

Private Markets Study 2025

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Foreword by Daniel McHugh



“We remain hopeful that demand for infrastructure assets designed to help address the issue of climate change will hold firm.”

It is fair to say 2024 has been the year of equities, and US equities in particular. By the end of July, the prospect of easier monetary policy had propelled global equity markets to a succession of record highs. Equity markets were given a further boost with the US election result. By comparison, many other financial assets, including private markets, delivered lacklustre performance, leaving investors looking towards 2025 and what it might bring.

Take the commercial real estate market. While it appears to have found a bottom in recent months following a painful period of repricing, the hoped-for recovery proved elusive in 2024 as the market drifted sideways. Could 2025 be the year that investors with a long-term mindset begin to snap up assets at attractive prices? There appears to be no shortage of capital to spare.

Elsewhere within private markets, infrastructure debt held up well, with illiquidity premia and all-in yields, combined with the asset class's traditional defensive characteristics, appealing to investors.

Looking ahead to 2025, it promises to be a bumpy ride, as markets try to gauge the likely direction of US policy and the response of other nations. The incoming US president's policies could spark higher inflation. This could underpin demand for private market assets, many of which can help protect investors against inflation's effects.

We also remain hopeful that demand for those infrastructure assets, which are designed to help address the issue of climate change, will hold firm regardless of the new US administration's policies towards the environment.

Against this backdrop, in late 2024 we took the pulse of key investment decision makers at 500 institutional investors in Asia, Europe and North America, representing a combined \$4.3 trillion of assets.

As well as getting their insights on asset allocation, risks and opportunities, and preferred routes to market, the study also features a deep dive into investor attitudes towards sustainable real assets. This covers everything from net-zero targets to whether investors see a trade-off between achieving ESG impact and financial returns.

I hope you enjoy reading the analysis and please get in touch if you would like to discuss any aspects of the study.

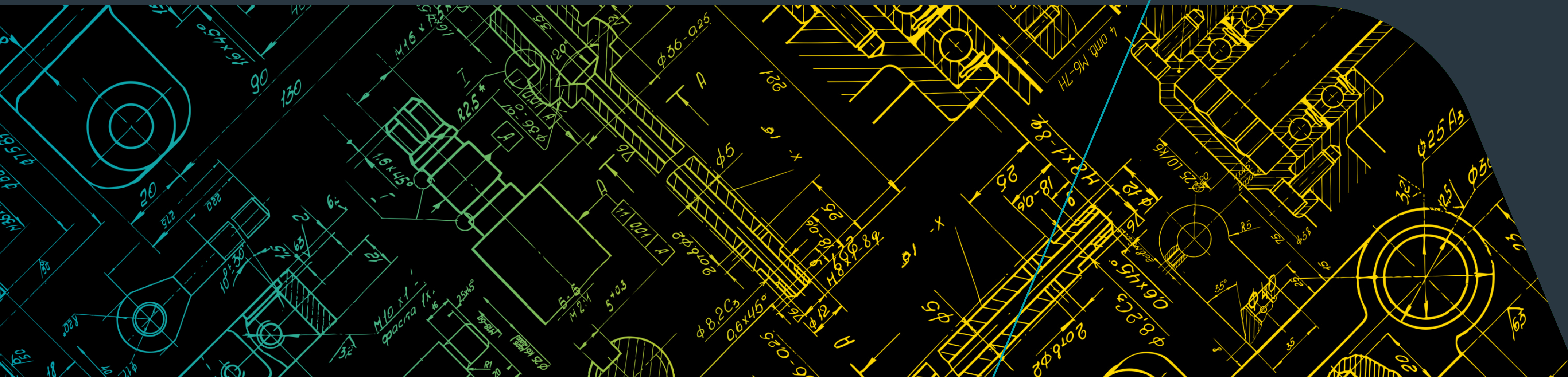
Daniel McHugh

Chief Investment Officer, Aviva Investors

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Private Markets Study 2025

Executive summary



Executive summary

Key takeaways

Investors’ satisfaction with investment performance has fallen by 14 percentage points since 2023

The illiquidity premium is growing in importance as a driver of investments into private markets

At a global level valuations and high transaction costs are the two biggest barriers to investing in private markets

73 per cent of investors expect private to outperform public markets over the next five years

The incorporation of sustainability continues to grow, with three quarters of investors now considering it

Global recession is seen as the biggest short-term risk

Globally, average declared allocations to private markets rose slightly to just over 11 per cent in the last year, but remained flat in North America, at just above 12 per cent. Around half (51 per cent) of respondents plan to increase their allocations to private markets over the next two years, down from almost two thirds in 2022 and 2023. They may be waiting for private markets to adjust to the changes in macroeconomic conditions of the last two years, whereas public markets have long since repriced.

Performance is a key factor for asset manager selection

Indeed, when selecting an asset manager for private markets, investment performance has increased in importance as a factor and is more important than competitive fees and expertise in thematic strategies. Yet investors’ satisfaction with investment performance has fallen from 75 per cent in 2023 to 61 per cent in 2024. Returns from some private markets could be seen as lacklustre compared to the strong performance of public equities, which could explain some of this disappointment.

Satisfaction on tailored reporting and sustainability integration also fell sharply, which ties in with the perceived difficulty of wider access to data within private markets. Investors seem keener than ever for more, high-quality data as their investment approaches become more sophisticated.

The illiquidity premium is a growing motivation to invest

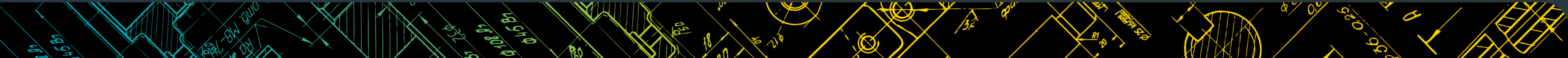
For example, although diversification remains the key appeal for 70 per cent of investors, the illiquidity premium is growing in importance as a driver of investments into private markets. In 2023, only a quarter of investors counted it as a main reason for investing in private markets, against 40 per cent this year – and 47 per cent expect it to be a key reason in the next two years. It is set to overtake long-term and inflation-linked income as a motivator.

While the diversification benefits are broadly understood and income was a given factor when inflation was high, the interest in the illiquidity premium shows the growing sophistication of investors’ approach to private markets, suggesting an increasing interest in defining the additional returns needed to justify the risk and long-term allocations into private markets against public markets.

The biggest barriers to investing in private markets

This could explain why data can be seen as a challenge – for instance, 40 per cent of North American investors cite difficulty in benchmarking performance as one of the biggest barriers to investing in private market assets.

However, at a global level, asset valuations and high transaction costs are the two biggest barriers, both for 46 per cent of investors. Views on asset valuations being a barrier are slightly up from last year in Europe and Asia Pacific, while a growing share of North Americans see high transaction costs as a barrier.



Investors are optimistic about long-term outperformance

The good news for private markets is that investors' conviction about their ability to outperform public markets consistently increases over longer time periods. Only 46 per cent expect private to outperform public over one year, whereas 73 per cent expect it to outperform over five years.

Also over five years, 50 to 60 per cent of respondents expect the strongest risk-adjusted returns to come from the equity portion of private markets – real estate, infrastructure and private equity – while 38 to 48 per cent expect private debt asset classes to post weaker risk-adjusted returns. In a higher interest rate environment, the all-in yields on offer in debt assets are compelling. The reliability of income and the illiquidity premium are also highly attractive for some investors, many of whom would prioritise private market debt over private market equity assets. However, on a risk-adjusted basis, many investors still feel they would be better off investing in equity and may pivot firepower to these asset classes.

Global recession is seen as the biggest short-term risk, but liquidity risk is up sharply in Europe and Asia-Pacific. While still deemed a lower risk than the other two, political risk has also risen, especially in North America, probably due to uncertainty around the US election at the time of the survey.

Net zero is the way forward in private markets

The incorporation of sustainability continues to grow, with three quarters of investors now considering it as either a critical factor or one of several factors in investment decisions, up from two thirds in 2023. There is a significant regional divide, with North America showing a slower adoption rate, but even there, 54 per cent of investors take sustainability into account and another third consider it a growing, albeit not essential, consideration.

Challenges remain, particularly greenwashing concerns, difficulty in measuring impact, finding suitable opportunities and regulatory uncertainty.

Challenges remain, particularly greenwashing concerns, difficulty in measuring impact, finding suitable opportunities and, in North America, regulatory uncertainty. However, demand for investments making a positive, measurable impact on a specific ESG objective is up, particularly in Asia-Pacific, and commitments to net zero are higher, including in North America. Fewer investors in the region have implemented decarbonisation plans for real estate and infrastructure than in Europe and Asia-Pacific. But around half are developing plans, a similar share as elsewhere.

Social factors are also growing in importance. For instance, 60 per cent of survey respondents in Asia-Pacific saw social inequality as one of the most significant risks for private market investments over the next decade. Meanwhile, social housing consistently ranks among the most popular sustainable investment approaches across geographies.



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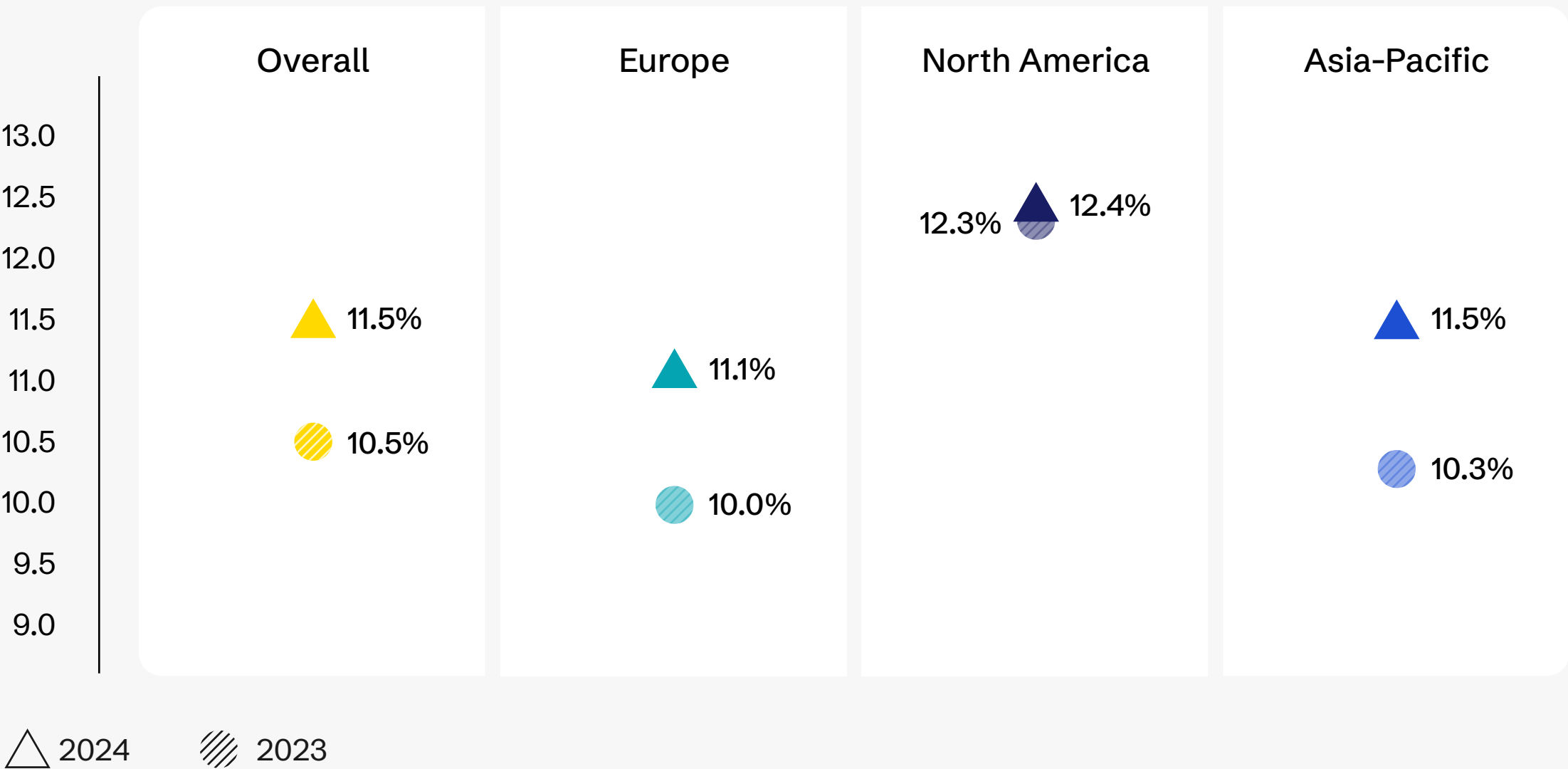
Private Markets Study 2025

Asset allocation and return expectations

Average allocations have risen in the last year

Figure 1. What portion of your institution’s investment portfolio is currently invested in real assets/private markets?

Per cent of allocation



Private markets play a significant role in global institutions’ investment strategies, and this role has grown over the last year, after dipping slightly in 2023. Globally, the share of investors who allocate ten per cent or more of their portfolios to private markets has grown, from 48 per cent in 2023 to 56 per cent in 2024.

Geographically, North America remains the biggest investor in private markets globally. Canadian investors allocate 14 per cent of their portfolios to private markets, slightly ahead of US investors at 11 per cent. Almost a quarter (24 per cent) of Canadian investors allocate more than 20 per cent of portfolios to the asset class, versus 11 per cent in the US.

But allocations in North America were almost unchanged from 2023 to 2024. “Investor appetite could have stalled because of valuation or macro uncertainty, or because public markets repriced

much faster than private markets, some of which are still adjusting,” says David Hedalen, head of private markets research at Aviva Investors. “Investors could be pausing their allocations as they await more signs of stabilisation.”

From an organisational standpoint, official institutions (central banks and sovereign wealth funds) have the largest allocations, at just over 15 per cent of portfolios, followed by corporate DC pension plans (12.4 per cent) and public pension plans (12.3 per cent). The size of DC allocations varies across geographies but shows schemes can successfully allocate to private markets. Tom Graham, head of private markets equity specialists at Aviva Investors, commented: “We are starting to see significant demand from UK DC schemes for private market solutions to form a long-term part of default funds, but operational and cost challenges persist.”

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Tom Graham
Head of Private Markets Equity Specialists



Equity-based assets are more widely held

Private equity was added to the allocation split in 2024, making a year-on-year comparison impossible. But the overall composition of private market portfolios remains largely similar to last year, with equity-based assets taking the lion’s share of allocations, ahead of debt-based assets.

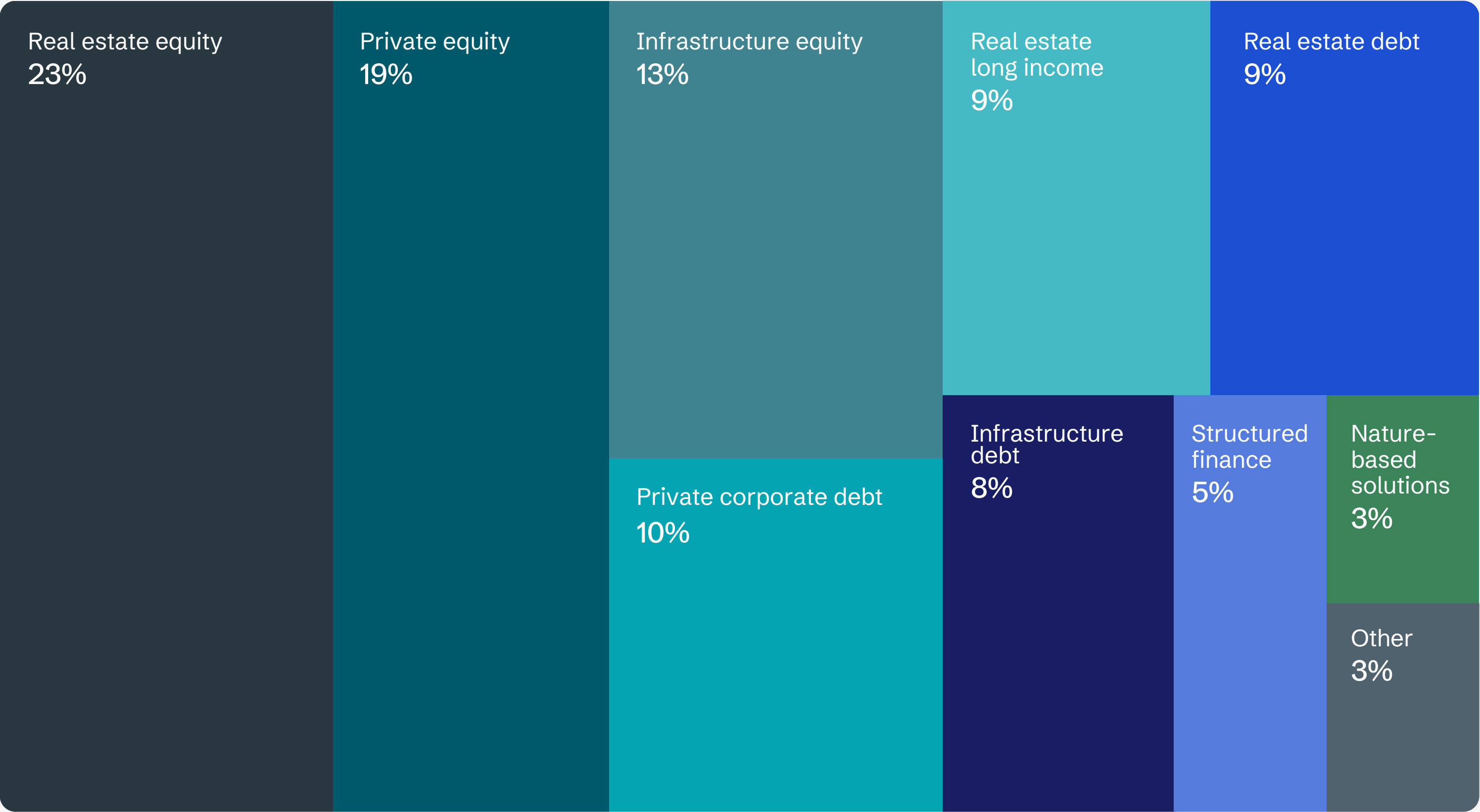
In North America, Canadian portfolios are more heavily tilted to real-estate equity (30 per cent) and infrastructure equity (16 per cent), while US portfolios favour private equity (20 per cent, against 11 per cent in Canada).

Against a global average of ten per cent, allocations to private corporate debt are marginally lower in Asia-Pacific (nine per cent) and higher in North America (12 per cent). “This is a result of the maturity of the markets more broadly, with the overall size of the Asia-Pacific private credit market being much smaller than the US,” says Nick Fisher, research director for private markets at Aviva Investors.

Meanwhile, private equity took second position, making up 19 per cent of allocations in 2024. Public pensions and insurance companies hold marginally less (17 and 16 per cent respectively), while financial institutions have a much larger allocation, at 28 per cent of portfolios. And at five and three per cent of allocations respectively, structured finance and nature-based solutions remain niche investments – although eight per cent of official institutions’ allocations are in structured finance.

Figure 2. How is your institution’s private markets portfolio allocated today?

