Private Capital Insights

FORTY-SECOND EDITION | Q4 2025

CURRENT QUARTER PERFORMANCE SUMMARY

The State Street® Private Capital Index (SSPCI) experienced a stable return in Q4 2025. Venture Capital remained strong as the top performing strategy (6.67%), despite slowing down, while Buyout (2.02%) remained relatively stable relative to Q3 2025. Private Debt (1.49%) showed signs of decelerating performance. Overall all PCI is down to 2.86%, making Q4 the second lowest performing quarter in 2025 (see Exhibit 1).

Exhibit 1. Private Capital Performance by Strategy

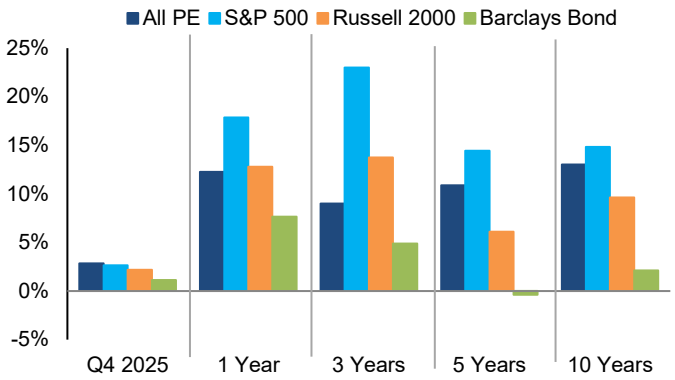
	All PCI	Buyout	VC	Private Debt
2025 Q4	2.86%	2.02%	6.67%	1.49%
2025 Q3	2.91%	2.00%	6.78%	2.45%
2025 Q2	4.16%	4.05%	5.25%	3.03%
2025 Q1	1.60%	1.52%	1.96%	1.53%

Source: State Street Data Intelligence, as of Q4 2025.

While public equity market maintained its upward trajectory in Q4, the pace of growth moderated compared to Q3. U.S. large-cap stocks (proxied by S&P 500), posted a total return of 2.65% for the quarter and 17.88% year-over-year, while U.S. small-cap stocks (proxied by the Russell 2000), gained 2.19% over the quarter and 12.81% over the year. Despite the slowdown in the private market, for the first time since Q3 2023, private capital outperformed both the U.S. public equities and the U.S. bond market (proxied by Bloomberg Barclays US Aggregated Bond Index) at the quarterly horizon. At longer horizons, however, private market outperforms the bond market but still lags behind S&P 500 (see Exhibit 2).

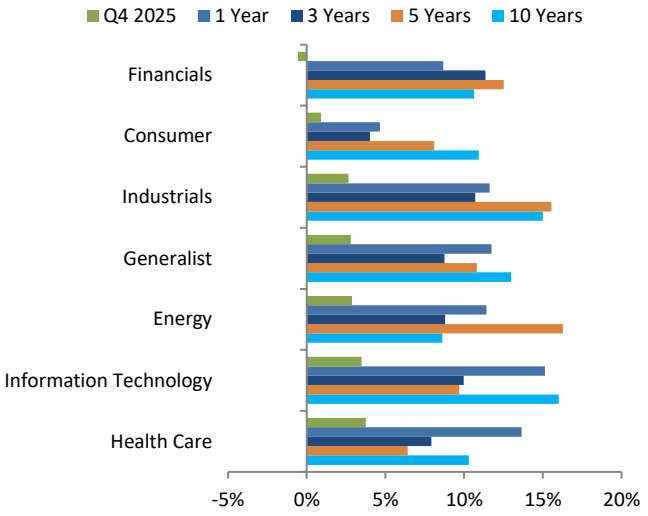
We see some shifts across sector performances in Q4 2025 compared with Q3. Healthcare funds continue to lead other sectors with a quarterly return of 3.76%. Meanwhile, funds targeting Information Technology (3.48%) and Energy sectors (2.88%) outperformed the funds with Generalist strategy (2.80%). Financials sector (-0.55%) had a negative return lagging behind all other sectors (see Exhibit 3).

Exhibit 2. Investment Horizon Returns



Source: State State Data Intelligence, as of Q4 2025.

Exhibit 3. Performance of Sector Focused Funds



Source: State Street Data Intelligence, as of Q4 2025.

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CYCLES IN CAPITAL: VINTAGE-LEVEL MEAN REVERSION IN US PRIVATE EQUITY

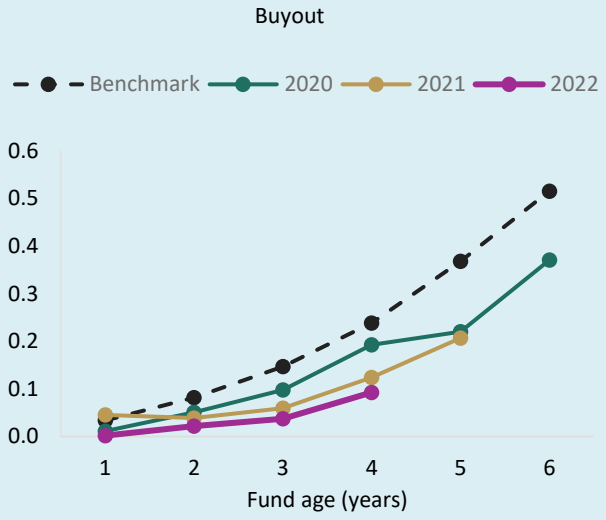
Insights from Harvard University and the Private Capital Research Institute

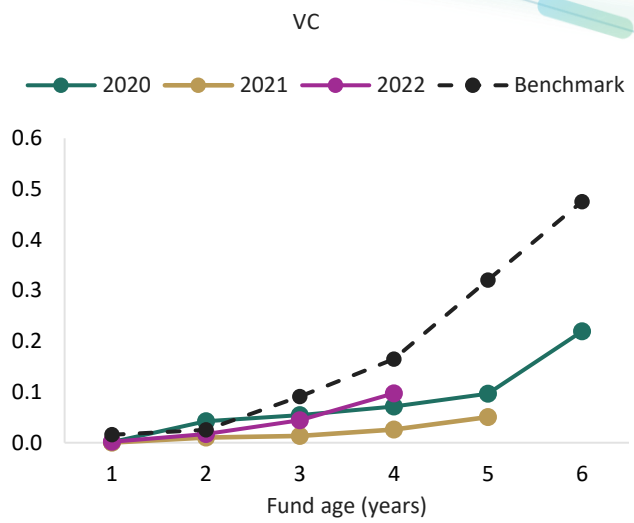
By Josh Lerner

Introduction

With headlines such as "Trump's tariff turmoil triggers worst run for private equity since 2008," many industry observers have called into question the current state of—and future prospects for—private markets.[1] Indeed, private equity ("PE") returns have weakened over the past several years, and distributions in particular have remained low. This can be seen directly when examining distributions to paid-in capital ("DPI") for recent funds. As shown in Figure 1, those funds formed between 2020 and 2022 sit well below benchmark DPIs calculated for funds formed in the 2010s. As a result, overall performance for these 2020–2022 vintages has been among the weakest of the past two decades.

