Private Capital Insights

THIRTY-NINTH EDITION | Q1 2025

CURRENT QUARTER PERFORMANCE SUMMARY

The State Street® Private Capital Index (SSPCI) recorded a gain of 1.60% in Q1 2025, marking a modest rebound from the 1.09% return in Q4 2024. This mild quarterly acceleration was primarily driven by stronger performance in Buyout and Private Debt strategies, which returned 1.52% and 1.53%, respectively—up from 0.72% and 0.83% in the prior quarter. In contrast, Venture Capital (VC) lost some momentum with a quarterly return of 1.96%, down from its 2.78% return last quarter, while it remained as the top performing strategy (see Exhibit 1).

Exhibit 1. Private Equity Performance by Strategy

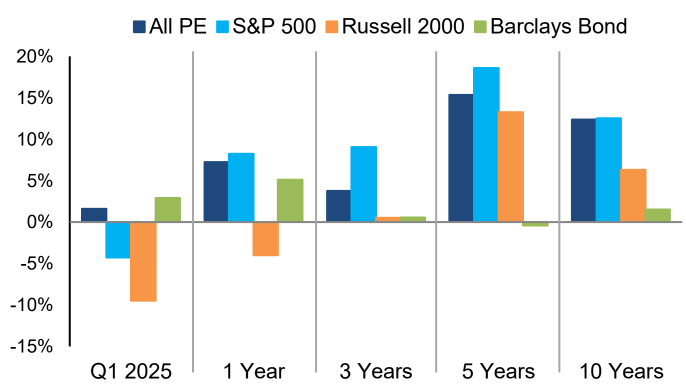
	All PE	Buyout	VC	Private Debt
2025 Q1	1.60%	1.52%	1.96%	1.53%
2024 Q4	1.09%	0.72%	2.78%	0.83%
2024 Q3	2.92%	3.09%	2.20%	3.06%
2024	5.85%	5.96%	4.14%	8.18%

Source: State Street Data Intelligence, as of Q1 2025.

Public equity markets stumbled in Q1 2025, largely due to the impact of the Trump 2.0 tariffs implemented since February. The US large-cap stocks (proxied by S&P 500) declined 4.27% during the quarter but still posted an 8.25% return over the past year. The US small-cap stocks (proxied by Russell 2000) fared worse, with a -9.48% Q1 return and a -4.01% decline over the year. As a result, private capital significantly outperformed public equity markets during Q1—particularly small caps—and delivered comparable one-year and ten-year performance relative to large-cap equities. On the other hand, the US bond market (proxied by Bloomberg Barclays US Aggregated Bond Index), posted the highest quarterly return with 2.91%, despite having the lowest longer term horizon returns (see Exhibit 2).

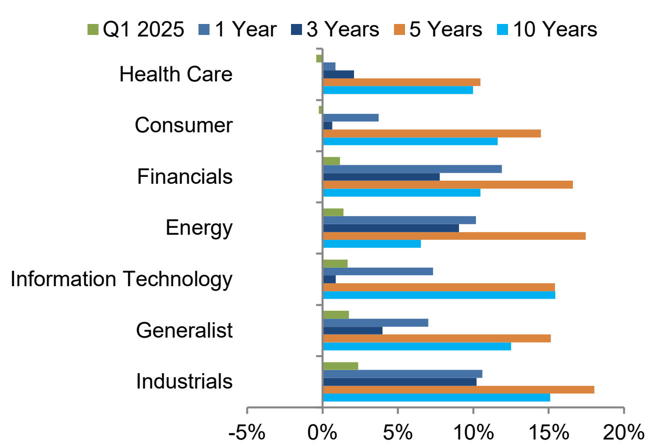
In Q1, sector focused private capital funds targeting Industrials and Information Technology outperformed the overall SSPCI, with returns of 2.36% and 1.65%, respectively. Meanwhile, funds targeting Health Care, Consumers, financials and Energy sectors underperformed, with returns of -0.41%, -0.25%, 1.16% and 1.39% respectively. On a one-year basis, most sector-focused funds continued to outshine generalist peers. Specialists in Financials (11.90%), Industrials (10.60%), Energy (10.17%), and Information Technology (7.33%) all exceeded the 7.01% return generated by generalist funds (see Exhibit 3). This performance gap illustrates the growing importance of sector specialization in today's competitive and capital-constrained environment.

Exhibit 2. Investment Horizon Returns



Source: State Street Data Intelligence, as of Q1 2025.

Exhibit 3. Performance of Sector Focused Funds



Source: State Street Data Intelligence, as of Q1 2025.

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PRIVATE EQUITY EXITS: A REVIEW OF THE RESEARCH AND CURRENT TRENDS

Insights from Harvard University and the Private Capital Research Institute

By Josh Lerner

Introduction

The importance of private equity ("PE") and venture capital ("VC") in fomenting economic growth and entrepreneurial ecosystems is well understood.[1] But for these important markets to develop and flourish, general partners ("GPs") must generate returns for the limited partners ("LPs") that supply them with investment capital. As such, private markets not only need to offer GPs an ample supply of attractive investments, they also need to generate market demand for GPs' assets through exit opportunities. As one industry veteran quipped, "Without exits, private equity investment is charity."[2]

It is no surprise then, that concerns around the current exit market are at the forefront of GPs' and LP's minds alike. Persistent uncertainty and volatility have underscored market landscape for the past five years, and private market liquidity has tightened as a result. In this quarterly essay, we explore the research on private market exits, highlighting the historical factors that underpin exit decisions and outcomes. We then turn to a discussion of the current trends, with the intent of gleaning insight into what market participants might expect over the near future.

The importance and determinants of exits

Historically, there have been five general exit routes available to PE-backed and VC-backed companies: initial public offerings ("IPOs"), acquisitions or trade sales, secondary sales, sales to management, and write-offs (**Figure 1**).

Figure 1: Overview of traditional exit routes for PE-backed and VC-backed companies[3]

Exit type	Overview of exit type
IPO	The company lists on a public exchange and continues to create value on its own. Gains from the continued value creation are shared with new, public shareholders.
Acquisition/trade sale	The company is purchased by a strategic acquiror and creates additional value in concert with the purchaser.
Secondary sale	The company is purchased by a different PE or VC firm—financial sponsors—that works to create additional value in the company.
Sale to management	The firm's management team buys the company back from the PE or VC firm.
Write-offs	Often the used as the option of last resort, the PE or VC firm shuts down and closes the company that is failing to meet targets. The value for PE or VC firms is created through the freeing up of resources that can be used on other investments.

A. The importance of active exit markets

Of the five exit routes, academic research highlights the importance of a robust IPO market to develop and sustain PE and VC ecosystems. For instance, Jeng and Wells (2001) analyze the evolution of venture markets of 21 different countries throughout the 1990s to determine the major drivers of VC ecosystem development.[4] The authors examine several potential catalysts, such as IPO markets, labor markets, GDP, private capital supply, and regulatory environments. They find that a robust and open IPO market is a major contributor to the development of a healthy VC ecosystem, as it allows GPs to find attractive exit opportunities for their investments.