Per cent of average



Note: Data may not sum to 100 per cent due to rounding.

Just over half plan to raise allocations

The shift into private markets is continuing, but at a slower rate of progress than in previous years. For instance, planned increases were above 60 per cent for all regions in both 2022 and 2023, against 51 per cent globally in 2024.

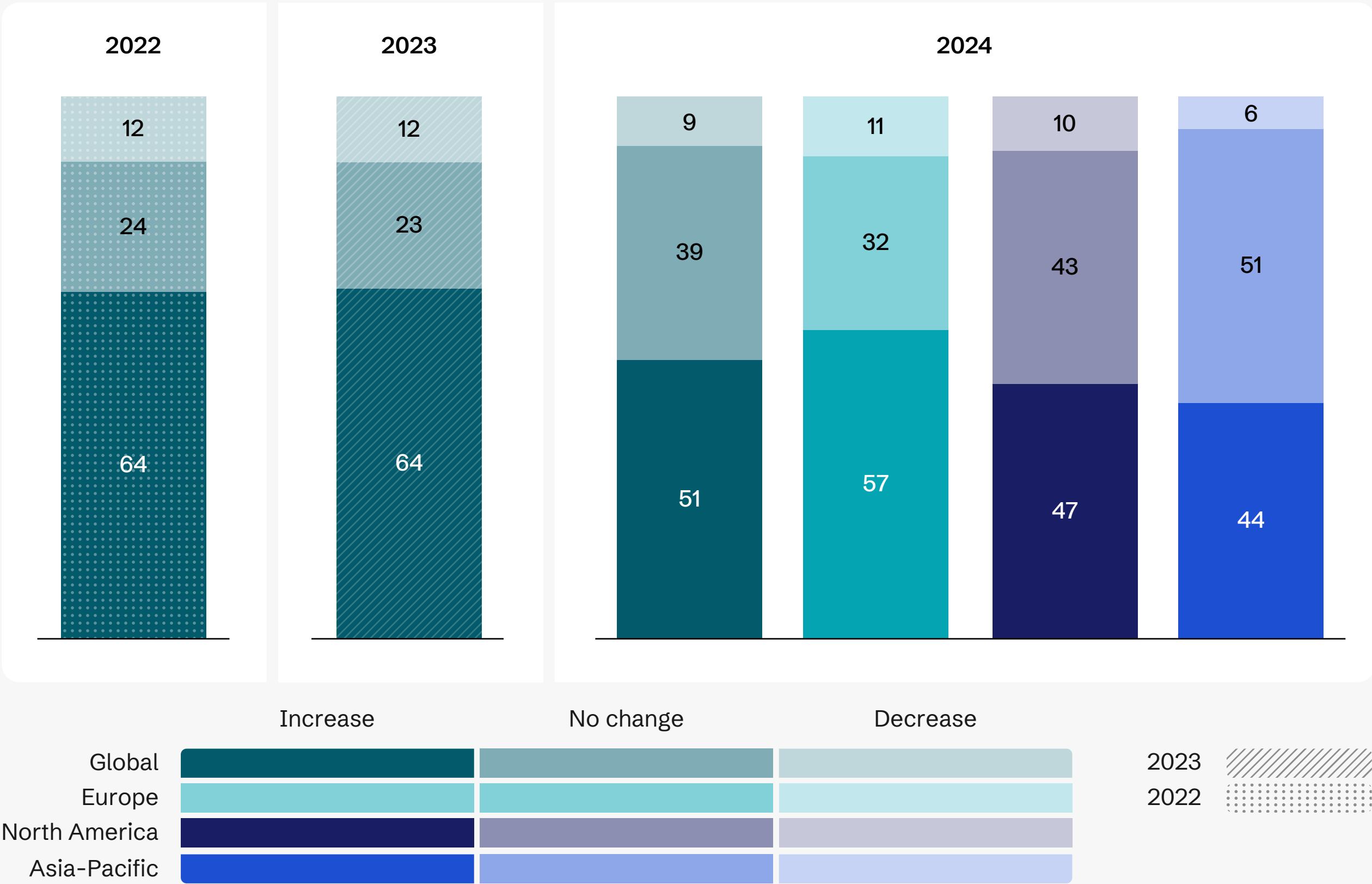
That suggests allocations to private markets are starting to level off as investors reach their target levels. Alternatively, it could be a temporary slowdown as institutions adapt to changing market conditions. For instance, the largest organisations with \$20 billion or more in AUM are least likely to decrease their allocations (six per cent) and more likely to keep them unchanged (43 per cent)

Allocations to private markets are starting to level off as investors reach their target levels.

Corporate DB pension (54 per cent) and public/government pension funds (60 per cent) also have a higher appetite than average. In contrast, only 46 per cent of DC pension funds expect to increase their allocations (note that only a small number of DC respondents are based in the UK).

Figure 3. Do you expect to increase or decrease your allocation to private markets over the next 24 months and, if so, by how much?

Per cent of allocation



Note: Data may not sum to 100 per cent due to rounding.

Allocations outside home markets are set to rise

Over half of all investors expect to increase allocations outside their home market over the next two years, indicating a global recognition of diversification benefits. This is highest among institutions with less than \$5 billion in AUM (60 per cent), DC pension funds and official institutions (61 and 65 per cent respectively). In contrast, only 53 per cent of insurance companies expect to increase their allocations abroad.

Regionally, investors in Asia-Pacific are most likely to increase their allocations outside their home market (64 per cent), particularly in Japan, Singapore and South Korea.

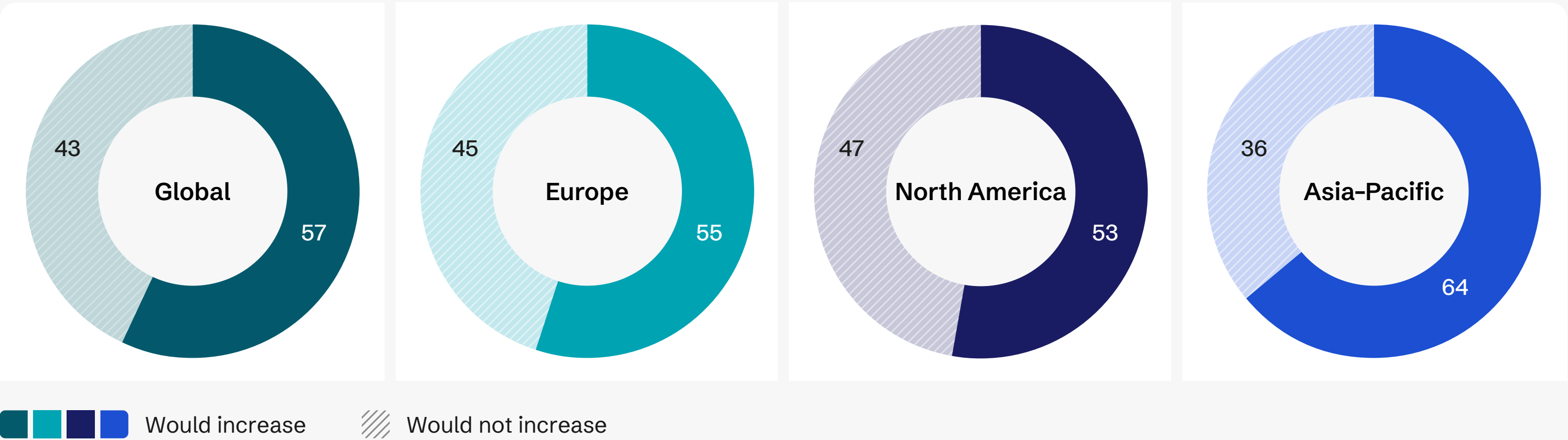
When asked which region investors will seek more exposure to, institutions maintain a preference for their home region.

When investing further afield, European investors prefer North America to Asia-Pacific. In North America, US investors strongly prefer allocating to Asia-Pacific (62 per cent) than Europe (29 per cent), but the opposite is true for Canadians, who prefer Europe (52 per cent, versus 33 for Asia-Pacific).

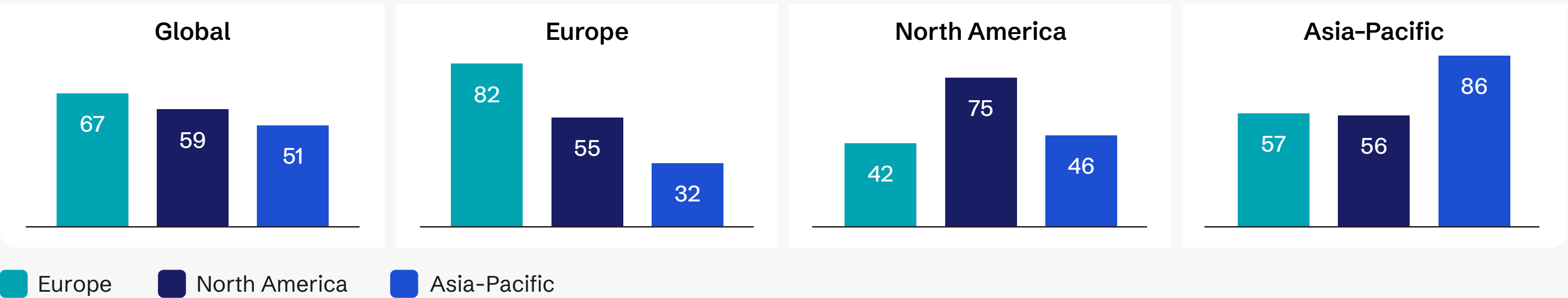
Figure 4. Do you expect to increase your allocation to real assets outside of your home market over the next 24 months? In which region(s)?

Per cent of allocation

Real Asset allocation plans

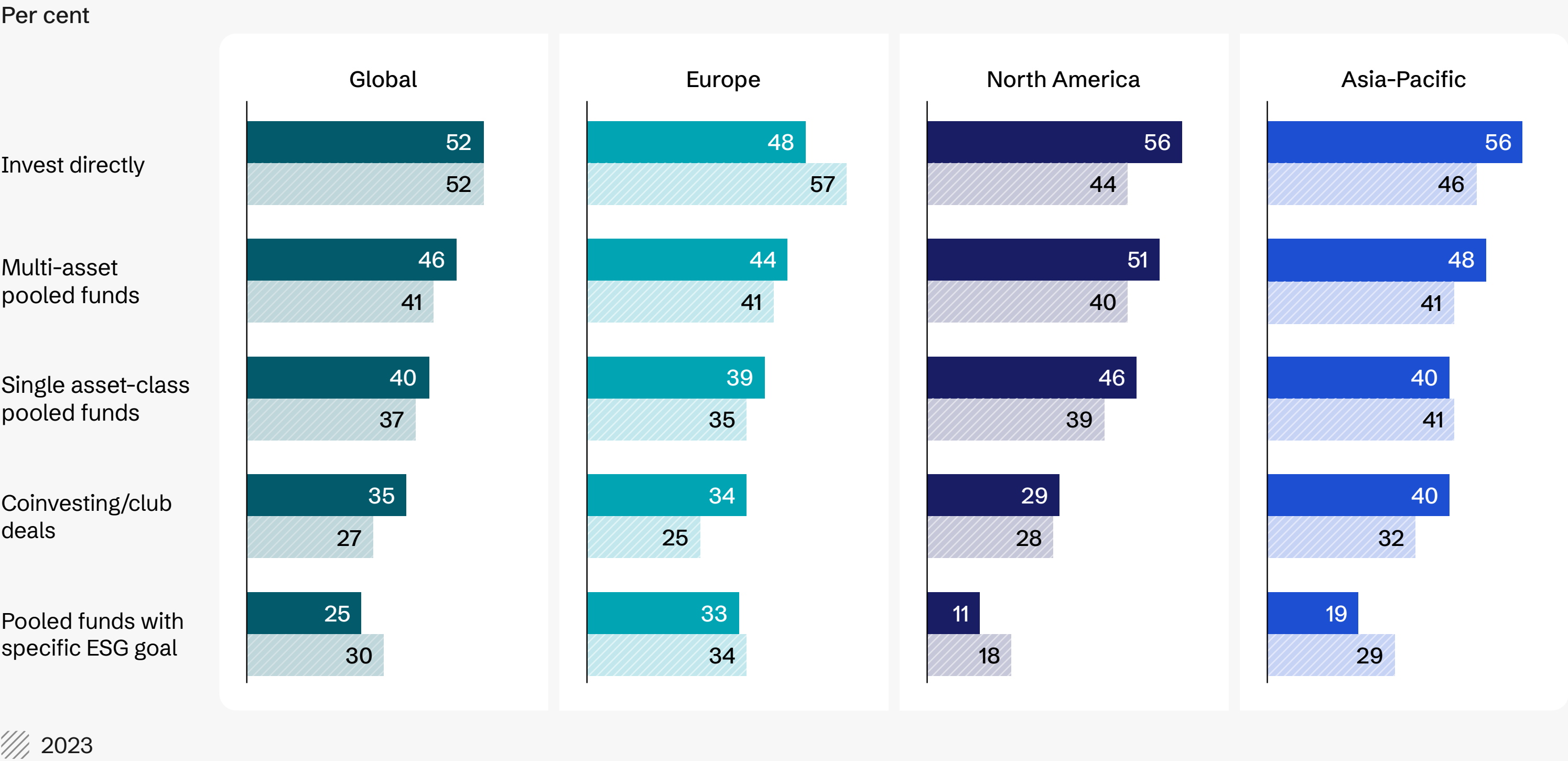


Target regions for Real Asset investment



Note: Data may not sum to 100 per cent due to rounding.

Figure 5. What is your preferred way of investing in private markets (2024 versus 2023)?



Investors prefer direct investing for private markets

Investing directly remains the most popular way to invest in private markets, albeit less in Europe (48 per cent – which is still the most popular way to invest).

Multi-asset and single-asset-class pooled funds have increased in popularity in the last year. Corporate DB pensions have the highest preference for multi-asset pooled funds (54 per cent), while DC schemes and insurers prefer single-asset-class ones (44 and 43 per cent respectively).

However, pooled funds with an ESG focus have fallen in popularity outside Europe. Only 20 per cent of both DC schemes and public pensions list them as a preferred way of investing.

More institutions in Asia-Pacific like coinvesting than in other regions. However, there has also been a significant uptick in Europe.

Meanwhile, more institutions in Asia-Pacific like coinvesting or club deals than in other regions. However, there has also been a significant uptick in Europe. “It’s an important trend and aligns with where we see most client demand for our joint-ventures and co-investments,” says Graham.

Belief in private market outperformance is strong

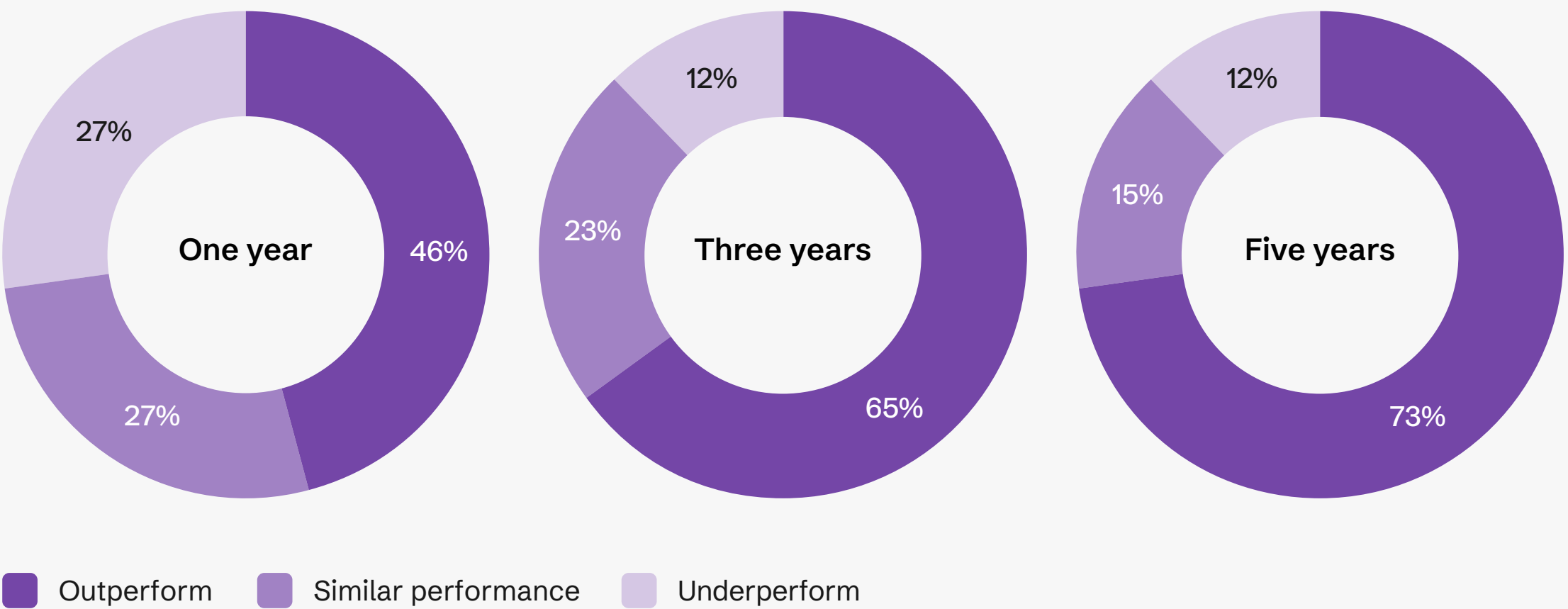
Investor belief in private market outperformance over public markets consistently increases over longer time periods. “This reinforces the secular trend towards private markets,” says Hedalen. “A key factor within this is the rising importance of the illiquidity premium as a reason for investing.” (See the section, ‘Drivers, barriers and risks’.)

Corporate DB and DC schemes are more positive than other investors over one year, with just over half expecting outperformance.

Corporate DB and DC schemes are more positive than other investors over one year, with just over half expecting outperformance. But over five years, DB schemes are the least positive on outperformance: 69 per cent, against 80 per cent for financial institutions – the most positive investors.

In terms of AUM, smaller investors (less than \$5 billion) are less positive than others over five years. More of them expect a similar performance in public and private markets, and therefore fewer expect outperformance.

Figure 6. Overall, do you expect private market returns to outperform or underperform public market equivalents over the following time horizons?