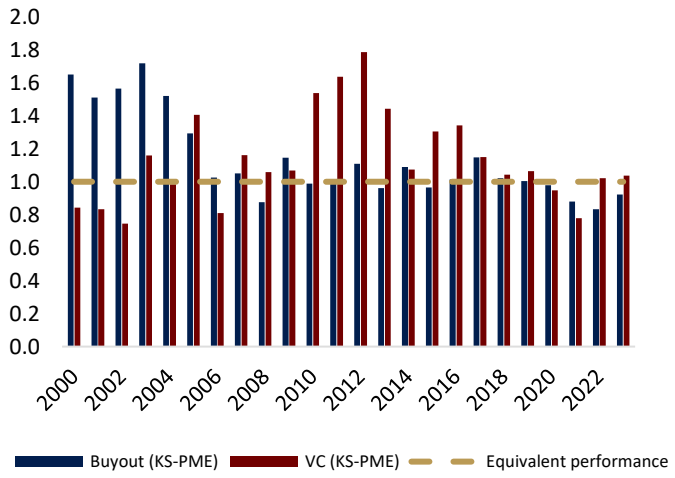
Figure 1: US pooled buyout and VC DPI by vintage compared to benchmark DPI[2]





Private market returns have also compressed relative to public benchmarks over the past several years. Figure 2 shows KS-PMEs by vintage for US buyout and venture capital ("VC") against the S&P 500 Net Total Return ("NTR").[3] Recent cohorts sit at or below 1.0 for both asset classes—indicating underperformance relative to public markets—which represents a sharp break from the persistent outperformance of the 2009–2015 vintages.

Figure 2: US buyout and VC KS-PMEs vs. S&P 500 NTR by vintage[4]



[1] Saunders, Tom. "Trump's Tariff Turmoil Triggers Worst Run for Private Equity since 2008." Yahoo Finance, 23 Feb. 2026, finance.yahoo.com/news/trump-tariff-turmoil-triggers-worst-124029431.html. Accessed 4 June 2026.

[2] 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 six years old as of the most recent data published by State Street. To determine the benchmark DPI for 2020 vintage funds at 6 years old, we calculated the average pooled DPI for six-year-old funds using annual historical pooled DPIs of six-year-old funds for the period Q4 2015 to Q4 2025 with vintages 2010 to 2019. Calculations performed using State Street data accessed May 27, 2026.

[3] The Kaplan-Scholar Public Market Equivalent (KS-PME) benchmarks private market fund performance against a public index by discounting fund cash flows at the index's realized return. A KS-PME above 1.0 indicates that the fund outperformed the public benchmark on a dollar-weighted basis; a value below 1.0 indicates underperformance.

[4] Authors' calculation using State Street data accessed May 27, 2026.

Investors have taken notice of these trends, and concern about the asset class has grown: LPs are now weighing whether to seek incremental liquidity through secondaries or otherwise rebalance, and are wondering how to think about the vintages still ahead.

To help answer these questions, we turn to the histories of both public and private markets for insights. We focus on the notion of mean reversion in performance—that is, the tendency for fund returns to eventually return to their long-term historical averages—using State Street's Private Capital index. We discuss what these empirical findings imply for LPs, contextualizing them in light of recent market trends.

"Mean reversion" in performance, and lessons learned from public markets

The idea that returns run hot before cooling off has been studied thoroughly in the public market literature, and that body of work offers a useful lens for private markets. Two findings are central. First, returns tend to exhibit "momentum" (at least, over horizons of three to twelve months), so past winners tend to keep winning. The effect was first documented by Jegadeesh and Titman in 1993 and has since proven robust, appearing across asset classes and international markets and traced through more than two centuries of data.[5] Second, over longer horizons the pattern inverts: portfolios of past losers go on to outperform past winners over three-to-five-year windows, a reversal that De Bondt and Thaler attributed to investors overreacting to recent performance and then correcting.[6]

These two effects are usually read as two sides of the same behavioral coin, operating on different horizons: investors underreact to new information in the short run, letting trends persist; then overreact as those trends extend, setting up the reversal.[7] The common thread is that prices drift far enough in one direction to draw in attention and capital, then mean-revert as those flows compete away the opportunity that drew them.

Whether the same short-run momentum and longer-run reversal operate in private markets is a natural question and, given the performance of recent PE vintages, a consequential one.

Do private equity vintages show the same pattern?

To test whether private equity shows the same momentum-and-reversion pattern, we use State Street's Private Capital index (as of Q4 2025), restricted to US buyout and US venture capital funds with vintage years between 1990 and 2022.[8] The primary performance metric is pooled total value to paid-in capital ("TVPI") since inception. This metric is a ratio calculated by dividing the cumulative distributions made by funds formed during a given vintage year, plus any remaining unrealized value (i.e., NAV), divided by the amount of capital called by those same funds. It therefore represents a "multiple of money" that captures both realized and unrealized returns. Vintage-level capital data are taken from State Street's fund size measure, which represents aggregate committed capital across the funds in State Street's benchmark universe.

The results of this exercise are plotted in Figure 3. Two features stand out. Venture exhibits two cycles: a 1994–1996 peak, with extremely high industry TVPIs between 5–6x, followed by a deep trough into 1999–2002; and a second smaller peak in the 2010–2012 cohorts with TVPIs around 4x followed by a gradual normalization. Buyout is far more compressed with vintages from 2000 onward clustering in a 1.6–2.4x band, a mild rise into the early 2010s, and a clearer decline after 2017. Across both asset classes, vintage returns vary substantially more than steady-state expectations would suggest.

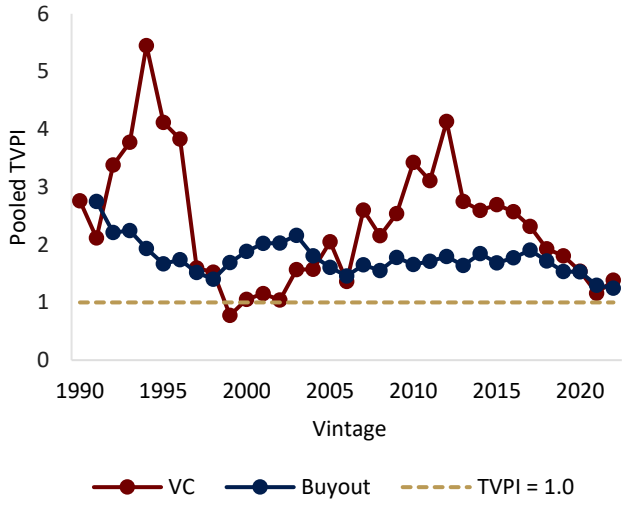
[5] Narasimhan Jegadeesh and Sheridan Titman, "Returns to Buying Winners and Selling Losers: Implications for Stock Market Efficiency," Journal of Finance 48, no. 1 (March 1993): 65–91; Subrahmanyam, Avanidhar. "Equity Market Momentum: A Synthesis of the Literature and Suggestions for Future Work." Pacific-Basin Finance Journal, vol. 51, Oct. 2018, pp. 291–296, https://doi.org/10.1016/j.pacfin.2018.08.004.

