

Private Capital Insights

FORTY-THIRD EDITION | Q1 2026

CURRENT QUARTER PERFORMANCE SUMMARY

The State Street® Private Capital Index (SSPCI) gained 0.48% in Q1 2026, a marked deceleration from 2.86% in Q4 2025 and the index's weakest start of the year since Q1 2022, when it returned -0.64%. Performance diverged across strategies. Venture Capital returned 2.84%, considerably below its 6.67% gain in the previous quarter but still the strongest-performing strategy and an important source of support for the overall index. Buyout declined by 0.23%, its first negative quarterly return since Q3 2022, reflecting weaker performance among large buyout funds. Private Debt advanced 0.82%, moderating from 1.49% in Q4 2025.

Exhibit 1. Private Capital Performance by Strategy

	All PCI	Buyout	VC	Private Debt
2026 Q1	0.48%	-0.23%	2.84%	0.82%
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%

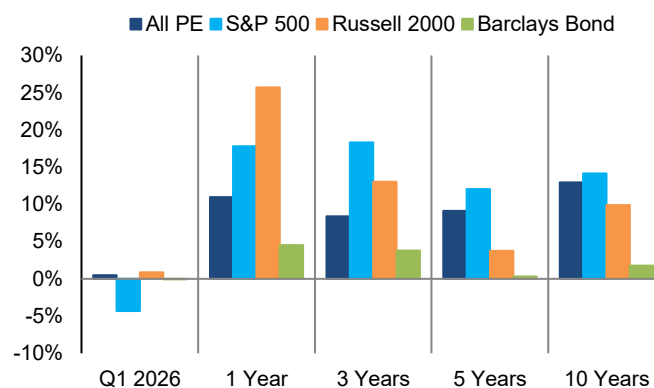
Source: State Street Data Intelligence, as of Q1 2026.

Public market performance weakened overall in Q1 2026 amid heightened geopolitical tensions, a sharp increase in oil prices, and renewed inflation concerns. The S&P 500 declined 4.33%, as weakness in tech stocks and reduced expectations for rate cuts weighed on U.S. large-cap equities. In contrast, broader market participation and a rotation away from mega-cap technology helped Russell 2000 gain 0.89%. The Bloomberg U.S. Aggregate Bond Index stayed flat at -0.05%. Against this backdrop, private capital's 0.48% return outperformed both large-cap equities and bonds but trailed small-cap stocks during the quarter. At longer horizons, however, private capital outperformed bonds but trailed the S&P 500. (see Exhibit 2).

Sector performance favored Energy sector. Energy funds led by a wide margin with a 7.75% quarterly return in Q1 2026, followed by Industrials funds at 2.95%, Health Care funds at 2.04%, and Consumer funds at 1.01%. Generalist funds were

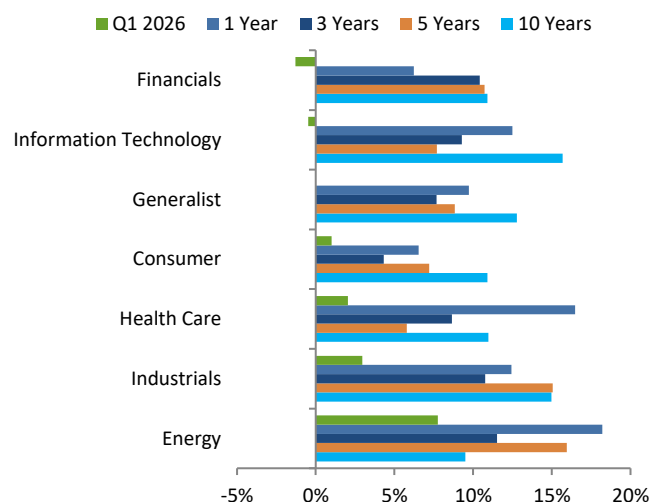
essentially flat at -0.02%, while Information Technology funds and Financials funds declined by 0.47% and 1.30%, respectively. Energy funds' quarterly leadership was consistent with its strong 18% one-year return, while the weakness in Information Technology funds contrasted with the sector's leading 15.69% 10-year annualized return (see Exhibit 3).

Exhibit 2. Investment Horizon Returns



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

Exhibit 3. Performance of Sector Focused Funds



Continued on page 9.

THE STORY OF GROWTH EQUITY: WHAT THE DATA AND RECENT TRENDS SAY



Insights from Harvard University
and the Private Capital Research Institute

By Josh Lerner

Introduction

For much of its history, growth equity has been more of a residual category than a defined asset class. It served as a label for investments in companies that were more established than the startups typically funded by venture capital ("VC") and not as mature as those targeted by later-stage buyouts. The early 2020s, however, witnessed a formalization of growth equity as a standalone asset class as the appetite grew for funding companies past the riskiness of early-stage startups but short of the scale of a typical buyout candidate.

This interest is captured in recent US private equity ("PE") fundraising trends. US growth equity fundraising rose nearly fourfold over the past decade, from \$22 billion in 2016 to \$85 billion in 2025 (**Figure 1**). This growth was not a case of "a rising tide lifts all boats" where the increase in growth equity fundraising was just a by-product of the general rise in PE fundraising altogether. The asset class more than doubled its share of total US PE fundraising by 2025 (20.3%) relative to 2016 (9.1%).

In this essay, we add to the nascent but growing research on growth equity by exploring its relative performance and identifying potential trends that could shape its future.

