

# Understanding the Growth of Private Markets: Structural Shifts in the Investment Industry

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## Executive Summary

Private markets are no longer a peripheral asset class but a central mechanism of capital formation. As high-growth firms remain private longer and institutional allocations to private enterprises grow, the boundary between public transparency and private opacity is being redrawn—creating tension between investor protection, opportunity, and accessibility. These dynamics have second-order implications for price discovery, valuation, benchmark construction, and financial stability. The growth of private markets is not merely a trend; it represents a systemic inflection point for the investment profession that demands a recalibration of investment processes, skills, governance, and standards.

The data related to private market growth support these insights. Private equity, private credit, real estate, infrastructure, and venture capital have expanded to more than \$18 trillion<sup>1</sup> in global private market assets under management (AUM) as of September 2025 (Preqin; see **Exhibit 1**).<sup>2</sup> At the same time, the number of publicly listed companies has declined markedly from late-1990s levels (Rosov 2018; Ritter 2024).

Firms are remaining private longer, and an increasing share of high-growth businesses and corporate restructuring activity now occurs outside public markets.

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<sup>1</sup>Amounts are quoted in US dollars unless otherwise stated.

<sup>2</sup>Preqin, "Charts & League Tables – Assets Under Management." <https://pro.preqin.com/analysis/dryPowderAUM>.

## CONTENTS

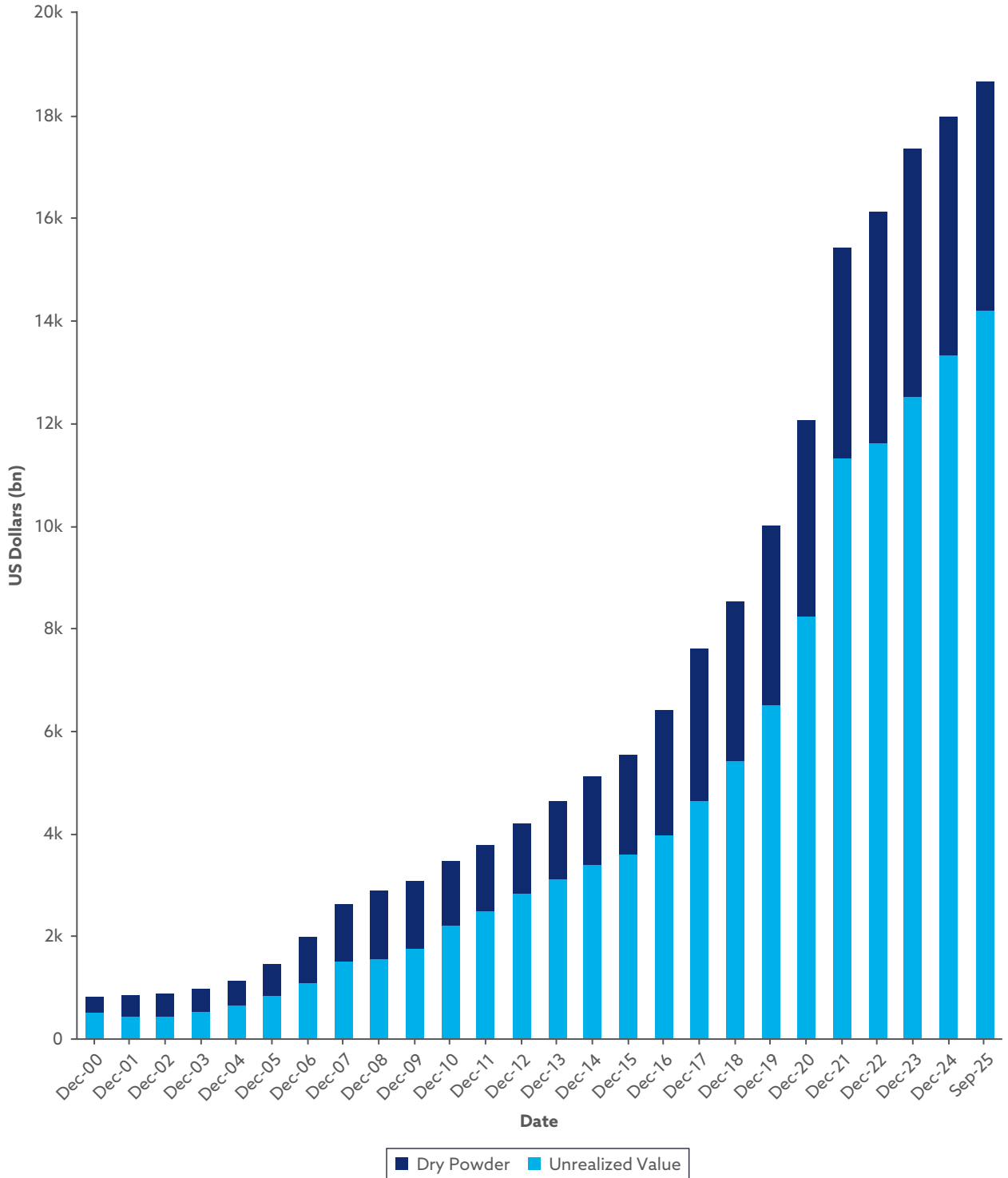
[Executive Summary](#) pg. 1 | [Background: Evidence of Structural Shift in Capital Formation](#) pg. 4 | [The Private Market Stakeholder Ecosystem](#) pg. 6 | [Demand-Side Drivers: Corporate Issuers and Private Enterprises](#) pg. 7 | [Supply-Side Drivers: Asset Owners](#) pg. 8 | [Intermediaries: Asset Managers, Banks, and NBFIs](#) pg. 10 | [Policymakers and Regulators](#) pg. 13 | [Future Scenarios](#) pg. 13 | [Implications for the Investment Profession](#) pg. 15 | [Key Questions](#) pg. 16 | [Conclusion](#) pg. 16 | [References](#) pg. 17