[6] Werner F. M. De Bondt and Richard Thaler, "Does the Stock Market Overreact?," Journal of Finance 40, no. 3 (July 1985): 793–805.

[7] Petruno, Tom. "Momentum Investing: It Works, but Why?" UCLA Anderson Review, 31 Oct. 2018, anderson-review.ucla.edu/momentum/.

[8] Vintages prior to 1990 are excluded due to the small fund counts and high noise that characterize the early years of the asset class; vintages after 2022 are excluded because total value to paid-in capital ("TVPI") remains immature within the first several years of a fund's life.

Figure 3. Pooled TVPI by vintage year: US buyout vs US VC[9]



Moreover, statistical tests confirm the sort of cyclical pattern that the chart visually suggests. One such statistical test involves examining "autocorrelations," or the degree to which returns in a given period are correlated with returns from prior periods. Vintage returns show strong positive autocorrelation at one-year lags (roughly 0.7 for both asset classes), [10] consistent with the sort of short-run momentum observed in mean-reverting public markets. These autocorrelations subsequently decay toward zero by year three before turning negative at four- and five-year horizons. This reversal pattern is also consistent with that seen in public markets, suggesting both US buyout and VC funds exhibit some degree of mean reversion.

Why the cycle turns: money chasing deals

Although the pattern seems clear, it is worth understanding how and why these patterns emerge. To do so, one needs to look at how capital behaves around both strong and weak vintages.

Through past cycles, strong performance in certain vintage years has reliably attracted capital in subsequent years. During these subsequent years, LPs increase commitments to existing managers, new firms raise debut funds, and managers raise larger successor funds. However, this additional capital pursues a finite set of investable opportunities, bidding up entry valuations, stretching leverage, and pushing GPs toward deals on the periphery of their typical investment opportunity set. As a result, the vintages following exuberant periods inherit less favorable deployment environments, regardless of any GP's skill.

This has been deemed the "money chasing deals" phenomena in the literature, which examines these issues in some depth. Kaplan and Strömberg document the cyclicality of buyout activity[11]; Gompers and Lerner find that fund inflows compress VC entry valuations directly[12]; and Harris, Jenkinson, and Kaplan show a negative relationship between vintage capital commitments and subsequent returns. [13] Gil-Alana and Puertolas-Montanes find that capital-driven shocks to PE profitability mean revert slowly, persisting over multiple quarters.[14]

Visualizing "money chasing deals"

To show this effect directly, Figure 4 uses recent State Street data to test whether vintage capital commitments and TVPI are negatively related, as the mechanism of capital flows driving the cycle would predict. The dotted trendlines plot log capital raised against pooled TVPI for US buyout (blue) and VC (red) funds.[15]

[9] Authors' calculation using State Street data accessed May 27, 2026.

[10] Authors' calculation using State Street data accessed May 27, 2026. The autocorrelation coefficient is calculated using pooled TVPI by vintages from 1990–2022 with lags of 1, 2, 3, 4, and 5 years.

[11] Steven N. Kaplan and Per Strömberg, "Leveraged Buyouts and Private Equity," Journal of Economic Perspectives 23, no. 1 (Winter 2009): 121–146.

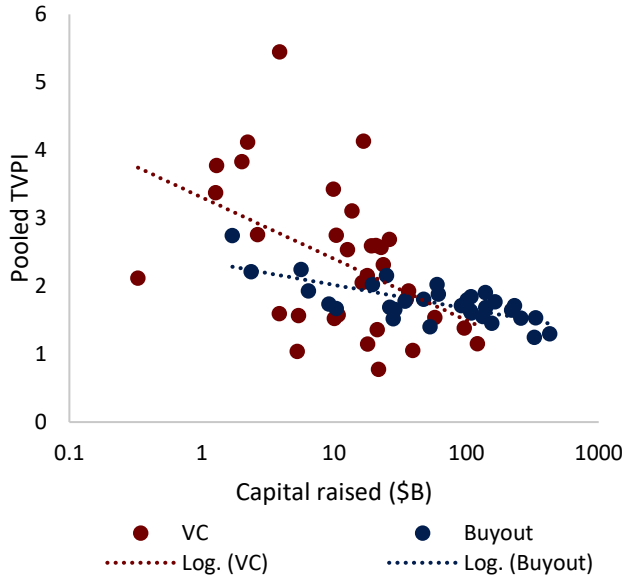
[12] Paul Gompers and Josh Lerner, "Money Chasing Deals?: The Impact of Fund Inflows on the Valuation of Private Equity Investments," Journal of Financial Economics 55, no. 2 (February 2000): 281–325.

[13] Robert S. Harris, Tim Jenkinson, and Steven N. Kaplan, "Private Equity Performance: What Do We Know?," Journal of Finance 69, no. 5 (October 2014): 1851–1882.

[14] Luis Alberiko Gil-Alana and Francisco Puertolas-Montanes, "Profitability of Private Equity: Mean Reversion and Transitory Shocks," Journal of Economics and Finance 47, no. 2 (June 2023): 458–471.

[15] Vintage capital is entered in logs for two reasons. First, total capital across the US venture capital and buyout funds in State Street's dataset grew from ~$3.55 billion in 1990 to ~$279.21 billion in 2022. A linear specification would be heavily weighted toward the largest recent vintages and would impose a constant dollar-for-dollar effect that has no economic interpretation across such different scales. Second, the proposed mechanism of capital chasing a finite set of opportunities operates on relative rather than absolute scale. A doubling of vintage size is the economically meaningful comparison, and the log specification shows exactly that.

Figure 4. Vintage capital raised vs pooled TVPI, US PE, 1990–2022 vintages



Across the full 1990–2022 sample, both relationships are negative and statistically significant. Each unit increase in capital raised by vintage is associated with roughly a 0.15x decline in buyout TVPI and 0.39x decline in VC TVPI. More intuitively, a doubling of capital raised in a given vintage implies a ~0.10x decline in buyout TVPI and a ~0.27x decline in VC TVPI.

What does this mean for LPs?

The capital-flow mechanism is made more relevant by the fact that LP allocations are not constant and can be procyclical for a couple of reasons. First, recent realized returns are a tangible input for investment committees, so strong vintages may drive upward revisions to PE target allocations for future vintages.[16] Second, institutional inertia means LP allocations often tend to "drift up" in good cycles and contract in bad ones, often after the relevant pricing signals have flipped.[17]

The current cycle illustrates both of these effects. Through 2021, target allocations to PE expanded across institutional portfolios and fundraising hit record levels.[18]

Since 2022, however, the dynamics have reversed: the "denominator effect" from public-market drawdowns pushed PE allocations above target levels at many institutions,[19] distributions have been depressed, and a number of LPs have pulled back on new commitments at exactly the point where the historical evidence suggests entry conditions are improving. This has also been demonstrated to occur at the micro-level, with research showing negative relationships between increasing fund size and returns.[20] These are exactly the procyclical patterns the mean-reversion mechanism predicts, and it is the dynamic that has, historically, set up strong returns for the next cohort.