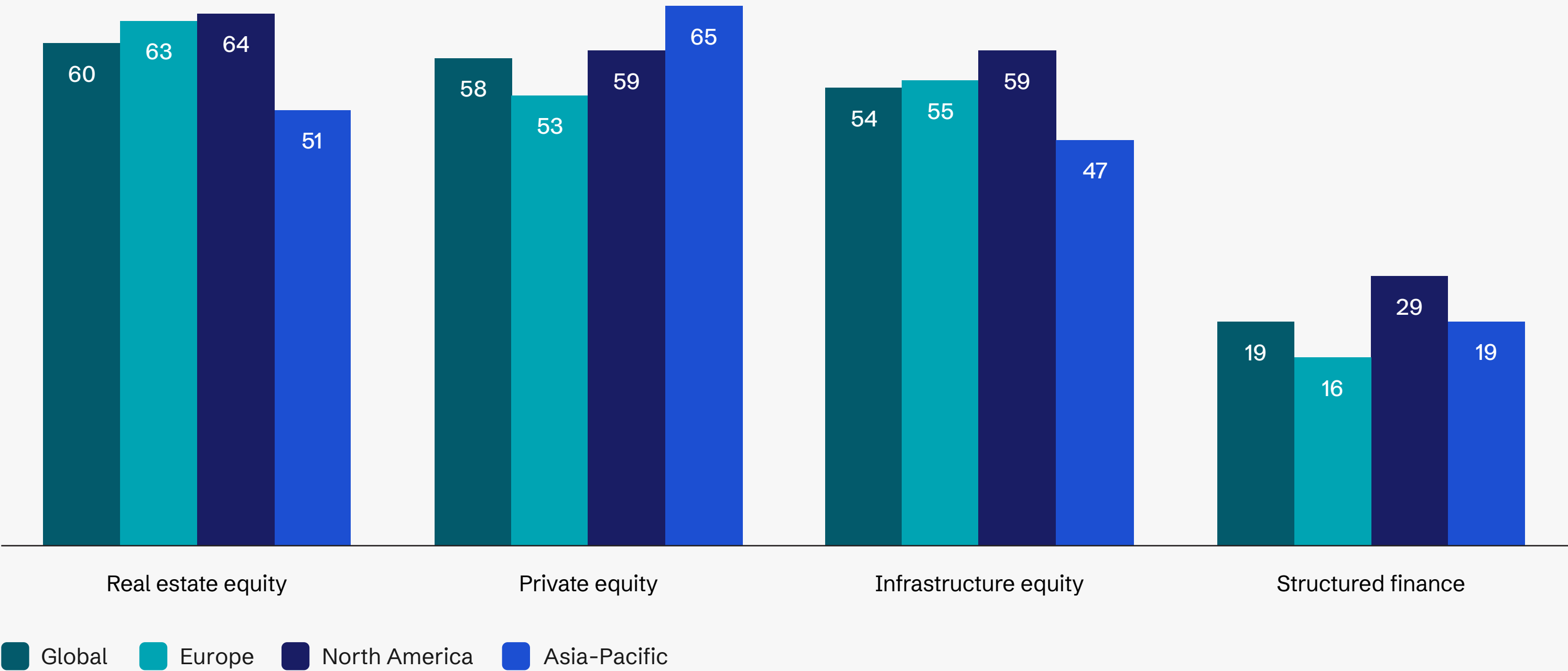
Note: Data may not sum to 100 per cent due to rounding.

“This reinforces the secular trend towards private markets. A key factor within this is the rising importance of the illiquidity premium as a reason for investing.”

David Hedalen
Head of Private Markets Research

Figure 7. Which private-market asset classes do you expect to deliver the strongest risk-adjusted returns over the next five years?

Top four (Per cent)



Note: Multiple answers allowed.

The strongest asset classes

There is agreement on the three assets expected to deliver the strongest risk-adjusted returns over three and five years: real-estate equity, private equity and infrastructure equity. “Despite elevated all-in yields as a consequence of the interest rate environment, debt did not feature in the top three,” says Hedalen.

Over five years, the largest institutions (over \$20 billion) are particularly bullish on private equity (62 per cent) and infrastructure equity (59 per cent), while DC schemes (66 per cent) and public pensions (65 per cent) expect real-estate equity to deliver the highest risk-adjusted returns.

Unsurprisingly given China’s real-estate market difficulties in recent years, few Chinese investors expect high risk-adjusted returns across real-estate equity (35 per cent) and debt (ten per cent, against a global average of 25 per cent) over five years, but they are not alone in the region. Only 40 per cent of investors in Hong Kong expect real-estate equity to deliver the strongest risk-adjusted returns over five years, and 16 per cent of those in Japan expect real-estate debt to do the same.

US investors stand out in that 47 per cent expect structured finance to deliver the strongest risk-adjusted returns over five years, against an average of 11 per cent in Canada and 19 per cent globally. Meanwhile, 67 per cent of Canadian investors expect infrastructure equity to outperform over five years.

Despite compelling all-in yields, investors expect weaker risk-adjusted performance from debt assets

Investors see debt assets across several asset classes underperforming other private market assets over three and five years. This is particularly true in Canada, where 60 per cent of investors expect weak risk-adjusted returns from real-estate debt over five years, against 48 per cent globally and 53 per cent in the US.

“Market tailwinds currently support the performance outlook for equity investments, even though higher interest rates mean the risk-adjusted returns on private market debt make these asset classes compelling,” says Hedalen.

Globally, 40 per cent of investors expect nature-based solutions to deliver the weakest risk-adjusted returns over five years. This pessimism may be due to investors lacking detailed knowledge of this asset class or a perception that it is focused on delivering a positive impact rather than financial returns.

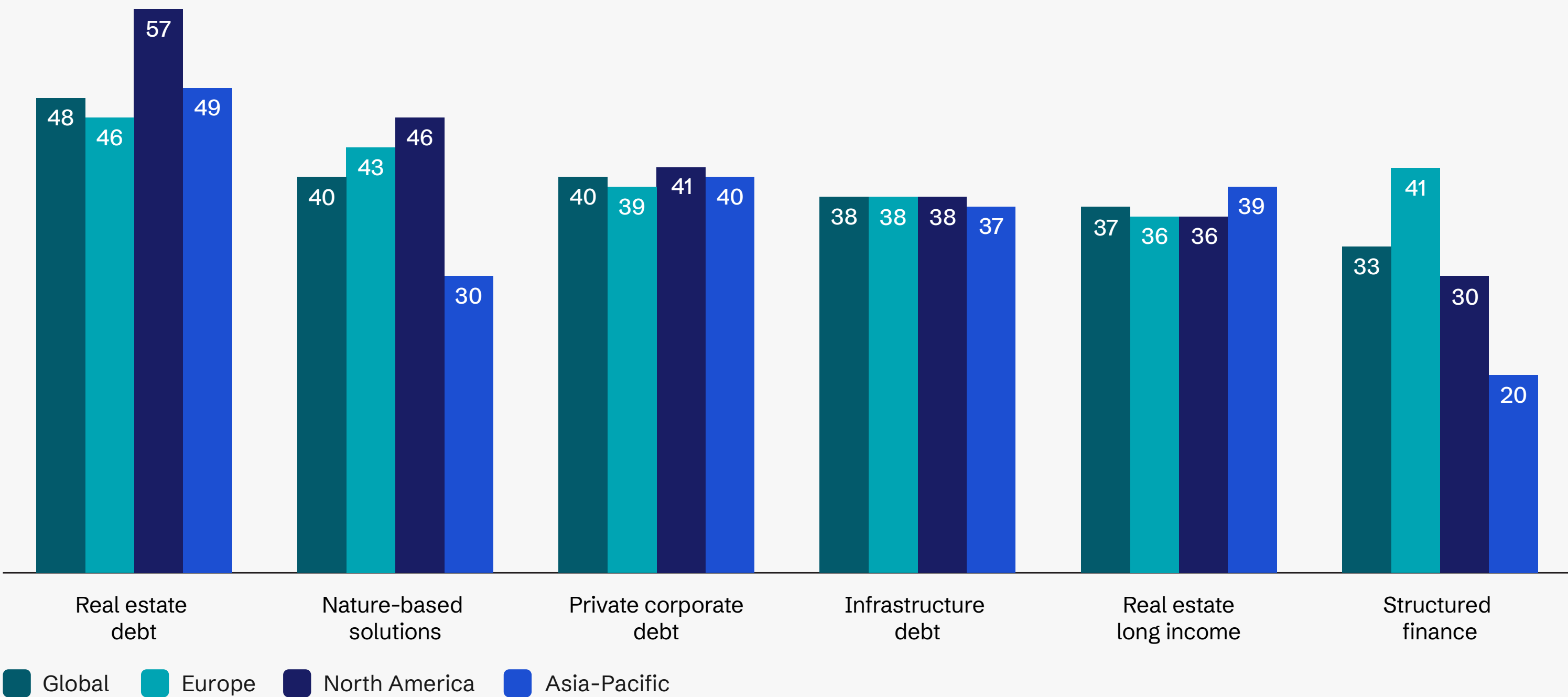
While last year’s questions were different, making a direct comparison difficult, a lack of familiarity was certainly a factor. Almost 30 per cent of respondents at the time had said they did not know what to expect in terms of risk-adjusted returns from nature-based solutions.¹

“As investors become more familiar with this emerging segment of private market investment and its alignment to the climate transition, we expect demand to increase over time,” adds Graham.

1. “Real assets in a shifting landscape”, Aviva Investors, 2024.

Figure 8. Which private-market asset classes do you expect to deliver the weakest risk-adjusted returns over the next five years?

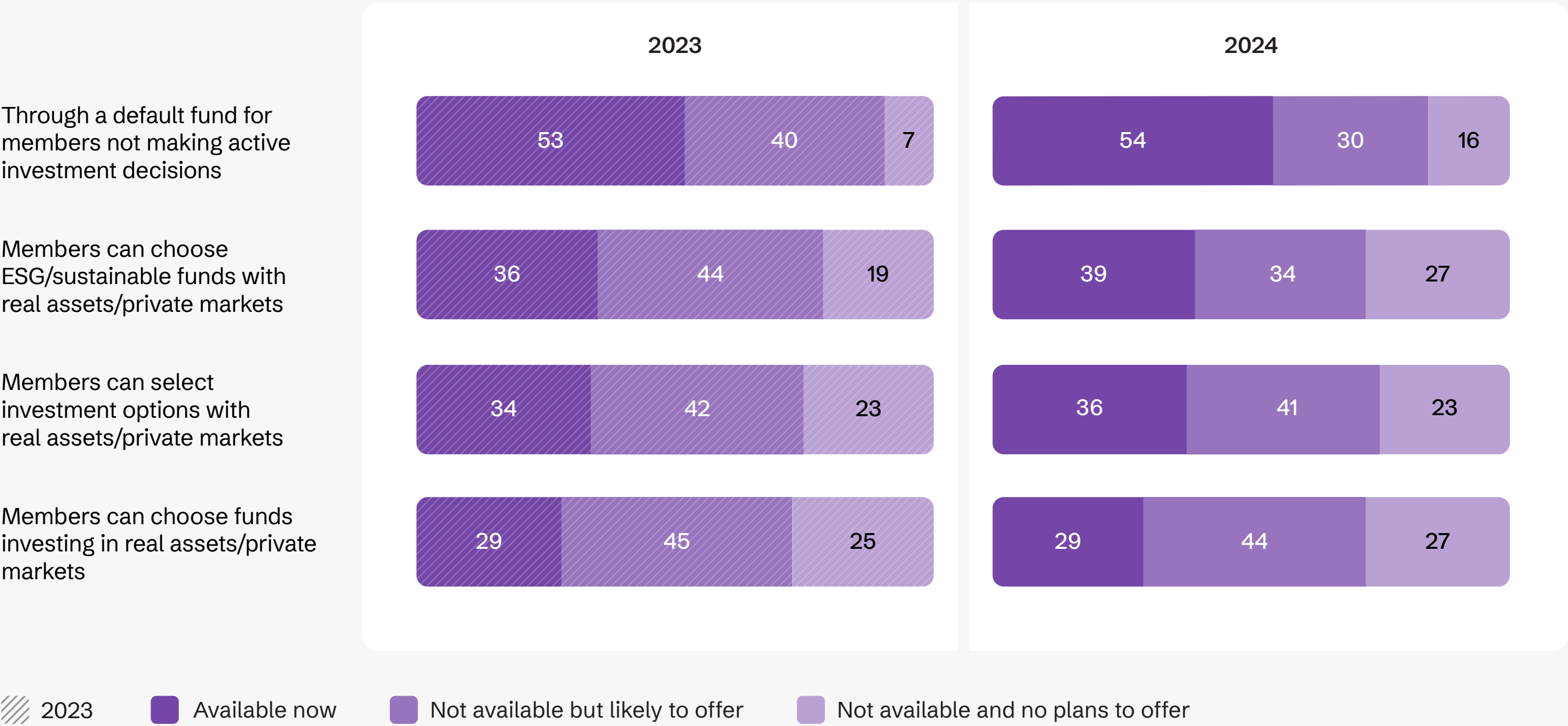
Top four (Per cent)



Note: Multiple answers allowed.

Figure 9. How does your DC pension provide its members with access to real assets/private markets exposure?

Per cent

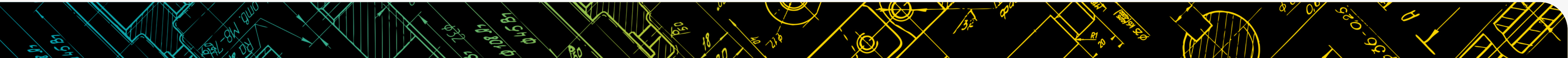


Note: Data may not sum to 100 per cent due to rounding.

Within DC schemes, default funds are the most common means to access private markets

Many DC pensions say they are likely to offer various ways to invest in private markets in the future, but the most common route at present is through a default fund. Around a quarter of DC schemes also have no plans to offer their members other means of accessing private markets.

Overall, there seems to have been relatively little activity to increase the ways DC members can access real assets in the last year. This remains on the to-do list in many cases as shown by the 34 to 44 per cent of respondents who answered “not available but likely to offer” investment options beyond default funds.



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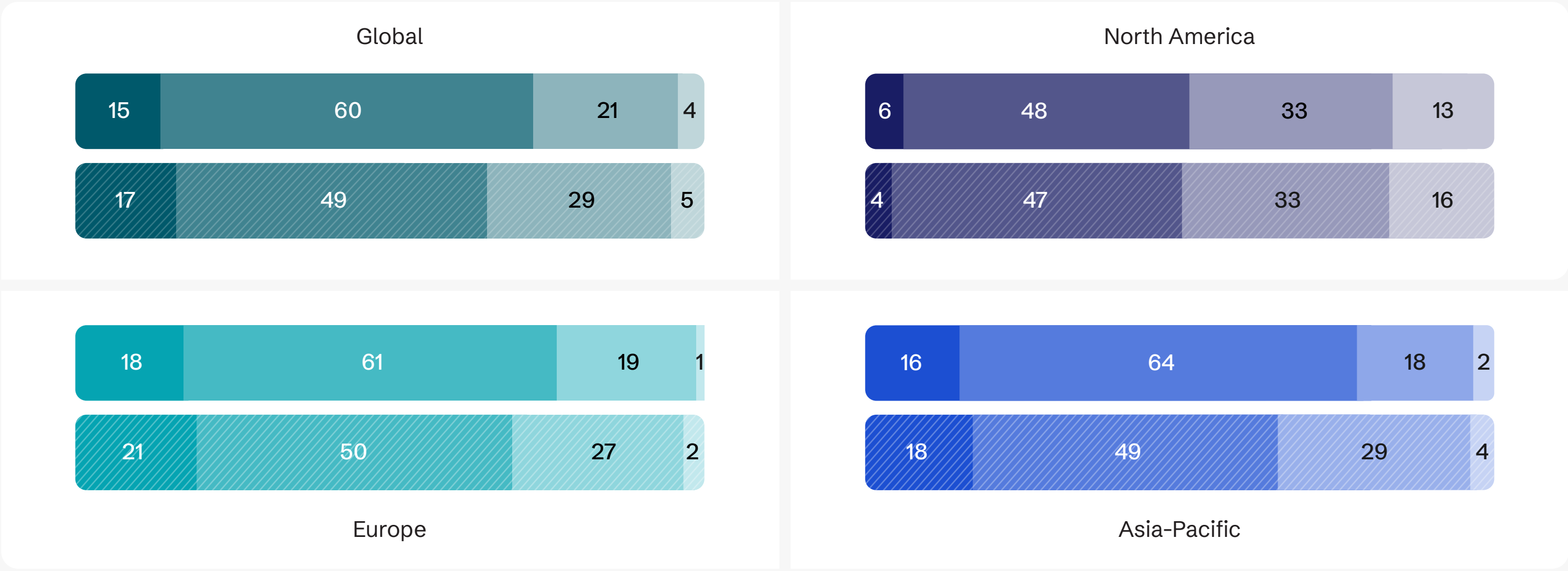
Investor views on sustainability



Sustainability as a key consideration

Figure 10. Which of the following best describes your organisation’s approach to sustainability within real assets?

Per cent



■ Critical and deciding factor ■ One of several factors we consider ■ A growing, but not essential consideration ■ Not considered
▨ 2023

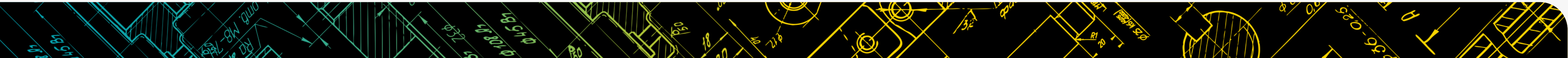
Note: Data may not sum to 100 per cent due to rounding.

Incorporating sustainability into investment strategies has gained in prominence worldwide, albeit with the notable exception of North America.

In 2024, 60 per cent of investors considered sustainability as one of several key factors in real asset investment assessments – up from 49 per cent in 2023, reflecting its growing importance. This increase is largely driven by Europe and Asia-Pacific, where sustainable investing continues to gain traction.

North America, however, continues to lag the global trend, with only 6 per cent of investors viewing sustainability as a critical factor (two per cent in the US and nine per cent in Canada). The region also has the highest proportion of investors (13 per cent) who do not consider sustainability at all when making real assets investment decisions. In the US, this figure rises to 18 per cent, underscoring the politicisation of ESG in the country (versus nine per cent in Canada).

These disparities highlight a significant regional divide in the prioritisation of sustainability, with North America showing a slower adoption rate compared to the more progressive stances seen in Europe and Asia-Pacific.