This shift to private markets signals an evolution in capital market architecture—the institutional design through which capital is raised, priced, governed, and distributed across the economy. As private markets scale, they alter mechanisms of price discovery, reshape benchmark composition, redistribute information across market participants, and influence how financial stress propagates through the system. If economic dynamism increasingly migrates into private structures, the informational and allocative role of public markets may narrow. Moreover, the migration of credit intermediation toward nonbank financial institutions (NBFIs) reshapes the transmission of risk—with implications for financial stability, valuation standards, liquidity risk management, and fiduciary oversight.

This paper reviews the forces shaping the rise of private markets, examines the structural and distributional tensions raised by this transformation, and identifies key questions stakeholders must address to support responsible growth. We use a stakeholder ecosystem framework that encompasses corporate issuers and private enterprises, asset owners, intermediaries, and policymakers. The analysis situates private markets within broader demographic, regulatory, and macroeconomic developments.

Private markets are not inherently destabilizing nor inherently superior or inferior to public markets. However, their scale and interconnectedness introduce important trade-offs related to growth, accessibility, and investor protection. The trajectory of private markets over the next decade will not simply influence portfolio allocations; it will shape how capital markets function and the competencies required of the investment profession.

### Exhibit 1. Global Private Market AUM, December 2000–September 2025

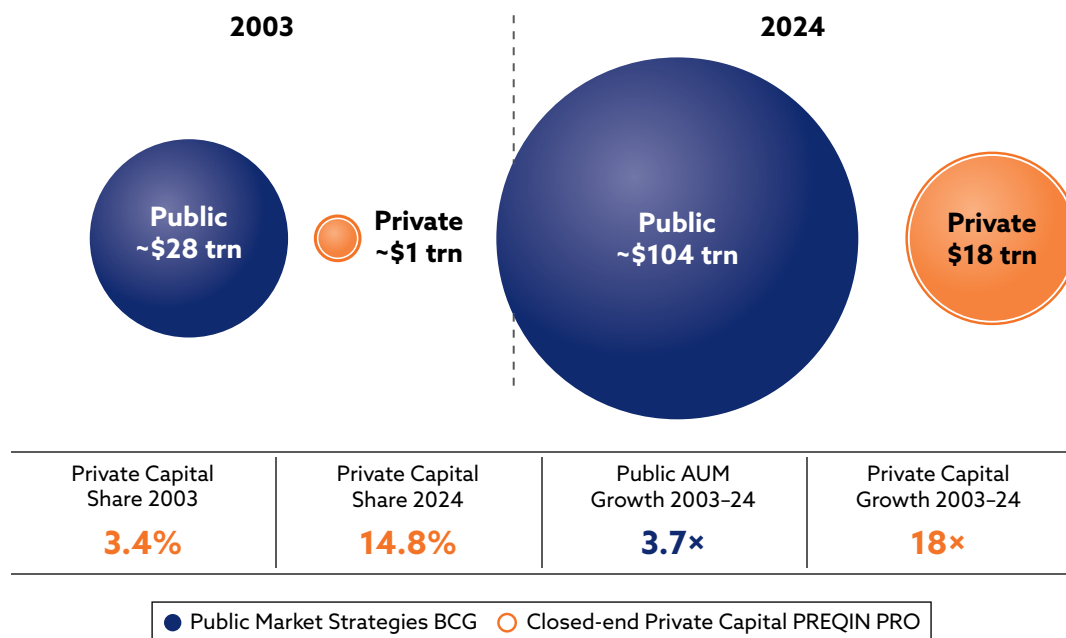


Source: Preqin.

## Background: Evidence of Structural Shift in Capital Formation

Numerous studies document the relative decline of public market listings alongside the rise of private capital (Doidge et al. 2017; Aramonte and Avalos 2021; Buchak et al. 2024). While the market capitalization of public markets (and the corresponding value of public AUM) has continued to expand, the growth rate of public markets has been outstripped by private markets. **Exhibit 2** shows the comparative growth of public AUM versus private AUM from 2003 to 2024. Although public markets are significantly larger in absolute terms, private markets grew to 18 times their starting value over the period, versus approximately 3.7 times for public markets.

**Exhibit 2. Comparison of Global AUM Growth—Public vs. Private Markets, 2003–24**



Sources: Frankle et al. (2025); Heredia et al. (2020). Graphic generated by Claude.ai, Anthropic, May 2026. Edited for content and style.

Notes: Bubble size is proportional to AUM value.