Takeaways

First, recovery in relative performance, if it comes, is more likely to play out over a multi-year horizon than a near-term one. The cycle does not clear in a single vintage. Patience with the current cohort is more defensible than the headline DPI numbers, viewed in isolation, would suggest.

Second, the cross-sectional evidence supports the direction of the capital-returns relationship (more capital is associated with lower subsequent returns) but is too noisy to dictate how much to commit to any single vintage. Vintage-level returns remain difficult to forecast, and there remains a wide dispersion in returns across individual managers.

For LPs, the implication is asymmetric. Vintage-level returns are difficult enough to forecast that the evidence does not support attempting to time the market – findings which have been echoed elsewhere in the literature.[21] It does, however, argue against retrenching from weak cycles, which is when the historical evidence suggests conditions are improving. Pacing discipline – steady commitments that resist the pull of recent

[16]Kaplan, Steven N., and Antoinette Schoar. 2005. "Private Equity Performance: Returns, Persistence, and Capital Flows." The Journal of Finance 60 (4): 1791–1823. https://doi.org/10.1111/j.1540-6261.2005.00780.x.

[17]Irani, Mohammad (Vahid), and Hugh Hoikwang Kim. 2018. "Inertia of Institutional Investors, Stock Returns, and Performance." SSRN Electronic Journal. https://doi.org/10.2139/ssrn.3103741.

[18]MacArthur, Hugh, Rebecca Burack, Christophe De Vusser, and Kiki Yang. 2022. "The Private Equity Market in 2021: The Allure of Growth." Bain. March 7, 2022. https://www.bain.com/insights/private-equity-market-in-2021-global-private-equity-report-2022/.

[19]O'Leary, Katie. 2023. "What Asset Allocators Need to Know about the Denominator Effect." PitchBook. April 9, 2023. https://pitchbook.com/blog/what-is-the-denominator-effect-exploring-portfolio-rebalancing-strategies.

[20]Bhardwaj, Abhishek, Abhinav Gupta, Sabrina T. Howell, and Kyle Zimmerschied. Does fund size affect private equity performance? evidence from donation inflows to private universities. No. w33596. National Bureau of Economic Research, 2025.

[21]Brown, Gregory, Robert Harris, Wendy Hu, Tim Jenkinson, Steven N. Kaplan, and David T. Robinson. "Can investors time their exposure to private equity?." Journal of Financial Economics 139, no. 2 (2021): 561-577.

realized returns in either direction – is likely to generate the most favorable long-term outcomes across cycles.

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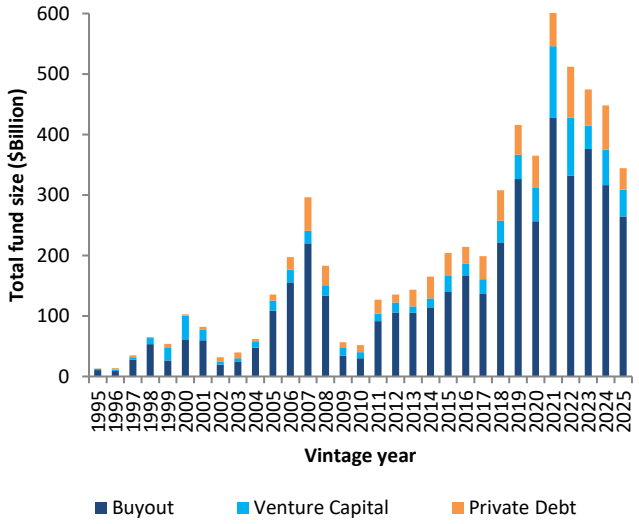
The Private Capital Research Institute is a not-for-profit 501(c)(3) corporation formed to further the understanding of private capital and its global economic impact through a commitment to the ongoing development of a comprehensive database of private capital fund and transaction-level activity supplied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

Fundraising

Total commitments raised in 2025 continued its downward trend with $345 billion for the year compared with the $443 billion raised in 2024. It was a more drastic downward shift than the trend we observed for the past 4 years. All strategies experienced a slowdown in fundraising. Buyout funds raised $264.42 billion in 2025, a 16% decrease comparing to 2024, the lowest decrease across all strategies. Venture Capital funds raised $44.28 billion and Private Debt raised $35.83 billion in 2025, a 24.89%, and 50.97% decrease comparing to 2024 respectively (see Exhibit 4A). Regionally, U.S.-focused funds remained stable compared to 2024, raising $251.62 billion a 9% decrease. In contrast, Europe and Rest-of-World focused funds experienced sharp declines, securing only $37.92 and $54.98 billion in 2025, which was equivalent to just 70% and 48% of their 2024 fundraising volumes respectively (see Exhibit 4B).

Exhibit 4. Total Fund Size (USD Billion)

A. By Strategy



Source: State Street Data Intelligence, as of Q4 2025.

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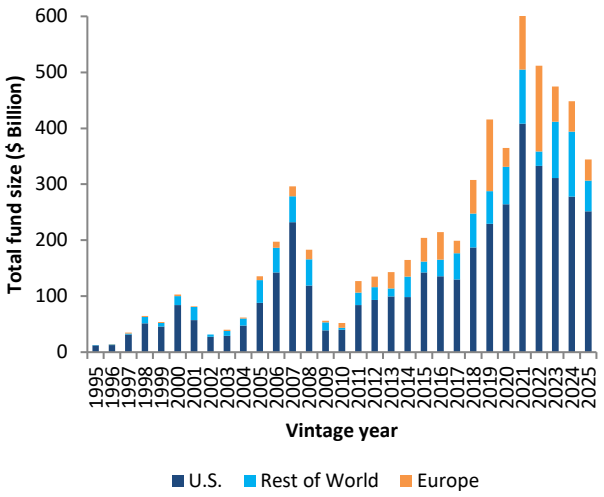
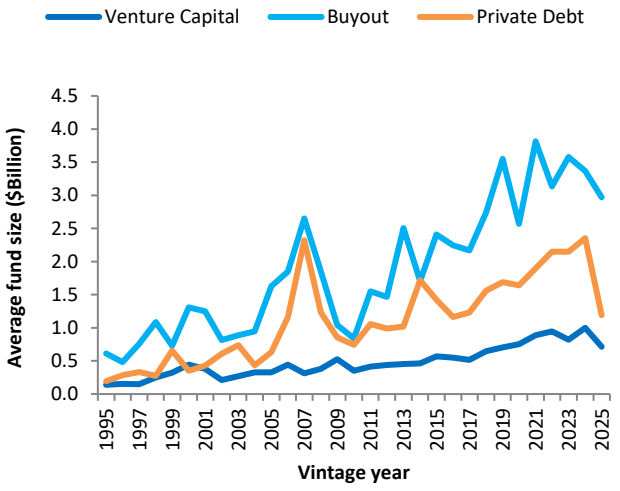
B. By Region



Source: State Street Data Intelligence, as of Q4 2025.

