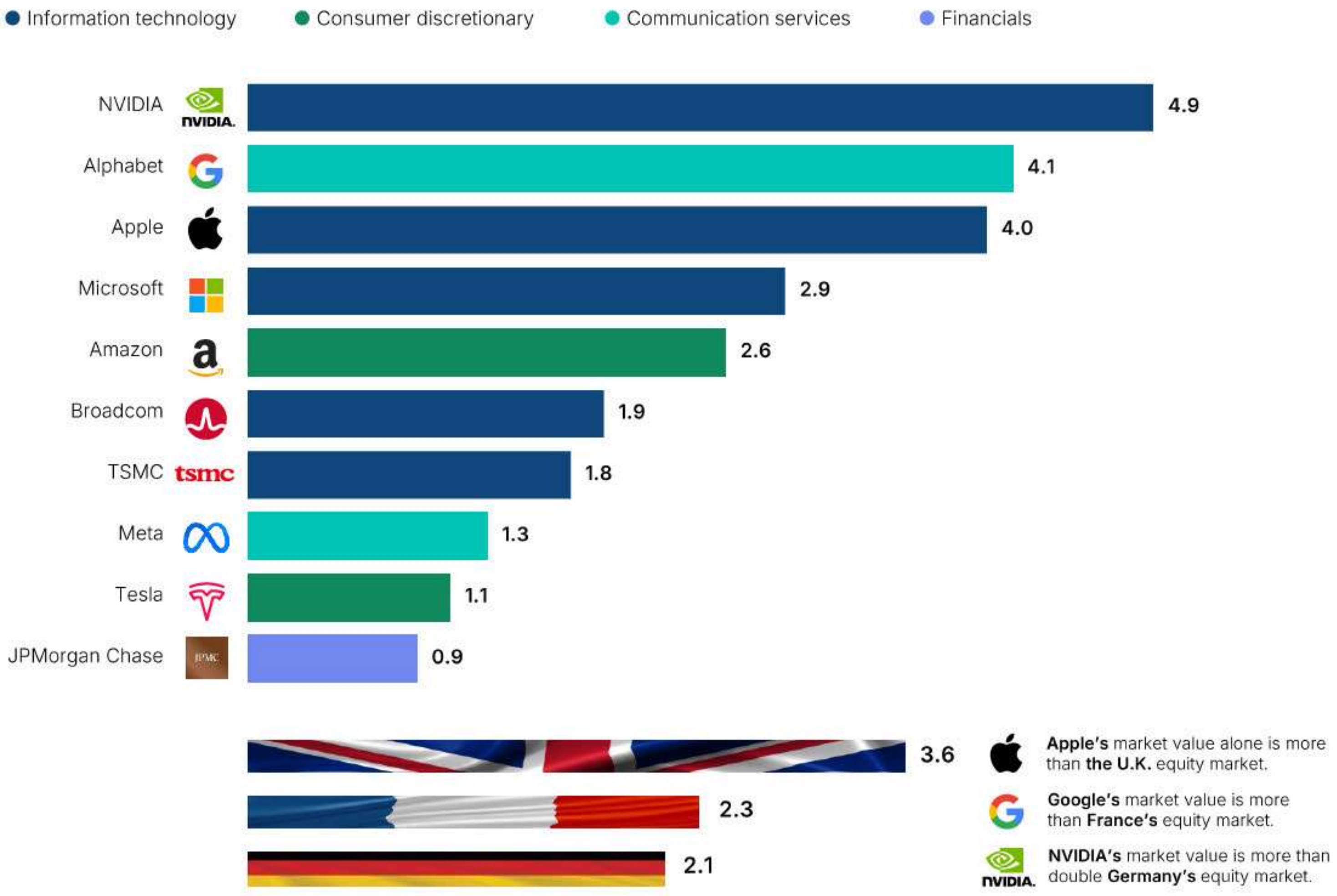
Just how big are the world's largest companies?

- **Eight of the 10 largest companies in global equity markets sit in information technology or communication services.** Amazon and Tesla are the only consumer-facing exceptions, with JPMorgan Chase the sole representative of the financial sector, based on data as of April 30, 2026.
- **NVIDIA alone is worth more than the listed equities of any market outside the U.S. and Japan.** For investors, a single stock can now move the needle as much as that of a market.
- **The Magnificent Seven megacap tech stocks combined are worth more than the equity markets of Japan, the U.K., Canada, France, Germany and Australia put together** — USD 20.9 trillion in total.

Market capitalization (USD trillions)



Source: MSCI Institute, based on the largest constituents of the MSCI ACWI IMI Index, and free-float market capitalization of companies. Data as of April 30, 2026.

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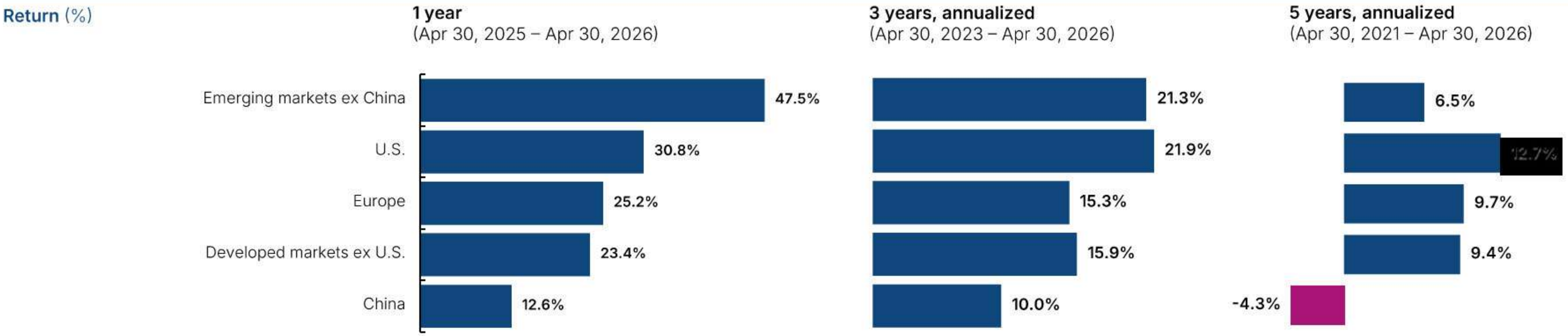
Which regions have delivered the best returns?

- **Listed companies in emerging markets outside China outpaced U.S. equities over the year** ended April 30, 2026. Over five years, however, U.S. stocks lead all regions. The U.S. long-run edge reflects the extraordinary concentration of the world's largest and fastest-growing technology companies in a single market, a structural advantage that has compounded returns in ways that no other region has been able to replicate.
- **Short-term and long-term winners are rarely the same.** Companies in emerging markets outside China topped the one-year table but annualize at roughly half the U.S. return over five years. Commodity cycles, currency movements and policy shifts can drive sharp near-term moves without altering the longer-term picture, which is why time horizon matters as much as geography when reading regional performance.
- **China remains the only major market that was negative over five years.** A property-sector correction, soft consumer demand and geopolitical uncertainty have weighed persistently on valuations. Listed equities in China have recovered in recent years, but not enough to turn the five-year return positive.
- **The divergence between regions reflects not just macro conditions but increasingly the sector composition of each market.**



Source: MSCI Institute. Regions represented by their respective MSCI large, mid and small cap regional indexes. Data covers April 30, 2021 to April 30, 2026. Returns in USD and annualized for periods longer than one year.

Which markets have delivered the best long-term returns?