Growth equity's relative performance

A look at State Street data on pooled returns over short- to long-term horizons demonstrates that while growth equity's performance largely settles between that of buyout and VC, the results are highly sensitive to the period chosen. **Figure 2** shows that over the long run (10- and 15-year horizons) growth equity returns gravitate closer to those of VC, while falling more toward the middle of buyout and VC in short-term windows (1- and 3-year horizons).

Figure 1. US growth equity fundraising, 2000-2026 YTD¹

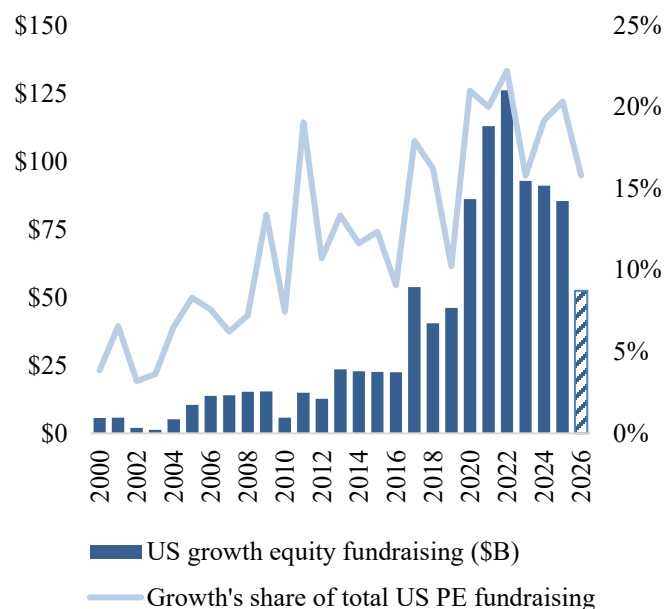
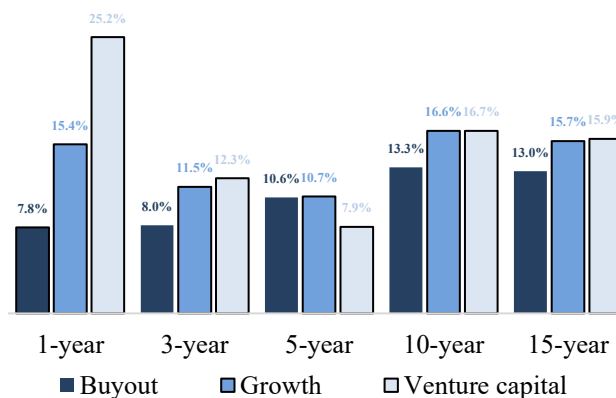


Figure 2: US buyout, growth, and venture capital pooled horizon returns as of Q1 2026²



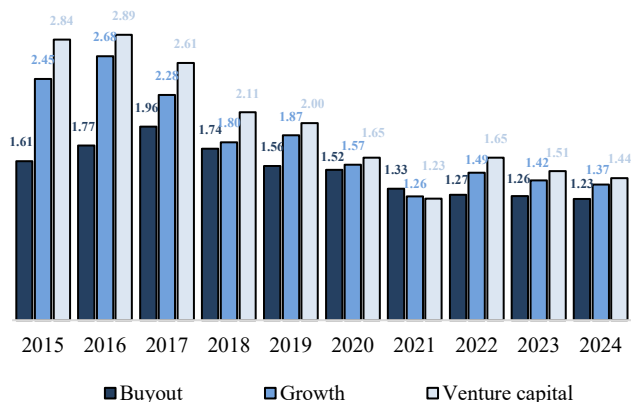
VC's outperformance stands out over the 1-year horizon. While this is likely driven by a multitude of factors, one key influence is the increased exposure that recent VC portfolios have to AI companies, whose valuations have recently skyrocketed. As such, VC's apparent outperformance over the short term likely reflects the large jump in unrealized AI company valuations (a topic we explore later).

¹Preqin Pro accessed 8/17/2026. "PE" includes funds that Preqin classifies as balanced, buyout, growth, secondaries, and venture capital.

²State Street Private Capital Index data accessed 8/17/2026.

As displayed in **Figure 3**, growth equity performance more consistently falls into its expected “home” between buyout and VC when analyzing returns by vintage. Except for 2021, the asset class outperforms buyout and underperforms VC across all vintages between 2015 and 2024 on a pooled total value to paid-in capital (“TVPI”) basis.³

Figure 3. US buyout, growth equity, and venture capital pooled TVPI by vintage as of Q1 2026⁴

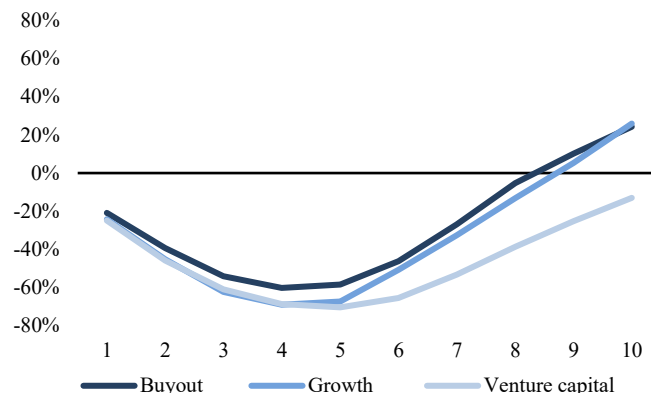


This high-level performance analysis, however, does not tell the whole story. First, liquidity has been a central theme in private markets recently, and the top-line return numbers do not provide a clear view into how each asset class’s liquidity profile has evolved. Second, a fundamental characteristic of private asset investing is the wide dispersion across deal- and fund-level outcomes. The next section of this essay delves deeper into these more granular details.