The appeal of sustainable real assets

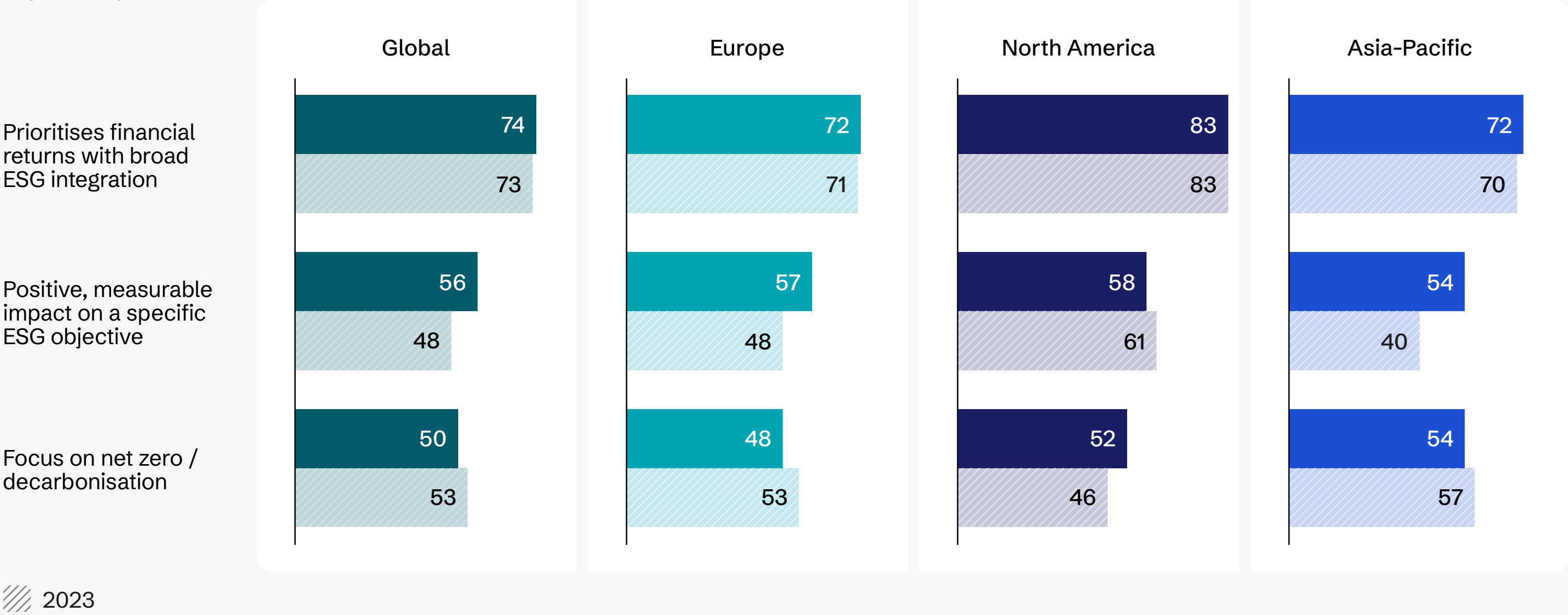
Globally, 74 per cent of respondents prioritise financial returns with broad ESG integration, a figure that rises to 83 per cent in North America, where financial performance remains a primary motivator. This underscores the region’s preference for investments that align sustainability with profitability, even as broader ESG integration grows worldwide. Interestingly, this preference is stronger in Canada (89 per cent) than in the US (78 per cent, more in line with the global average). However, two-thirds of Canadian investors also find strategies with a positive, measurable impact appealing.

This matches a wider, global trend in impact investing, with 56 per cent of investors globally seeking private market assets that achieve measurable ESG outcomes, up from 48 per cent in 2023. This trend reflects the growing appeal of investments that combine financial performance with positive societal and environmental impact.

“Preferences for sustainable real assets differ widely across organisations, often reflecting their resources, capacities and ability to implement these investments effectively. Larger companies tend to adopt more ambitious strategies, driven by their higher profiles and increased regulatory and stakeholder scrutiny,” says Ed Dixon, head of sustainability, private markets.

Figure 11. If you were to consider a sustainable fund or strategy, which of the following would be the most appealing when investing in sustainable real assets?

Top three (per cent)



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Ed Dixon
Head of Sustainability, Private Markets

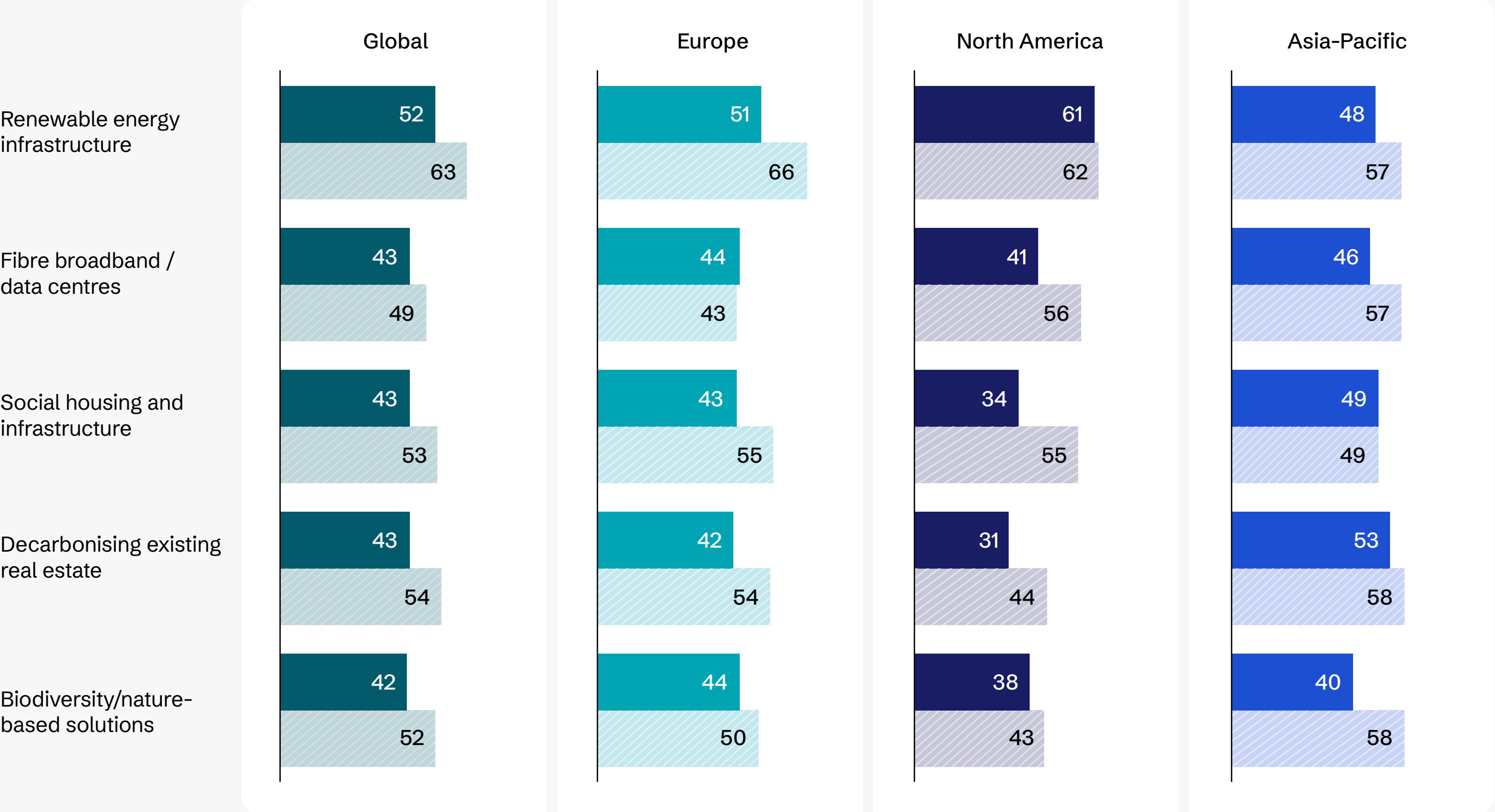
Demand for sustainable real asset approaches

Global demand for sustainable real asset approaches remains steady. The three most popular investment types are fibre broadband, social housing and renewable energy infrastructure. Canada leads the way on the latter, with 69 per cent of investors having registered increased appetite, just ahead of China’s 65 per cent. These three sectors reflect the alignment of sustainability objectives with tangible, long-term infrastructure development. In Asia-Pacific, decarbonising existing real estate assets is particularly popular, showcasing a regional focus on retrofitting properties to meet sustainability standards.

Biodiversity and nature-based solutions have also risen in prominence, particularly in Europe, where these investments rank among the top three most favoured approaches. US investors show a similar interest (47 per cent) but Canadians less so (29 per cent). Globally, despite the widespread interest in sustainable real assets, plans to increase allocations have slowed compared to previous years. Many investors are choosing to maintain their current levels of exposure rather than expanding.

Figure 12. Increased appetite to sustainable investment approaches

Top five (per cent)



2023

Note: Increased appetite (“have exposure and plan to increase” and “don’t have exposure but considering investment”).

Rising challenges in sustainable real assets

Investors are increasingly aware of the challenges associated with sustainable real assets. Concerns about greenwashing, difficulty measuring impact and finding suitable opportunities have all risen in prominence. These challenges reflect a growing sophistication in how investors evaluate sustainable investments, as well as increased scrutiny in reporting and disclosure practices.

Regional variations reveal specific obstacles. In North America, the US and Canada showed stark differences. Greenwashing and regulatory uncertainty have emerged as greater challenges in the

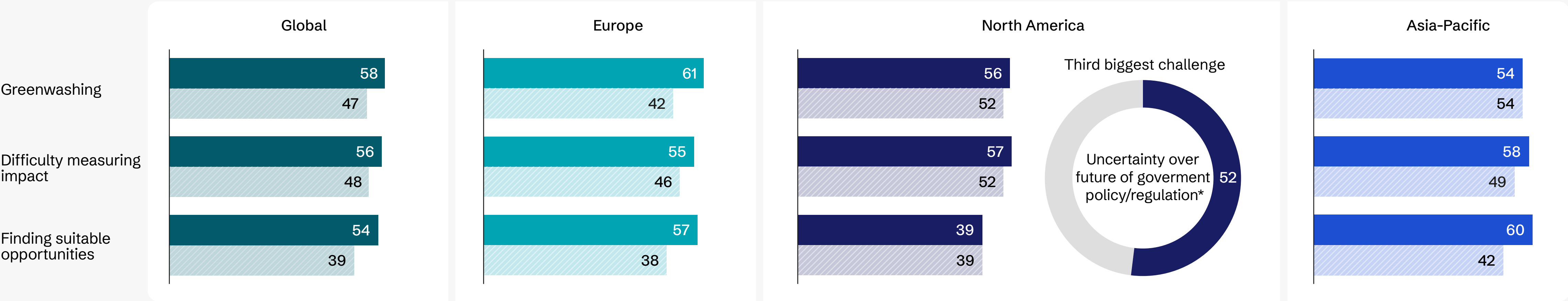
US (67 and 56 per cent respectively) than in Canada (44 and 49 per cent). The biggest challenge for 56 per cent of Canadians was difficulty measuring impact. In Europe and Asia-Pacific, by contrast, the difficulty of finding suitable opportunities is the dominant concern, signalling that investors in these regions are more actively pursuing sustainable assets but encountering barriers in execution.

These challenges underline the increasing awareness of the trade-offs involved in sustainable investing. While the sector’s

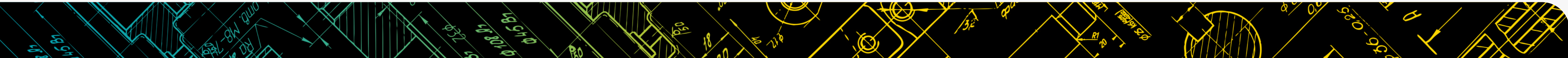
growth is promising, issues such as impact measurement and the need for transparency must be addressed to fully unlock its potential and build greater investor confidence in the long-term viability of these assets. “The renewables (wind and solar) space is highly competitive, but investors could consider battery energy storage opportunities and/or non-core European jurisdictions to gain exposure to this sector,” says Mikhaila Crosby, Sustainability Director for private markets at Aviva Investors.

Figure 13. What do you see as the biggest challenges to investing in sustainable real assets?

Top three (per cent)



2023 * Not asked for in 2023



Nature-based solutions: an emerging opportunity

Nature-based solutions are a relatively new area for investors, and while allocations remain low, their potential is widely recognised. These investments are valued for their ability to deliver portfolio diversification, strong return potential, carbon offsetting, and contributions to biodiversity preservation. Investors cite these attributes as the primary reasons for their appeal.

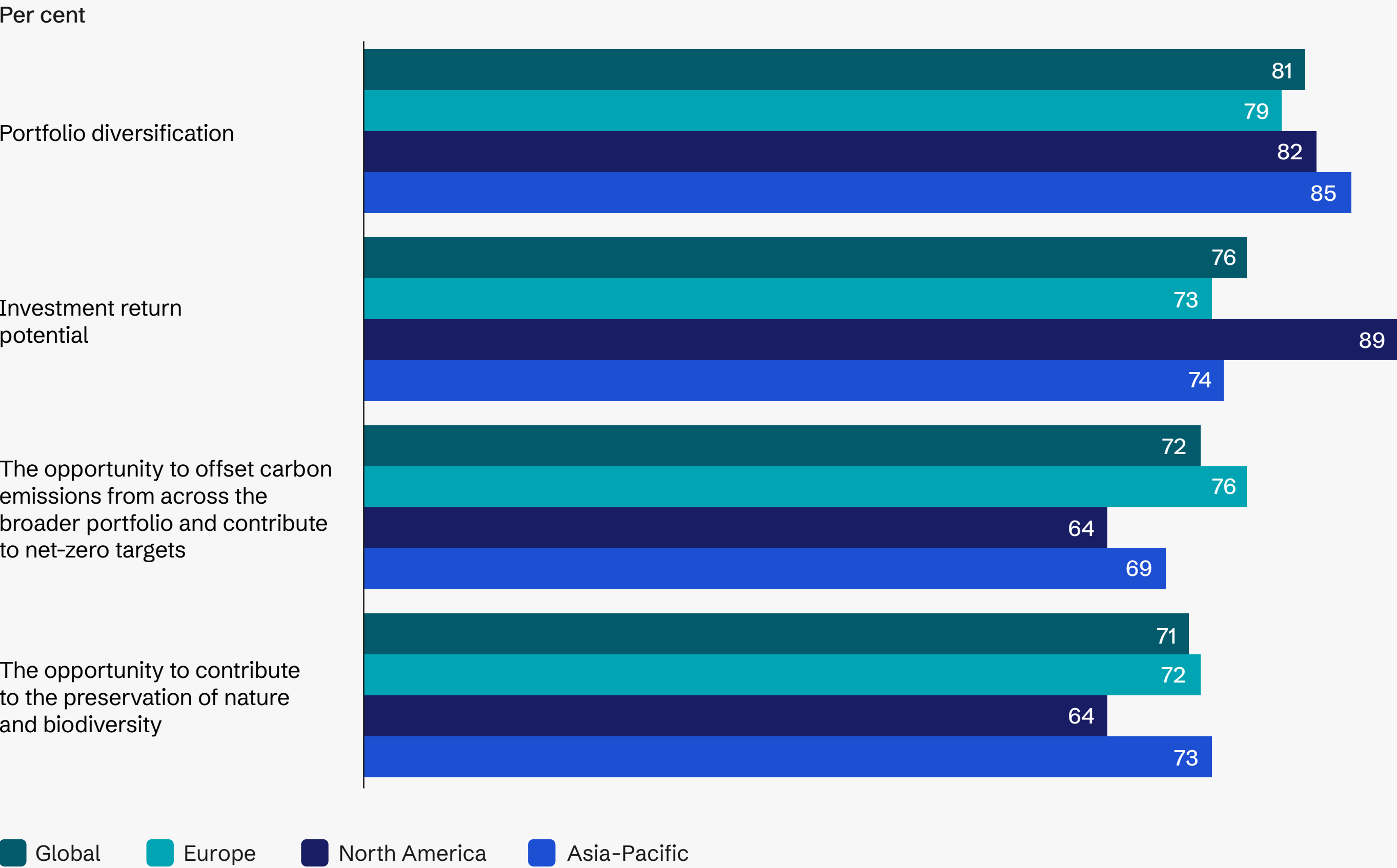
Regional preferences vary significantly. North American investors emphasise diversification (especially in Canada, at 96 per cent) and return potential, reflecting their pragmatic approach to new asset classes. In contrast, European investors are equally drawn to all four attributes, highlighting a more holistic view of nature-based solutions. Asia-Pacific investors prioritise diversification, aligning with the region’s broader focus on managing portfolio risk.

Despite current low allocations, the growing interest suggests that, as investors gain greater familiarity with nature-based solutions, their adoption will increase. The potential to combine financial performance with environmental and societal benefits positions these investments as a compelling future opportunity.

“Nature-based solutions are diverse and the drivers for investing vary. Performance data and quantification are limited in some areas, but we’re seeing a huge uptick in investor interest as a result of net-zero commitments”

Ed Dixon
Head of Sustainability, Private Markets

Figure 14. What is the primary appeal of investments in nature-based solutions?



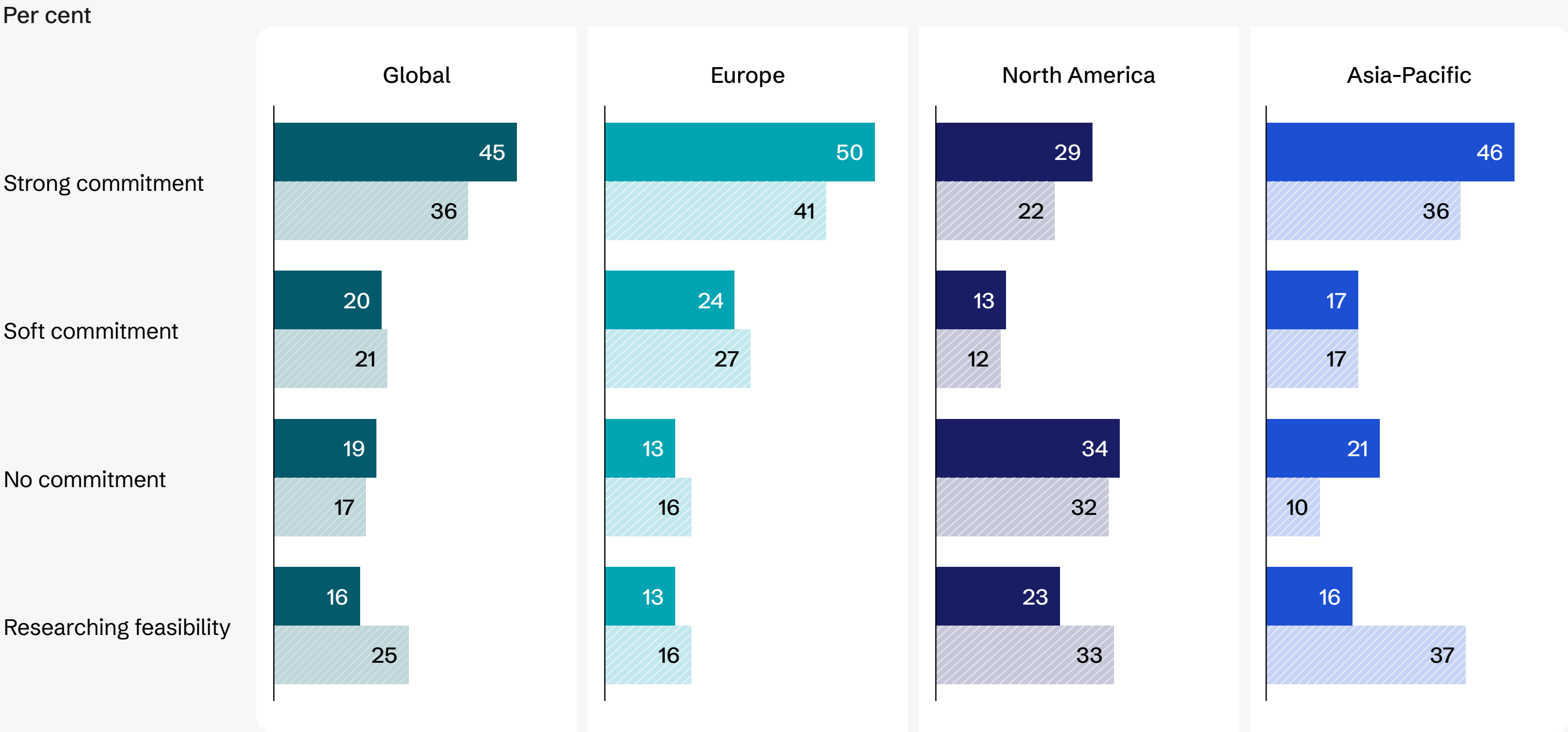
Net-zero commitments strengthen

Commitments to net-zero initiatives have strengthened globally, with 45 per cent of institutions reporting strong commitments, up from 36 per cent in 2023. Larger organisations, particularly those with over \$20 billion in AUM, lead the way, with 60 per cent having made commitments and actively setting interim goals or reporting progress. Smaller organisations are less advanced, with only 30 per cent demonstrating a similar level of commitment.