- **Listed companies in most developed markets generated positive returns at moderate volatility** over the five years ended April 30, 2026, with the U.S., Japan, Canada, the U.K. and Australia all sitting within a narrow band of risk and return.
- **Emerging markets tell a more divided story.** Mexico and South Africa posted strong returns over five years, while China and Indonesia posted negative returns, at similar levels of risk to one another.
- **Companies in the markets making up the Gulf Cooperation Council (GCC) delivered stable returns with relatively contained volatility**, supported by elevated oil revenues and domestic economic diversification.
- **Dispersion across markets was wide.** In emerging markets, the gap between the strongest and weakest performers exceeded 20 percentage points, and within the developed world, returns differed by several percentage points among economies with similar levels of risk.

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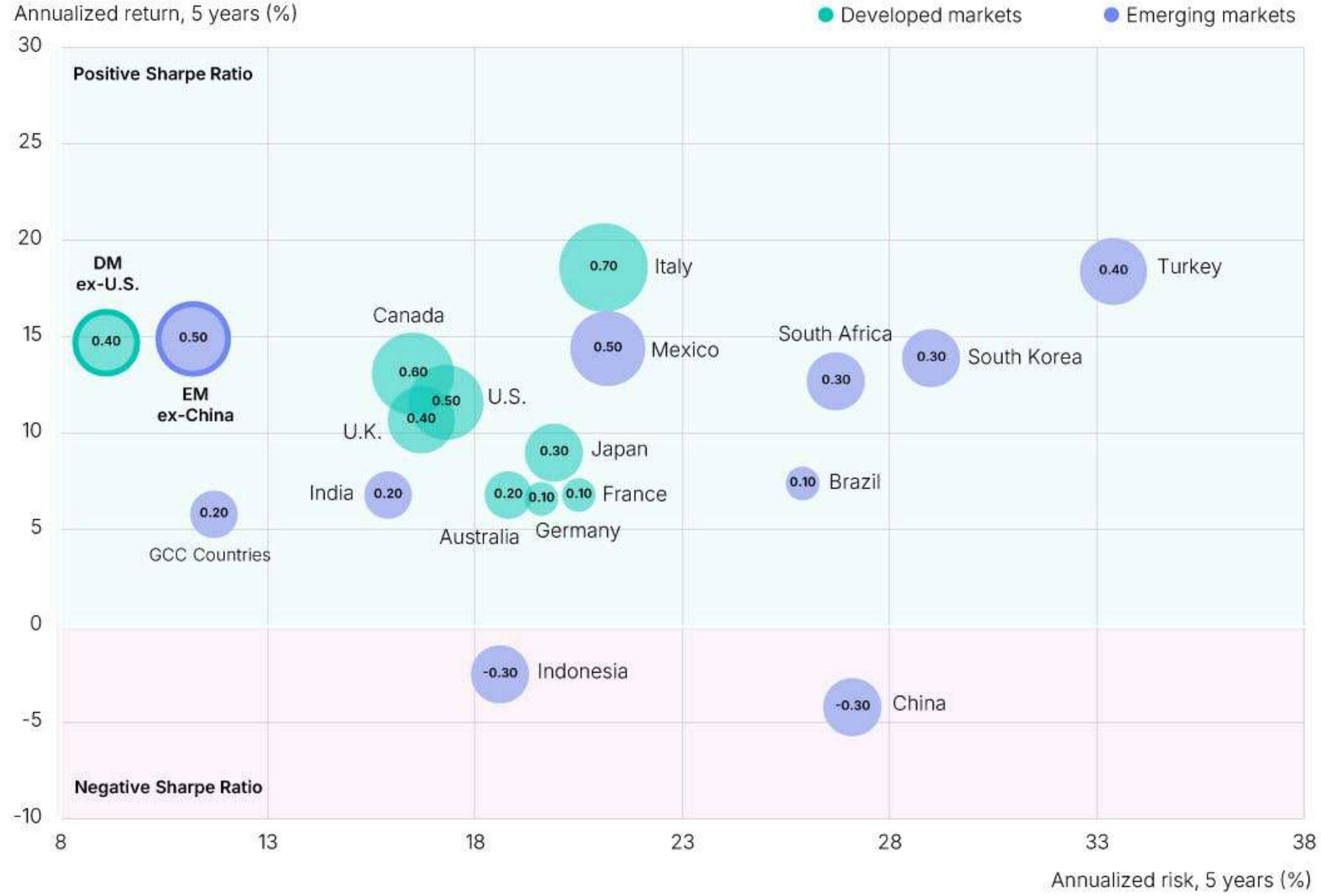
Reimagining Country Investing →

Risk-return attributes of global equity markets (April 2021 - April 2026)

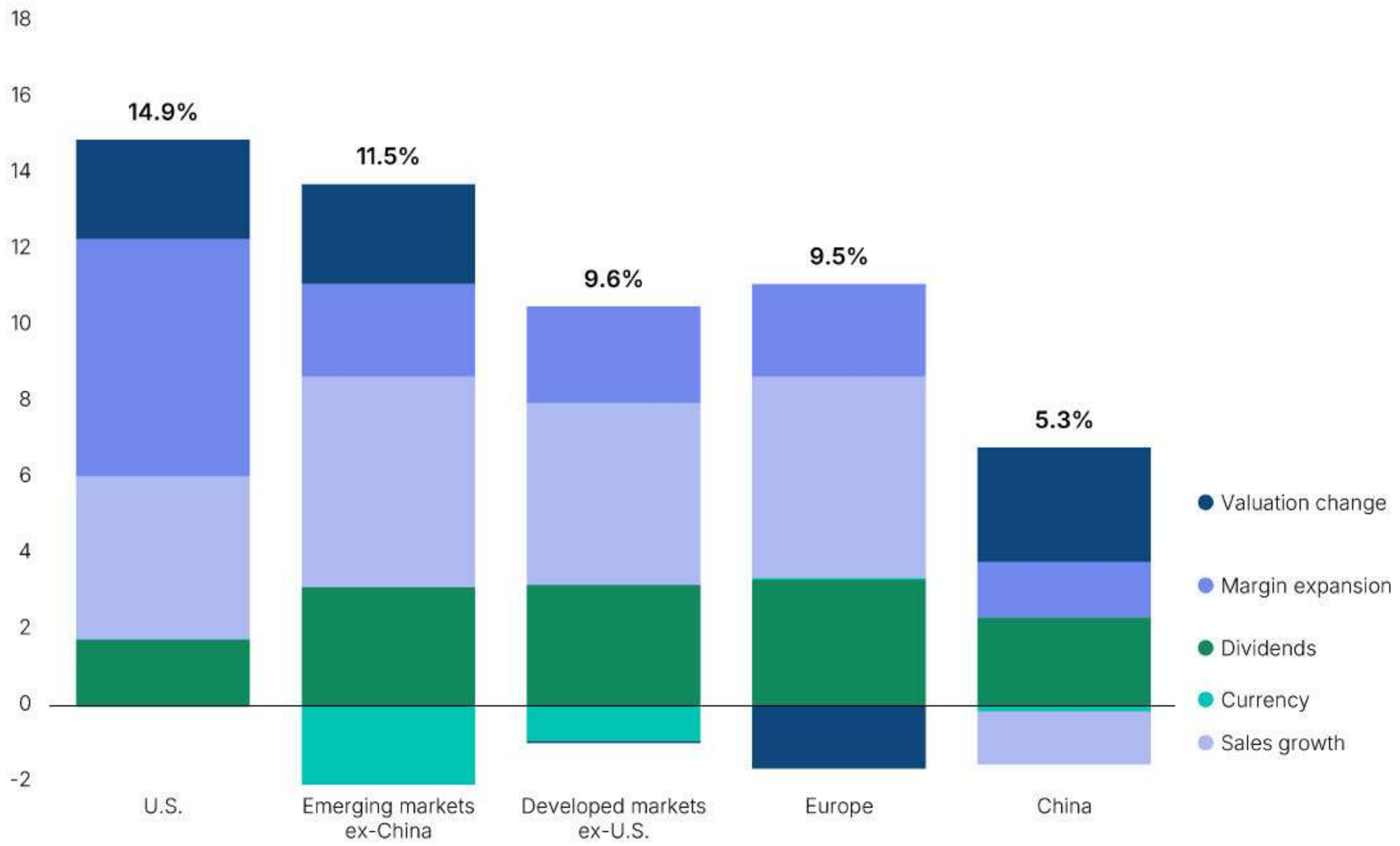


Source: MSCI Institute. Countries represented by their respective MSCI Large + Mid Cap country indexes. Data covers April 30, 2021 to April 30, 2026. 5-year annualized return and risk calculated to April 30, 2026. 5-year Sharpe ratio, represented by bubble size: a measure of return per unit of risk; larger is better.