A deeper look into growth equity’s return profile

How do the liquidity profiles of buyout, growth equity, and VC compare? One way to answer this question is to review the evolution of each asset class’s J-curve.⁵ As displayed in **Figure 4**, all three asset classes follow the expected J-curve glidepath: early negative net cash flows due to outflow of capital calls to fund investments and expenses, with a gradual return to more positive net cash flows as value is created and investments are exited.

Figure 4. US buyout, growth equity, and venture capital median net cash flows by fund age⁶



A substantive takeaway is that growth equity appears to separate itself from VC. Recall that on a pooled-return basis, growth equity and VC looked fairly similar over 10- and 15-year horizons. On the question of liquidity profiles and the timing of distributions, however, the two asset classes diverge. The median growth equity fund returns capital on a buyout-like schedule, turning positive by year 9, while the median VC fund net cash flow remains negative as of year 10. This observation suggests that investors in growth equity funds can potentially access VC-like returns over the long term, while also gaining access to a higher level of liquidity (relatively speaking).

As mentioned, the pooled performance metrics in the previous section share the common limitation that they do not capture the asset class’s dispersion of returns. A pooled return indicates what a dollar spread across every fund in the universe would have earned, but it says nothing about the outcome of that dollar invested in a given fund.

Understanding the distribution of returns across funds provides insight into the risk and return profile of an asset class, and informs investors’ diversification strategies. **Figure 5** explores this question, displaying a histogram of the distribution of net TVPI outcomes for US-based buyout, growth equity, and venture capital funds of 2013–2022 vintages. The analysis suggests that growth resembles buyout on the downside, and VC on the upside.

³TVPI is defined as the ratio of an investment’s or fund’s total value to invested capital. It is calculated as: (total distributions + net asset value) / invested capital.

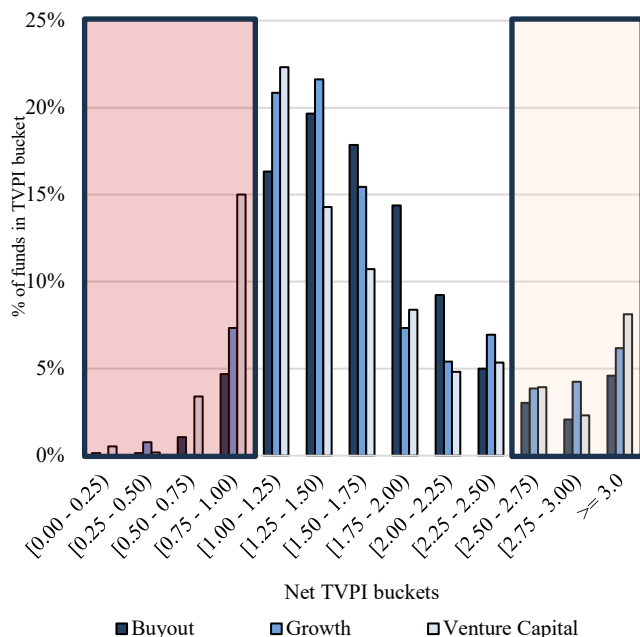
⁴State Street Private Capital Index data accessed 8/17/2026.

⁵The “J-curve” refers to the typical shape of a private fund’s cumulative net cash flow over its life. Capital calls, management fees, and organizational

expenses are concentrated in a fund’s early years, while distributions depend on exits that occur later in the fund’s life. Cumulative net cash flow is therefore negative through the fund’s early years, reaching a trough before rising as realizations occur.

⁶State Street Private Capital Index data accessed 8/17/2026.

Figure 5. Histogram of net TVPIs for US buyout, growth equity, and venture capital⁷



The left portion of the histogram below 1.0x, where funds return less than invested capital, is similar for growth and buyout. Roughly 8% of growth equity funds and 6% of buyout funds ended below that threshold. VC funds, on the other hand, carry a higher probability of not reaching the 1.0x threshold. Approximately 19% of VC funds did not return invested capital, more than double the percentage of growth equity funds. On the upside, growth equity tends to demonstrate a more VC-like distribution of outcomes. Approximately 14% of growth funds achieved a TVPI above 2.5x, against 10% for buyout, and 14% for VC.

While suggestive, these results should be interpreted with some caution. As **Figure 4** shows, VC realizes returns far more slowly than growth equity, and a substantial share of VC value in these vintages remains unrealized. As those funds mature and their winners are exited, VC's upside tail is likely to widen. The finding that growth and venture have comparable shares of fund returns above 2.5x should therefore be read as a statement about the current state of the sample rather than a settled comparison between the two asset classes.

Potential tailwinds

The discussion so far has been a retrospective look into how growth equity funds behaved in the past. Whether the findings persist depends in part on what investors are buying, at what price, and against what exit environment.