**For private capital (Preqin Pro):** Closed-end fund AUM covering private equity, venture capital, private debt, real estate, infrastructure, and natural resources; all strategies included. Excludes hedge funds, open-end funds, and separately managed accounts. Dec 2003: \$981.5 bn (~\$1 trn); Dec 2024: \$18.0 trn. Preqin data for 2003 and 2024 are based on a comparable universe.

**For public market AUM (Boston Consulting Group [BCG]):** Assets professionally managed in exchange for fees across 44 global markets, excluding BCG-defined alternatives (private equity, private debt, real estate, infrastructure, hedge funds, commodities, and liquid alternative mutual funds). Captive AUM delegated by insurers or pension funds to external managers is included; directly held assets are not. Fixed end-of-year exchange rates applied across all years. The 2003 total AUM of \$31 trn and the alternatives share of ~10% (~\$3 trn) are stated in Exhibit 5 of BCG’s *Global Asset Management 2020* report (Heredia et al. 2020), yielding a public market figure of ~\$28 trn. The 2024 total AUM of \$128 trn is stated in BCG’s 23rd annual edition (Frankle et al. 2025); alternatives represented 18% (~\$24 trn) per Appendix 2 of the same report, leaving ~\$104 trn (Frankle et al. 2025).

**Caveats for this exhibit:** The two series are not directly reconcilable. BCG’s alternatives definition and Preqin’s private capital universe differ in multiple overlapping respects, and the relative contribution of each difference cannot be quantified from published information. The combined chart and share figures are therefore indicative. Growth multiples reflect both new capital inflows and market appreciation; the public figure is disproportionately driven by equity market performance.

Ritter (2026) shows that the number of domestic operating companies on major US exchanges fell from approximately 7,500 in mid-1997 to just over 3,650 by 2025. Initial public offering (IPO) frequency remains structurally below its historical peak, with the number of firms going public in 2020 at about one-quarter of the late-1990s level (Aramonte and Avalos 2021; Ritter 2024).

At the same time, private capital fundraising surged, peaking at \$1.87 trillion in 2021. PitchBook (2026b) reports that global private capital commitments reached approximately \$1.26 trillion in 2025.<sup>3</sup> By contrast, in recent years, US IPO proceeds have generally remained in the tens of billions of dollars. At the time of writing, SpaceX debuted on the Nasdaq (ticker: SPCX) at an opening price of \$150, resulting in a market capitalization of approximately \$2 trillion (Clark and Driebusch 2026). Together with the anticipated listings of OpenAI and Anthropic (*Wall Street Journal* 2026; Driebusch 2026), the combined valuations of these three AI-based companies are expected to approach \$4 trillion and thus distort the picture on US IPO proceeds. However, these developments do not detract from the broader trend of muted numbers of listings, and illustrate that those companies that do list on public markets often do so at a more mature stage of their growth cycle than historical norms.

Bank for International Settlements (BIS) research similarly notes that private markets have become a global force in firm funding and restructuring (Aramonte and Avalos 2021). This divergence reflects structural rather than cyclical change. A growing share of corporate formation, operational transformation, and leveraged finance now takes place outside transparent public markets. If this trend persists, capital markets may evolve toward a more segmented architecture in which public markets play a narrower informational role.

However, there are important regional differences in the relative importance of public versus private markets. Most notably, Asia-Pacific public markets have experienced renewed vigor.<sup>4</sup> **Exhibit 3** shows IPO proceeds by exchange, 2024 versus 2025 (in USD billions). Hong Kong Exchanges and Clearing Limited (HKEX) jumped from 4th to 1st as Chinese Mainland companies flocked to Hong Kong SAR, while no European exchange entered the global top five. These regional differences suggest that the shift toward private channels is not inevitable or uniform; instead, it is contingent on institutional, regulatory, and cultural factors.

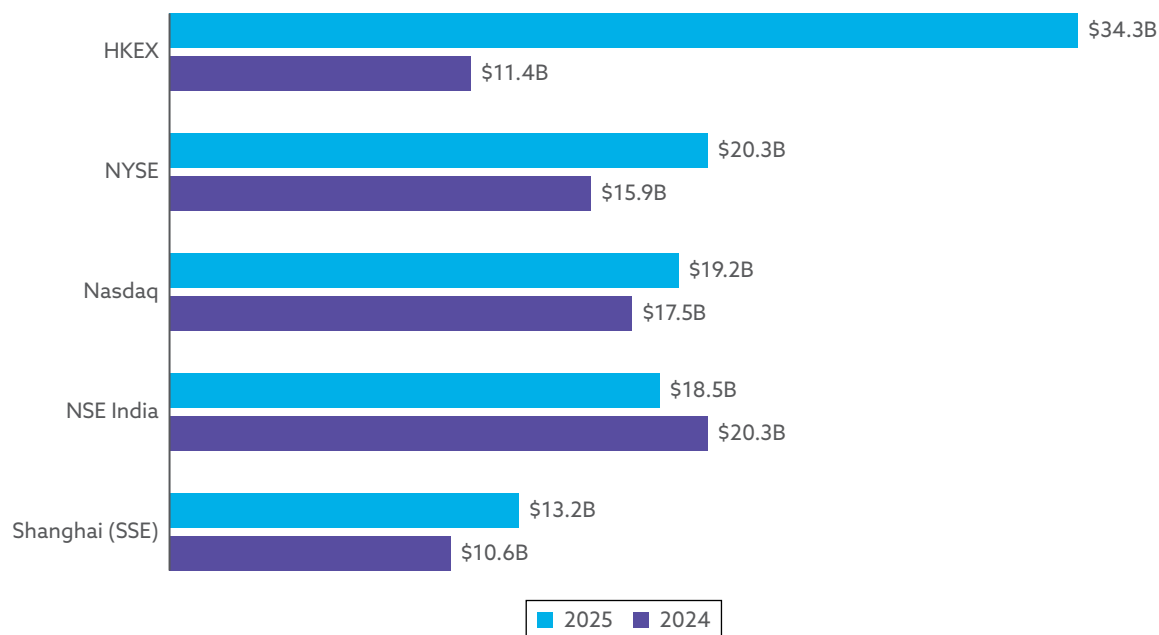
The significance of these trends lies less in headline fundraising totals than in what they imply for the future informational architecture of markets. If corporate growth and capital restructuring increasingly occur outside regulated exchanges, the mechanisms through which information becomes public, priced, and benchmarked may evolve in ways that are not yet fully understood. Understanding how this evolution unfolds requires examining the incentives of the key stakeholders shaping capital formation.