What has driven returns across markets?

- **Across most regions, equity returns over the past decade were built on real earnings growth** — sales growth, margin expansion and dividends — rather than by investors simply paying more for the same profits. The U.S. led with 14.9%, with sales growth and margin expansion as the primary drivers.
- **China is the exception**. Listed companies returned just 5.3% over the decade, almost entirely because investors were willing to pay more for the same earnings, with little contribution from sales growth, margins or dividends.
- **Currency was a headwind outside the U.S.** Companies based in Europe returned 9.5% over the decade, supported by a balanced earnings base, though a weakening euro weighed on returns for dollar-based investors. Emerging markets outside China returned 11.5%, driven by solid sales growth and margins. But here too, currency moves worked against dollar-based investors.

Decomposition of returns over past decade (April 2016 - April 2026)



Source: MSCI Institute. Regions represented by their respective MSCI IMI regional indexes. Data covers April 30, 2016 to April 30, 2026 (10 years). Returns in USD and annualized. Driver definitions: Sales growth: change in company revenues. Margin expansion: profit earned per dollar of sales. Dividends: cash paid to shareholders. Currency: gain or loss from FX moves vs. the USD. Valuation change: change in the price investors pay per dollar of earnings (re-rating up, de-rating down).

Which sectors delive
the best returns?

- Companies in the information technology and energy secto
  others over the year ended April 30, 2026, both returning c
- The two sectors were driven by very different forces. Infor
  technology benefited from sustained enthusiasm for AI, liftin
  semiconductors, hyperscalers and AI- infrastructure compan
  rally reflected resilient commodity demand and, more acutely
  to global oil supplies from war in the Middle East, which push
  higher and lifted producer margins.
- **The breadth of the rally was notable: Every sector finished**
  the spread was wide, with more than 50 percentage points
  the best and worst performers. Defensive sectors such as c
  staples and health care lagged most, trailing the global equity
  weighed down by elevated interest rates and cautious consu
  spending. Real estate also underperformed, as higher-for-lon
  continued to pressure valuations.

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MSCI Markets in Motion →

For daily and monthly insights into equity and fixed-income markets, as well as multi-asset-class trends and performance across countries, regions and themes.

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About

Authors

Rohit Gupta, Rumi Mahmood and Keith Crouch

Additional contributions

Lauren Yeung, Uday Karri, Gregory Kohles and Andre van Staden

Data in this report

Listed companies referenced in this report are constituents of the MSCI ACWI IMI Index, which captures large-, mid- and small-cap representation across 23 developed and 24 emerging market countries. As of April 30, 2026, the index comprises 8,233 companies and captures approximately 99% of the global equity investment opportunity set.

Data for unlisted companies referenced in this report reflects the MSCI Private Capital Universe, which captures over 15,000 closed-end funds, with more than USD 13 trillion in capitalization. The data is sourced 100% from private-markets limited partners and undergoes a thorough cross-validation by MSCI's research teams before being added to the database.

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The State of Private Markets 2026

Building for what's next

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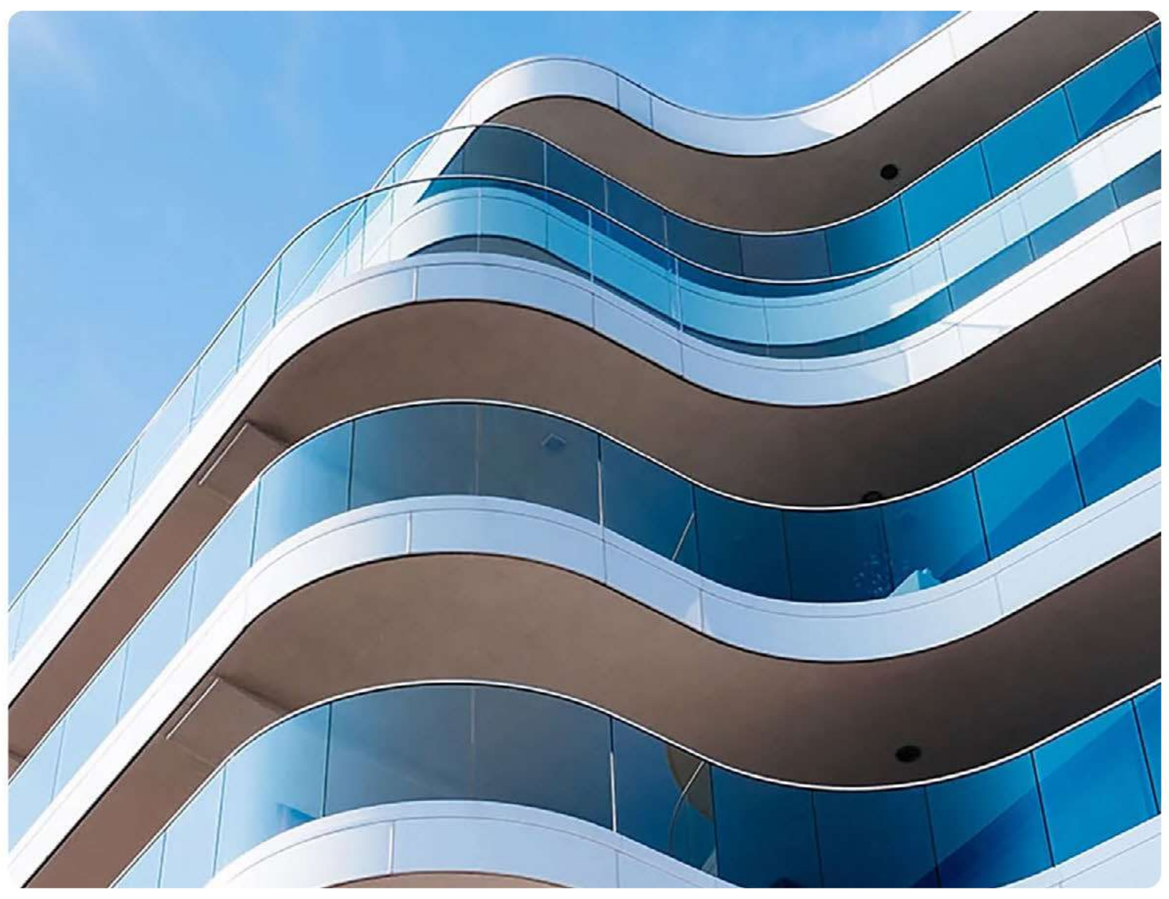