They also note that the strong presence of potential acquirors—such as corporates, financial sponsors, or wealthy families—can also have positive impacts on the development of private markets. But without an active IPO market, the ability of sellers to obtain attractive prices may be limited.

B. The determinants of exit routes chosen

With the importance of exit markets established, we now turn to the research on the factors—such as macroeconomic and market conditions—that influence the exit route taken by privately-held companies. Gompers and his colleagues (2020)

[1] A detailed overview of the importance of private markets for economic and entrepreneurial growth is beyond the scope of this essay. For several discussions, see: Shai Bernstein, Xavier Giroud, and Richard Townsend, "The Impact of Venture Capital Monitoring," *The Journal of Finance* 71, no. 4 (August 2016): 1591–1622; Kyle F. Herkenhoff, Josh Lerner, Gordon M. Phillips, Francisca Rebelo, and Benjamin Sampson, "Private Equity and Workers: Modeling and Measuring Monopsony, Implicit Contracts, and Efficient Reallocation," *National Bureau of Economic Research*, Working Paper no. 33942 (June 2025); and Josh Lerner and Ramana Nanda, "Venture Capital's Role in Financing Innovation: What We Know and How Much We Still Need to Learn," *Journal of Economic Perspectives* 34, no. 3 (Summer 2020): 237–261.

[2] Quote from Allan Gillespie of Actis.

[3] Josh Lerner and Ann Leamon. *Venture Capital, Private Equity, and the Financing of Entrepreneurship*. (Hoboken, NJ. John Wiley & Sons, 2023).

[4] Leslie Jeng and Phillippe Wells, "The Determinants of Venture Capital Funding: Evidence Across Countries," *Journal of Corporate Finance* 6, no. 3 (September 2000): 241-289.

surveyed 885 VC investors on various aspects of their investment approaches.[5] When asked whether market conditions played any role in their exits decisions, most respondents replied—unsurprisingly—that they look to exit through IPO or M&A when markets are more robust.

Empirical research tends to support the anecdotal evidence just discussed. For instance, Brau and co-authors (2003) examine a sample of 9,500 private companies, investigating whether factors like market timing, sector concentration, cost of debt, and company-specific information influence IPO and acquisition decisions.[6] The authors findings are outlined in **Figure 2**.

Figure 2: Determinants of IPO or acquisition found in Brau et. al (2003)

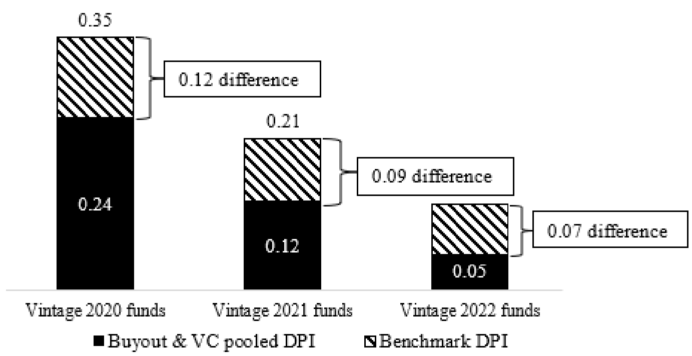
Exit route	Factors influencing exit route taken
IPOs more likely:	1. When overall IPO activity is higher. 2. When the company's sector is highly concentrated, reflecting the potential for anti-trust issues to arise if the company is acquired. 3. When debt is more expensive, increasing the cost of leverage that is typically associated with acquisitions.
Acquisitions more likely:	1. When the acquiring company is in a highly-levered industry and can likely access cheaper borrowing. 2. If the company is in the financial services sector. 3. When company insiders are seeking a higher-level of liquidity from the exit.

Further, Jenkinson and Sousa (2015) analyzes more than 1,000 European buyout exits and provide additional support for the notion that GPs look to take advantage of "windows of opportunity" in the market.[7] They state, "IPOs tend to be used after periods of strong [public market] returns: markets increase, on average, by 4.5% during the 3-to-6-month period before the public offering." They also find that secondary sales increase when available private investment capital (i.e. dry powder) increases and credit is cheaper. Their findings corroborate earlier research from Cao (2011), who analyzes nearly 600 reverse leveraged buyouts taking place between 1981 and 2006.[8] He concludes that the duration between when the PE fund acquires a company to when it subsequently takes the company public decreases during favorable IPO markets.

A look at the current exit market

Now that academic research on the importance and drivers of PE- and VC-backed company exits has been established, we bring the current market into focus. As explored in the previous quarterly research note, liquidity—or the lack thereof—has remained a persistent issue for private market participants. Building on this analysis, we look at the distribution to paid-in capital ("DPI") of contemporary buyout and VC funds relative to historical DPIs of funds of the same age.[9] As displayed in **Figure 3**, liquidity remains a significant issue as the pooled DPI for buyout and VC fund of vintages 2020, 2021, 2022 all lag their fund-age benchmark DPIs.

Figure 3: Pooled buyout and VC fund DPI by vintage compared to benchmark DPI[10]

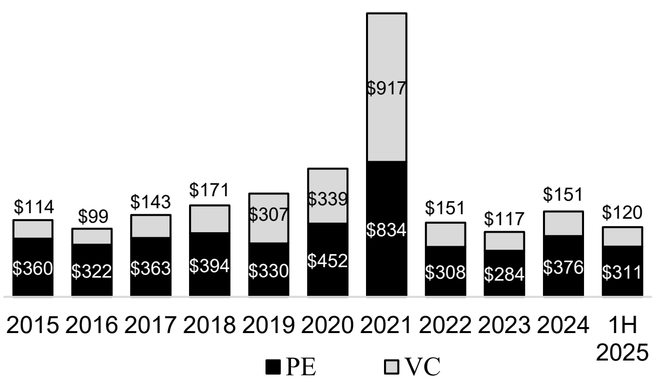


However, market signals suggest a more optimistic environment may be on the horizon. Recall, academic research has identified both increasing IPO activity and the buildup of dry powder as catalysts of private market exit activity. Overall U.S. IPO activity is trending in a positive direction, already registering 109 listings in the first half of 2025 compared to 176 in all of 2024.[11] Additionally, PE and VC dry powder are hovering at all-time highs **(Exhibit 7** on **page 6)**.