This trend reveals a polarisation in investor attitudes and/or capability. The proportion of those making soft commitments or researching feasibility has declined, as institutions increasingly move decisively toward full commitment or step back entirely. Asia-Pacific, in particular, has seen a rise in non-commitments, driven largely by increased hesitancy in China. In North America, although more Canadian investors have made a strong commitment than in the US (29 per cent versus 22 per cent), more Canadians also have no commitment and no plans to make one (40 per cent) than in the US (29 per cent).

These developments suggest that, while momentum toward net zero continues, capacity and regional differences play a significant role in shaping the pace and scope of progress. Larger institutions are better positioned to lead, while smaller organisations face resource constraints.

Figure 15. What is your organisation’s policy on making a commitment to achieving net-zero emissions?



2023

Note: Data may not sum to 100 per cent due to rounding.

Decarbonisation plan for real assets

Globally, over three-quarters of investors have implemented or are developing decarbonisation plans for real estate and infrastructure, reflecting the importance of these sectors in achieving sustainability goals.

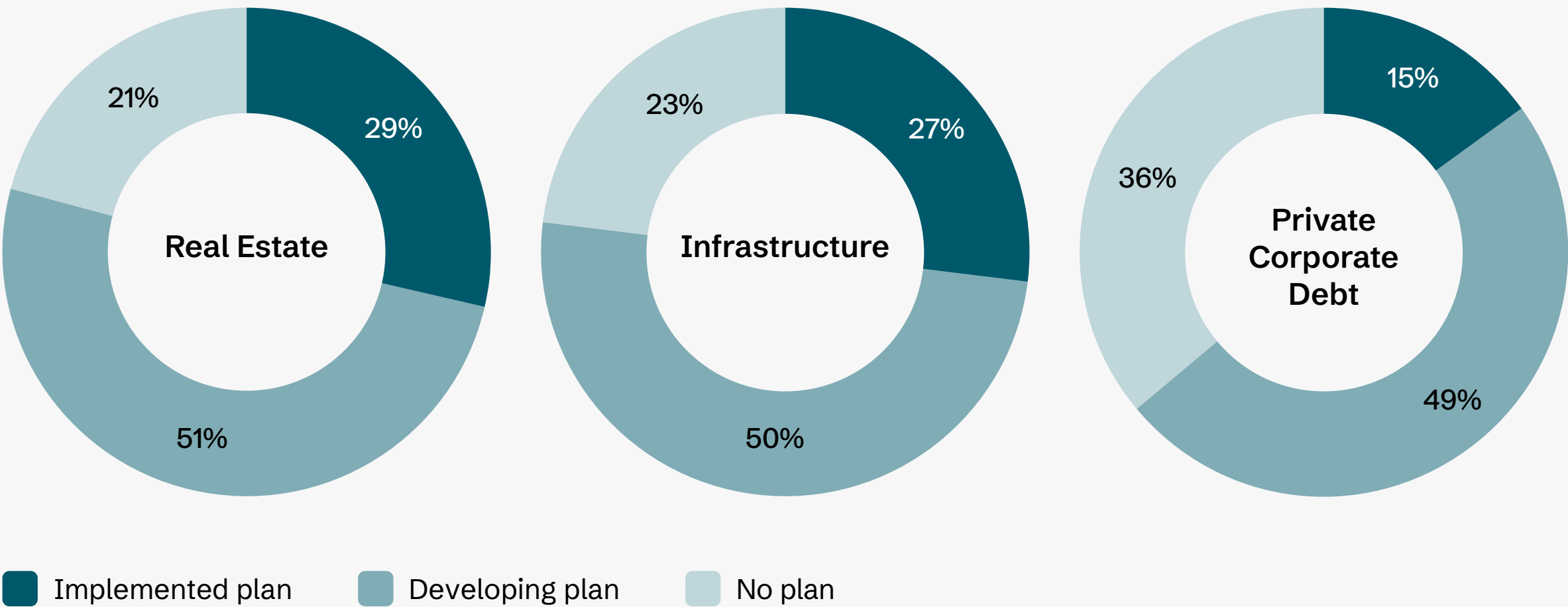
However, the story is different for private corporate debt, which lags with only 15 per cent of investors having implemented plans. But the bright side of the story is that half of investors are showing interest by developing plans for all the three asset classes, highlighting emerging opportunities.

Regionally, North America trails Europe and Asia-Pacific in decarbonisation planning. Nonetheless, most North American investors are actively working on these initiatives, demonstrating a commitment to addressing sustainability challenges despite the slower pace. Canadian investors seem ahead of US ones, as more have implemented plans (30 per cent, versus 19 in the US).

This disparity underscores the varying levels of readiness among regions and asset classes. While real estate and infrastructure are well-established focal points for decarbonisation, private corporate debt remains an emerging area, requiring greater attention and innovation to align with global sustainability objectives.

Figure 16. Does your institution have a decarbonisation plan in place for real estate, infrastructure or private corporate debt?

Global (per cent)



Note: Data may not sum to 100 per cent due to rounding.

Consideration in real estate decisions

When it comes to real estate investment decisions, investors are placing greater emphasis on factors that are easier to quantify and assess. The top three considerations are capital expenditure (capex) costs, physical climate risks, and climate transition risks. These factors have gained prominence due to their clear financial and environmental implications, particularly in the wake of increasingly frequent climate-related events such as flooding and wildfires.

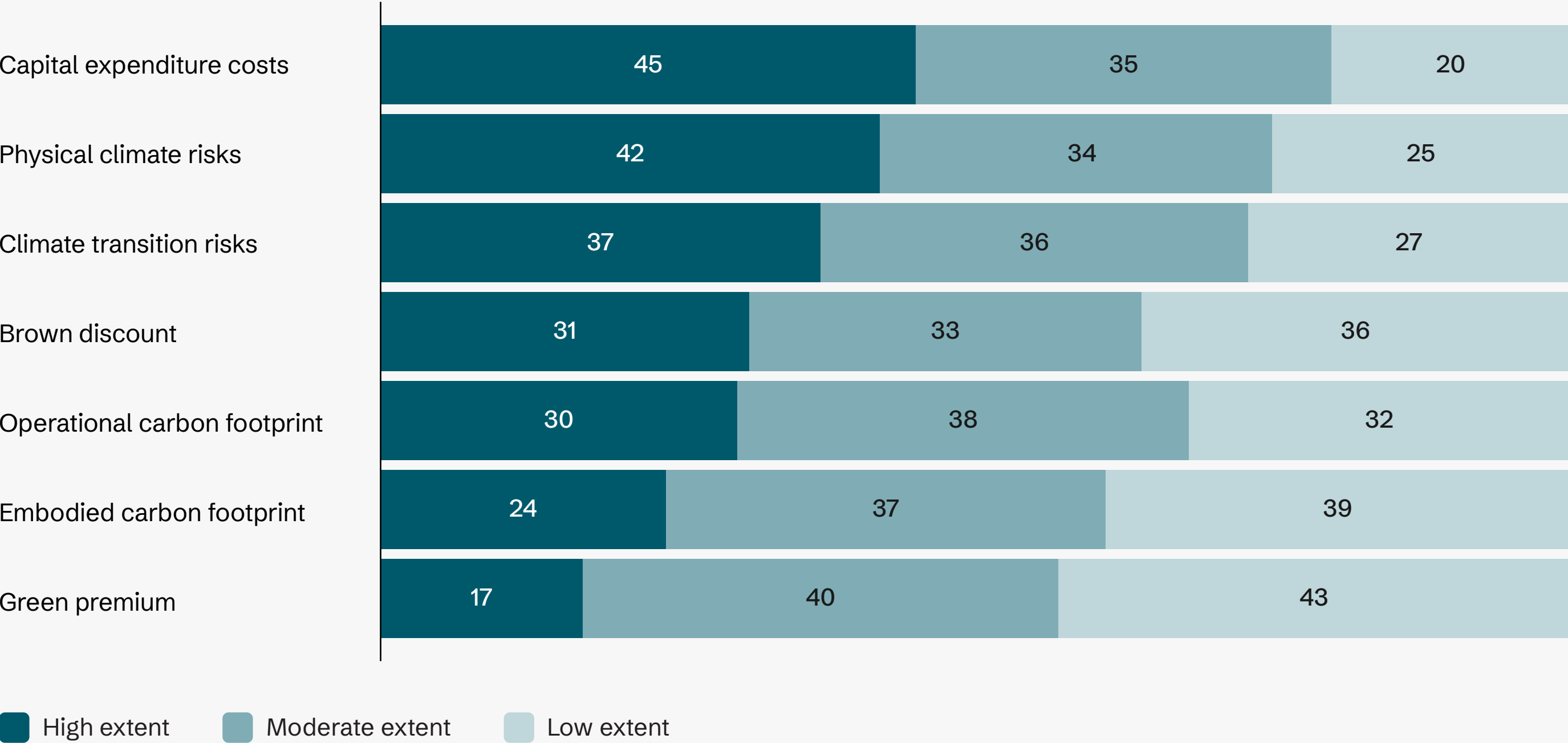
Another key consideration is the “brown discount”, which reflects the potential loss in value for properties that fail to meet sustainability standards. Investors are increasingly mindful of this risk, prioritising the avoidance of value erosion in their existing portfolios. This focus currently outweighs the “green premium”, or the potential for higher valuations on sustainable assets, as the immediate need to protect asset value takes precedence.

Overall, the findings suggest that while immediate, measurable risks dominate decision-making today, attention to other factors is gradually increasing as the industry evolves and data improves.

“Investors are increasingly recognising the importance of balancing loss aversion with performance enhancement. Over the past several years, investors are becoming more sophisticated at pricing in capex, climate and physical risks – and ignoring these factors could result in discounts when they sell,” says Hedalen.

Figure 17. To what extent do you consider the following factors in your real estate investment decision making today?

Global (per cent)



Note: Data may not sum to 100 per cent due to rounding.

Concerns over cost of real estate net zero

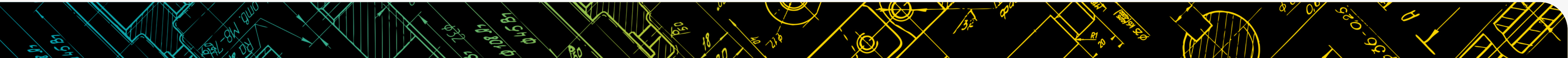
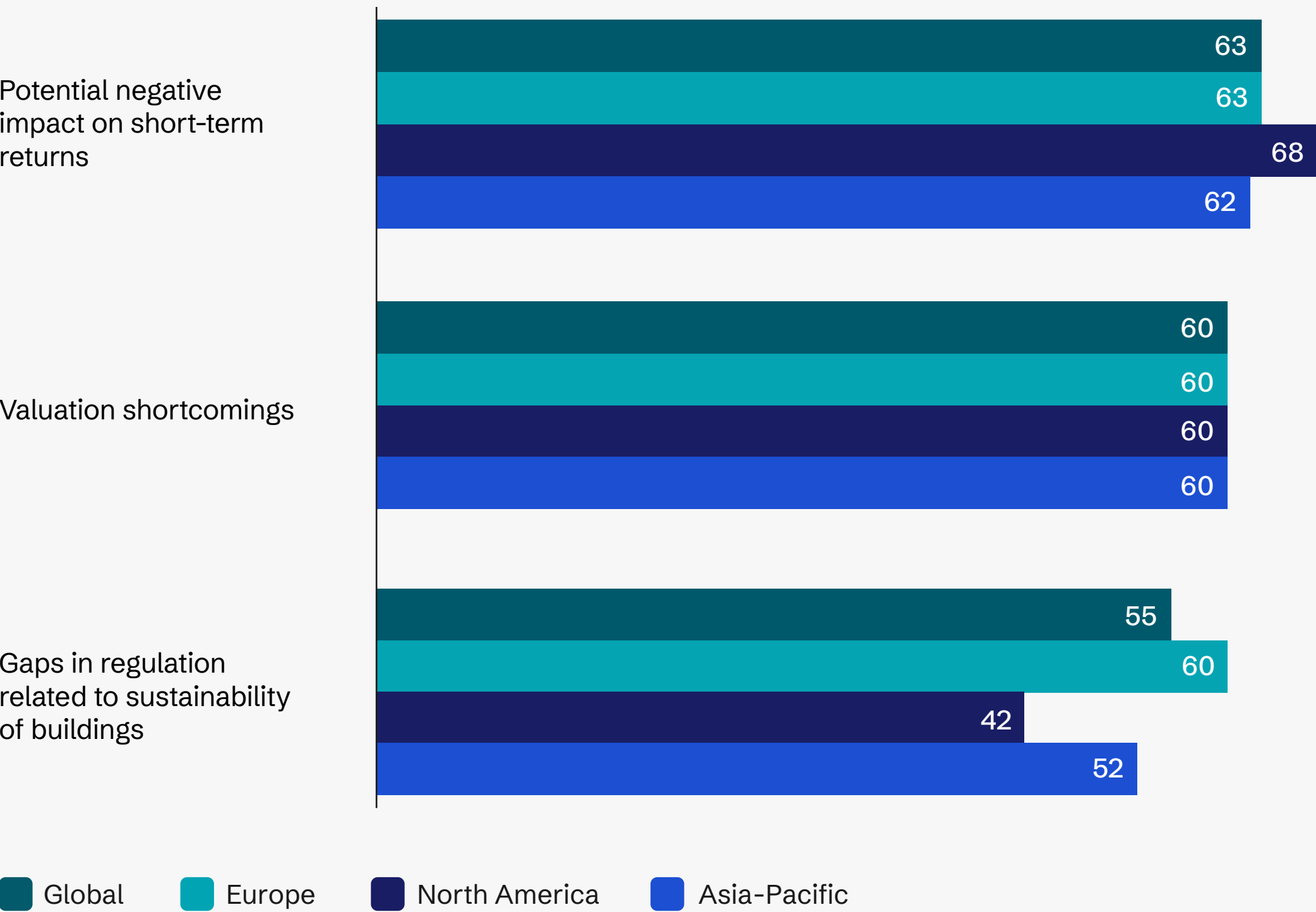
The journey to aligning real estate portfolios with net-zero goals is not without hurdles. Globally, three barriers consistently emerge as the most significant: the potential negative impact on short-term returns, valuation shortcomings, and regulatory gaps. Among these, the fear of short-term financial trade-offs is the most pressing, as many investors remain wary of the immediate costs of transitioning to sustainable practices.

Valuation shortcomings also present a challenge, as current frameworks often fail to capture the forward-looking benefits of sustainable real estate, such as higher “green premiums” or reduced “brown discounts”. For instance, three quarters of investors cite it as a barrier in Canada, Switzerland, Japan and Germany. However, as valuation methodologies improve and more reliable data becomes available, these issues could diminish, helping investors unlock the financial and environmental benefits of sustainable assets.

Regulatory gaps complete the trio of challenges, particularly in regions where policies remain inconsistent or unclear. Addressing these barriers could accelerate the alignment of real estate portfolios with net-zero goals, ensuring both financial and environmental rewards in the long term.

Figure 18. What are the biggest barriers to aligning your real estate portfolio with net-zero transition goals?

Top three (per cent)



Infrastructure assets for the net-zero transition

Infrastructure plays a pivotal role in the net-zero transition, with certain assets standing out as key enablers. Currently, solar energy, fibre broadband and battery energy storage are the most widely held assets among investors. However, battery energy storage is expected to take the lead within two years, reflecting its critical role in supporting renewable energy systems and stabilising power grids.

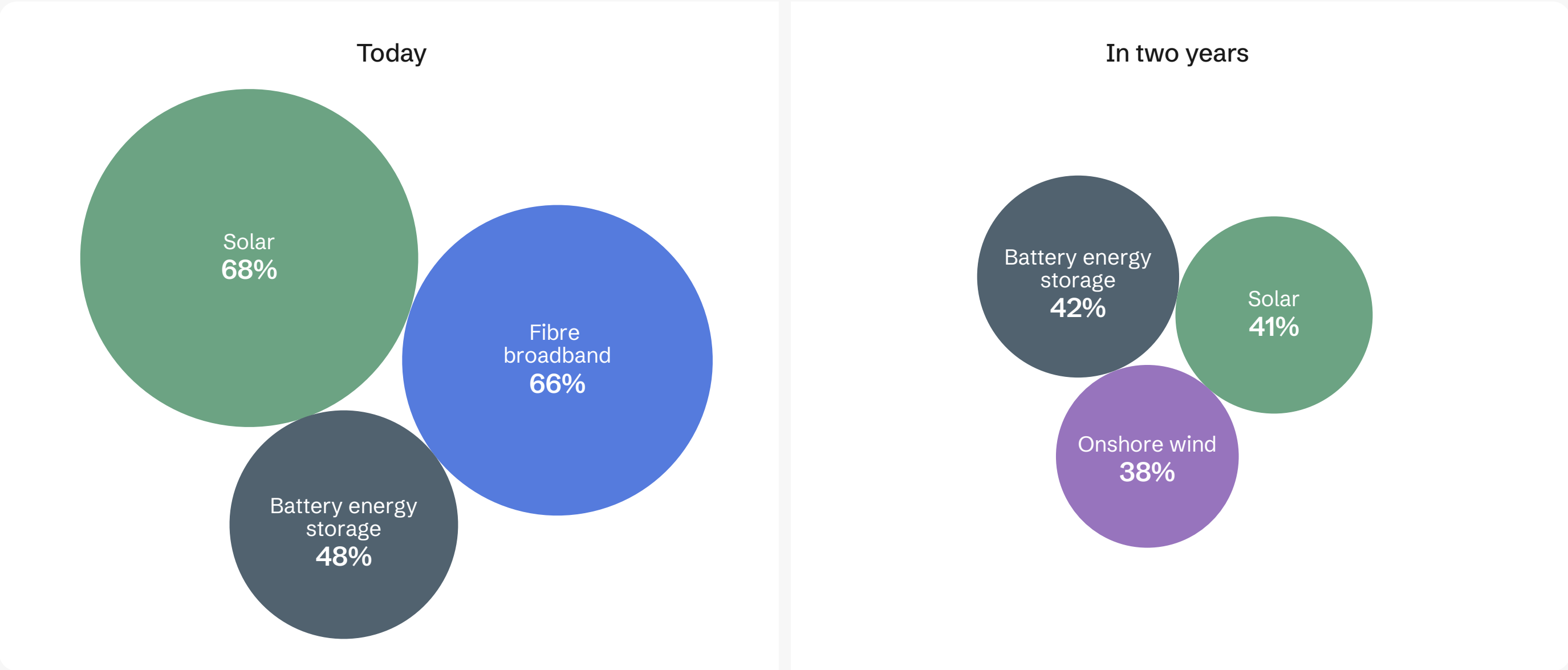
Battery energy storage is expected to lead solar energy within two years, reflecting its critical role in supporting renewable energy systems and stabilising power grids.