A watershed moment

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

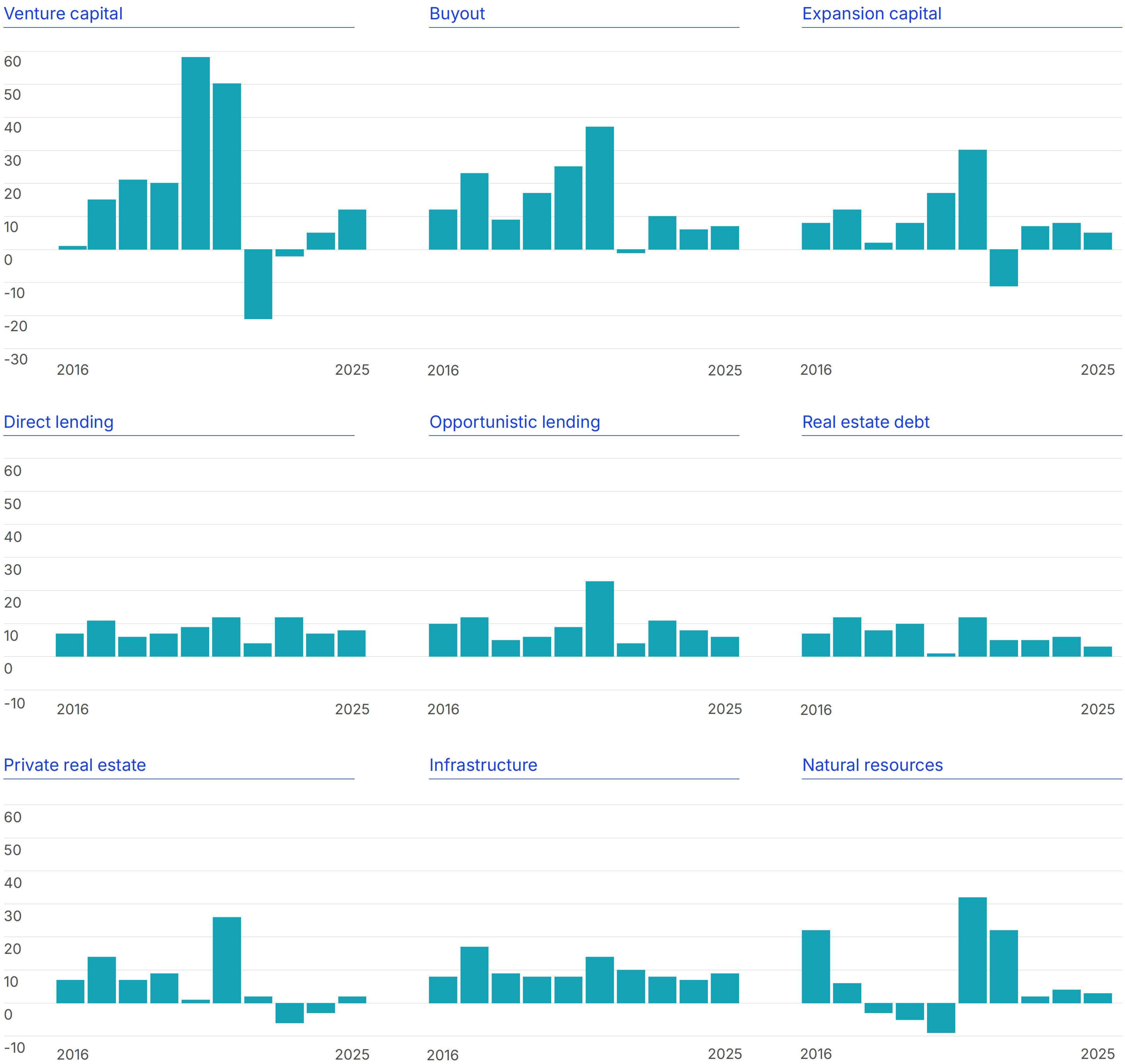
Some headaches persist

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)