[5] Paul Gompers, William Gornall, Steven Kaplan, and Ilya Strebulaev, "How Do Venture Capitalists Make Decisions?," *Journal of Financial Economics* 135, no. 1 (January 2020): 169–190.
[6] James Brau, Bill Francis, and Ninon Kohners, "The Choice of IPO versus Takeover: Empirical Analysis," *Journal of Business* 76, no. 4 (October 2003): 583-612.
[7] Tim Jenkinson and Miguel Sousa, "What Determines the Exit Decision for Leveraged Buyout?" *Journal of Banking and Finance* 59, no. 2 (October 2015): 399-408.
[8] Reverse leverage buyout refers to an IPO of a company that was previously acquired through a leveraged buyout. Jerry Cao, "IPO Timing, Buyout Sponsors' Exit Strategies, and Firm Performance of RLBOs," *Journal of Financial and Quantitative Analysis* 46, no. 4 (August 2011): 1001-1024.
[9] The benchmark DPI for the 2020, 2021, 2022 vintage funds is calculated as the average pooled DPI for 2010 to 2019 vintage funds of the same age. For example, 2020 vintage funds are currently five-years old as of the most recent data published by State Street. To determine the benchmark DPI for 2020 vintage funds, we calculated the average pooled DPI for five-year old funds using annual historical pooled DPIs of five-year old funds for the period Q4 2014 to Q1 2025 with vintages 2010 to 2019.
[10] Author's calculation using State Street data accessed Augst 12, 2025.
[11] Rachel Gerring and Mark Schwartz, "US IPO market gained momentum with a Strong Q2 Finish," *EY* (July 2025).

Further, data on exits in the first half of 2025 appear to suggest the tensions in the exit market may be ebbing. Both PE-backed exit value ($311 billion) and VC-backed exit value ($120 billion) nearly reached their 2024 totals by the first half of this year, and they will likely surpass pre-pandemic levels given their current trajectory (**Figure 4**).

Figure 4: U.S. PE- and VC-backed exit value ($B), 2015 – 1H 2025[12]



This rebound in exit value has largely been driven by the IPO market. As displayed in **Figure 5**, IPOs have accounted for a drastically higher level of exit value for both VC- and PE-backed companies thus far in 2025 compared to prior years. For example, **Panel A** of **Figure 5** demonstrates that the value of VC-backed IPOs as of the end of June 2025 is already 47% higher compared to all of 2023. The difference is more dramatic for PE-backed IPOs, which registered a nearly 950% increase in value compared to 2023 (**Panel B** of **Figure 5**).

In line with the academic research discussed earlier, this increased appetite is not surprising given the recent swathe of successful VC-backed IPOs. An analysis of the ten largest VC-backed offerings in 2024 and 2025 demonstrates that all are valued higher now than they were at their IPO (**Figure 6**). Firms like Reddit and Circle have posted eye-watering valuation increases of 490% and 430%, and the average percent change for all firms is nearly 190%.

Figure 5: VC- and PE-backed exit value ($B) by type, full-year 2023 and 1H 2025[13]

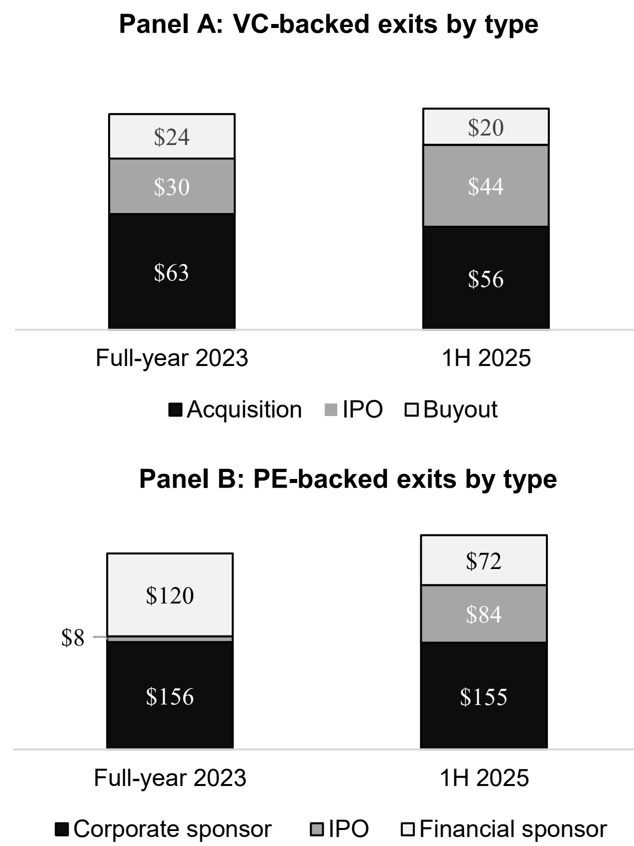
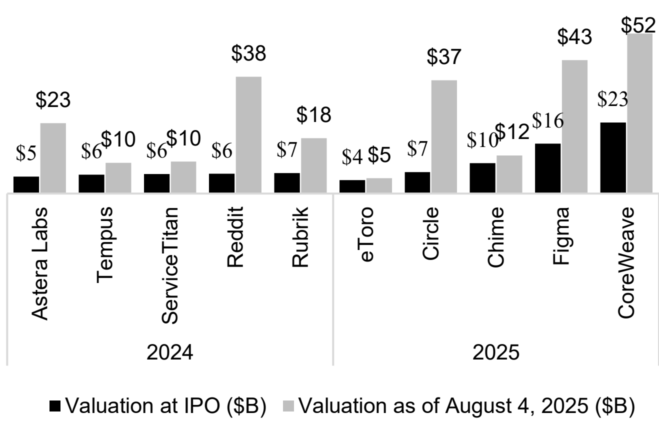


Figure 6: Top five 2023 and 2024 U.S. VC-backed IPOs by value at IPO[14]



[12] Data obtained from: "PitchBook's Q2 20225 US PE Breakdown" and "The Q2 PitchBook-NVCA Venture Monitor."
[13] *Ibid.*

[14] Valuation at IPO data accessed through Crunchbase, August 5, 2025; current market capitalizations accessed through LSEG Workspace, August 5, 2025.

Takeaways

The importance of healthy exit markets should not be understated, as they are essential for private markets to sustain themselves. And while recent uncertainty and volatility have created a prolonged liquidity crunch in private markets, trends observed in the current market data—especially the uptick in sustained IPO activity and available dry powder—suggest tensions in the exit markets may be easing.

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The Private Capital Research Institute is a not-for-profit 501(c)(3) corporation formed to further the understanding of private capital and its global economic impact through a commitment to the ongoing development of a comprehensive database of private capital fund and transaction-level activity supplied by industry participants. The PCRI, which grew out of a multi-year research initiative with the World Economic Forum, also sponsors policy forums.