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<sup>3</sup>This figure represents the sum of the individual strategy figures reported by PitchBook (2026b) in its *2025 Annual Global Private Market Fundraising Report*, and it aligns with the chart "Private capital raised (\$B) by strategy" on p. 4.

<sup>4</sup>For example, in the first half of 2025, companies listing on Hong Kong Exchanges and Clearing Limited (HKEX) raised \$14 billion (HK\$109 billion), compared with approximately \$2 billion in the same period in both 2024 and 2023. See Su (2025).

### Exhibit 3. IPO Proceeds by Exchange, 2024–25



Sources: Su (2025); KPMG (2025); HKEX (2025a, 2025b); HKEX via Mondo Visione (2025). Graphic generated using Claude.ai, Anthropic, May 2026. Edited for style and content.

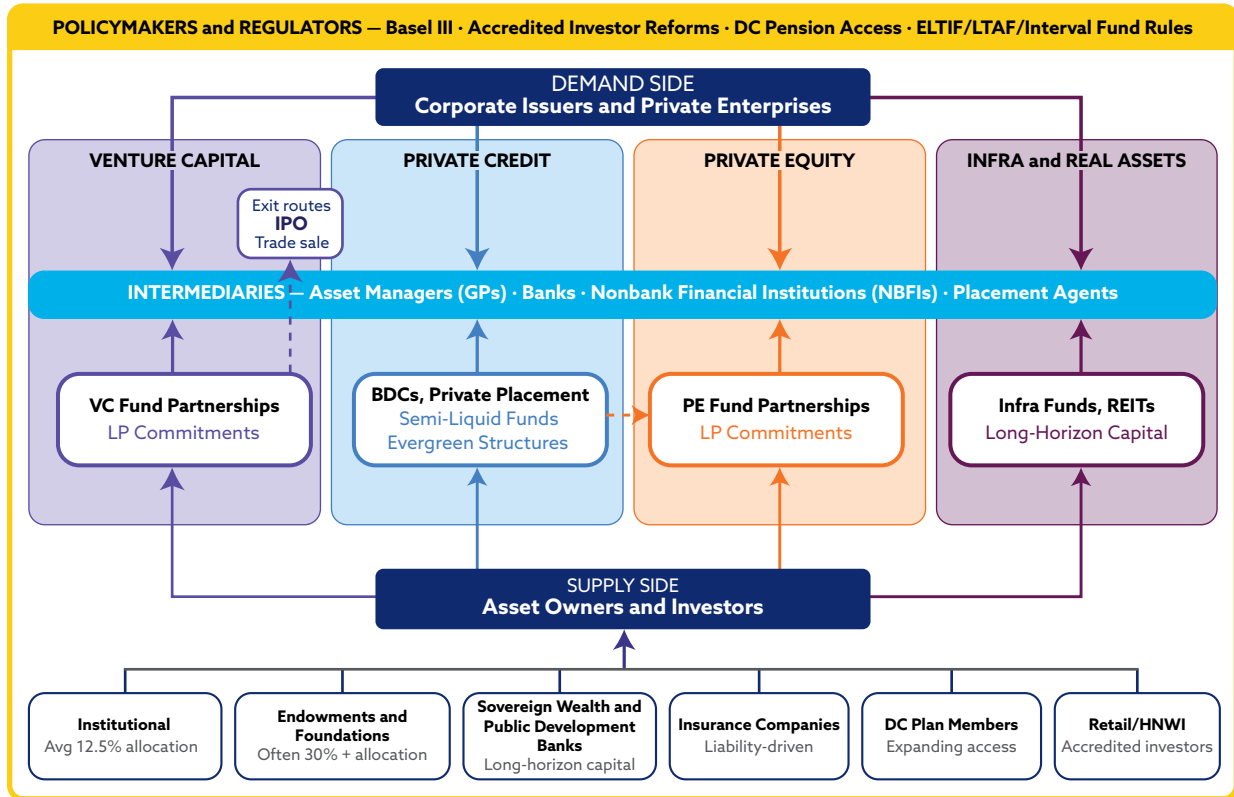
## The Private Market Stakeholder Ecosystem