The average fund size continue to decline across all three strategies compared to the previous year. Private Debt experiencing the sharpest drop, with average fund size falling 49% from $2.35 billion in 2024 to $1.19 billion in 2025. Buyout funds declined relatively from $3.36 billion to $2.97 billion, a 12% drop. Venture Capital funds declined 29%, from $1 billion in 2024 to $0.71 billion in 2025 (see Exhibit 5).

Exhibit 5. Average Fund Size (USD Billion)



Source: State Street Data Intelligence, as of Q4 2025.

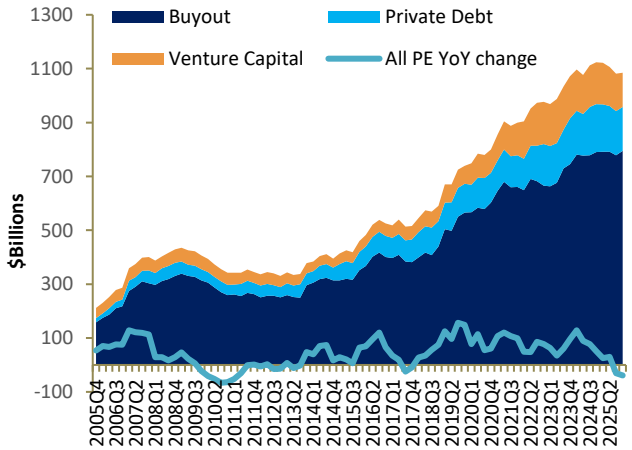
Dry Powder

Dry powder, or unfunded commitment, represents the amount of capital that has not been called, thus remaining available for future investment opportunities. As of Q4 2025, the total dry powder held by SSPCI constituent funds remained elevated at $1.08 trillion with a slight year-over-year reduction of $39 billion. We see a slight year-over-year increase in dry power for Buyout funds from $790 billion to $795 billion. Venture Capital and Private Debt funds both see decline in dry powder with VC funds decreased to $163 billion from $178 billion in Q4 2024 and Private Debt dry powder edged lower to $127 billion, down from $156 billion from the previous year (see Exhibit 6A).

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 a recent average capital call rate without new fundraising activities. In Q4 2025, the dry powder inventory for overall SSPCI would last around 29.08 months, relatively stable compared to previous quarters. Private Debt funds saw an increase of 2.2 months to 32 months. Buyout funds saw an increase of 1.1 months to 31 months. Venture Capital funds which has the shortest runway of all, saw a decrease of 2.1 months to 20 months, much lower than its 34 months historical average since 2000 (see Exhibit 6B).

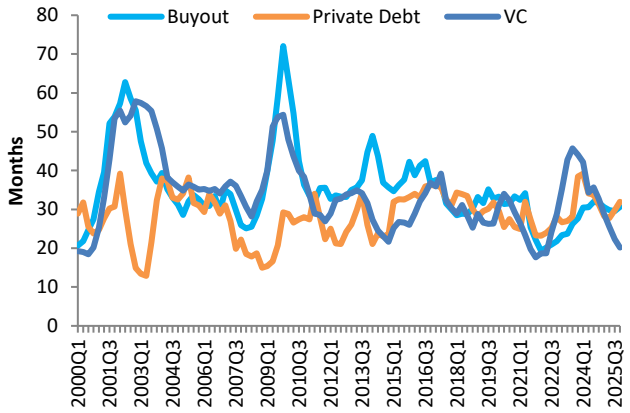
Exhibit 6. Dry Powder

A. Monthly Dry Powder



Source: State Street Data Intelligence, as of Q4 2025.

B. Quarterly Dry Powder Normalized by Average Contribution



Source: State Street Data Intelligence, as of Q4 2025.

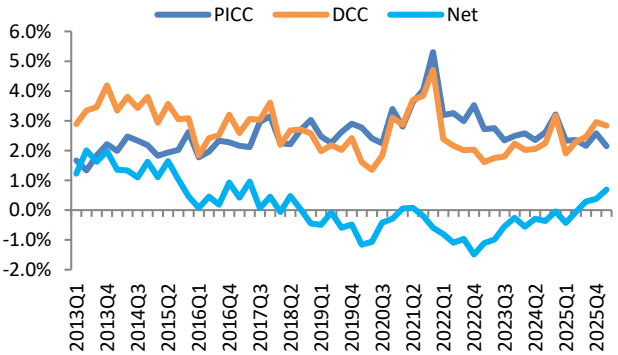
Cash Flow Activity

In Q1 2026, cash flow dynamics remained broadly stable. The quarterly distribution-to-committed capital (DCC) ratio was at 2.84%, while the paid-in-to-committed capital (PICC) ratio dropped from 2.57% in Q4 2025 to 2.15% in Q1 2026. This resulted in a positive net cash flow of 0.69% for the quarter, continuing the gradual recovery trend observed in recent quarters (see Exhibit 7A).

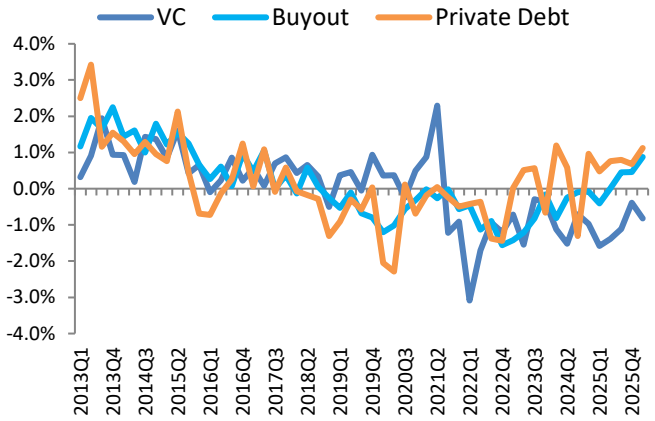
Exhibit 7B provides a detailed breakdown of net cash flow by private market strategy. Both Buyout and Private Debt funds generated positive net cash flow in Q1 2026, at 0.87% and 1.12% respectively. Venture Capital funds' net cashflow worsened and remained negative with net cash flow dropping to -0.82% from -0.39% in Q4 2025 (see Exhibit 7B).

Exhibit 7. Quarterly Cash Flow Ratios Normalized by Commitment

A. Contribution and Distribution for All PCI



B. Net Cash Flow to Committed Capital By Strategy



Source: State Street Data Intelligence, as of Q1 2026.

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.