Onshore wind, already a popular choice with 47 per cent of investors, is also set to see growth, with 38 per cent planning to increase allocations. Offshore wind, while less common, is similarly poised for expansion, with 35 per cent expecting to increase investments over the same period. Fibre broadband, another staple of sustainable infrastructure portfolios, is projected to see a 36 per cent rise in allocations as connectivity and digital infrastructure become increasingly vital.

These trends reflect growing confidence in infrastructure’s potential to deliver both financial returns and measurable progress toward net-zero objectives.

Figure 19. Are you currently investing in any of the following infrastructure assets that will play a role in the net-zero transition? And to which, if any, will you increase allocations over the next two years?

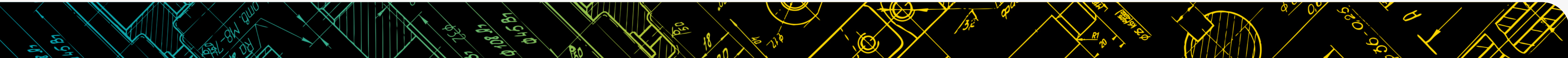
Top three (per cent)



Note: Multiple answers allowed.

“With renewables attracting tight pricing, the trade-off is clear: are investors ready to take a potential hit to return to secure these high-demand assets?”

Mikhaila Crosby
Sustainability Research & Policy Associate Director, Private Markets



The biggest barriers to net-zero transition infrastructure

While sustainable infrastructure is an attractive asset class, investors may face notable barriers when increasing allocations. Globally, the most significant challenge is the long time-horizon needed to realise returns, cited by 52 per cent of respondents. This concern is even greater in some regions, such as Europe, with 57 per cent of investors highlighting it as a key issue.

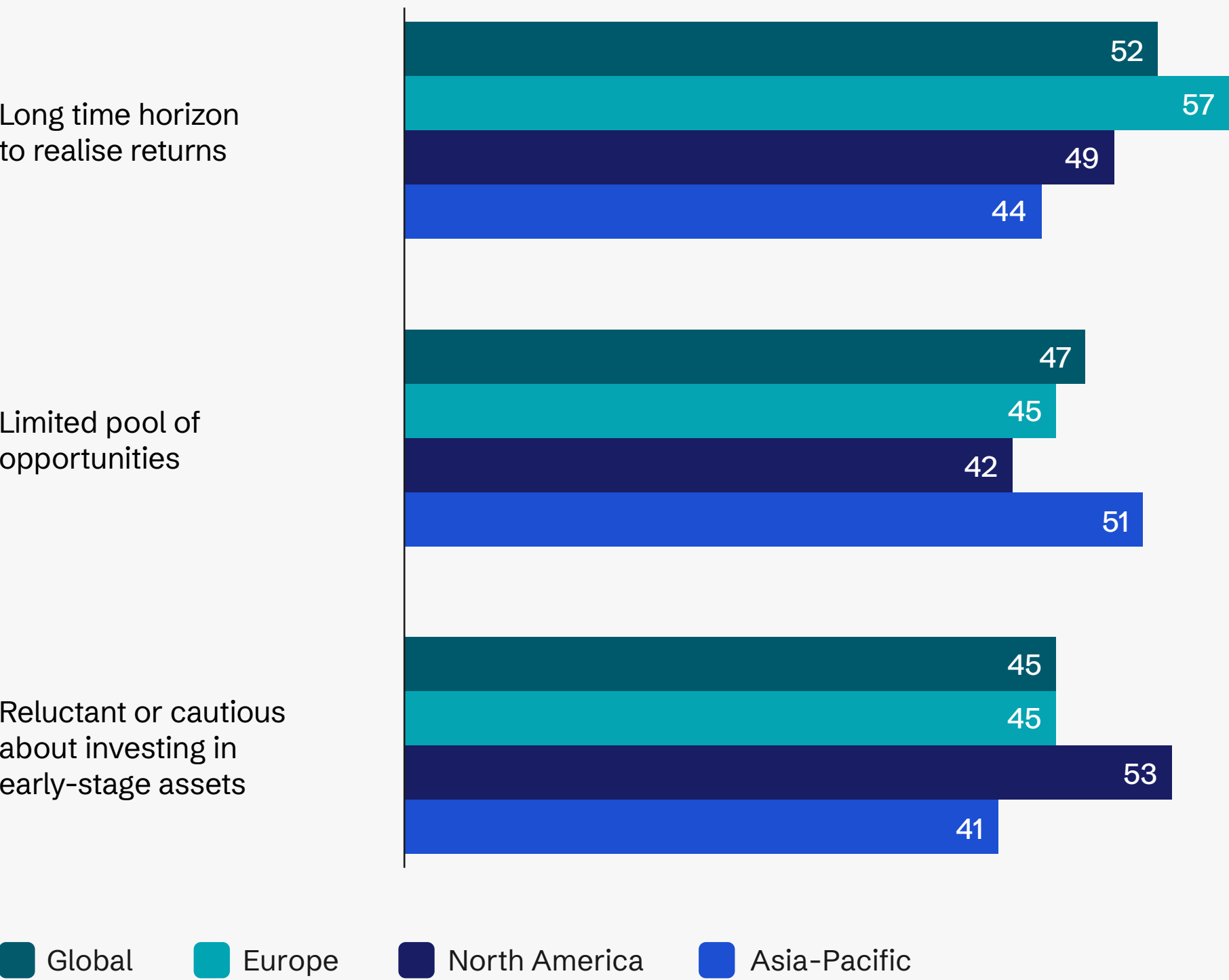
Other barriers include a limited pool of suitable opportunities and reluctance to invest in early-stage assets – cited by 47 and 45 per cent of respondents respectively.

These challenges also vary by region. In North America, caution around early-stage investing is particularly pronounced in the US (59 per cent), while high valuations are more of a barrier in Canada (52 per cent). In Asia-Pacific, the limited availability of investment opportunities takes precedence.

Despite these barriers, sustainable infrastructure remains a compelling area for investment. Addressing these challenges through better project pipelines, clearer timelines for returns, and greater support for early-stage projects could unlock significant potential for growth and impact in this vital sector.

Figure 20. What are the biggest barriers to your institution increasing allocations to infrastructure assets that will play a role in the net-zero transition?

Top three (per cent)



4

Private Markets Study 2025

Drivers, barriers and risks

Performance remains key for asset managers

Proven investment performance remains the most important criterion for investors when selecting a company to manage their private-market investments, with 76 per cent of investors describing this as important, up from 68 per cent in 2023. This was especially true of Canadian investors, at 91 per cent.

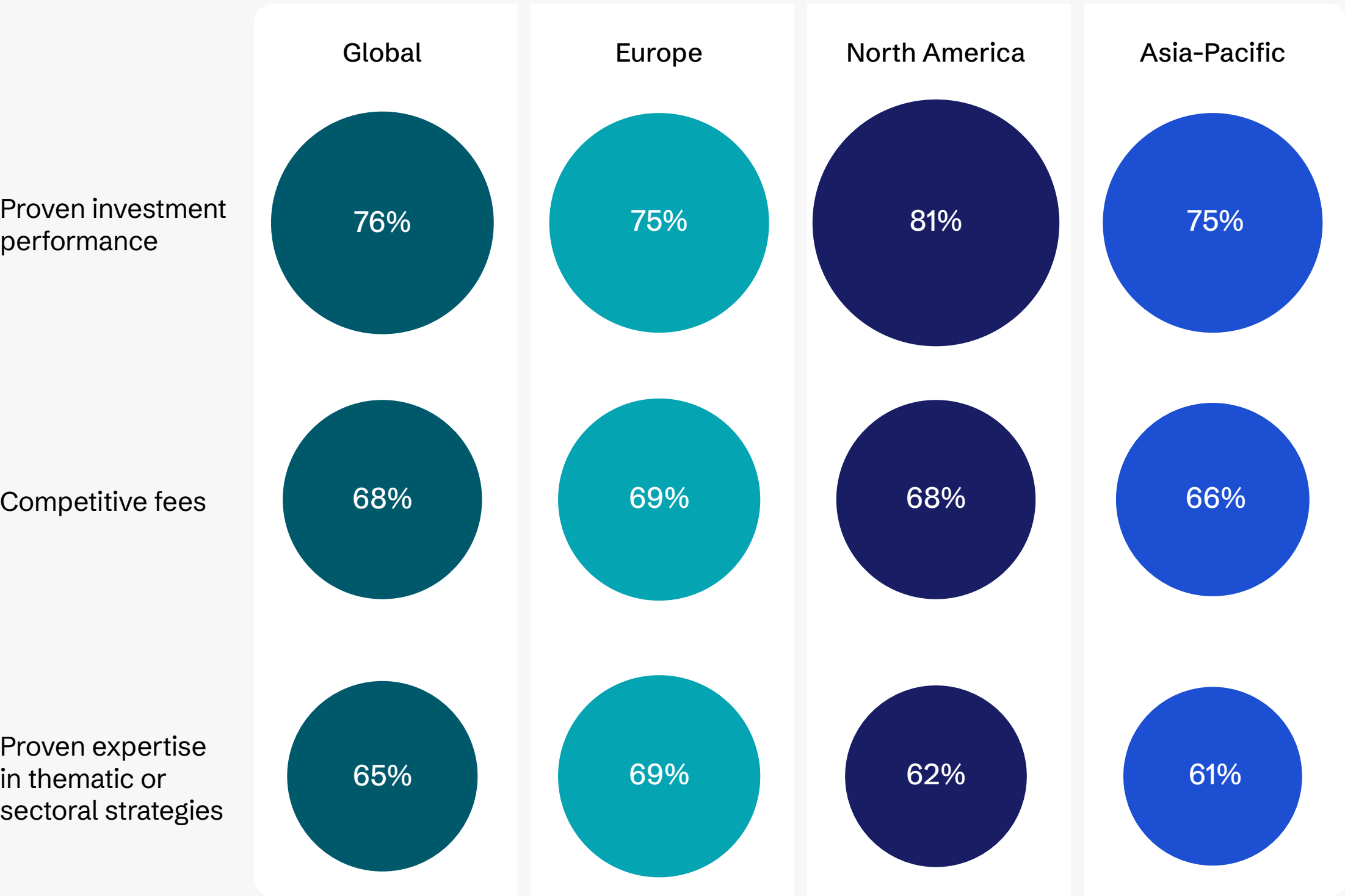
Competitive fees were also highly sought after, with 68 per cent of investors citing this as an important factor, followed in importance by proven expertise in thematic and sectoral strategies.

Almost two-thirds of official institutions also listed the quality of ESG/sustainability integration process as an important factor.

Almost two-thirds of official institutions also listed the quality of ESG/sustainability integration process as an important factor, as did 57 per cent of DB schemes, against around half of other investor types. The larger the institution, the more ESG was considered important as well.

And 60 per cent of official institutions also listed enhanced or tailored reporting as important.

Figure 21. When selecting an asset manager for a real assets investment, how important are each of the following?



Satisfaction levels have fallen this year

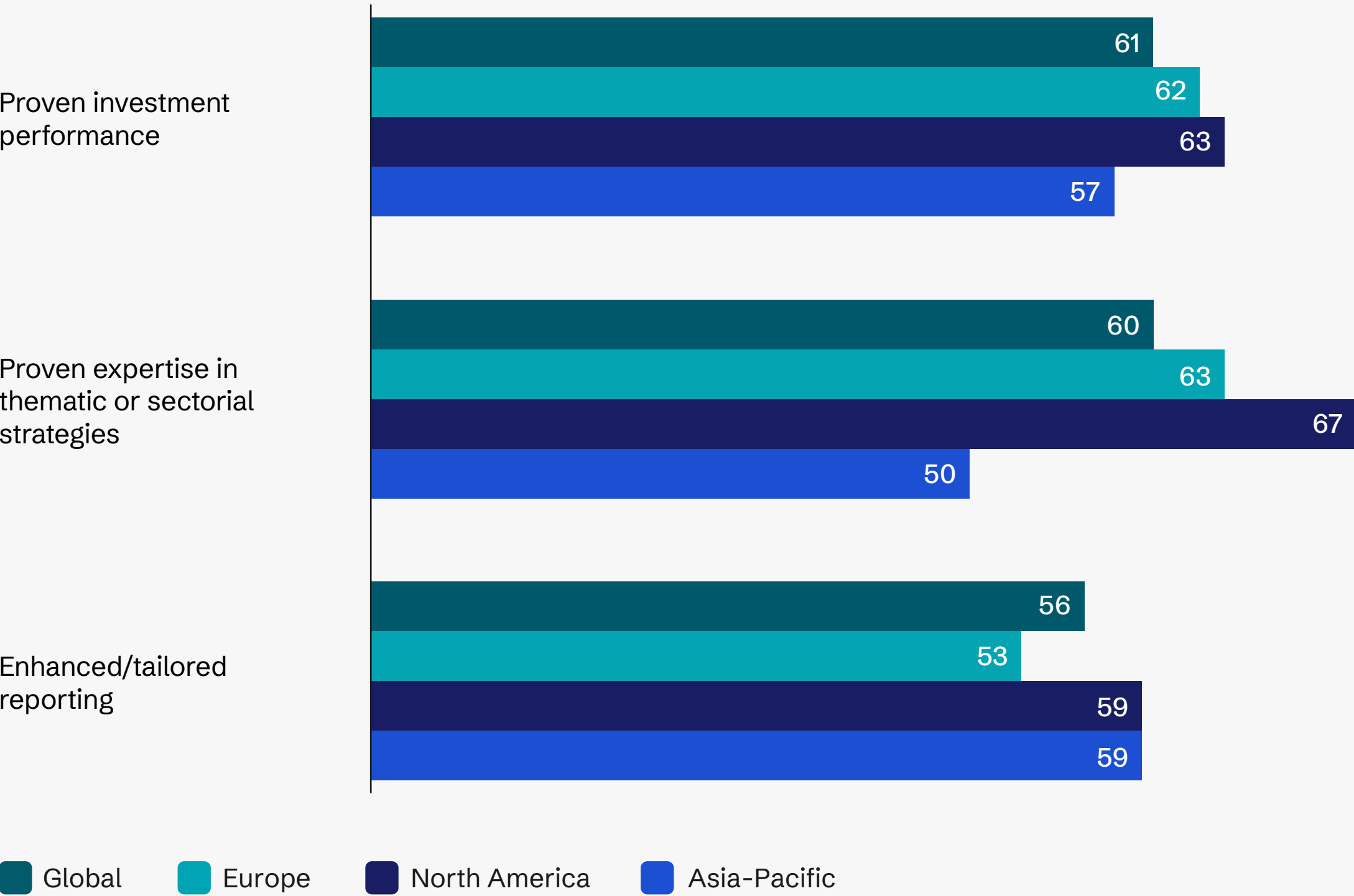
The percentage of investors satisfied with performance has fallen to 61 per cent globally, from 75 per cent in 2023. Private markets are on course to deliver lacklustre returns in 2024 relative to public markets where equities have surged to a record high, and corporate bonds have also delivered decent returns for investors.

Whereas 68 per cent of DC schemes were satisfied with investment performance, just 35 per cent of official institutions said the same.

Investor satisfaction has fallen in other areas too, most notably in relation to the quality of enhanced or tailored reporting, which declined to 56 from 82 per cent in 2023.

Figure 22. Are you satisfied with the performance of the external asset managers you use for real assets, in the areas below?

Top three (per cent)



Diversification remains key but illiquidity premium rises in importance

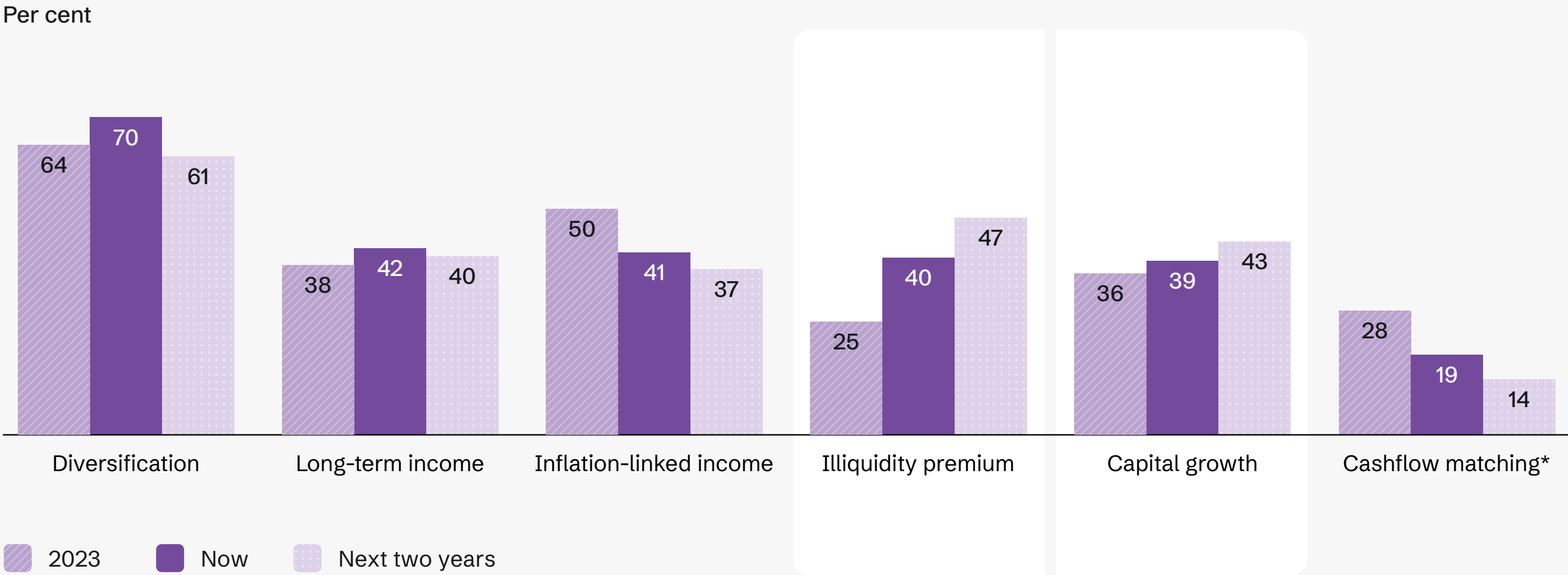
Diversification remains the key motivation for investing in private-market assets in all three regions and among all categories of investor, particularly public pensions (79 per cent listed it as a main reason for allocating) and, regionally, Canadian investors (93 per cent). However, looking ahead to next year, its relative importance is set to drop.

By contrast, the fact private markets offer the potential for outsized returns relative to publicly traded assets, thanks in part to their inherently illiquid nature, is growing in importance. Globally, 40 per cent of institutions cited the illiquidity premium as one of the three main reasons to allocate to private markets, up from 25 per cent a year ago. It is expected to continue growing in importance next year.