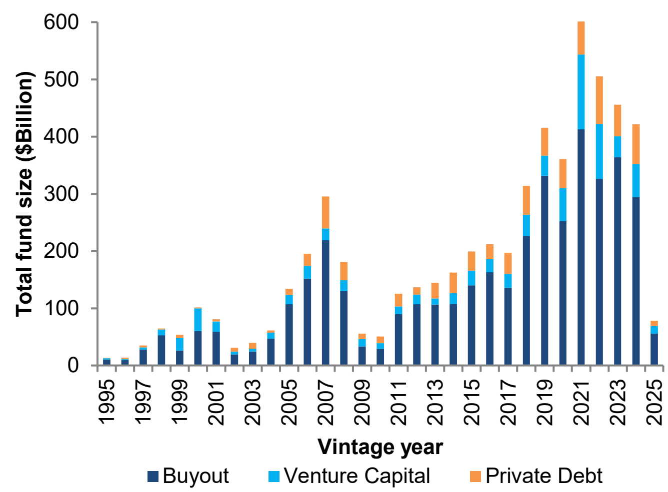
CONTINUED FROM PAGE 1

Fundraising

The impact of tariffs and broader macro uncertainty was also reflected in fundraising activity, which totaled $78 billion in Q1 2025. At this pace, full-year fundraising is projected at $312 billion, well below the $422 billion raised in 2024. While future quarters may alter this forecast, the current trend signals a renewed slowdown in fundraising that had briefly stabilized in late 2024. Among all three strategies, fundraising activity of Venture Capital slowed down the least with nearly $14 billion raised in Q1 2025 following its 2024 fundraising of $58 billion. Private Debt funds, on the other hand, raised only $9 billion in Q1 2025, significantly lower than their 2024 total of $69 billion (see Exhibit 5A). Regionally, US funds' activities remained consistent with their 2024 trajectory, raising $67 billion in Q1 2025, following their 2024 fundraising of $269 billion. The Europe and Rest of World focused funds' activities, on the other hand, dropped drastically in Q1 2025. They raised only $8 and $3 billion respectively in Q1 2025, while their 2024 fundraisings were as high as $105 and $48 billion (see Exhibit 5B).

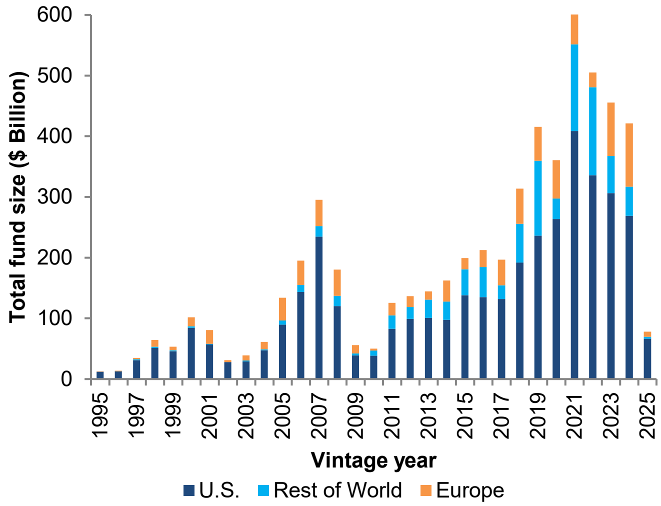
Exhibit 5. Total Fund Size (USD Billion)

A. By Strategy



Source: State Street Data Intelligence, as of Q1 2025.

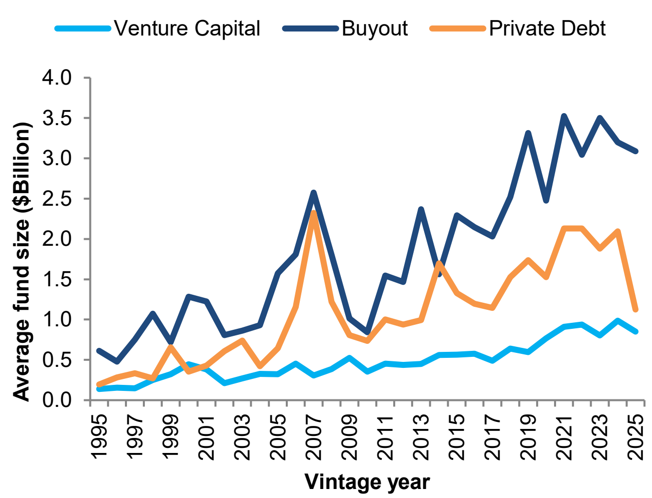
B. By Region



Source: State Street Data Intelligence, as of Q1 2025.

The average fund size of Buyout funds remained the highest among all three strategies while it continued to marginally decrease compared to the prior years, dropping by 3% from its 2024 average of $3.20 billion to $3.09 billion in Q1 2025. Private Debt funds, on the other hand, experienced a major drop in their average funds sizes in Q1 2025, declining 46% from $2.09 billion to $1.13 billion. The average fund size of Venture Capital funds also experienced a drop in Q1 2025. While their 2024 average fund size was $0.99 billion, they posted an average fund size of $0.85 billion in Q1 2025, indicating a drop of 14% (see Exhibit 6).

Exhibit 6. Average Fund Size (USD Billion)



Source: State Street Data Intelligence, as of Q1 2025.

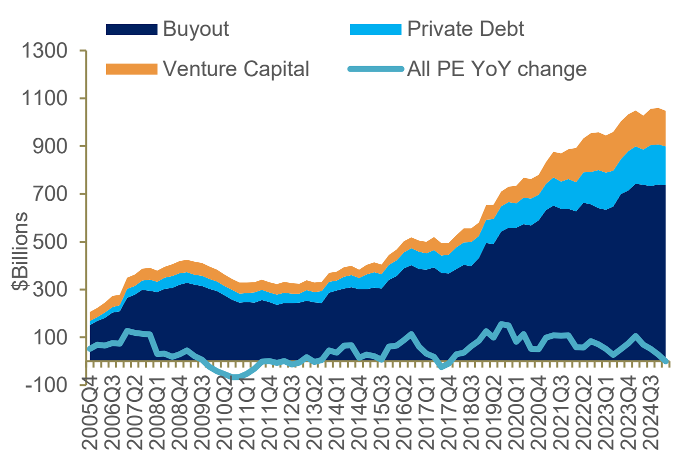
Dry Powder

Dry powder, or unfunded commitment, represents the amount of capital that has not been called, thus remaining available for future investment opportunities. In Q1 2025, the total dry powder of SSPCI constituent funds reached $1.05 trillion, slightly lower than its all-time high in Q4 2024, and roughly the same as a year ago. Specifically, the dry powder level for Buyout funds reported $736 billion, which is almost identical to their average dry powder in 2024. Dry powder for Private Debt funds decreased to $163 billion from $168 billion in Q4 2024 but it was still higher than its levels in the first half of 2024. The dry powder of Venture Capital funds also slightly decreased from $152 billion in Q4 2024 to $149 billion in Q1 2025. (see Exhibit 7A).