While not exhaustive, there appear to be three overarching trends impacting the growth equity market and private asset industry more broadly. First, buyout, growth equity, and VC entry multiples have reset meaningfully from their 2021–22 peaks. Second, companies are staying private longer and reaching larger scales before going public. Third, AI adoption has spread broadly across the economy while remaining shallow at most firms, leaving the implementation layer comparatively underinvested. This section explores each trend in more detail.

1. Recent multiple compression

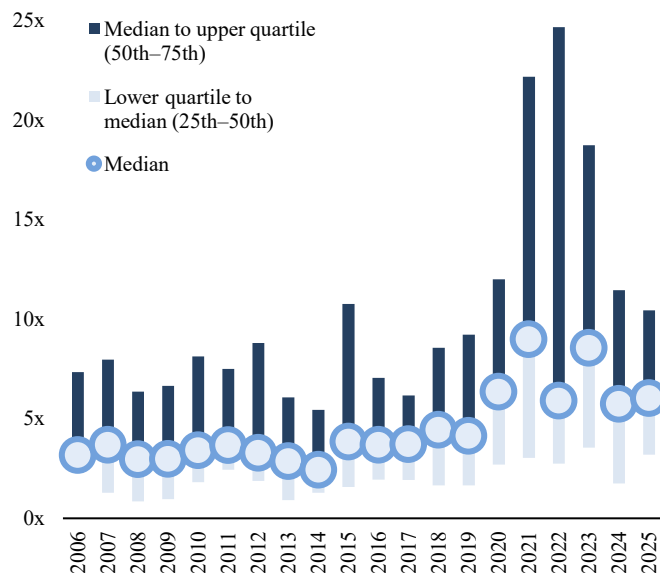
Entry price is one of the most significant terms a manager negotiates when investing in a company. The price is typically expressed as a multiple, or ratio, of a company's value to a balance sheet line item such as revenue or profit. In private markets, the enterprise value⁸ ("EV") to revenue multiple is a widely accepted deal multiple that captures a company's total value relative to the revenue it generates.

Figure 6 plots the interquartile range of EV/revenue multiples for completed US growth equity transactions from 2006 to year-end 2025. Growth equity multiples rose sharply at the beginning of the 2020s, with the median multiple jumping from 4.1x in 2019 to reach 9.0x in 2021. The top-quartile multiple reached record highs the following year in 2022, topping out at 24.7x. The exuberance that inflated the 2021–2022 multiples then waned, with both the top-quartile (10.4x) and median (6.0x) multiples reverting closer to pre-2020 levels. Buyouts and VC experienced the same multiple inflation entering the 2020s, but the corrections have been more muted.

⁷A histogram is a graphical representation of the distribution of a numeric variable. The numeric variable represented is the net TVPI for buyout, growth, and VC funds. Author's analysis of Preqin returns data, accessed June 10, 2026. Sample includes US-based funds of vintages 2013–2022 with returns

reported between Q2 2025 and Q1 2026 (n = 259 growth, 661 buyout, and 560 VC).

⁸Enterprise value is the market value of equity plus the market value of debt, less cash and cash equivalents.

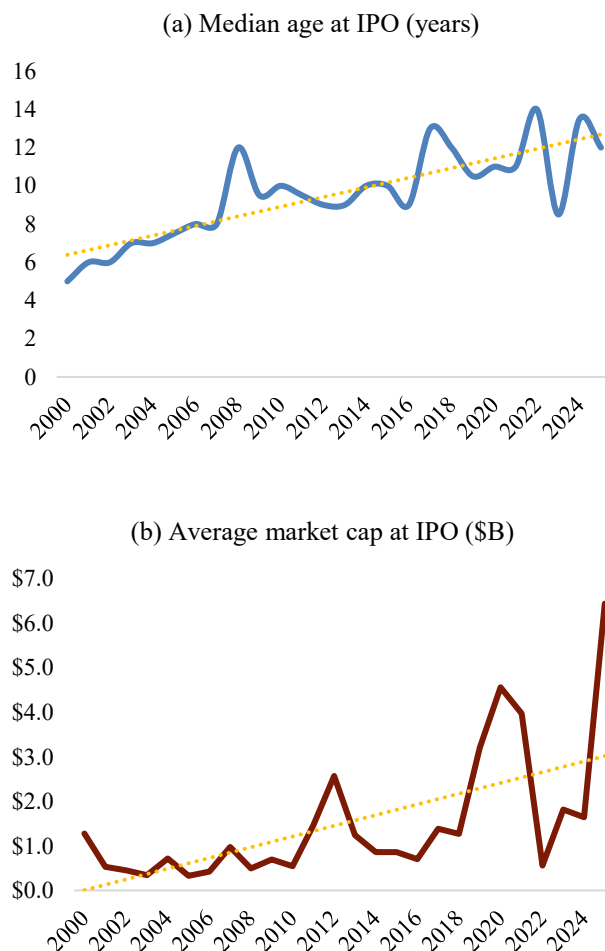
Figure 6. US growth EV/revenue multiples by year⁹

The investment multiple compression is a welcome development for investors deploying capital now. A lower median investment multiple improves expected entry pricing, while a tighter distribution suggests less dispersion in seller asking prices, which reduces the risk of overpaying at the top-quartile level of the market. It should be noted, however, that cheaper entry pricing still likely coincides with the conditions that brought about the initial price decrease, such as constrained exit markets, reduced competition for assets, and greater market uncertainty. The attractive pricing only leads to opportunity if the market environment eventually improves.