The expansion of private markets reflects the interacting incentives of four primary stakeholder groups:

- Corporate issuers and private enterprises who demand capital
- Asset owners who supply capital
- Asset managers, banks, and nonbank financial institutions who intermediate capital
- Policymakers and regulators who shape the framework within which these actors operate

The growth of private markets is best understood as the product of mutually reinforcing incentives and actions within this ecosystem (see **Exhibit 4**). How these incentives interact will determine whether capital market architecture becomes more segmented—with activity increasingly concentrated in private channels—or remains integrated across public and private domains.

## Exhibit 4. The Private Market Stakeholder Ecosystem



Source: Graphic generated by Claude.ai, Anthropic, May 2026. Edited for style and content.

Notes: Asset Owners and Investors (bottom) deploy capital upward through access vehicles—limited partner commitments to venture capital (VC) and private equity (PE) fund partnerships, business development companies (BDCs), interval funds, evergreen structures, and infrastructure funds—into four private market channels. Corporate Issuers and Private Enterprises (top) access financing downward: startups and growth firms via venture capital, mid-market firms via private credit, restructuring and buyouts via private equity, and real asset projects via infrastructure funds. The Intermediaries bar (center) represents the asset managers, banks, NBFIs, and placement agents that channel capital between the two sides. Exit routes connect private to public markets (IPOs, trade sales). The dashed connection between Private Equity and Private Credit reflects frequent cross-channel financing. The Policymakers and Regulators frame (yellow border) represents the regulatory architecture shaping the ecosystem—rules include Basel III, accredited investor reforms, defined contribution (DC) pension access, and dedicated fund structures (e.g., European long-term investment funds [ELTIFs], long-term asset funds [LTAFs]). GP stands for general partner; HNWI stands for high-net-worth individual.

### Demand-Side Drivers: Corporate Issuers and Private Enterprises

Corporate issuers increasingly favor private capital for several reasons. Private markets offer flexibility in governance, concentrated ownership structures, reduced disclosure requirements, and insulation from short-term earnings pressure. In addition, private equity governance models emphasize operational control and incentive alignment. Portfolio companies are not subject to quarterly reporting requirements or activist investor scrutiny, which some argue allows management greater latitude to pursue longer-term restructuring

strategies (see, for example, Clayton and de Fontenay 2026). For issuers, then, private capital provides:

- potentially greater speed of capital-raising and more favorable fundraising terms,
- customized financing structures,
- greater confidentiality, and
- retention of founder control (in some cases).

As a result, the marginal attractiveness of public listing has declined.

For investors, this shift carries important implications. Over recent decades, business models have become increasingly asset-light, intellectual property-intensive, and platform-based predicated on network effects—increasing the strategic value of scale and market dominance. In such environments, concentrated institutional ownership, founder control, and the ability to rapidly scale may better align with innovation cycles. However, if high-growth firms remain private longer, public market indexes may underrepresent the most dynamic segments of the economy (Rosov 2018). Over time, this could alter how investors interpret broad market indexes as proxies for the health of the economy and may challenge assumptions embedded in passive portfolio construction.

Moreover, if fewer firms remain publicly listed, a smaller portion of the corporate sector is subject to public financial reporting standards, reducing corporate transparency and public accountability. The trend toward fewer publicly listed firms also challenges the conduct of investment analysis and valuation, which rely on the availability, timeliness, and integrity of corporate disclosures—supported by audited financial statements, which may be absent in private markets.

In summary, as a larger share of corporate activity is funded by private markets, the distribution of information advantages across market participants is likely to widen. Public markets may increasingly represent mature cash flow businesses, while earlier-stage growth and operational transformation occur privately. This potential bifurcation could reshape how investors interpret public equity indexes as proxies for economic dynamism.

## Supply-Side Drivers: Asset Owners

Institutional capital has helped to fuel the growth in private markets. Asset owners, in pursuit of enhanced returns, diversification, and long-term income generation, are large investors in private markets.

## Portfolio Allocation

Institutional asset owners have materially increased allocations to private markets. According to a private markets study by Aviva Investors (2026), average private market allocations among 500 institutional investors across the United Kingdom and Europe, North America, and Asia-Pacific reached 12.5%, a record high. The same study reports that 88% of the institutional investors surveyed planned to either increase or maintain their private markets exposure over the next two years, and 76% expected private markets to outperform public markets over the next five years. Among other types of asset owners, such as endowments and foundations, allocations to private markets can be materially higher, often exceeding 30% (see Mercer 2025).

For many institutional investors, private markets offer an opportunity to enhance portfolio diversification, increase expected risk-adjusted returns, and improve liability matching. These portfolio benefits are predicated on the existence of illiquidity risk premia and typically low correlations with public equities and bonds. However, these characteristics are often cited as investment theses rather than empirically invariant properties. Correlation benefits and illiquidity premia may compress as more capital flows into private markets or during periods of market stress. More broadly, as private markets expand, the very conditions that once generated excess returns—limited capital, specialized access, governance intensity—may evolve, raising questions about the persistence of returns in a more crowded ecosystem.