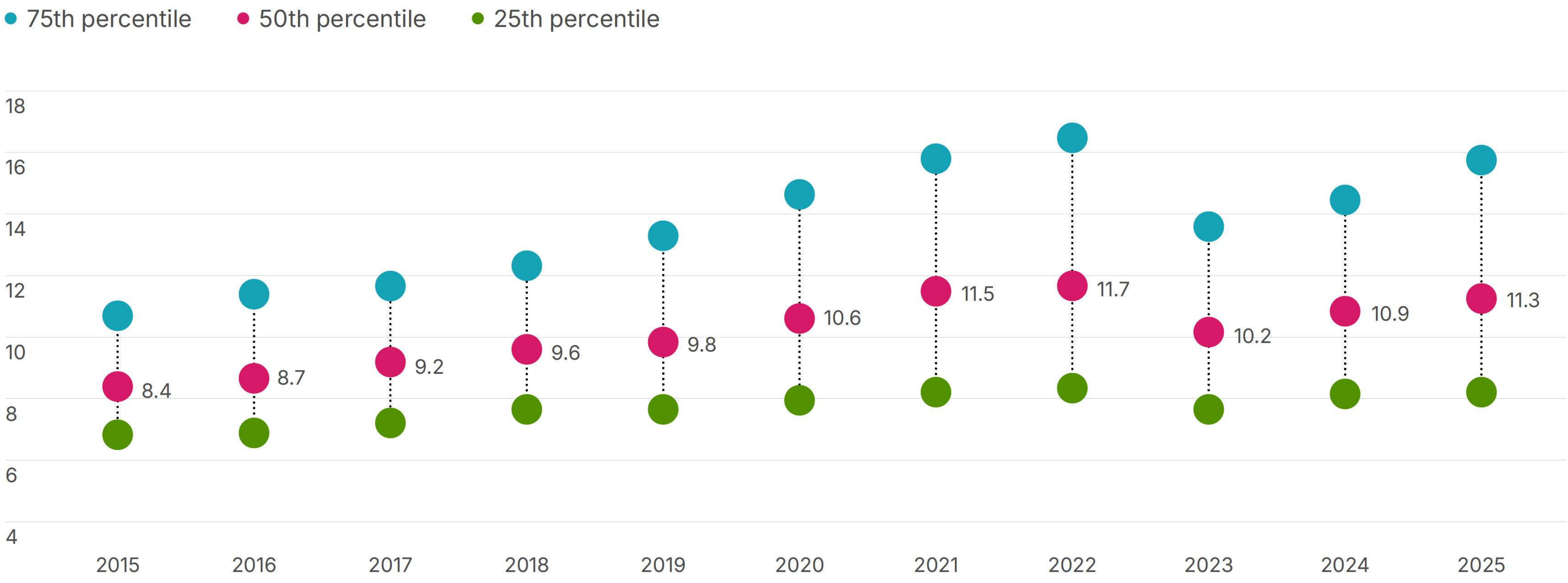


Data as of Q4 2025. Source: MSCI Private Capital Universe

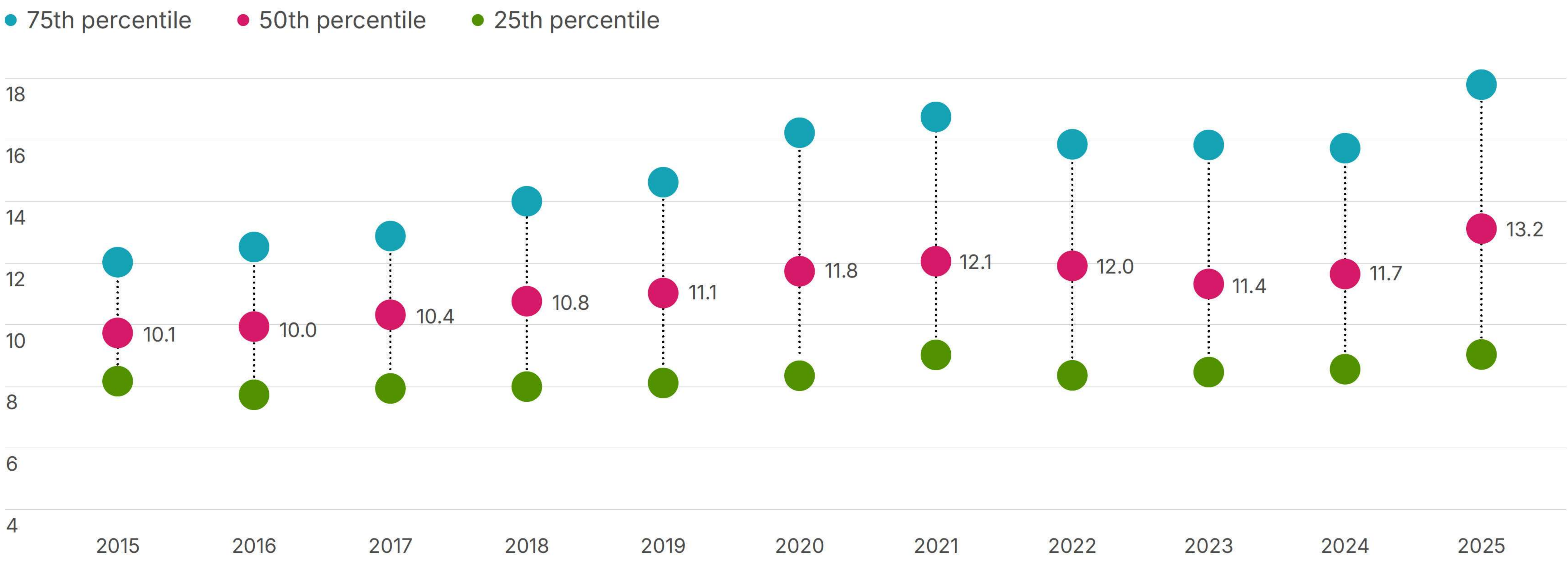
Buying high, exiting higher

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



EBITDA multiple at exit



Data as of Q4 2025. Source: MSCI Private Capital Universe

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.[1] 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.[2]

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.[3] Some of the largest pension funds seek to invest as much as 40% of their total portfolio in private markets.[4] 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.

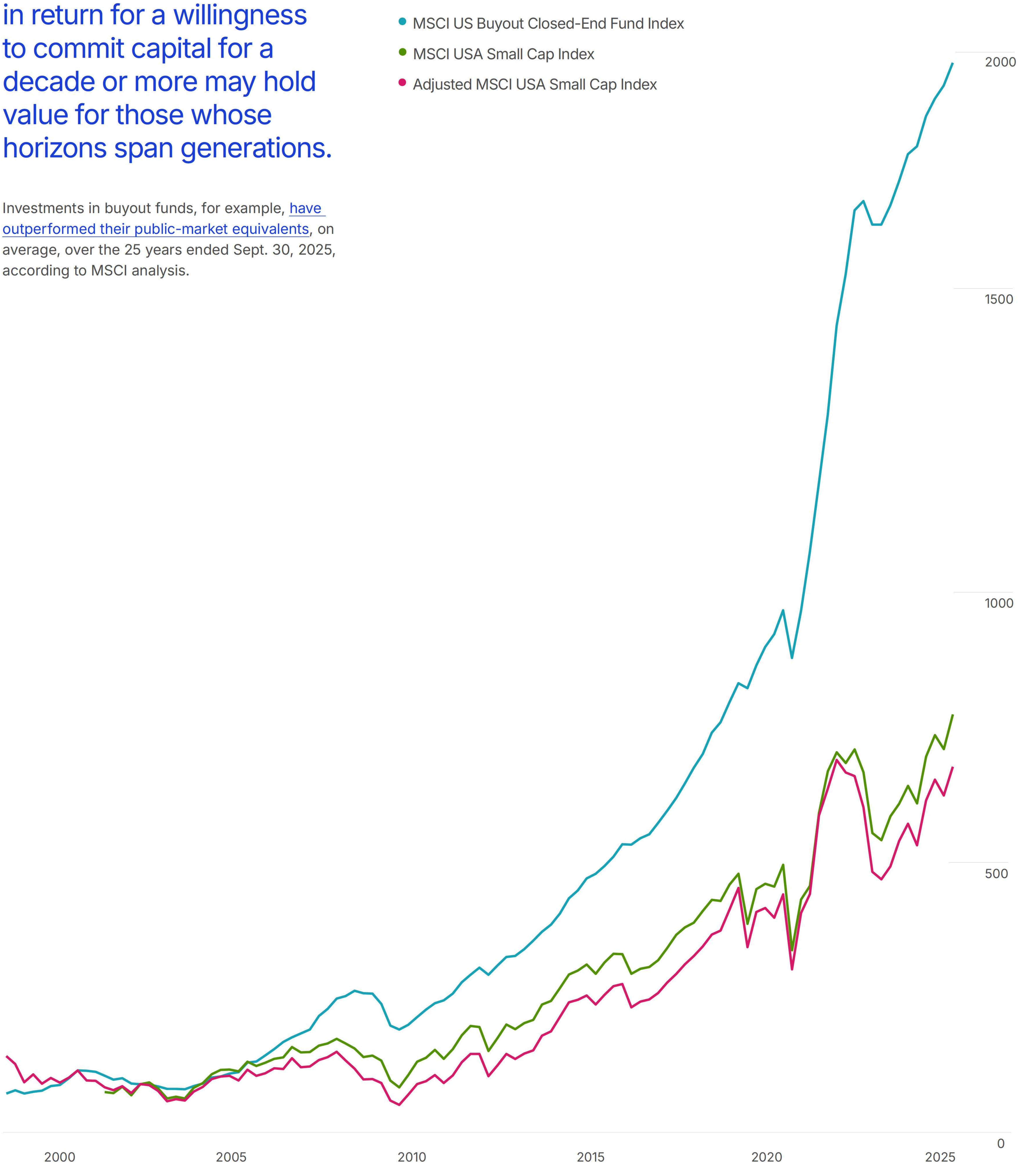
Source: "Avoiding Wipeout: How to Ride the Wave of Private Markets," Bain & Company, August 2024

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 1and 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)



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.