This characteristic is particularly highly valued by North American institutions: 48 per cent cited it as one of the main reasons to allocate to private markets today, making it the second most important consideration and 54 per cent in two years’ time (including 58 per cent in Canada).

“This is potentially a sign that, as the private market investment arena matures, investors are becoming more sophisticated and looking to use a growing array of data to their advantage.” says David Hedalen, Head of Private Markets Research.

Figure 23. What are your main reasons for allocating to real assets today? And what do you expect to be the most important reasons in the next two years?



Note: Multiple answers allowed. * Asked for Non-DC permissions.

Investors focus on valuations and transaction costs

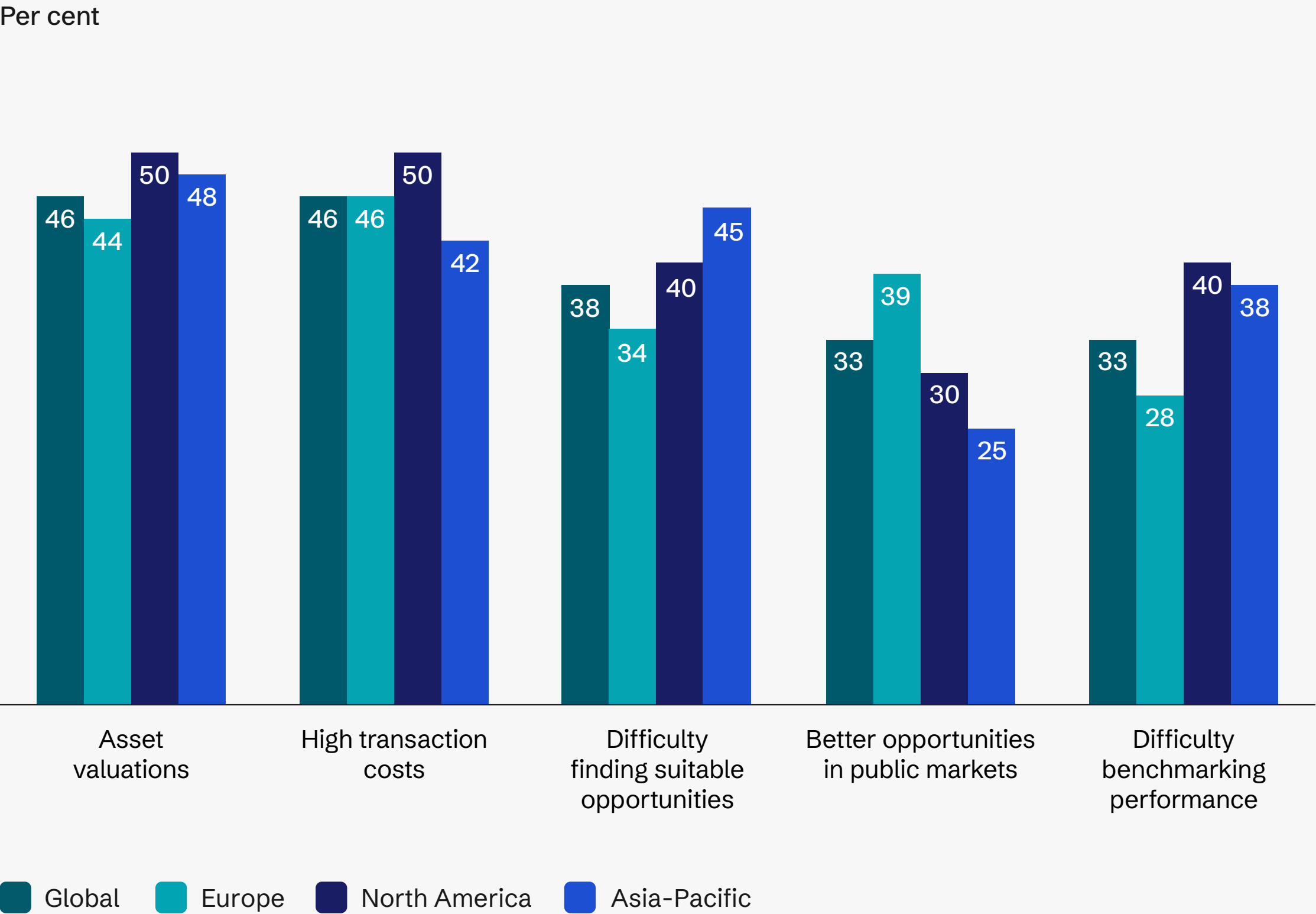
High transaction costs and rich valuations were the biggest barriers to investment in all three regions, and across investor types. In particular, asset valuations were cited as a problem by 64 per cent of Canadian investors, against 46 per cent globally and 36 per cent in the US.

Asset valuations were cited as a problem by 46 per cent of investors globally.

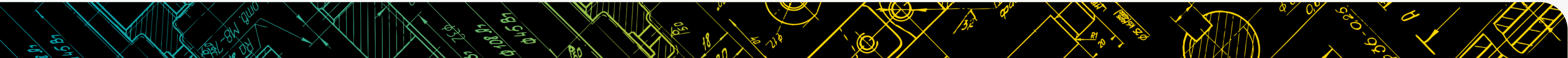
North American institutions cited the difficulty in benchmarking performance as an important factor in holding back investment. “While private market data continues to improve and investors are able to access a greater array of data on private markets than ever before, appropriate benchmarking remains an obstacle to greater investment,” says Hedalen. As for European investors, a sizeable minority saw better opportunities in public markets.

While investors reported having less trouble finding suitable opportunities than in 2023, this remained the third biggest barrier to greater investment, with 45 per cent of DC pension schemes citing this as a factor.

Figure 24. What would you identify as the biggest barriers to your institution either investing in, or increasing its allocation to real assets



Note: Multiple answers allowed.



Three risks stand out for investors

- 1

Global recession
- 2

Liquidity risks
- 3

Political risks

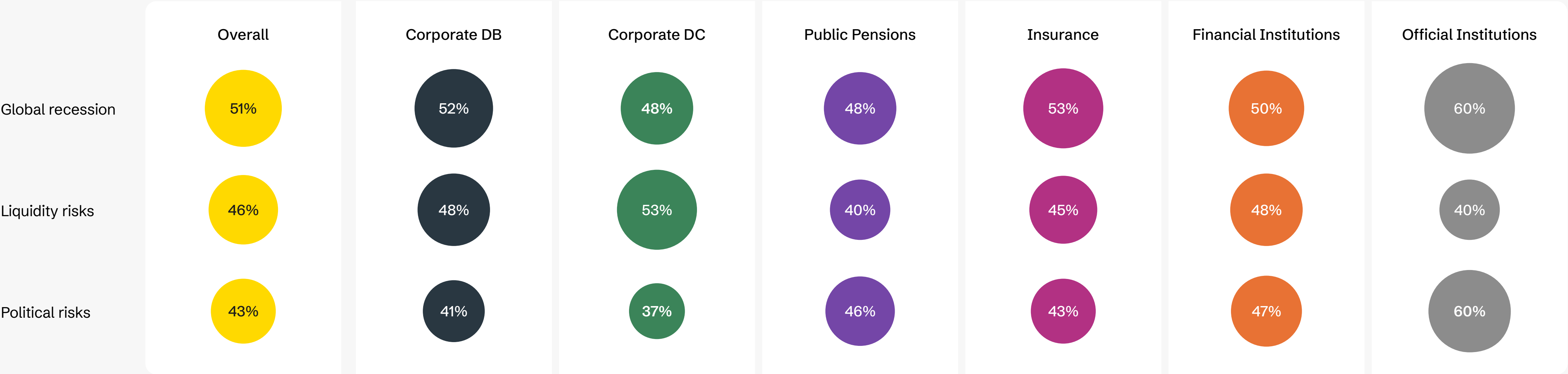
In all three regions, the threat of a global recession remained the biggest risk from investors’ perspective. Perhaps surprisingly, given the strength of the US economy, this was a relatively bigger concern for North American investors.

From a global perspective, liquidity risks were cited as the next biggest concern when investing in private markets, with nearly half of all those surveyed, and just over half of corporate DC schemes, citing it as a concern.

Political risk was the next biggest risk, with 43 per cent of those surveyed citing it as a factor they were worried about.

Among other widely acknowledged risks, the dangers posed by overleveraging were cited by almost half of financial institutions, more than double the comparative figure from last year’s survey and by 47 per cent of investors in Canada, against a global average of 36 per cent.

Figure 25. When it comes to investing in real assets, which of the following risks do you consider most concerning over the next 12 months?
Top three (per cent)



Recent events have highlighted the importance of geopolitics

Amid an inexorable worsening of global tensions, geopolitical shifts such as deteriorating trade relations were expected to pose the most significant risk to investors over the next decade, with 73 per cent of investors citing it as a concern. Financial and official institutions were most concerned (80 and 85 per cent respectively), as were Canadian investors (82 per cent), on a par with China, Japan, Singapore, South Korea and Spain.

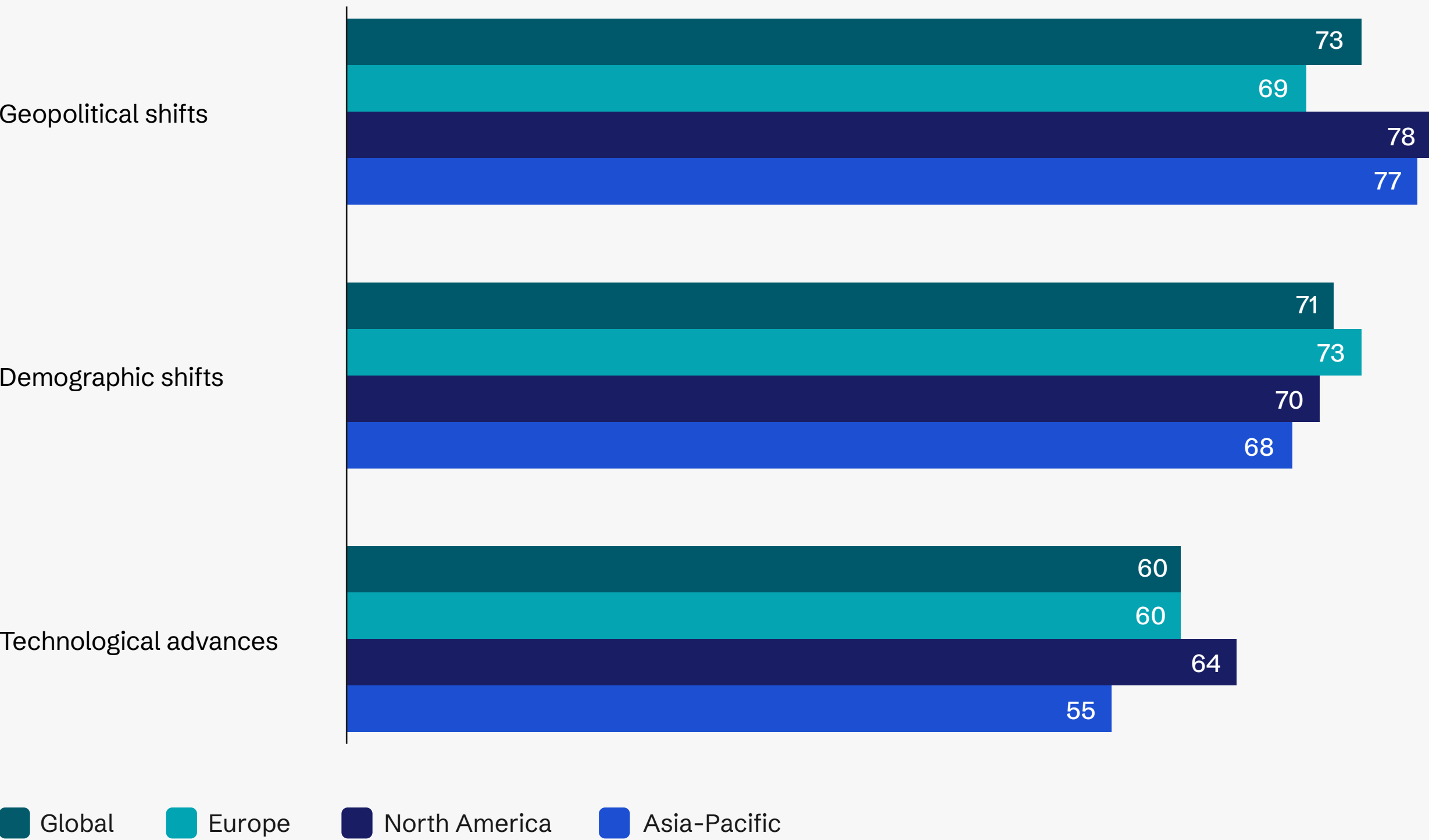
Geopolitical shifts were expected to pose the most significant risk to investors over the next decade

It was closely followed by worsening demographics as a source of concern, cited by 82 per cent of insurers, followed by technological advances such as the development of artificial intelligence.

A relatively large number of investors in the Asia-Pacific region said the need to address social inequality was a priority.

Figure 26. Which of these structural themes do you expect to create the most significant risks for investors in real assets over the next decade?

Top three (per cent)



Technology and demography will bring opportunities as well as risks

At the same time as posing risks, technological and demographic developments offer opportunities for investors.

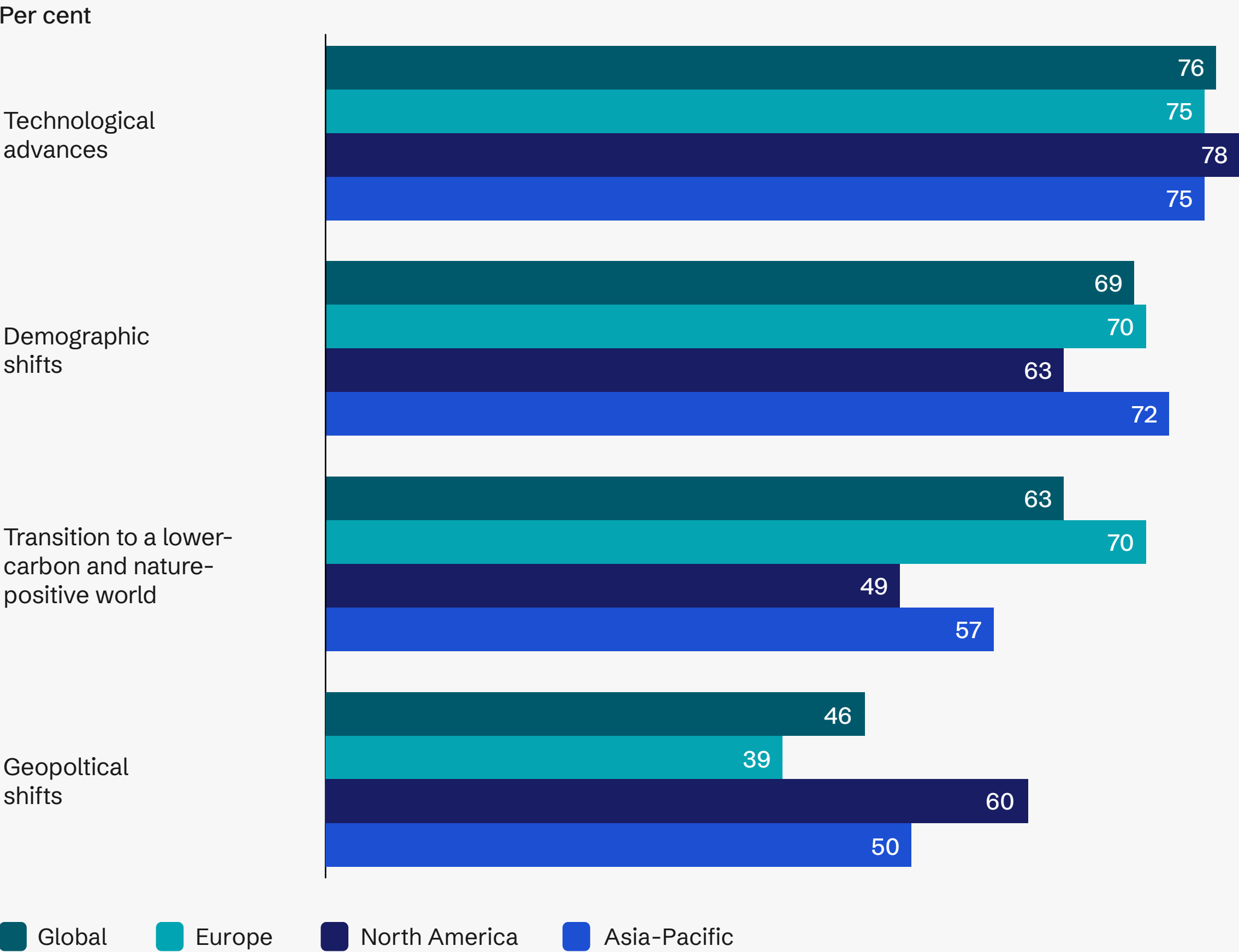
Globally, 76 per cent of investors said technological advances will be among the top three factors providing profitable investment opportunities. Public pensions (83 per cent) and official institutions (90 per cent) are particularly optimistic.

That was followed by demographic changes, on 69 per cent, and the transition to a lower-carbon and nature-positive world on 63 per cent. Perhaps unsurprisingly, this latter factor was seen as more important in Europe, where 70 per cent of investors cited it as an important factor, than in the US where the comparative figure was 49 per cent.

60 per cent of North American investors see opportunities in geopolitical shifts.