II. Longer hold periods allow managers to access winners

The second prevailing trend is the continued lengthening of the time companies remain private, which has coincided with an increase in market capitalization at the time the company decides to go public. The underlying implication is that if companies remain private longer and reach greater scale before listing, a larger portion of their appreciation accrues to private investors rather than public shareholders. The evidence suggests this shift has been underway for decades and has recently accelerated.

Figure 7 shows two related series for US VC- and growth-backed technology companies: (a) the median age at IPO, and (b) the average market capitalization at IPO. Both trend upward, with the median company going public at twelve years old in 2025 compared to just five years old in 2000. Average market capitalization at listing rose over the same period from approximately \$1.3 billion in 2000 to a high of \$6.4 billion in 2025.

Figure 7. (a) Median age of US VC- and growth-backed tech IPOs and (b) Average market cap at IPO¹⁰

Research offers a reasonable explanation as to why this may be occurring. Founders increasingly choose to remain private in order to scale and build organizational capital without the disclosure obligations and short-term scrutiny that accompany

⁹PitchBook screener, EV/revenue multiples for completed transactions, US-based investors, 2006–2025; accessed July 14, 2026.

¹⁰Jay Ritter, "Initial Public Offerings: Updated Statistics" (University of Florida, July 7, 2026), <https://site.warrington.ufl.edu/ritter/files/IPO-Statistics.pdf>.

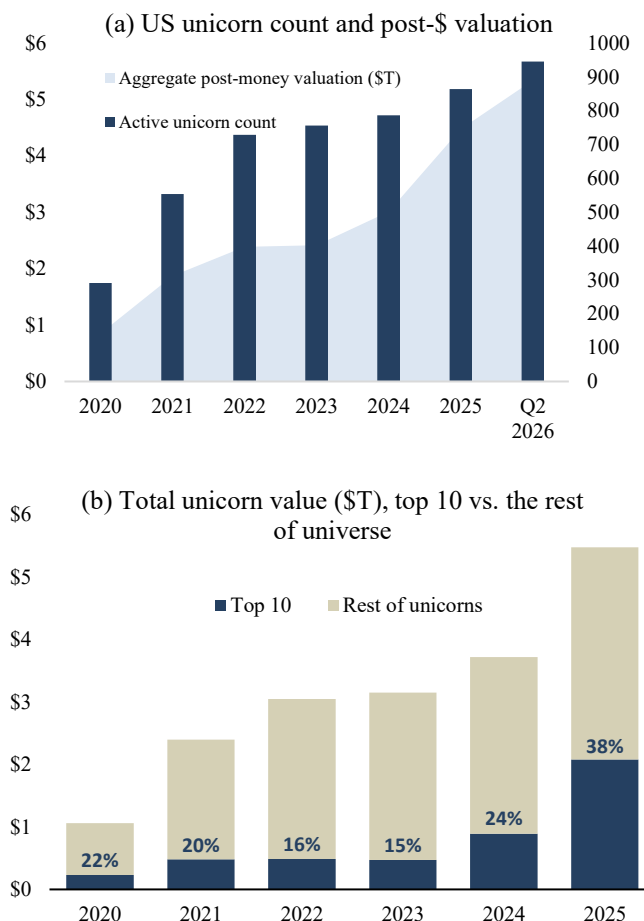
a public listing.¹¹ The effect is strongest for companies whose value rests on intangible assets—like those in software, network effects, proprietary data, and the like—where disclosure imposes a competitive cost that a manufacturer with physical assets would not face. This is the profile of companies growth equity managers typically target.

The consequence for private market investors is an expanded window in which value can be created in private companies. A firm that lists at twelve years old rather than five spends an additional seven years appreciating, and the investor holding it through that period captures appreciation that would previously have accrued to public markets.

Figure 8 shows how this dynamic has shaped the formation and sustained growth of unicorns. The aggregate value of US unicorns has climbed steeply, from roughly \$0.8 trillion across 291 companies in 2020 to approximately \$5.3 trillion across 945 companies by Q2 2026. But the growth has not been evenly distributed. Globally, the 10 largest unicorns held 22% of total unicorn value in 2020 and 38% by the end of 2025, with most of that concentration occurring in the last two years. The 10 largest unicorns roughly doubled in value between 2024 and 2025 alone, from \$0.9 trillion to \$2.1 trillion, while the remainder of the universe grew at a slower pace.

Concentration of this kind can have several potential implications for the market. Value accruing disproportionately to a small number of companies suggests that identifying and gaining exposure to the right companies matters more than broad market participation. Additionally, the high concentration means the opportunity set is narrow. If 38% of unicorn value sits in 10 companies, most investors in the asset class are not invested in them, and access to those specific businesses is highly competitive and expensive.

Figure 8. (a) Median age of US VC- and growth-backed tech IPOs and (b) Average market cap at IPO¹²



III. AI adoption could present value creation opportunities

The third prevailing trend relates to the proliferation of AI. As displayed in Figure 9, AI adoption rose from roughly 7% of all US businesses in early 2023 to approximately 55% by mid-2026. Technology and media lead adoption at roughly 80%, with finance and insurance close behind at 74%. Manufacturing (59%), retail (49%), health care (42%), and construction (41%) trail well behind, and accommodation and food services sit at roughly 31%.

