(UBS)

Private markets are too big to ignore and growing

14 January 2025, 7:08 pm CET, written by UBS Editorial Team US Editorial Team

With USD 14.3 trillion in assets under management, global private markets are hard to ignore and growing.

Private assets play a key role in long-term investment plans, potentially offering better risk-adjusted performance and enhanced diversification. Over the long run, the UBS Chief Investment Office expects portfolios that include private assets to outperform those that do not.

Private markets broadly consist of private equity, private debt, and real assets. With USD 9.4 trillion in assets under management (AuM), private equity makes up 66% of the asset class, followed by real assets with USD 3.4 trillion (24%)—nearly equally split between real estate and infrastructure investments—and private debt with USD 1.5 trillion (11%).

Yet private markets have the potential to grow further.

According to Pitchbook's base case, global private markets' AuM could reach USD 18 trillion by 2028. This would nevertheless still be just one-third of the S&P 500's market capitalization of USD 53.5 trillion as at November 2024.

Private market fundraising has more doubled between 2014 and 2021.

Since the 2022 rate hikes, investors have been more cautious in their allocations, yet fundraising is on track to exceed USD 1.0 trillion in 2024. Private equity's historical share of fundraising is c.60%, real assets c.25%, and private debt c.15%. Geographically, North America represents c.55%, Europe c.25%, and Asia and rest of the world (RoW) c.20%.

Access to innovation, diversification, and enhancing returns are key drivers of capital flows into private assets. Private managers, with their ability to provide funding through equity or debt investment to companies at different stages of their lifecycle, have a key role to play in building tomorrow's economy.

Capital allocation shifts across the economy and growing assets under management are making private assets harder to ignore. Evidence of that is the structural decline of the number of listed companies in developed markets as companies stay private for longer. Bank disintermediation has also led the private credit market to grow and compete against public capital as a source of funding. With secular forces such as digitalization, decarbonization, and deglobalization already having profound impacts on the economy and financial markets, we believe private assets are an essential tool to fill the gap in companies, sectors, and areas that may be underrepresented in public exchanges.

• In **private equity**, we currently seek managers with a value bias that can execute on complex deals and continue to recommend allocations to secondaries. Thematic private equity also represents an opportunity for investors who aim to capture long-term growth in areas such as software, health, and climate-related solutions.
• In **private debt**, return prospects for direct lenders still look attractive. Risks remain manageable but selectivity, size, and seniority will matter more moving forward
• In **real assets**, we recommend gradually increasing exposure to real estate but stay selective and focus on assets benefiting from strong fundamentals in the logistic, data center and living sectors. Meanwhile, we see infrastructure assets as attractive, especially those benefiting from inflation-hedged and GDP-resilient cash flows.

Investors looking to invest in private markets should reach out to their Financial Advisor to learn more about the space, and to understand the risks associated with it.

duty of care for any consequences, including any loss or damage, of you or anyone else acting, or refraining to act, in reliance on the information contained in this document or for any decision based on it.

Additional Disclaimer relevant to Credit Suisse Wealth Management: Except as otherwise specified herein and/or depending on the local entity from which you are receiving this document, this document is distributed by UBS Switzerland AG, authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA). Your personal data will be processed in accordance with the Credit Suisse privacy statement accessible at your domicile through the official Credit Suisse website https://www.credit-suisse.com. In order to provide you with marketing materials concerning our products and services, UBS Group AG and its subsidiaries may process your basic personal data (i.e. contact details such as name, e-mail address) until you notify us that you no longer wish to receive them. You can optout from receiving these materials at any time by informing your Relationship Manager.

Please visit https://www.ubs.com/global/en/wealth-management/insights/chief-investment-office/marketing-material-disclaimer.html to read the full legal disclaimer applicable to this document.