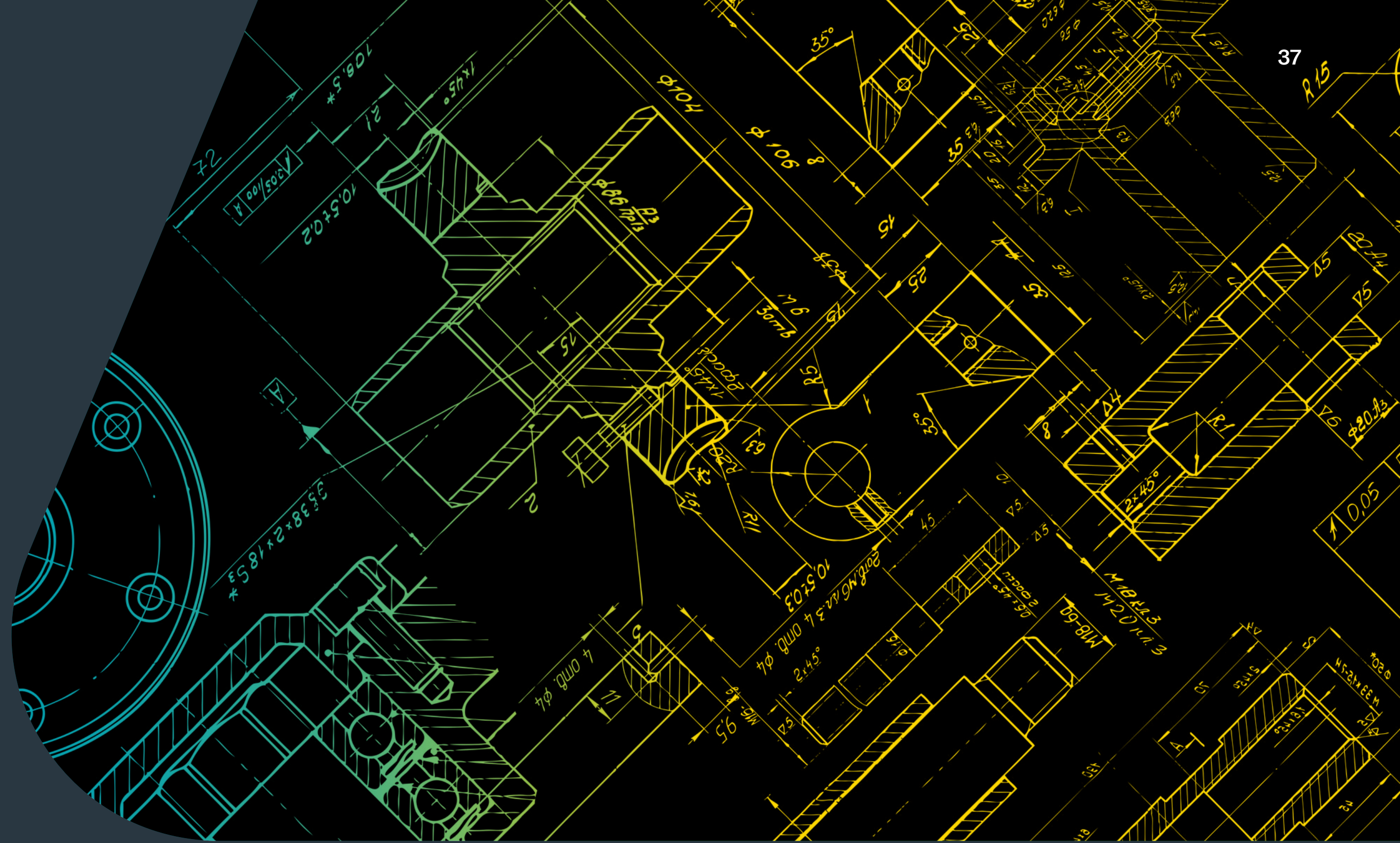
In contrast, 60 per cent of North American investors saw opportunities in geopolitical shifts, perhaps in anticipation of Donald Trump’s America-first agenda.

Figure 27. Which of these structural themes do you expect to create the most significant opportunities for investors in real assets over the next decade?



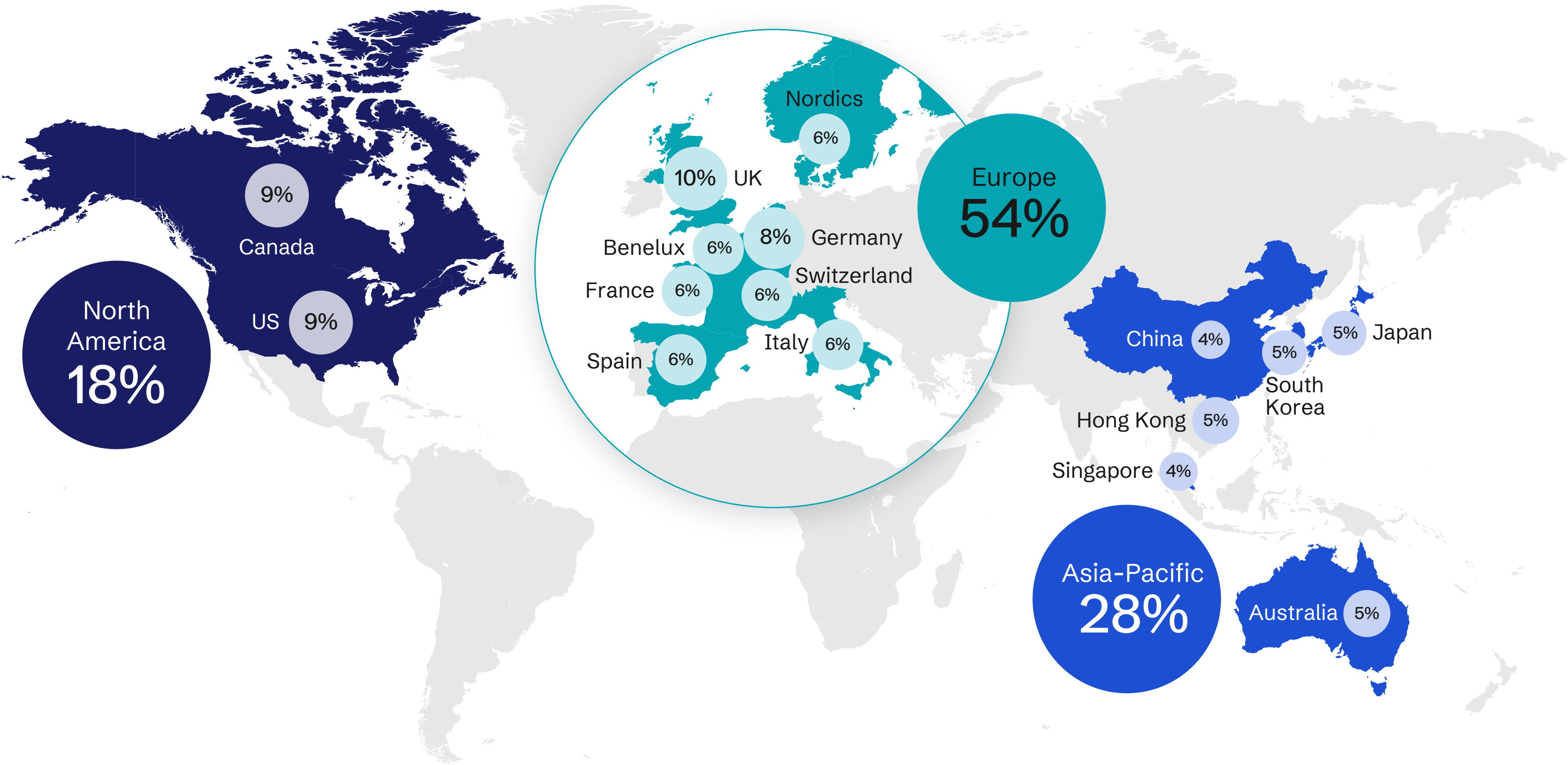
Private Markets Study 2025

Survey methodology

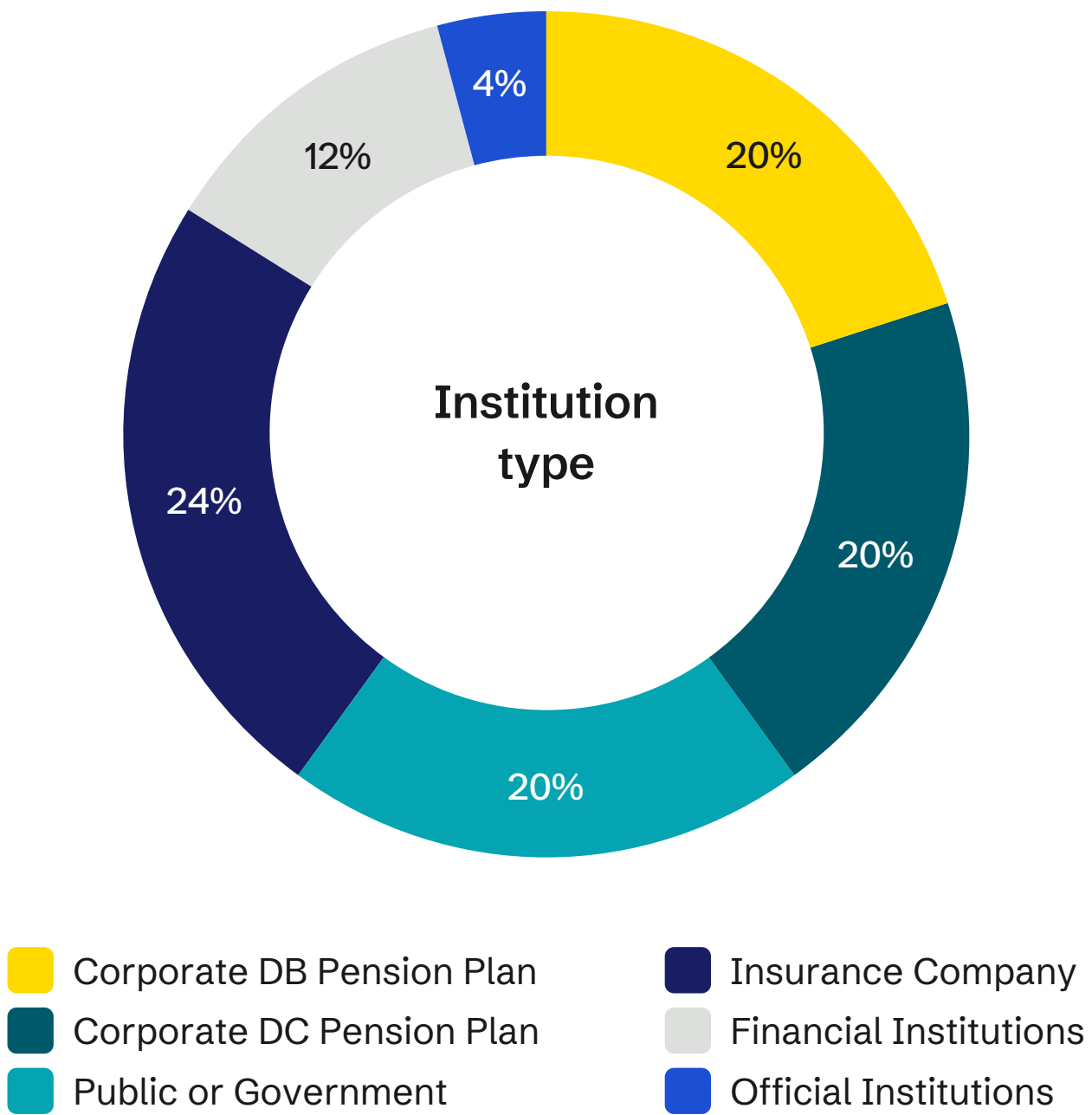


Survey methodology

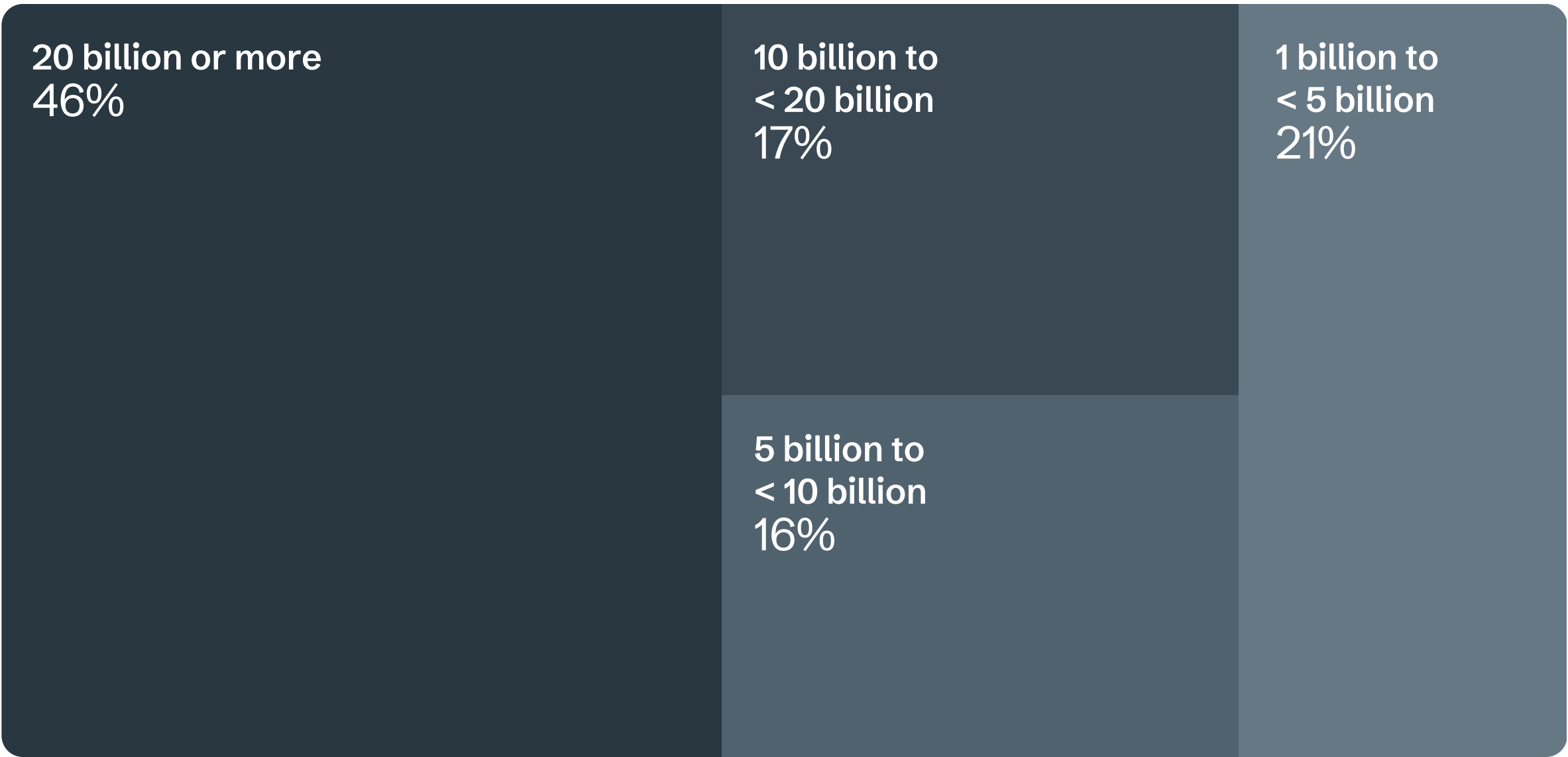
This study was conducted by CoreData Research in September and October 2024, they questioned senior decision makers at 500 institutional investors in Europe (270), North America (90) and Asia-Pacific (140), with combined assets of US\$4.3 trillion.



Investor breakdown



Assets Under Management (AUM)
Total: US\$4.3 trillion
\$/£/€

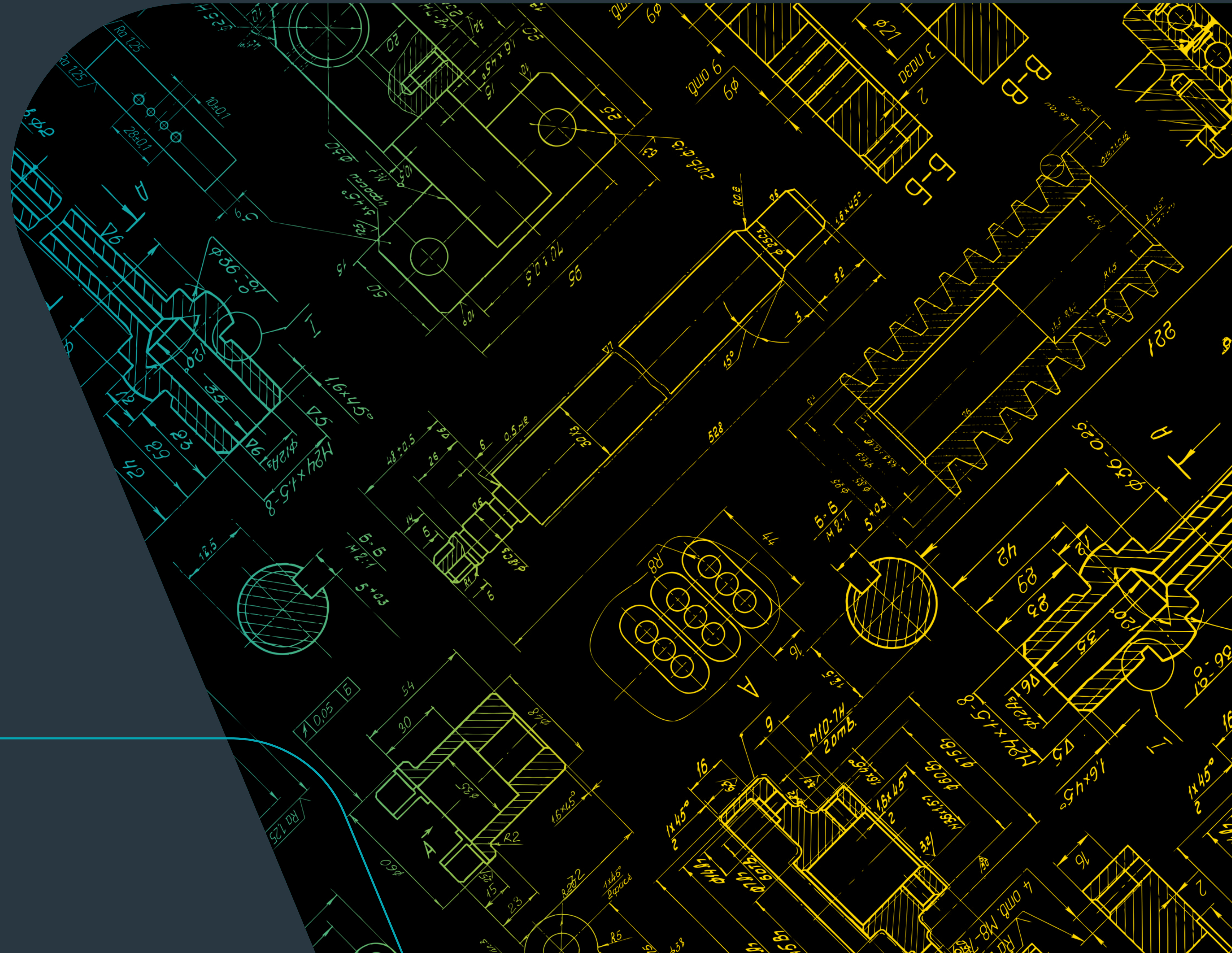


Source: CoreData Research, who questioned 500 institutional investors around the world in late September and October 2024.

6

Private Markets Study 2025

Our private markets capabilities



Our private markets capabilities

Private assets play a crucial role in shaping society and economies.

As direct investors in private assets, we are committed to delivering an exceptional client experience and building a sustainable world.

Our multi-asset mindset, scale and ability to invest with conviction underpins our ambition to be a global leader in sustainable real assets and a trusted partner for our clients.

Our approach to private markets investing

As one of Europe's largest investment managers in private assets, with over £40 billion in assets under management and c.165 professionals across four locations, we have the scale to access the full depth and breadth of private market investment opportunities across real estate, infrastructure, private debt, multi-asset real assets, natural capital, and venture and strategic capital.²

Our diverse capabilities enable us to offer investors solutions aligned to various client outcomes and sustainability preferences, from capital growth through active equity investments, cash flow matching via debt solutions and bespoke requirements spanning different assets, including access to our natural capital capabilities for sustainably minded investors.

We offer a range of pooled and bespoke solutions, as well as co-investment opportunities, enabling a broad range of global investors access to the benefits that private markets can offer.

If you have any questions on this report or would like further information on our capabilities, please contact our Relationship Management Team:

avivainvestors.com/contact

2. Data as of September 30, 2024.

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635502 - 31/01/2026

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