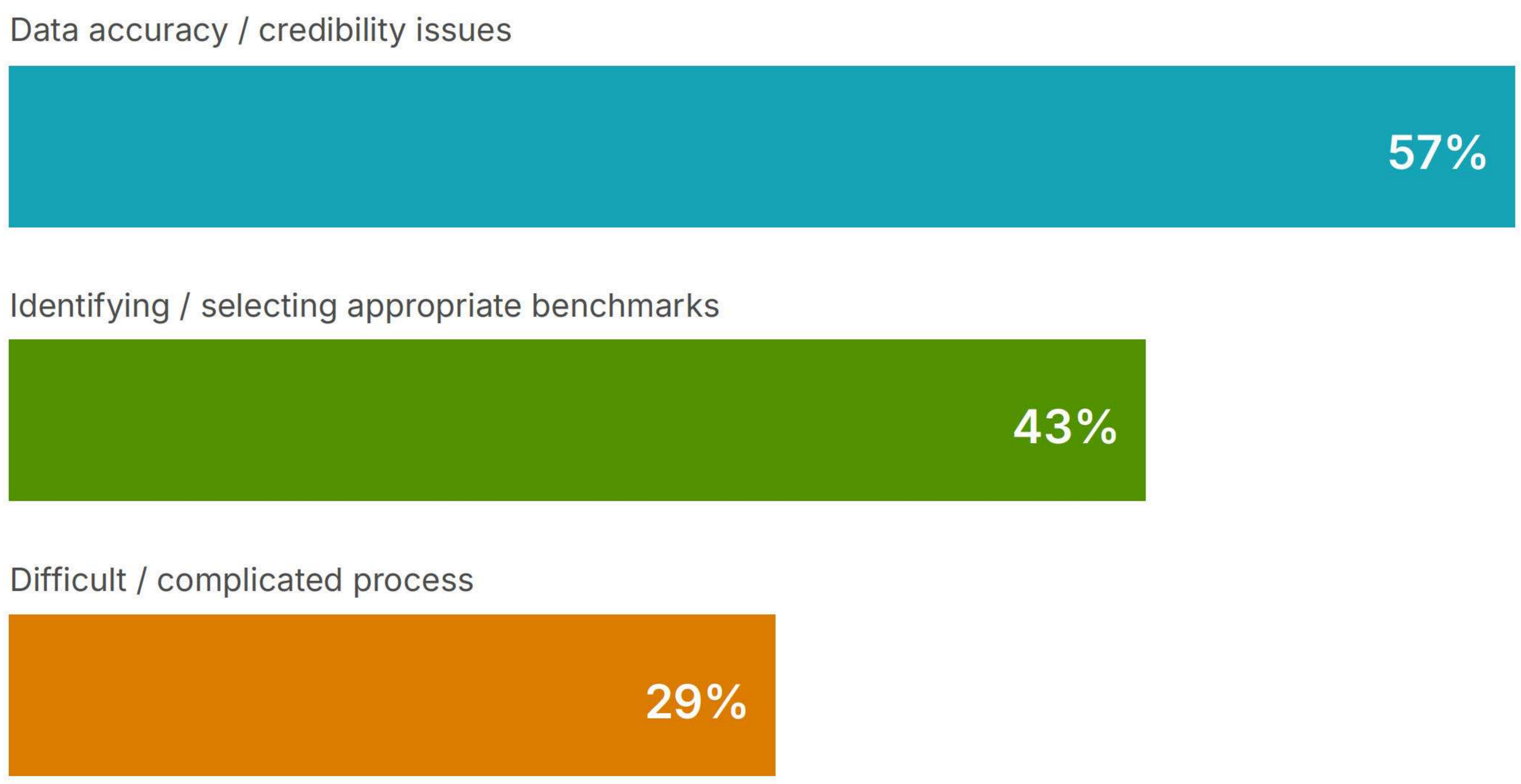
Increasingly, however, data, standards, methodologies and technology are falling into place for a revolution in transparency in private markets. The transformation will depend on both a commitment to openness from managers and continued pressure from investors.

Go deeper

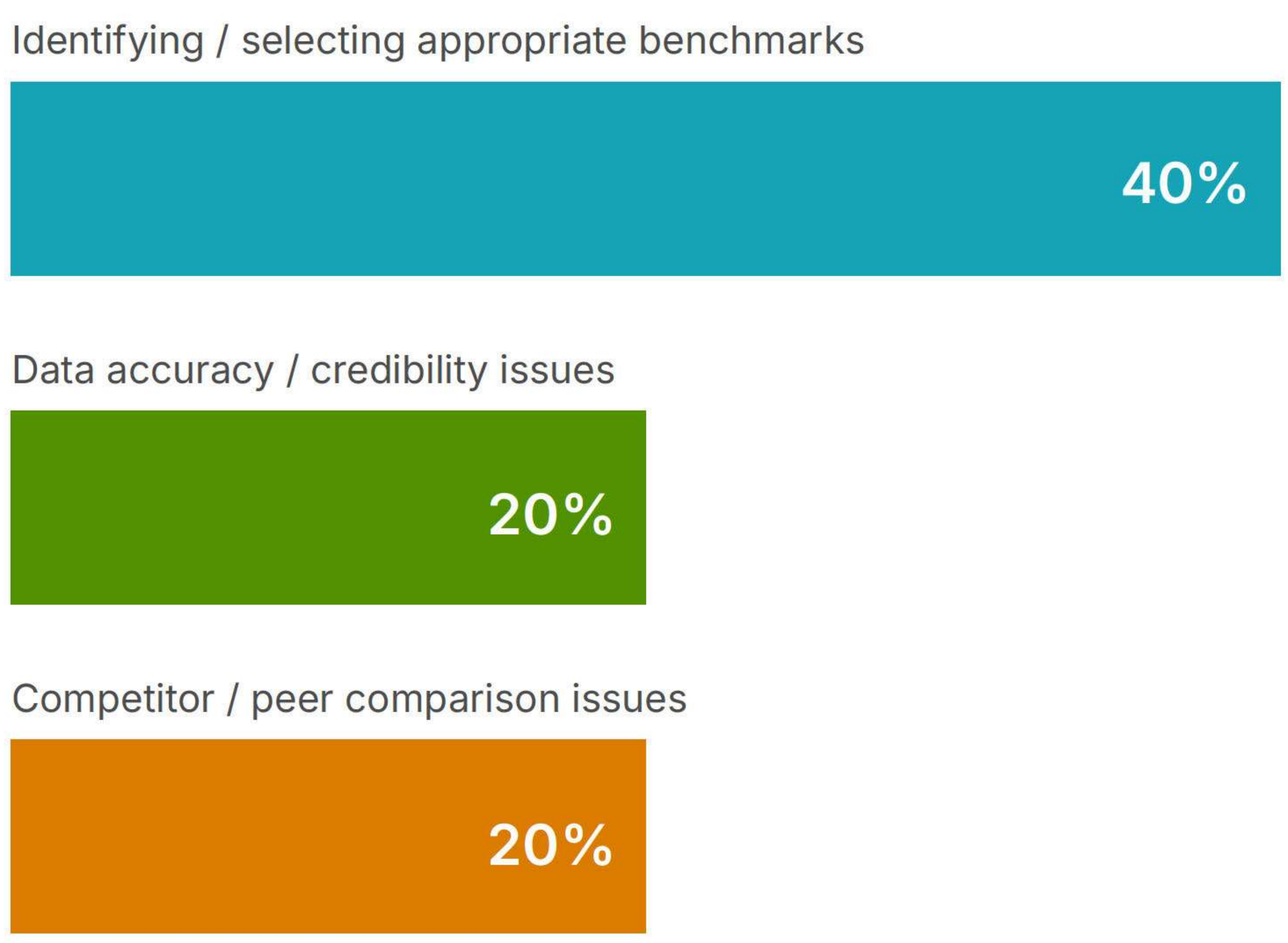
- Transparency, Data & Total Portfolio Thinking with MSCI's Luke Flemmer
- Aligning Benchmarks with Asset-Class Reality: The Case for Private-Capital Indexes
- The 2025 General Partner Survey

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

Challenges cited by small GPs
(Survey responses)



Challenges cited by large GPs
(Survey responses)