Private markets also provide an effective means for sustainability-oriented asset owners to incorporate impact goals into portfolio construction. The ability to exercise direct control over investments, bespoke capital structures, and long-term investment horizons align well with how real-world impact is created and measured.

At the same time, asset owners face several challenges incorporating private assets into portfolios. A central issue is performance measurement, which is complicated by the asynchronous timing of capital calls and commitments, coupled with illiquidity and infrequent valuations of underlying assets. Private equity funds typically use internal rate of return (IRR) as a primary metric for performance measurement and reporting. IRR, however, suffers from drawbacks related to assumptions regarding the reinvestment of cash flows (Phalippou 2024).<sup>5</sup> The limitations of IRR and other private market metrics—such as multiple on invested capital (MOIC) and public market equivalent (PME)—reduce comparability with traditional assets and hinder the ability to conduct mean-variance portfolio optimization and periodic rebalancing. As allocations deepen, these measurement challenges may have systemic implications for asset-liability modeling, peer benchmarking, and long-term capital market assumptions. Emphasizing these challenges, *infrequent valuations*,

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<sup>5</sup>Phalippou (2024) shows that it is possible for an investment to have a high multiple and a high IRR but a relatively poor underlying rate of return (see Table 1).

*non-comparable performance measures*, and *opaque fees* (which are typically higher than fees for public market funds) emerged as the top three concerns in a 2024 CFA Institute global member survey (Deane 2024).

## Pension Sustainability and Demographics

Demographic pressures reinforce these allocation shifts. Aging populations and increased longevity heighten the need for sustainable long-term returns to support retirement income. In parallel, fiscal indebtedness and economic growth headwinds challenge the ability of governments to provide adequate social security and state pensions, increasing the urgency of enhancing retirement security through the occupational and private pensions' pillars.

The historically limited access of defined contribution pension beneficiaries to private markets relative to beneficiaries of defined benefit plans has become a focal point in policy debates. Proponents frame expanded access as equity enhancing; critics emphasize valuation opacity, high or complex fee structures, and liquidity mismatch as risks. The transition from defined benefit to defined contribution systems transfers risk onto individual retirees, with the potential to exacerbate income inequalities in retirement. Higher allocations to private markets (often with a focus on infrastructure investments) in pension schemes are increasingly viewed by governments as an integral part of the solution to generating higher and more sustainable long-term returns.

The *Mercer CFA Institute Global Pension Index 2025* analyzes how governments influence pension investment decisions. It highlights the use of policy incentives—such as tax measures, co-investment arrangements, or public-private partnerships—to encourage investment in areas of national priority (such as infrastructure) while leaving final allocation decisions to pension fiduciaries (Mercer and CFA Institute 2025). The supply of asset owner capital to private companies is likely to be further incentivized by government policy and the demands of pension systems in the years ahead, underscoring how incentives and actions in the stakeholder ecosystem are closely intertwined.

## Intermediaries: Asset Managers, Banks, and NBFIs

Financial intermediaries, and their evolving roles, have materially shaped the expansion of private markets. Shifts in the competitive economics of asset management, post-crisis bank regulation, and the progressive opening of private market strategies to a wider investor base have collectively deepened the infrastructure through which private capital is raised, deployed, and distributed.

## Asset Manager Incentives

The growth of private markets is closely tied to economic incentives within asset management. Fee compression in public market investment funds, driven by indexing, has reduced profit margins in traditional asset classes. In contrast, private markets offer higher management fees, performance-based compensation, and longer lock-up periods.

PwC (2025) projects that private markets will account for more than half of global asset management fee revenue by 2030. Similarly, BCG (2025) forecasts sustained double-digit growth in private AUM. These revenue and profit trends create powerful incentives for asset management firms to expand their private market investment capabilities and increase the breadth and availability of products backed by private assets. As fee pools increasingly concentrate in private strategies, competitive advantage in asset management may shift toward scale, sourcing capability, and distribution strength and away from traditional public market alpha generation.

Meanwhile, as private equity managers (general partners, or GPs) have continued to attract capital contributions from limited partners (LPs, such as asset owners increasing their portfolio allocations to private markets), the amount of “dry powder”<sup>6</sup> has accumulated. The ability to return cash to limited partners—through either private market secondaries or public listings of investee companies—has become constrained by a more challenging macroeconomic environment. To manage limited partners’ liquidity needs, general partners have increasingly used continuation vehicles—specialized funds to hold high-performing assets carved out of the legacy fund—raising ethical considerations regarding the fair treatment of investors among funds managed by the same general partner.

Misaligned incentives and conflicts of interest between fund managers (GPs) and investors (LPs) remain a central concern in private fund structures (Deane 2024).<sup>7</sup> GPs play a hybrid agent-and-principal role in portfolio companies by acting as both intermediary to LPs and controlling owner of private enterprises. The bundling of capital provision and operational control is a distinct feature of private markets that underscores the importance of board effectiveness, incentive alignment, and operational accountability. As private fund structures and cross-fund transactions proliferate, governance quality may become as important as asset selection in determining long-term investor outcomes.