¹¹Daria Davydova, Rüdiger Fahlenbrach, Leandro Sanz, and René M. Stulz, "Why Do Startups Become Unicorns Instead of Going Public?," SSRN Scholarly Paper (Rochester, NY: Social Science Research Network, June 28, 2024), <https://doi.org/10.2139/ssrn.4899183>.

¹²"Q2 2026 PitchBook-NVCA Venture Monitor," PitchBook, July 8, 2026, <https://pitchbook.com/news/reports/q2-2026-pitchbook-nvca-venture-monitor>; David George, "State of Markets," a16z, January 22, 2026, <https://www.a16z.com/news/p/state-of-markets>. Note, the top ten unicorn analysis includes both US and European unicorns.

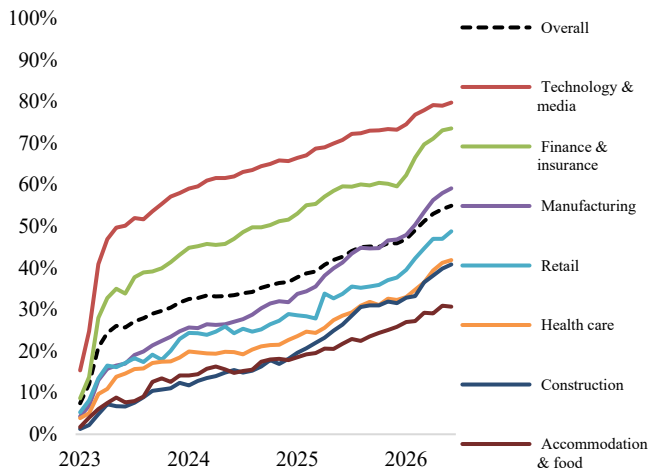
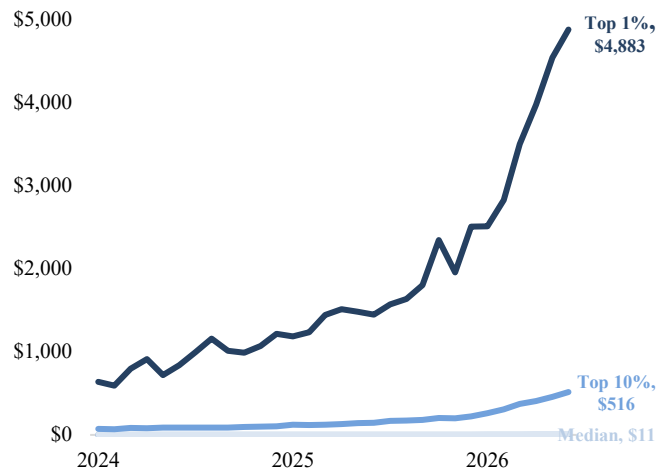
Figure 9. Share of US businesses with paid subscriptions to AI tools¹³

Figure 10 shows that the depth of engagement varies far more than breadth of adoption, however. Median monthly AI spend per employee stands at approximately \$11, against \$516 for the top decile of businesses and \$4,883 for the top percentile. This suggests that a majority of American businesses now pay for some kind of AI tool, but the typical firm's commitment likely amounts to a subscription or two rather than integration into core operations. Most companies have acquired access without restructuring meaningful parts of their operations around it, which suggests the constraint is not so much a lack of availability of the technology as it is inertia around integrating AI into workflows.

Figure 10. Monthly AI spend per employee by US businesses¹⁴

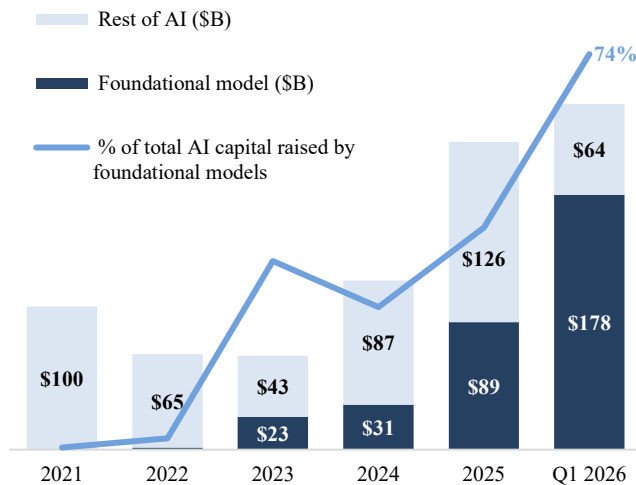
Even though AI implementation and integration lag the pace of its development, investment capital continues to flow to model development. Figure 11 shows that foundational model developers¹⁵ absorbed 41% of AI capital raised in 2025, at approximately \$89 billion. In Q1 2026 alone, foundational model funding reached \$178 billion, exceeding its fundraising for all of 2025 and accounting for 74% of that quarter's total AI investment value. The pattern appears in deal pricing as well, with the median Series D+ AI company pre-money valuation registering at more than six times its non-AI counterpart in Q2 2026.¹⁶

¹³Ramp AI Index, accessed on July 21, 2026, <https://ramp.com/data/ai-index>

¹⁴Ibid

¹⁵Foundational models are AI models trained on immense datasets and can fulfill a broad range of general tasks. They serve as the base or building blocks for crafting more specialized applications.

¹⁶"Q2 2026 PitchBook-NVCA Venture Monitor," PitchBook, July 8, 2026, <https://pitchbook.com/news/reports/q2-2026-pitchbook-nvca-venture-monitor>.