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

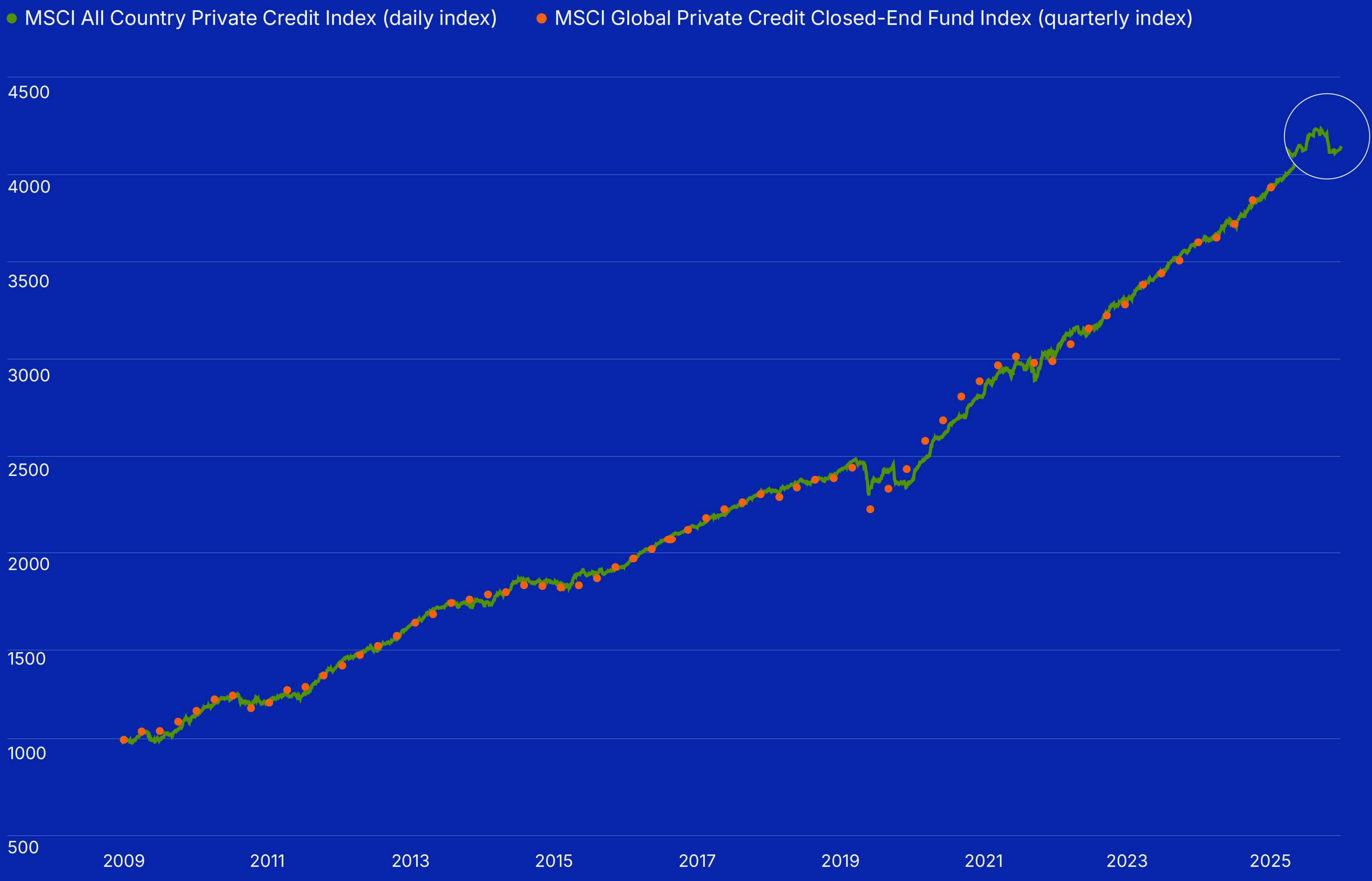
A daily view of private credit

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



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

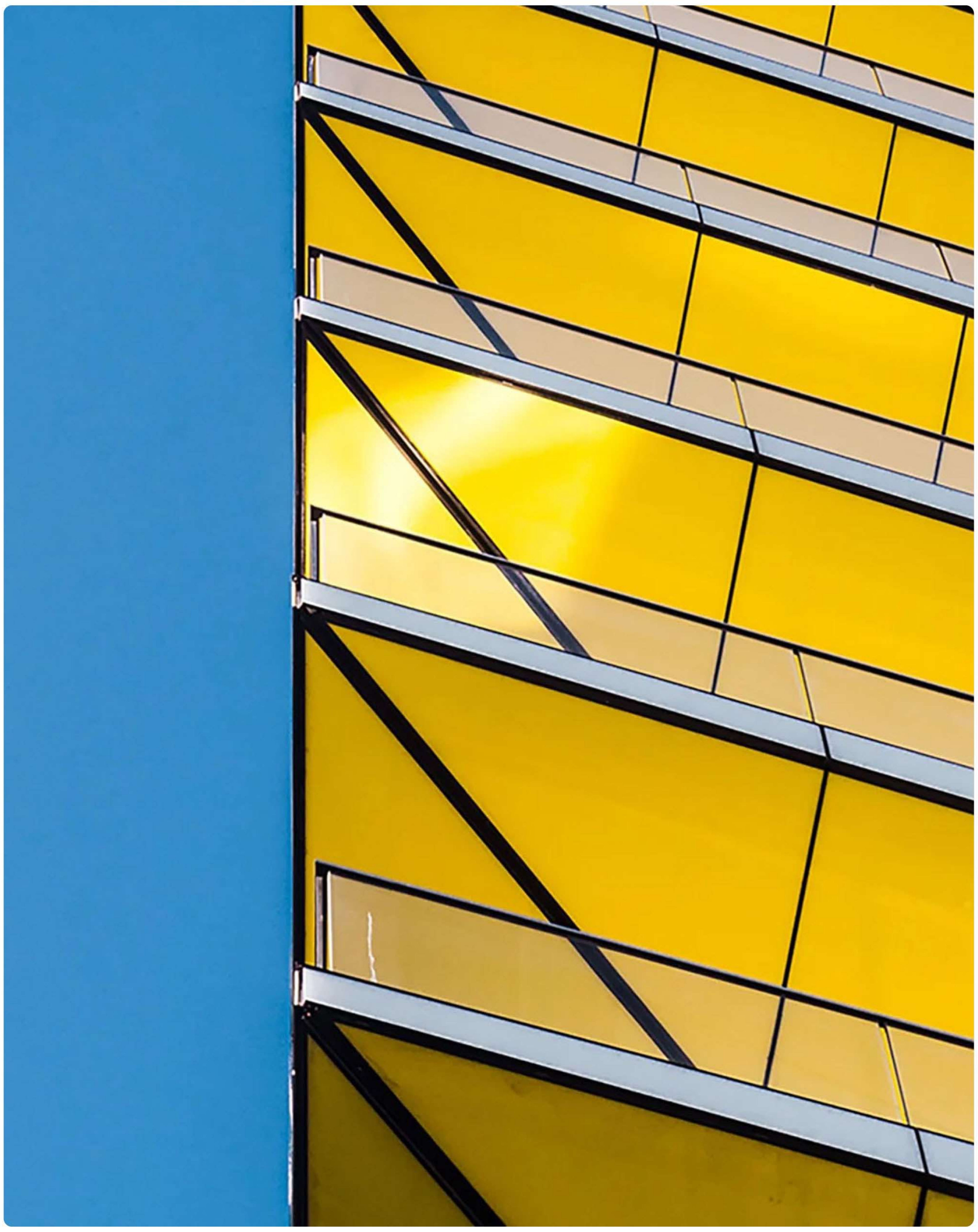
03

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.[5]

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.[6] 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.[7]

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.