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<sup>6</sup>Capital available for investing by a fund, consisting primarily of uncalled committed capital (LPs’ unfunded commitments). In some contexts, it may include capital that has been funded but not yet invested.

<sup>7</sup>As discussed in Deane and Robinson (forthcoming 2026), the 2025 Abu Dhabi Investment Council Co. et al. v. Energy & Minerals Grp. LP et al. case is an example of LP-GP conflicts of interest that can arise with continuation vehicles.

## Private Credit Expansion

Private credit AUM have grown from roughly \$350 billion to \$400 billion in 2015 to over \$2.6 trillion by mid-2025—a more than sixfold expansion (PitchBook 2026a). Regulatory reforms implemented after the 2007–08 global financial crisis, including Basel III capital requirements, constrained traditional bank balance sheet lending. As a result, nonbank financial intermediaries, including private credit funds, filled this lending gap. As the market has matured, private credit has become a distinct strategy, not merely a funding component of private equity deals.

There is substantial bank lending exposure to private equity and private credit funds (see Levin and Malfroy-Camine 2025). This exposure highlights increasing interconnections between regulated banks and private vehicles and the potential transmission channels for financial stability risks to emerge. Chernenko et al. (2025) show that business development companies—common investment structures for private credit funds—are well capitalized relative to bank-equivalent standards, although stress simulation exercises indicate potential deleveraging difficulties under adverse macroeconomic conditions.

The migration of credit creation and corporate control toward private intermediaries redistributes and reshapes risk rather than eliminating it. As these intermediaries scale, the issue is no longer only leverage and liquidity. It is also accountability—who ensures valuation integrity and transparency—and how standards and supervisory frameworks adapt to protect investors and the stability of the system.

## Retailization

In accordance with the growth of private credit provision and the incentives of intermediaries to expand access to high-margin products, private credit strategies—as well as private market funds more broadly—are being marketed to a greater proportion of the retail investor pyramid. “Retailization” of private markets is being enabled by policy proposals in several jurisdictions to widen investor accessibility. These proposals include revising accredited investor frameworks, creating dedicated fund structures with built-in liquidity safeguards (e.g., European Long-Term Investment Funds [ELTIFs], UK Long-Term Asset Funds [LTAFs], US interval and evergreen funds, and other semi-liquid fund structures), and opening access to private market investments in defined contribution pension plans, as noted earlier. However, expanding retail access raises investor protection concerns regarding product suitability, given the relatively high fees and limited redemption features associated with private market funds, as well as potentially limited retail investor comprehension of such issues. Existing policy frameworks and self-regulatory initiatives by industry bodies do not fully mitigate the risks posed by the illiquid and opaque nature of private assets (Clayton and de Fontenay 2026). Balancing democratization of access with fiduciary duty and prudent supervision remains critical.

## Policymakers and Regulators

From 2008 to 2020, low interest rates facilitated corporate borrowing and supported leveraged buyouts and private credit expansion, providing a macroeconomic tailwind to the growth of private markets. Simultaneously, policymakers encouraged private capital participation in infrastructure, real estate, and energy transition projects. As previously discussed, governments facing fiscal constraints increasingly rely on private capital to support long-term investment needs. As a result, private markets have become embedded in broader public policy objectives.

As noted earlier, the growth of private credit and the interconnectedness of NBFIs with the banking system raise potential financial stability concerns over the build-up and concentration of risk exposures. Private market funds are often described as less prone to liquidity mismatches than public funds or banks (which typically offer daily liquidity) due to their limited redemption facilities. However, BIS research indicates that they exhibit a procyclicality similar to that of public market funds (Aramonte and Avalos 2021).

For policymakers and regulators, the key risks include:

- illiquidity of underlying assets and valuation smoothing, masking volatility;
- concentration of assets among a few large managers; and
- bank-private credit fund linkages.

Systemic monitoring frameworks need to adapt to these evolving interconnections. Supervisory systems historically designed around banks and public markets may require recalibration if private intermediaries continue to absorb a larger share of credit creation and corporate control.

Regulators and industry bodies in key jurisdictions, such as the United States and the European Union, have introduced a variety of measures to improve transparency and oversight of private funds. These include such measures as quarterly reporting of fees and expenses, independent third-party valuations, the creation of dedicated fund structures for retail investors, and industry-led codes. In short, public policy faces an inherent trade-off between promoting private capital and preserving financial stability and investor protection. In this context, policymakers face a structural tension: how to encourage private capital to support infrastructure and long-term investment while ensuring that opacity, leverage, and interconnectedness do not erode systemic resilience.

## Future Scenarios

The structural trajectory of private markets will shape not only asset allocations but also the institutional balance between transparency and discretion, liquidity and lock-up, and public oversight and private governance. The following

scenarios arise from the interaction of the five structural forces identified above: capital supply expansion, issuer preferences, intermediary incentives, retail access reforms, and evolving regulatory posture. In considering the structural forces driving the expansion of private markets, alongside the current macroeconomic environment, three scenarios emerge.

### **Scenario 1: Mainstream Integration**

In this scenario, the factors supporting the growth of private markets outlined in this paper continue unabated. Additionally, the rise of artificial intelligence in investment management further increases the efficiency of public markets—challenging the profitability of active management, further pressuring asset manager margins, and incentivizing continued expansion of such higher-margin products as private market funds.