Figure 11. Global capital raised by AI startups¹⁷

The AI application and implementation layer, which helps non-AI companies put AI to productive use, receives a small fraction of the capital directed at AI. This is despite the adoption data suggesting the implementation layer is where substantial unrealized value sits. Funding companies that can unlock value by using AI, rather than companies that build it, may offer growth investors exposure to the technology's economic benefits while sidestepping elevated AI valuations.

Bringing it together

Growth equity has experienced an influx of fundraising through the 2020s, helping establish it as a mature, standalone asset class. Over the past decade, it has consistently shown the ability to outperform the buyout industry, while recording returns not dissimilar to VC. That said, research on the asset class remains relatively limited, and this quarterly essay seeks to shed additional light on the burgeoning asset class, while also identifying several prevailing trends to monitor.

First, it appears the metrics commonly used to evaluate growth equity potentially understate the characteristics that distinguish it from VC and buyouts. Analyzing the J-curves of the three asset classes, as well as their distribution of returns, shows that growth equity has the potential to offer access to buyout-like liquidity and downside protection paired with meaningful exposure to VC-like outlier outcomes.

Second, several prevailing tailwinds may bolster the growth equity market over the coming years. Entry multiples have

reset from their 2021-22 peaks and compressed over the past few years. Companies that growth equity investors target are staying private longer and are reaching greater scale before going public, potentially increasing the size of growth equity's investable market. Finally, AI adoption has been broad but shallow, with most of AI investment to date focusing on companies building foundational models. Growth investors may be well-suited to focus their tech-enabled value creation expertise on companies fostering AI implementation as the depth of AI integration only increases.

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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.

¹⁷ Mary Ann Azevedo, "Sector Snapshot: Venture Funding to Foundational AI Startups in Q1 Was Double All of 2025," Crunchbase News, April 2, 2026,

<https://news.crunchbase.com/venture/foundational-ai-startup-funding-doubled-openai-anthropic-xai-q1-2026/>

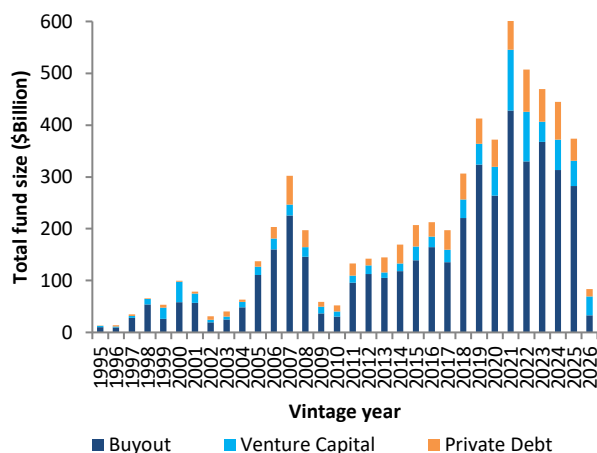
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Fundraising

Private capital funds raised \$83.64 billion in Q1 2026. At the current pace, full-year fundraising is projected to reach approximately \$334.56 billion, compared with \$373.95 billion in 2025. The projected full-year total would represent a decline of approximately 10.5% from 2025, suggesting that the fundraising downturn observed since 2021 may continue, although results from subsequent quarters will be needed to confirm the trend. Strategy wise, VC funds raised \$36.75 billion, accounting for approximately 44% of the quarter's total and already reached about 76% of the \$48.40 billion raised during all of 2025. VC also surpassed Buyout, which raised \$32.88 billion, despite Buyout historically accounting for the largest share of annual fundraising. Private Debt contributed \$14.01 billion (see Exhibit 4A). Regionally, U.S. funds led with \$68.84 billion, followed by Rest of World funds at \$13.94 billion. European funds raised only \$0.85 billion, which was equivalent to just 1.4% of its 2025 fundraising volume. Overall fundraising growth was therefore concentrated in U.S. funds, while Europe remained subdued (see Exhibit 4B).

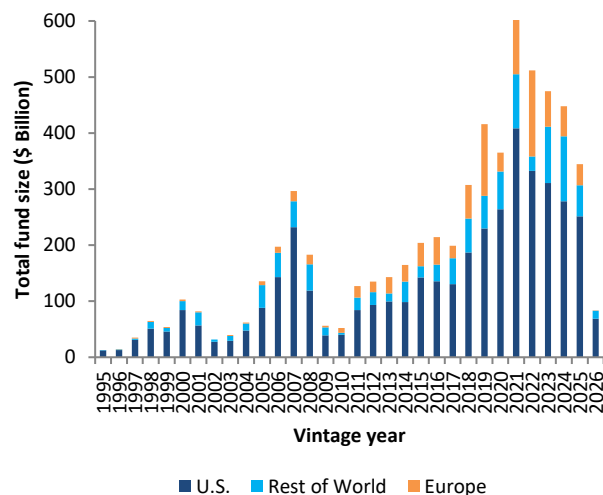
Exhibit 4. Total Fund Size (USD Billion)