The quarterly dry powder normalized by the monthly average contribution of the past 12 months measures how long the current dry powder inventory can last at the recent average capital call rate without new fundraising activities. In Q1 2025, the dry powder inventory for all PE would last 28.2 months, a one and half month drop from the previous quarter. While that of Buyout funds only marginally decreased by 0.7 months to 29.2 months, for Private Debt funds dry powder inventory dropped drastically by 2.5 months to 24.5 months. The drop in Venture Capital funds dry powder inventory was the most significant. It posted 28.1 months, a 4-month decrease from Q4 2024 (see Exhibit 7B).

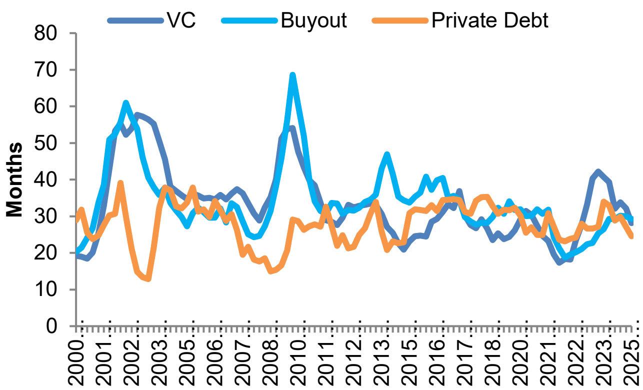
Exhibit 7. Dry Powder

A. Monthly Dry Powder



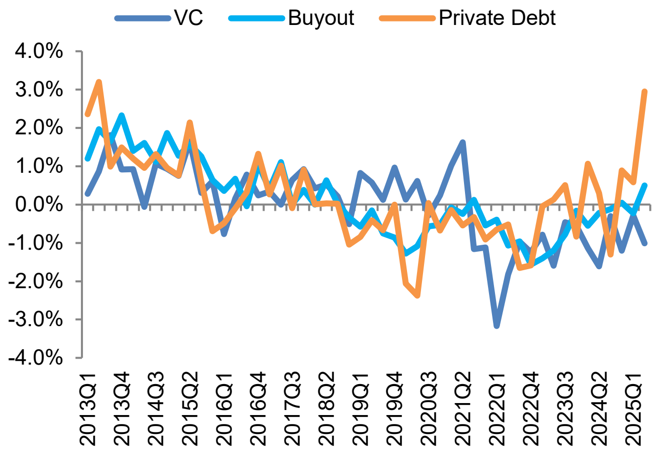
Source: State Street Data Intelligence, as of Q1 2025.

B. Quarterly Dry Powder Normalized by Average Contribution



Source: State Street Data Intelligence, as of Q1 2025.

B. Net Cash Flow to Committed Capital By Strategy



Source: State Street Data Intelligence, as of Q2 2025.

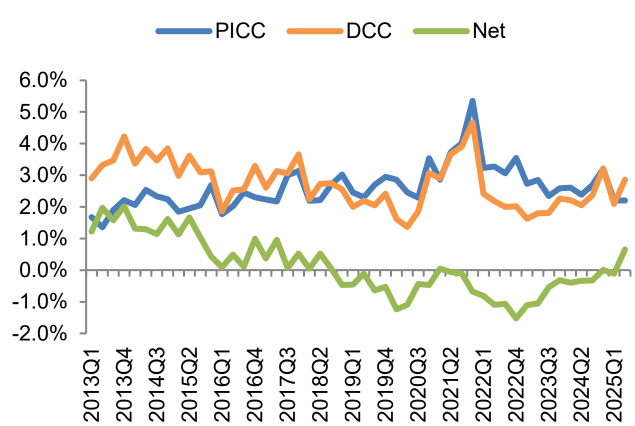
Cash Flow Activity

In Q2 2025, the quarterly distribution-to-committed-capital (DCC) ratio increased to 2.9%, and the quarterly paid-in over committed capital (PICC) ratio remained stable at 2.2%. This contributed to the upwards trend of net cash flow, which increased to 0.7% (see Exhibit 8A).

Exhibit 8B provides a detailed examination of the net cash flow across different PE strategies. Buyout and Private Debt funds posted a positive cash flow in Q2 2025 with 0.5% and 3.0% respectively, while Venture Capital fund cash flows dropped to -1% in Q2 2025 (see Exhibit 8B).

Exhibit 8. Quarterly Cash Flow Ratios Normalized by Commitment

A. Contribution and Distribution for All PE



Source: State Street Data Intelligence, as of Q2 2025.

Valuations

The Dollar Value Added (DVA) is the sum of NAV changes and net cash flows. It measures the realized and unrealized gains and losses in dollar amounts.

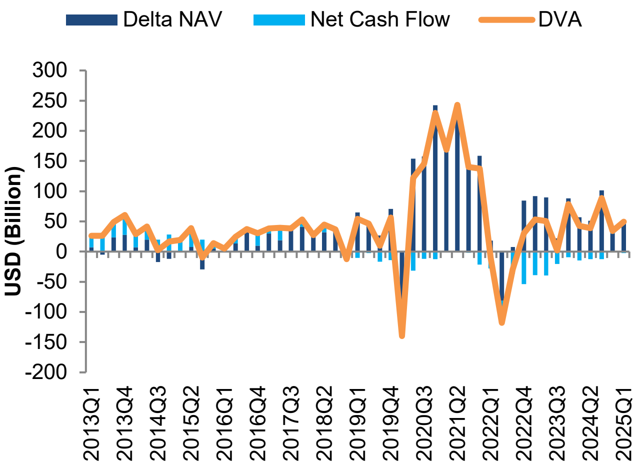
$$DVA = EndingNAV - BeginningNAV + Distribution - Contribution$$

The quarterly DVA as of Q1 2025 for all PE rebounded from \$34.2 billion in Q4 2024 to \$49.4 billion. This jump back was mainly driven by the faster quarterly increase of NAV, which increased by \$52.1 billion in Q1 2025 compared to the \$29.7 billion in Q4 2024 (see Exhibit 9A).

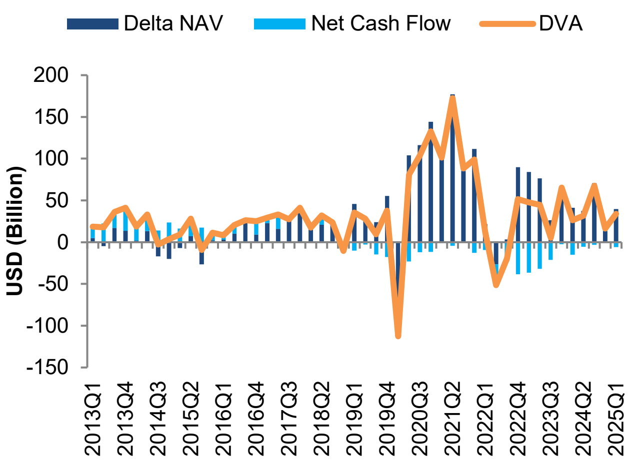
In Q1 2025, the DVA of Buyout funds increased the most with \$33.8 billion. The DVA of Venture Capital and Private Debt funds, on the other hand, increased by \$10.9 billion and \$4.8 billion respectively. While the positive DVAs of Buyout and Venture Capital funds were primarily driven by the NAV growth, the DVA of Private Debt funds were mainly driven by a large positive cash flow in Q1 2025. (see Exhibit 9A, 9B, 9C, 9D, and 9E).

