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## Global Private Capital AUM to Double to \$18.3tn by 2027— Preqin Forecasts

### Venture capital set to grow to over \$4tn in global AUM, while North America will drive the largest share of global asset flows

Preqin, the global leader empowering the alternatives community with essential data and insights, has published its [Future of Alternatives 2027 report](#). The report, published every two years, shows that private capital invested is set to double by 2027, while retail interest in alternatives is predicted to fuel the next wave of industry growth.

Despite a challenging macroeconomic outlook, demand for private capital continues to show resilience, with total global assets under management (AUM) expected to almost double to \$18.3tn by the end of 2027, from \$9.3tn at the end of 2021. While the compound annual growth rate is expected to slow compared to recent years (to 11.9% annually between 2021-2027, from 14.9% between 2015-2021), investor demand remains strong as investors continue to seek alternative sources of returns in an uncertain economic environment. When hedge funds are included, alternative assets AUM are expected to reach \$23.3tn by the end of 2027, up from \$13.7tn at the end of 2021 (growth of 70.7%). Across the broader industry, hedge funds are likely to act as a drag to overall growth.

#### Retail investment set to drive the next frontier in private markets

While private capital allocations have increasingly become a core part of institutional investor portfolios, high net worth investors have for the most part remained allocated to traditional investments. A lack of products that are tailored for retail participation has been one of the key barriers, but that is beginning to change, as the industry innovates, and the regulatory environment evolves. Preqin expects growing retail investor interest in private investments – especially among high-net-worth investors – to be one of the key drivers of private markets growth in the future, particularly as a higher portion of institutional investors are approaching their current target allocation to alternative assets and may be forced to revise their target based on market conditions.

**Christoph Knaack, CEO of Preqin, says:** *“Private markets have been in a super cycle over the past decade. Due to lower risk adjusted returns in most traditional public asset classes, investors have had to look further afield to find alternative sources of return. However, the deterioration of the macroeconomic climate over the past year, from rising inflation and interest rates to geopolitical threats, means investors are now operating in a more challenging environment.*

*“Against this backdrop, we expect to see more sustained growth in the asset classes which have historically performed well in more volatile markets, and which are able to provide inflation protection, such as infrastructure, natural resources, and private debt. Continued demand for these asset classes, coupled with a growth of retail investor interest in building allocations to alternatives, will drive private capital AUM to new heights over the next five years.”*

#### Key findings from the *Future of Alternatives 2027* report include:

- **Venture capital leading as fastest growing asset class:** Venture capital (VC) is forecast to be the fastest growing asset class in the next few years (+19.1% growth per year, from \$1.46tn end-2021 to \$4.17tn by 2027), followed by infrastructure (+13.3%), and private debt (+10.8%). North America will be the main driver for VC funding – annual fundraising in the region is expected to grow from \$118bn at the end of 2021 to \$223bn by the end of 2027. Fundraising in Europe is also expected to grow to \$30.5bn by the end of 2027, up from \$21.3bn at the end of 2021.
- **Risk-off environment set to slow growth in previously strong assets:** Despite the forecast that VC will be the strongest growing asset class, the rate of AUM growth will slow considerably. Similar trends are evident in private equity markets, which are impacted by the rising cost of debt and weaker valuations. Similarly, hedge funds could struggle, with a return to outflows. A more challenging outlook is expected for real estate, with rising interest rates and inflationary concerns slowing expected AUM growth to 8.4% per year.

- **North America to lead the way in AUM growth:** North America is set to be the fastest growing region globally for private capital, with AUM in the region expected to grow at a rate of 12.7% per year between 2021-2027. APAC markets are expected to see growth of 10.0% per year, with AUM set to almost double to \$2.08tn – up from \$1.17tn at the end of 2021; Growth in Europe (10.9%) is expected to be slightly higher than APAC, and AUM in the region will reach \$4.1tn by the end of 2027, up from \$2.2tn at the end of 2021.

### ***Performance boosts VC growth, and inflation-proofing expected via private debt and infrastructure assets***

Strong annual performance is expected to be one of the drivers of AUM growth across VC markets, with the asset class expected to return +14.6% annually from 2021-2027. This comes despite headwinds from a deteriorating macro environment, which is expected to hit current valuations, reduce the number and value of exits, and increase the cost of capital.

Private debt markets are proving resilient against a tough backdrop of weaker macroeconomic fundamentals, with a forecasted AUM growth of 10.8% annually. This is largely due to the prevalence of floating rate exposure in direct lending compared to traditional fixed income products, building in some resiliency and inflation protection for investors. With US dollar strength and increased interest rates on offer, international investors are expected to flock to North America for private debt opportunities, given it remains the home of the world's foremost reserve currency.

Infrastructure is forecasted to perform strongly with a predicted 13.3% of annual growth in AUM (reaching \$1.88trn of assets by 2027), closing the gap to real estate in AUM terms – rising from 76% of real estate AUM in 2021 to 88% in 2027. European infrastructure is expected to lead the way, with AUM annual growth of 17.8%, reflecting the region's growing need to invest in energy generation capacity, reducing a reliance on Russian supplies.

### **Other findings from the *Preqin Future of Alternatives 2027* report include:**

- **Hedge funds:** Hedge funds are bottom of the AUM growth table, with 3.45% annual growth forecasted from H1 2022 to 2027. This year has been challenging for the hedge fund industry resulting in a forecasted decline in AUM in the short run, but a recovery is expected over the next few years.
- **Private equity:** Global private equity fundraising is expected to see modest growth over the period following declines of 21% and 3% in 2022 and 2023 respectively, while performance is expected to soften compared to that seen in recent years, as macro-economic factors have deteriorated significantly.
- **Natural resources:** Investor demand for natural resources will continue to grow as the global energy crisis continues and the prospect of a fresh commodity super cycle boosts the recovery of the asset class, with predicted AUM growth of 6.2%, to reach \$297bn by the end of 2027.

**#ENDS#**

For more information, and to receive a full copy of the report contact Mariella Reason at [mariella.reason@preqin.com](mailto:mariella.reason@preqin.com).

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