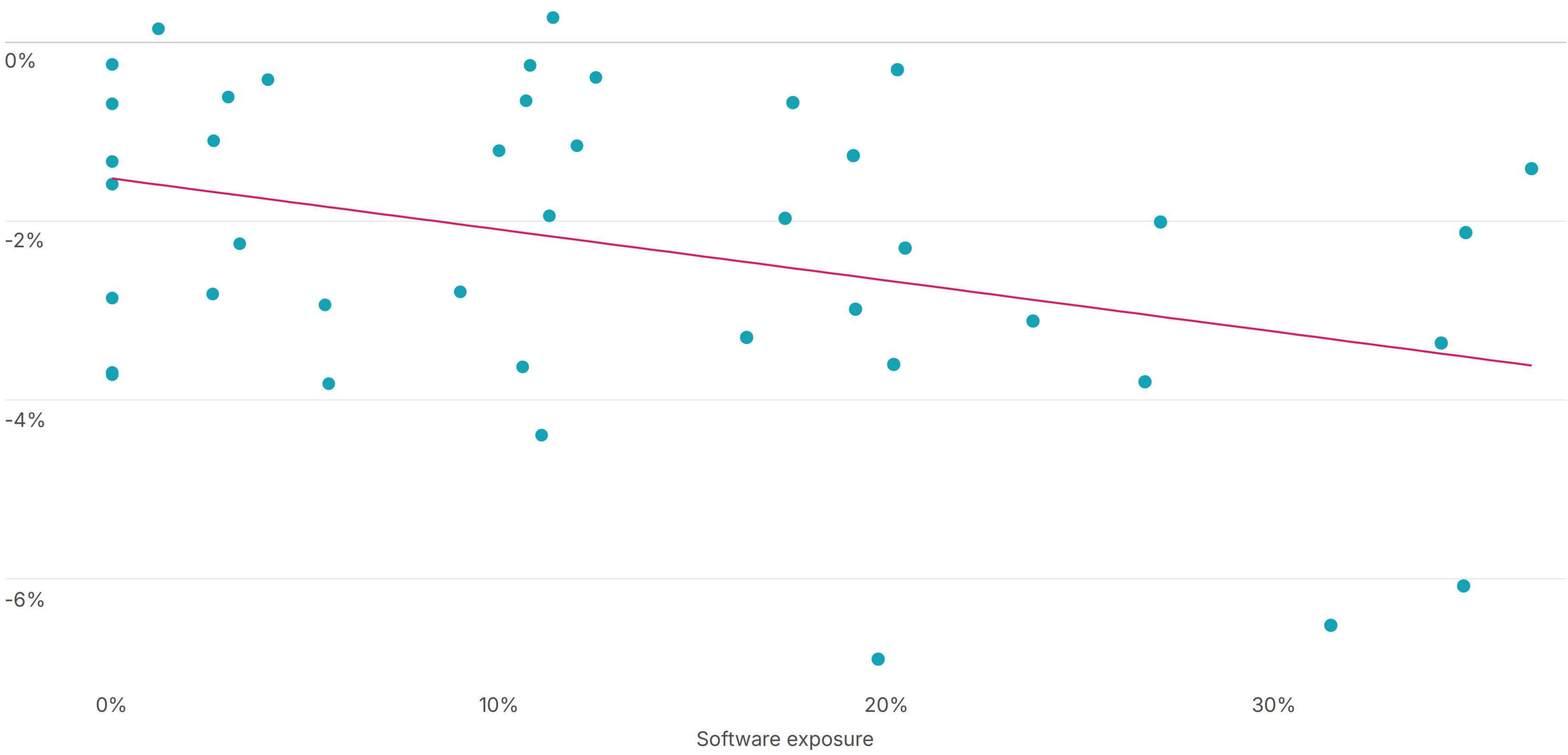
The dynamic is more complex in the newly popular semi-liquid vehicles, where investors cannot simply sell shares daily in a liquid market. Instead, they must file periodic redemption requests, which are generally capped at 5% per quarterly window. This mechanism works in orderly markets, when investors 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.

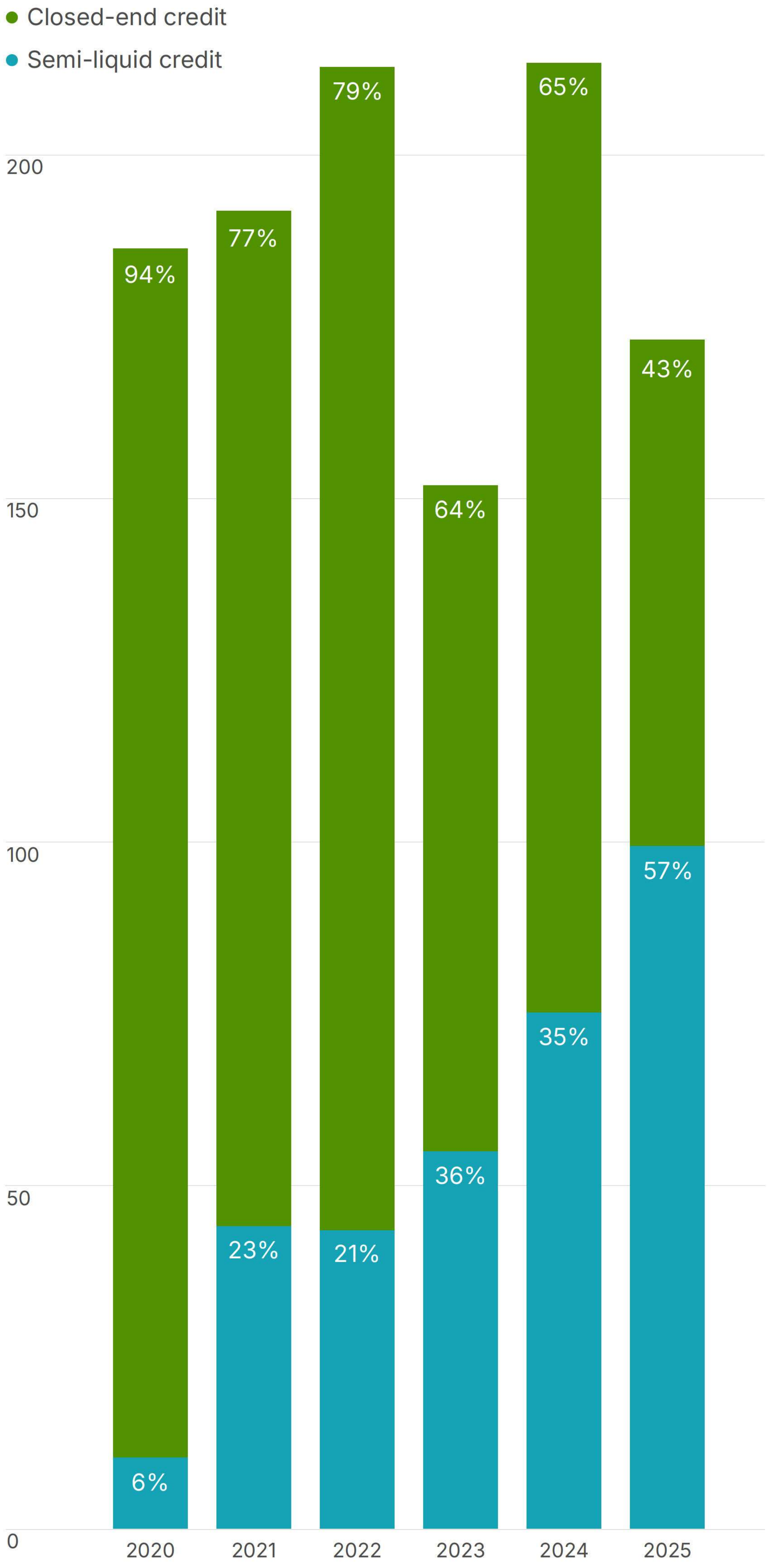
Wealth investors have increasingly turned to private credit, driving the growth of evergreens

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