Exhibit 9. Dollar Value Added

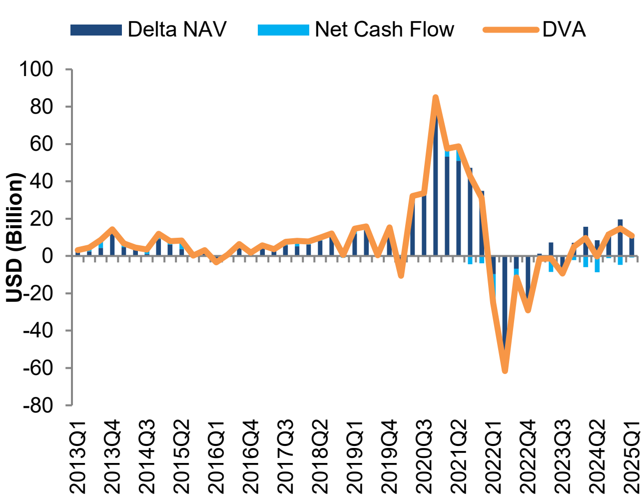
A. All PE



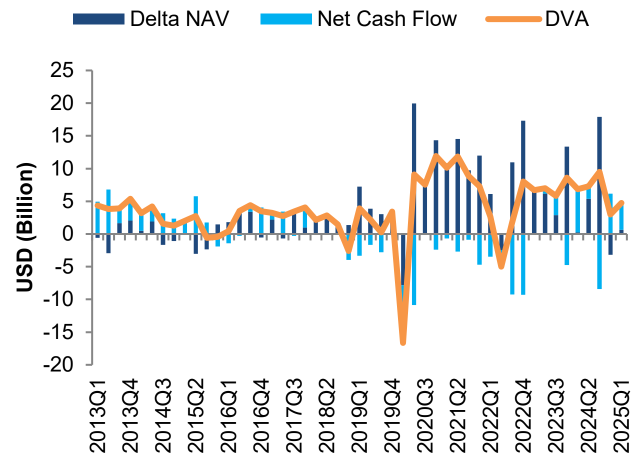
B. Buyout



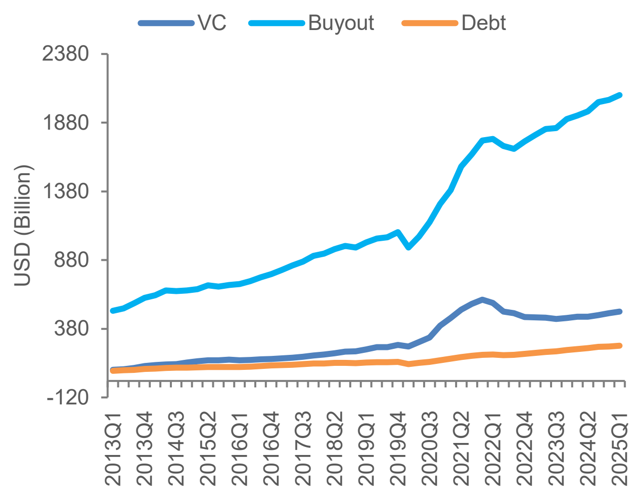
C. Venture Capital



D. Private Debt



E. NAV by VC, Buyout and Private Debt



Source: State Street Data Intelligence, as of Q1 2025.

Holdings Exposure

In SSPCI, sector focus is categorized at the fund level. While this classification offers insights into the overall fund strategy, classifications at the holding company level provide finer granularity, allowing us to identify the exposures more precisely.

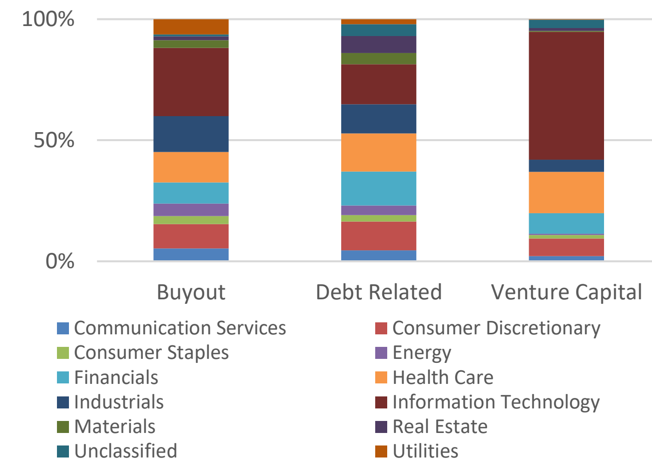
Exhibit 10A shows the NAV weights of GICS sector classifications of the portfolio companies in SSPCI constituent funds, based on State Street's proprietary private holdings data, across strategies as of Q1 2025.[15] Information Technology sector had the highest share of holdings across all strategies. For Buyout funds, there was 28% NAV in Information Technology sector, followed by Industrials, Health Care and Consumer Discretionary with NAV weights of 15%, 13%, and 10% respectively. 53% of NAV in Venture Capital is concentrated in Information Technology, followed by 17% for Health Care and 8% for Financials sectors. Private Debt stayed as the most diversified among strategies, with Information Technology, Health Care and Financials as the top three sectors having largest NAV weights of 16% for IT and Health Care and 14% for Financials.

For funds classified as Generalist in SSPCI, Information Technology consists of 21% of the NAV, followed by Industrials, Health Care, and Consumer Discretionary, accounting for 17%, 16% and 12% respectively. The fifth ranking sector Financials remained the same as last quarter at 11%. The top four sectors collectively represented 67% of the NAV within Generalist funds (see Exhibit 10B).

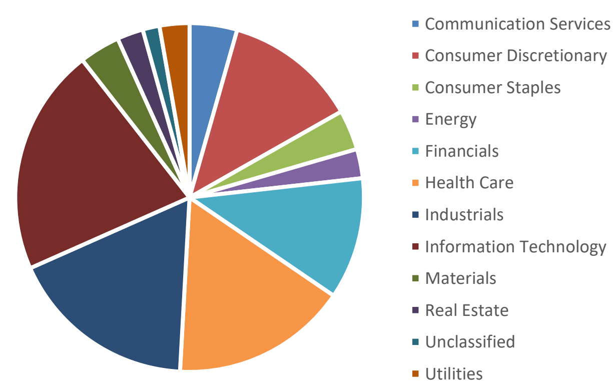
Exhibit 10C illustrates the percentage of holding companies in each sector and their NAV-to-remaining-cost ratio's directional changes from Q4 2024 to Q1 2025, excluding fully exited deals. The changes in the NAV-to-cost ratio serves as a key indicator of valuation changes, isolating the investment cost adjustments. In Q1 2025, more than half of the sectors saw over 50% of the investments increase in valuation. Top of sectors were Real Estate, Utilities and Consumer Staples. 9 out of 12 sectors saw more investments increase in valuations than decrease in valuations. No sector had over 50% valuation decrease. Only Health Care, Materials, and Consumer Discretionary had more investments with declines in valuation ratios rather than increases.