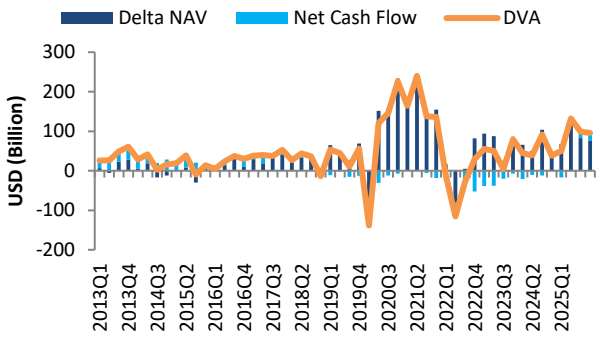
$$DVA = EndingNAV - BeginningNAV + Distribution - Contribution$$

The quarterly DVA for overall private capital decreased only slightly in Q4 2025, down from $98.5 billion in Q3 to $95.6 billion. The $7 billion decline in the delta of net asset value (NAV) was compensated by the $4 billion increase in the net cash flow, resulting in a relatively stable DVA this quarter (see Exhibit 9A).

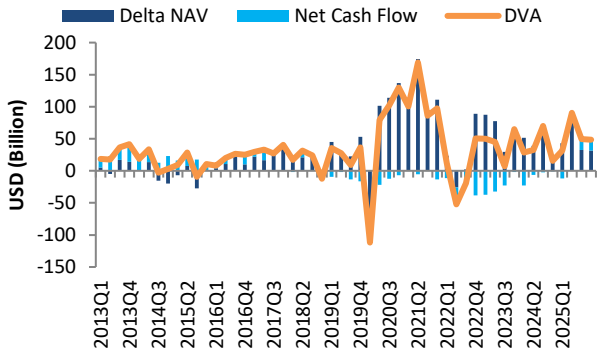
By strategy, Private Debt funds contributed the most to the overall decrease in DVA, with a decrease of $3.4 billion, mostly due to the decrease in NAV. DVA of Venture Capital and Buyout funds remained broadly stable. For Venture Capital funds, the decrease in NAV are compensated by the increase in net cashflow (see Exhibit 9B, 9C, 9D, and 9E).

Exhibit 9. Dollar Value Added

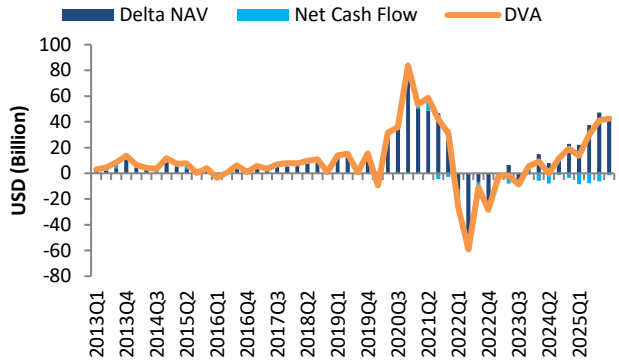
A. All PCI



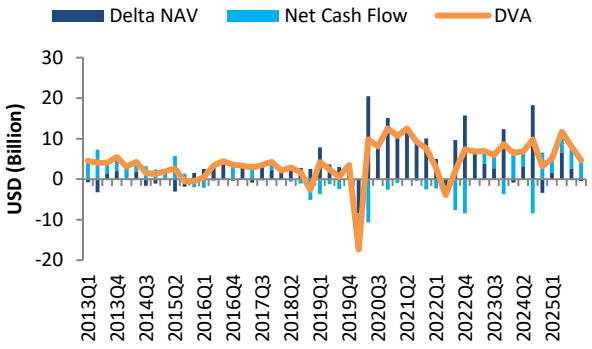
B. Buyout



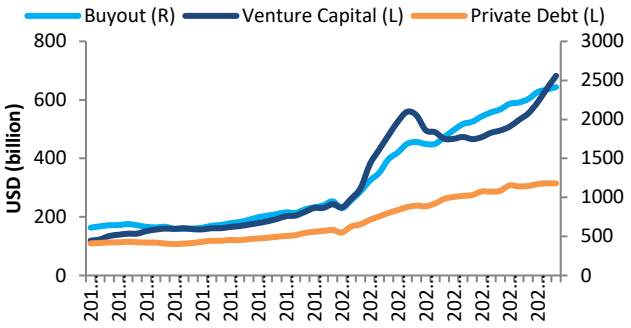
C. Venture Capital



D. Private Debt



E. NAV by VC, Buyout and Private Debt



Source: State Street Data Intelligence, as of Q4 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 sector classifications of the portfolio companies in SSPCI constituent funds, based on State Street's proprietary private holdings data, across strategies as of Q4 2025.[22] Information Technology continued to represent the largest share of holdings across Buyout and Venture Capital in Q4 2025, while Health Care surpassed it for Debt Related funds. For Buyout funds, Information Technology accounted for 30% of NAV, followed by Industrials and Health Care at 15% and 13%, respectively. Venture Capital remained highly concentrated in Information Technology, which represented 50% of NAV, followed by Health Care at 19%, and Industrials and Financials at 9% and 8%, respectively. Private Debt continued to exhibit a more diversified sector profile, with Health Care and Information Technology accounting for 16% and 15% of NAV respectively, followed by Financials at 14.5% as the top largest sector exposures.

For funds classified as Generalist in SSPCI, Information Technology remained the largest sector exposure at 22% of NAV, followed by Industrials and Health Care at 18% and 16%, respectively. Consumer Discretionary and Financials accounted for 11% and 10.7% of NAV. Collectively, these top five sectors represented 78% of total NAV within Generalist

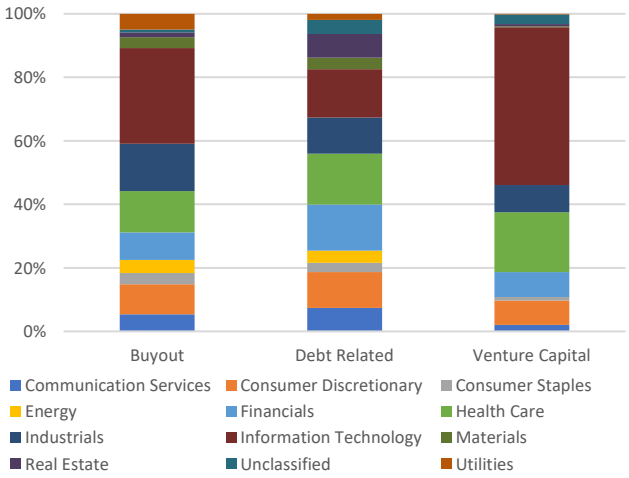
[22] As of June 2026, the coverage of Q4 holdings data was 68% of the overall NAV in SSPCI.

funds, indicating a continued concentration in these key sectors (see Exhibit 10B).