Enabled by supportive public policy—underpinned by government needs to direct capital into infrastructure to revive growth and bolster pensions—private markets expand further into defined contribution plans, retail-access structures mature, and institutional demand remains strong. These expansions are underpinned by robust returns and portfolio diversification benefits. Capital adequacy and regulatory supervision limit the build-up of risks and mitigate against contagion.

### **Scenario 2: Contraction and Repricing**

In this scenario, higher-for-longer interest rates compress leverage economics, reducing prospective returns and increasing the amount of uncommitted capital. Regulatory scrutiny increases. The performance of underlying investments declines, and fund returns suffer relative to public market equivalents, which dampens investor demand and leads to reduced flows into private market funds.

In this scenario, performance dispersion among managers and funds increases, and isolated pockets of stress appear in some market segments. Liquidity pressures intensify.

### **Scenario 3: Market Shock, Contagion, and Systemic Risk Spillover**

In this scenario, a financial shock emanating from part of the investment ecosystem or real economy transmits through the bank-NBFI nexus. This causes steep markdowns in asset values and outflows from private market funds—likely with redemption gates and other liquidity management tools being implemented to stem losses. Asset correlations increase, and institutional portfolios suffer sharp drawdowns. Capital market assumptions are recalibrated, and asset allocation shifts away from private markets.

The asset management industry is forced to close certain funds and scale back private fund offerings, as demand subsides and regulation intensifies.

Fundraising in both private and public markets becomes more challenging for firms and startups.

In all three scenarios, ethical professional practice, improved valuation standards, disclosure transparency, investor protection safeguards, and systemic oversight become crucial.

## Implications for the Investment Profession

The expansion of private markets demands a re-examination of professional practice. Valuation discipline becomes paramount in environments characterized by illiquidity and infrequent price discovery. Unlike public securities, private assets rely on models and periodic assessments rather than continuous pricing. As allocations increase, the rigor, independence, and consistency of valuation processes and performance measurement become central to fiduciary responsibility and investment comparability.

Liquidity management likewise requires recalibration. Portfolios that combine daily-traded public assets with multi-year lock-up private vehicles demand more robust cash flow forecasting, stress testing, and scenario analysis. Traditional models that assume continuous pricing and tradability are no longer sufficient.

Governance complexity also intensifies. Continuation vehicles, GP-led secondaries, and cross-fund transactions introduce potential conflicts of interest that require stronger disclosure, independent oversight, and careful conflict management. As private markets grow, governance standards become as critical as investment selection.

At the same time, benchmark construction and performance evaluation may evolve. If a smaller share of corporate growth is represented in public indexes, allocators may need to reconsider what constitutes “the market” and how opportunity cost is measured when private assets are not continuously tradable.

Retail participation adds further responsibility. Semi-liquid and interval structures expand access but introduce trade-offs between liquidity, transparency, and investor protection. Suitability standards must keep pace with product design.

Finally, professionals must understand how risks move across institutions. As credit provision shifts toward private funds and links with banks deepen, financial stress may propagate differently than in prior cycles.

The rise of private markets is therefore not simply a market trend: It marks a structural turning point for the profession. It demands stronger valuation rigor, more sophisticated liquidity planning, heightened governance oversight, and deeper awareness of systemic linkages. The inflection point is not defined by asset growth alone, but by whether professional standards, governance frameworks, and analytical tools evolve at a pace commensurate with structural change.

## Key Questions

The growth of private markets and the issues raised in this paper suggest the following questions for investment industry stakeholders:

1. What valuation standards are appropriate for illiquid assets?
2. What financial reporting standards are appropriate for private companies?
3. How can fee transparency and investor alignment be improved?
4. What ethical considerations arise from information asymmetry in private markets, and how should conflicts of interest between different stakeholders be managed?
5. How should liquidity risk be modeled and managed in investment portfolios with public and private assets?
6. What performance measurement frameworks are most appropriate for private markets?
7. How should asset allocation frameworks evolve to optimize exposures to private assets?
8. What regulatory monitoring tools are needed for NBFIs?
9. How should retail investor access be calibrated?
10. How might capital market equilibrium dynamics—including capital formation, price discovery, and information asymmetry—evolve further?

## Conclusion

The growth of private markets reflects structural forces: regulatory change, demographic pressures, technological innovation, and institutional capital concentration. These forces are situated within the macroeconomic context of real income stagnation and rising inequality, which increase the urgency to generate improved returns for a broader investor base. As capital formation becomes more segmented between public and private channels, questions of access, transparency, and distribution become increasingly salient.

As private markets have now become central to capital formation, asset allocation, and retirement security, they have a pivotal role in meeting this challenge. The investment profession must lead by building the knowledge, skills, and capabilities to facilitate private market investing. It must also work on strengthening governance arrangements, transparency, and risk oversight to ensure that future growth remains aligned with positive long-term investor outcomes and financial stability.

The industry is at an inflection point. Over the next five to ten years, success will be defined not by the expansion of private markets per se, but by whether growth is accompanied by improved transparency, strengthened governance, robust valuation discipline, appropriate retail safeguards, and effective systemic monitoring.

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