Exhibit 10. Holdings Sector Exposure Measured by NAV

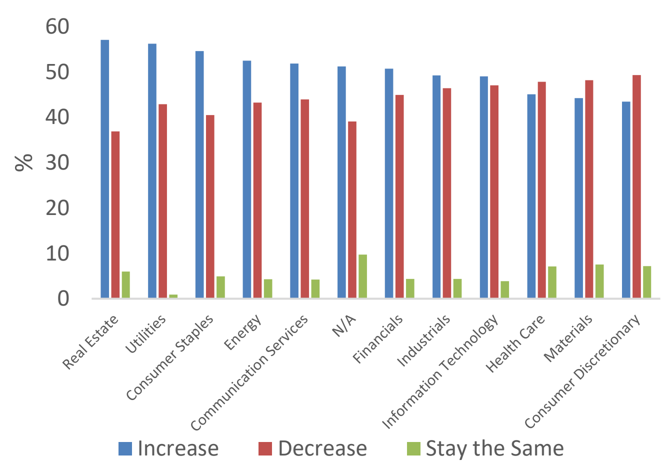
A. Sector Exposure by Strategies



B. Sector NAV weights for Generalist PE Funds



C. NAV/Remaining Cost Ratio from Q4 2024 to Q1 2025



Source: State Street Data Intelligence, as of Q1 2025.

[15] As of August 2025, the coverage of Q1 holdings data was 68% of the overall NAV in SSPCI.

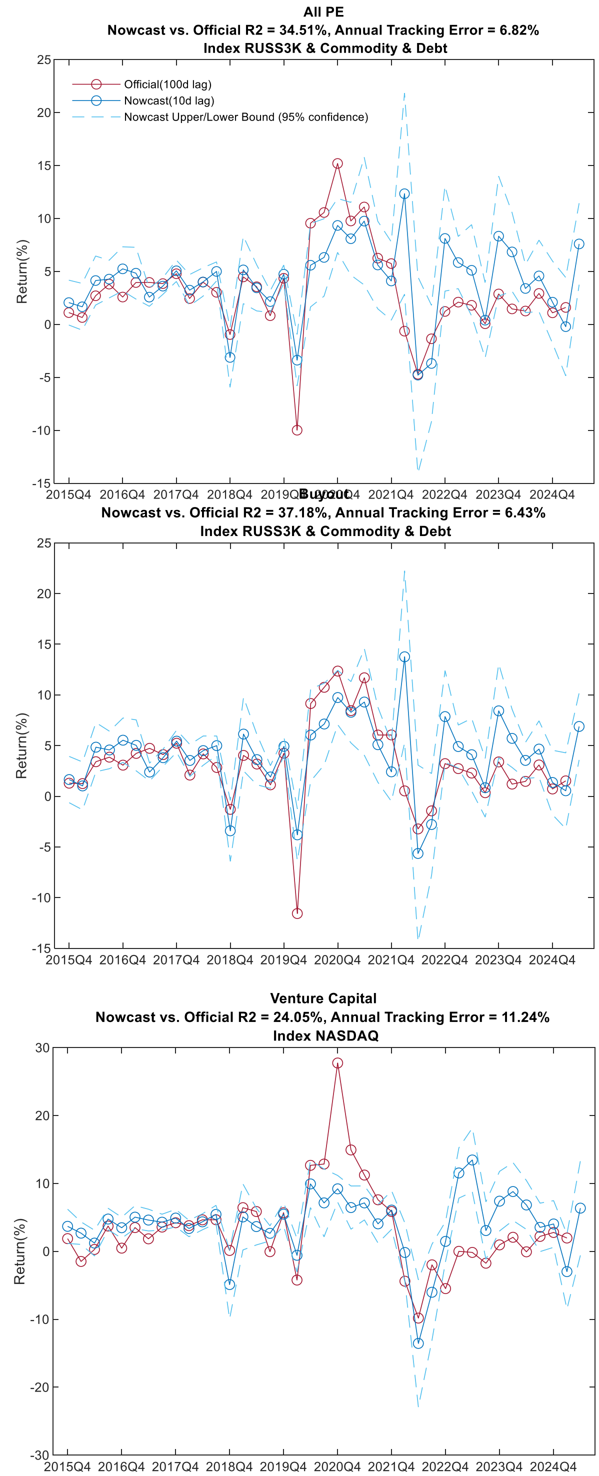
Nowcasting

Inspired by the concept of nowcasting, the SSPCI research team developed a model, aspiring to estimate the concurrent performance of private equity market, of which the reporting is otherwise delayed at least by one quarter. We hereby only share the model predictions for Q2 2025 without going into theoretical background. For model details, please refer to State Street Private Equity Insights Q3 2021 publication[16]. Nowcasting results are out-of-sample predictions based on the regression coefficients from the past 5-year rolling window of observed public market returns and private market cash flows.

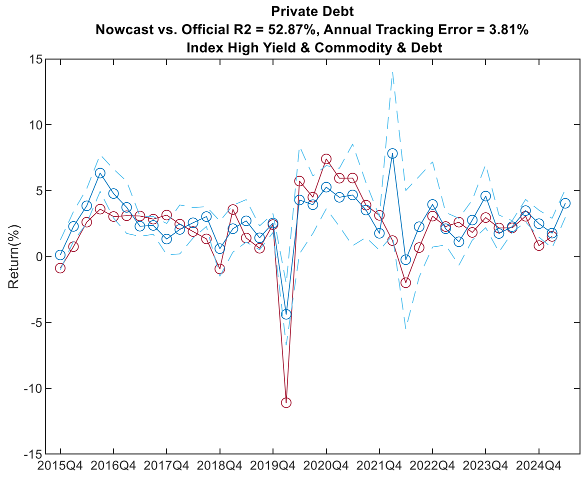
Reflecting on Q1 2025, the actual returns for All PE, Buyout, Venture Capital, and Private Debt were 1.60%, 1.52%, 1.96% and 1.53% respectively. Comparatively, last quarter's nowcasting model made the predictions of -0.22%, 0.54%, -2.99% and 1.78%. Exhibit 11 indicates that the nowcasting model's predictions for all strategies were within their 95% confidence intervals. The model made a relatively close prediction for Private Debt, nonetheless predicted negative returns for all PE and VC, given the weak public market performance in Q1 2025 due to the uncertainty around tariffs. Nasdaq composite and Russell 3000 fell sharply by 10.3% and 4.7% respectively. On the contrary, private market seems less affected by the news and held the quarterly return positive.