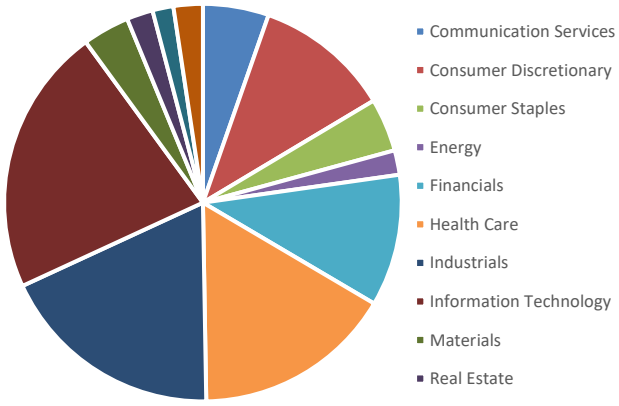
Exhibit 10C illustrates the percentage of holding companies in each sector and the directional changes in their NAV-to-remaining-cost ratios from Q3 to Q4 2025, excluding fully exited deals. The change in the NAV-to-cost ratio serves as an indicator of valuation movements, isolating changes in underlying asset values. In Q4, valuation trends remained generally balanced, with most sectors continuing to see a slight majority of companies experiencing valuation increases. Financials, Energy, and Industrials recorded the highest proportion of companies with improved valuations, each with approximately mid-50% of holdings showing increases. At the same time, Consumer-facing sectors and Real Estate exhibited weaker trends, with a higher share of companies experiencing valuation declines relative to gains. Materials continued to show the softest performance, with the lowest proportion of companies reporting valuation increases.

Exhibit 10. Holdings Sector Exposure Measured by NAV

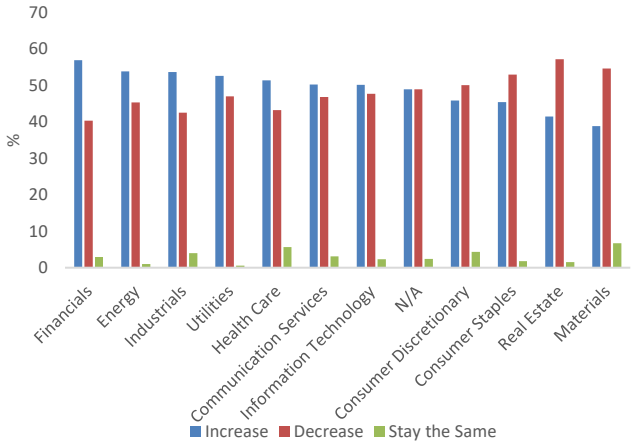
A. Sector Exposure by Strategies



B. Sector NAV weights for Generalist PE Funds



C. NAV/Remaining Cost Ratio from Q3 2025 to Q4 2025



Source: State Street Data Intelligence, as of Q4 2025.

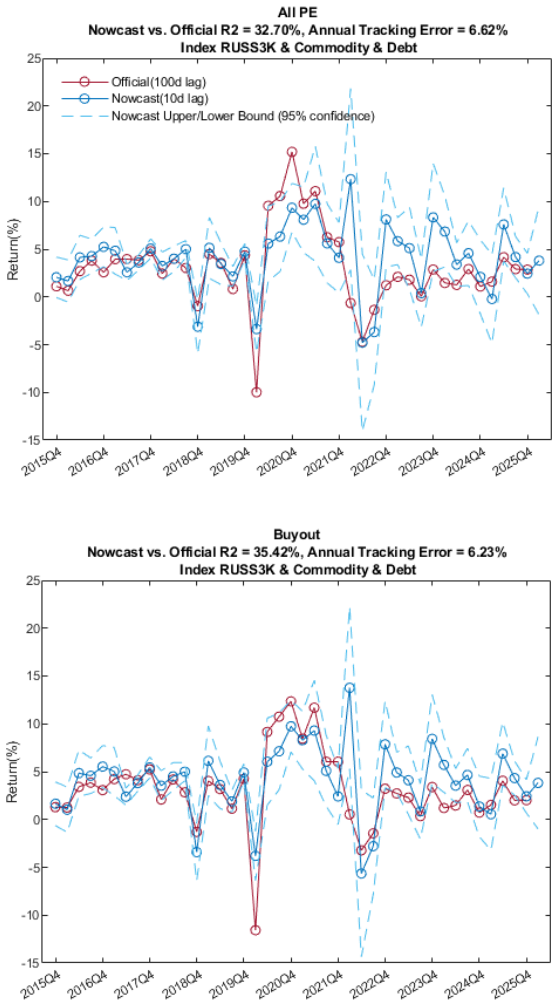
Nowcasting

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 Q1 2026 without going into theoretical background. For model details, please refer to State Street Private Capital Insights Q3 2021 publication[23]. 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 Q4 2025, the actual returns for All PE, Buyout, Venture Capital, and Private Debt were 2.86%, 2.02%, 6.67% and 1.49% respectively. Comparatively, last quarter's nowcasting model made predictions of 2.44%, 2.42%, 9.40% and 2.21%. Exhibit 11 indicates that the nowcasting model's predictions for all strategies were within their 95% confidence intervals, except for Private Debt which fell below the 95% interval. The model made a relatively close prediction for All PE and Buyout, and slightly lower predicted returns for Venture Capital along with slightly higher predicted returns for Private Debt.

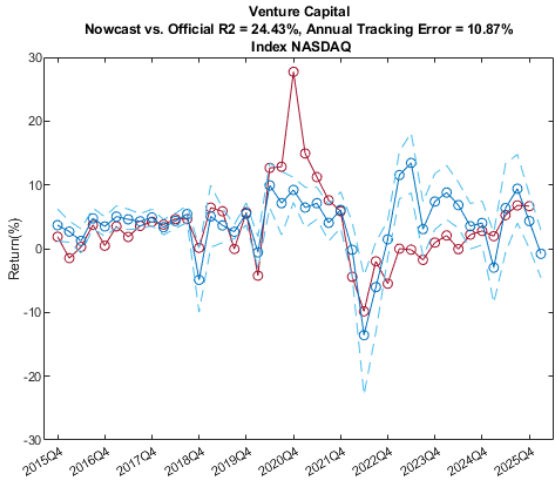
Looking ahead to Q1 2026, the nowcasting model predicts quarterly returns of 3.80%, 3.83%, -0.80% and 3.64% respectively for All PE, Buyout, Venture Capital, and Private Debt. We expect to see similar returns for All PE, Buyout and Private Debt, as well as a drop in returns for Venture Capital. This forecast is attributed to the weaker equity market than Q3 2025, as Nasdaq and Russell 3000 Index dropped -6.96% and -3.96% due to the war between US/Israel and Iran. Meanwhile, in the debt market, Bloomberg US Aggregated Bond Index dropped by -0.05% while Bloomberg US Corporate High Yield Index returned negatively by -0.51%.