Looking ahead to Q2 2025, the nowcasting model anticipates a significant jump across all strategies, predicting quarterly returns of 7.59%, 6.89% and 6.36% and 4.05% respectively for All PE, Buyout, VC, and Private Debt, again, driven primarily by the immediate rebound of the public market performance in Q2 2025. The large magnitude of the predicted positive performance is hardly known for sure, but a rebound in private market appears a fairly reasonable assumption. This forecast is attributed to the recovering of equity market, as Nasdaq and Russell 3000 Index rose 17.9% and 11.0%. Meanwhile, in the debt market, Bloomberg US Aggregated Bond Index rose marginally by 1.26%, and Bloomberg US Corporate High Yield Index returned positively by 3.66%.

Exhibit 11. Actual vs. Out-of-sample Nowcast IRRs



[16] State Street Private Equity Insights Q3 2021
https://globalmarkets.statestreet.com/portal/peindex/ publications



Source: State Street Data Intelligence, as of Q1 2025.

DISCUSSION – PRIVATE CAPITAL VS PUBLIC EQUITY RETURNS

The relative performance of private capital over public equity is even more relevant than it was in the past following the new executive order that broadens 401(k) savings' access to private markets. Exhibit 12A shows that private capital returns, as captured by the SSPCI quarterly returns, overperform both the US large-cap stocks, as proxied by the total return index of S&P500, and global large and mid-cap stocks, as proxied by the MSCI ACWI total return index, over a 20 year horizon, which captures both the global financial crisis years and the Covid-19 pandemic. While private capital annualized return over this horizon was 12.2%, the US and global large-cap stocks had 10.2% and 8.2% annualized returns respectively. Such overperformance over a long horizon is consistent with the additional illiquidity premium associated with private market investments.

Over the past decade, private capital has lost some of its historical performance edge as US large-cap stocks – mainly led by large tech and AI-driven companies – have delivered unusually strong returns. At the same time, higher interest rates and slower exit activity made it harder for private capital managers to return capital and generate outsized gains. Exhibit 12A shows that, over a 10-year horizon, private capital returns are marginally below that of US large-cap stocks, and more importantly, over shorter horizons (i.e. 1, 3 and 5-year), US large cap stocks seem to be systematically outperforming private market returns. However, Exhibit 12A further shows that, once top performing "Magnificent 7" stocks[17], which recently constitute a little over a third of the total market cap of S&P 500 stocks, are taken out from the index, SSPCI returns continue to outperform US large-cap stock at almost all horizons.

The only horizon that S&P 500, excluding the Magnificent 7, outperforms private markets is the 3-year horizon. However, it is important to highlight that the total private capital return is a weighted average of three different private capital strategies. Exhibit 12B shows that Venture Capital funds are driving the lower private capital return over the 3-year horizon. Private Debt funds, for instance, outperform the S&P 500, excluding the Magnificent 7 index, by about 2.4% annualized rate, while

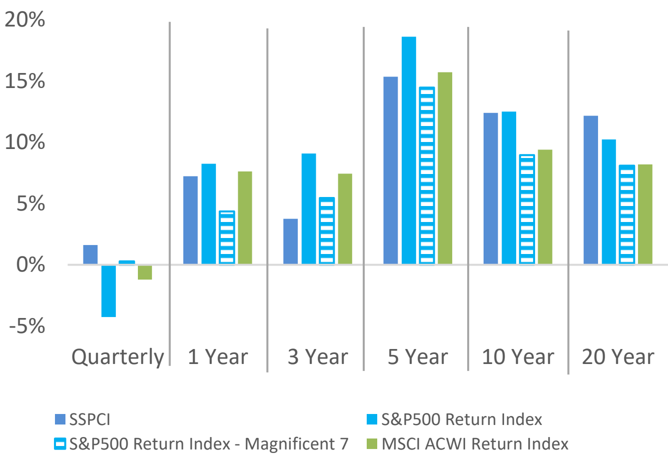
[17] "Magnificent 7" stocks are Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla.

Buyout funds had roughly the same annualized return over this horizon.

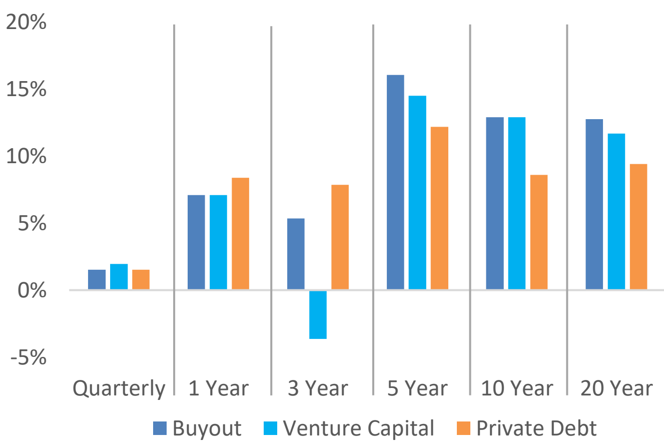
Over the shortest horizon, i.e. in the first quarter of 2025, SSPCI outperformed the S&P 500, with or without the Magnificent 7. However, this was largely due to the short-term volatility in public markets following new tariff announcements. The bigger pictures remains unchanged: unless public markets experience a correction – which is a possibility given the high levels of the S&P500 P/E ratio – or the private capital exit environment improves, private capital performance is likely to continue trailing U.S. equities, with the top performing Magnificent 7 stocks, over the near term.

Exhibit 12. Investment Horizon Returns

A. Public vs Private Markets



B. Private Capital Returns



Source: State Street Data Intelligence, as of Q1 2025.

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Participants in private capital markets need a reliable source of information for performance and analytics. Given the non-public nature of the private equity industry, collecting comprehensive and unbiased data for investment analysis can be difficult. The State Street Private Capital Index ("SSPCI") helps address the critical need for accurate and representative insight into private equity performance.

Derived from actual cash flow data of our Limited Partner clients who make commitments to private equity funds, SSPCI is based on one of the most detailed and accurate private equity data sets in the industry today. These cash flows received as part of our custodial and administrative service offerings are aggregated to produce quarterly Index results. Because the SSPCI does not depend on voluntary reporting of information, it is less exposed to biases common among other industry indexes. The result is an index that reflects reliable and consistent client data, and a product that provides analytical insight into an otherwise opaque asset class.

- Currently comprises more than 4,000 funds representing more than $5.8 trillion in capital commitments as of Q1 2025
- Global daily cash-flow data back to 1980.
- The Index has generated quarterly results since Q3 2004.
- Published approximately 100 days after quarter-end.

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