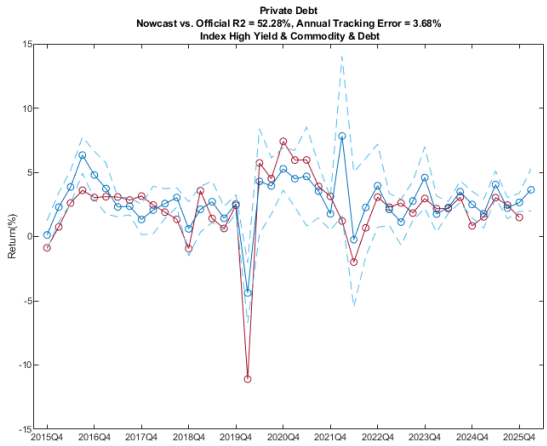
Exhibit 11. Actual vs. Out-of-sample Nowcast IRRs



Source: State Street Data Intelligence, as of Q4 2025.

[23] State Street Private Equity Insights Q2 2021
https://globalmarkets.statestreet.com/portal/peindex/ publications





Source: State Street Data Intelligence, as of Q4 2025.

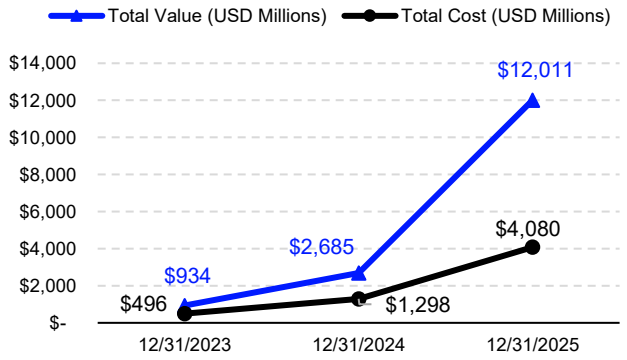
DISCUSSION – Concentration of Investment in AI Model Providers

Our private capital index tracks thousands of funds, including the venture capital funds that have invested into AI model providers. The largest AI model providers have grown from young startups into large enterprises. As LLM use has grown in popularity, new entrants have entered this space. Given the market leaders now, we are interested in quantifying the concentration of the AI foundation model providers over the past three years.

Frontier foundation models require heavy capital investment in computational infrastructure to stay competitive, with the most capable models being the most expensive per token (in terms of energy and dollars). In part for this reason, there are only a handful of private companies providing frontier models.

We surveyed the portfolios of venture capital (VC) funds in our PCI within the Information Technology and Generalist sectors. Due to the recency of the LLM industry's advent, we focused on funds with vintages of 2021 through 2025. We identified eight relevant frontier model companies in our funds' holdings - including OpenAI, Anthropic and xAI as of Q4 2025, up from the six companies in Q4 2023.

Exhibit 22: Total Investment in AI Model Providers from Private Capital Index Sample



Source: State Street Data Intelligence, as of Q4 2025.

Over the recent 3 years, the total capital invested in AI model providers by funds in SSPCI sample has grown tremendously to approximately $4 billion by the end of 2025, up from $1.3 billion in 2024 and $0.5 billion in 2023. The valuation of these investments has expanded even more rapidly to around $12 billion in Q4 2025, rising more than 4x from $2.7 billion in 2024 and 12x from $0.9 billion in 2023 (Exhibit 12).

To understand the relative portfolio exposure to AI model providers, we normalized the valuations and costs of these investments with respect to the total NAV and total called

capital of VC Information Technology funds with vintages 2021 through 2025. Exhibit 13 (B) below shows that overall, the NAV exposure to AI model providers is 6.22% within recent technology-focused VC strategies, driven primarily by Anthropic (2.99%) and OpenAI (1.99%). Note that the relative ranking of each company's exposure does not necessarily imply the overall companies' valuation rankings, as our study captures only the VC funds' investment interests in the underlying companies, observable through our index universe, a subset of the full investor base. Exposure by cost is smaller than exposure by NAV, due to the high growth of some firms (Exhibit 13A).

Exhibit 13: Relative Exposure of AI Investments

A. Relative Exposure by Cost

Company	2023 Q4	2024 Q4	2025 Q4
Total	0.64%	1.20%	2.70%
OpenAI	0.23%	0.50%	1.12%
Anthropic	0.00%	0.13%	1.01%
Perplexity AI	0.06%	0.11%	0.18%
xAI	0.13%	0.16%	0.16%
Mistral AI	0.18%	0.20%	0.15%
Reflection AI	0.00%	0.06%	0.05%
Cohere	0.04%	0.03%	0.02%
Moonshot AI	0.01%	0.01%	0.01%

B. Relative Exposure by NAV

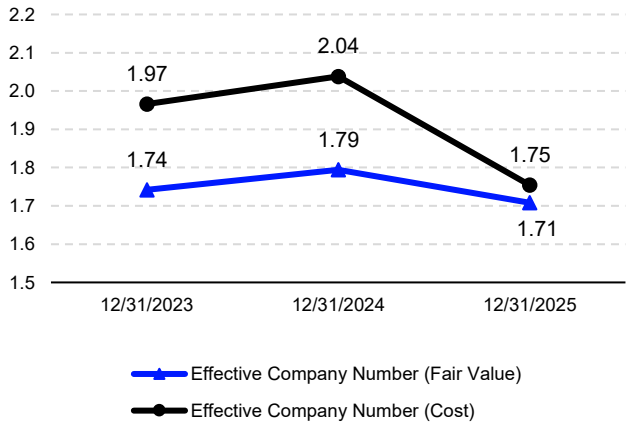
Company	2023 Q4	2024 Q4	2025 Q4
Total	1.29%	2.35%	6.22%
Anthropic	0.00%	0.20%	2.99%
OpenAI	0.57%	1.10%	1.99%
Mistral AI	0.44%	0.64%	0.42%
xAI	0.14%	0.16%	0.29%
Reflection AI	0.00%	0.06%	0.25%
Perplexity AI	0.06%	0.12%	0.24%
Cohere	0.07%	0.05%	0.03%
Moonshot AI	0.01%	0.01%	0.01%

Source: State Street Data Intelligence, as of Q4 2025.

It is evident that this industry is heavily dominated by only a few firms. To quantify industry concentration, we take the reciprocal of the Herfindahl-Hirschman Index (i.e. 1/HHI) to represent the effective number of equal-weighted entities (EFF), which measures the number of companies in dominance. As seen in Exhibit 14, valuation concentration was already high as of Q4 2023, with the effective number of firms being 1.97, i.e. dominated by ~2 companies. Our survey found this changed slightly through Q4 2024, with 2.04 EFF. However, a clear increase in concentration emerged in 2025 Q4, where the effective number of companies decreased to 1.75, suggesting the AI model providers space becoming less diverse.

The concentration by investment cost follows a similar trend, albeit not as exaggerated. We have yet to see if this concentration is here to stay, or if the trend will be reversed by competing firms.

Exhibit 14: Effective number of companies, based on inverse of Herfindahl-Hirschman Index



Source: State Street Data Intelligence, as of Q4 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 4,200 funds representing more than $6.2 trillion in capital commitments as of Q4 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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