A. By Strategy



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

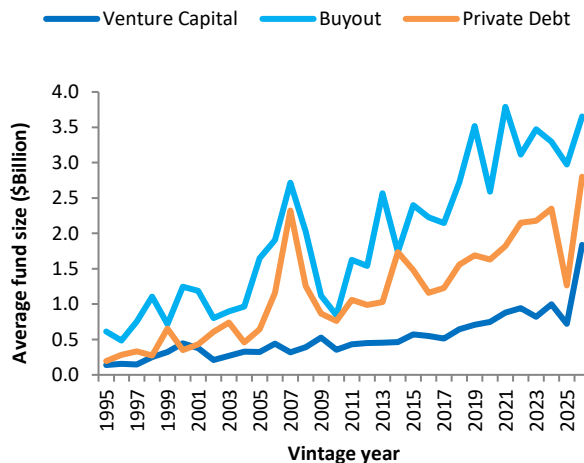
B. By Region



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

The average fund size increased across all three strategies compared with 2025. Private Debt and Venture Capital recorded the largest increases, with the average Private Debt fund size rising from \$1.26 billion to \$2.80 billion, an increase of 122%, and the average VC fund size increasing from \$0.72 billion to \$1.84 billion, an increase of 156%. The average Buyout fund size also grew from \$2.98 billion to \$3.65 billion (see Exhibit 5).

Exhibit 5. Average Fund Size (USD Billion)



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

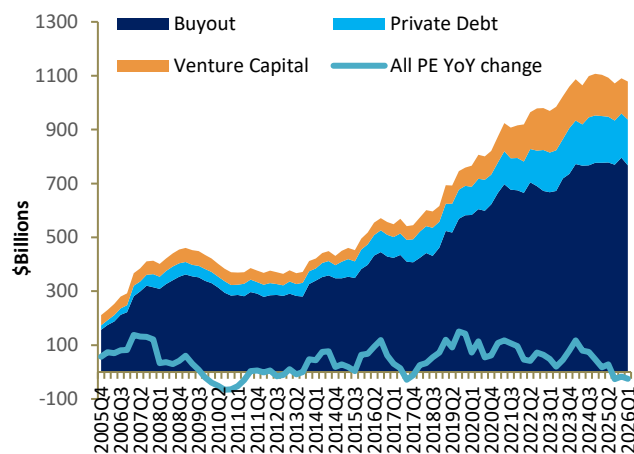
Dry Powder

Dry powder, or unfunded commitment, represents capital that has not yet been called and remains available for future investments. In Q1 2026, total dry powder for SSPCI constituent funds decreased to \$1.08 trillion, from \$1.09 trillion in Q4 2025 and \$1.10 trillion a year earlier. Buyout dry powder fell by \$28 billion quarter over quarter to \$767 billion. In contrast, Private Debt dry powder increased to \$170 billion from \$165 billion, while Venture Capital dry powder rose to \$142 billion from \$130 billion (see Exhibit 6A).

The quarterly dry powder ratio estimates how long existing dry powder could support investments at the average capital call rate over the previous 12 months, assuming no additional fundraising. For All PE, the estimated inventory period was broadly stable at 28.8 months in Q1 2026, compared with 29.1 months in Q4 2025. Buyout declined by 1.2 months to 29.5 months, while Private Debt increased substantially by 4.5 months to 36 months, the highest among the three strategies. VC increased slightly to 21.1 months from 20.7 months but remained well below its 28.7 month level a year earlier, indicating the shortest dry powder runway among the three strategies (see Exhibit 6B).

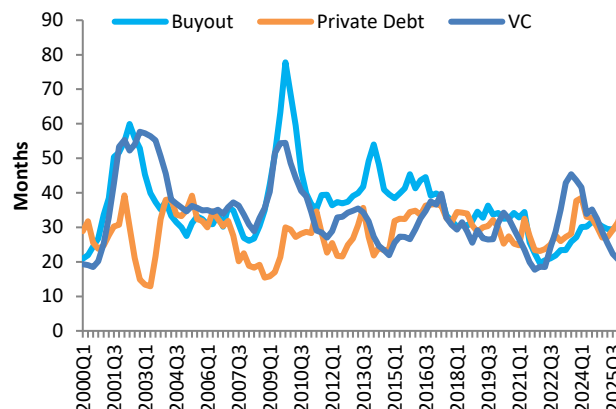
Exhibit 6. Dry Powder

A. Monthly Dry Powder



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

B. Quarterly Dry Powder Normalized by Average Contribution



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

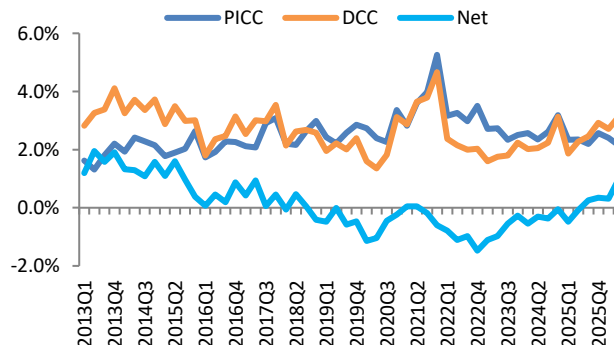
Cash Flow Activity

In Q2 2026, cash flow conditions improved. The quarterly distribution-to-committed capital (DCC) ratio increased from 2.71% in Q1 2026 to 3.13%, while the paid-in-to-committed capital (PICC) ratio decreased from 2.40% to 2.15%. As a result, net cash flow rose from 0.32% to 0.98%, marking the fourth consecutive quarter of positive net cash flow (see Exhibit 7A).

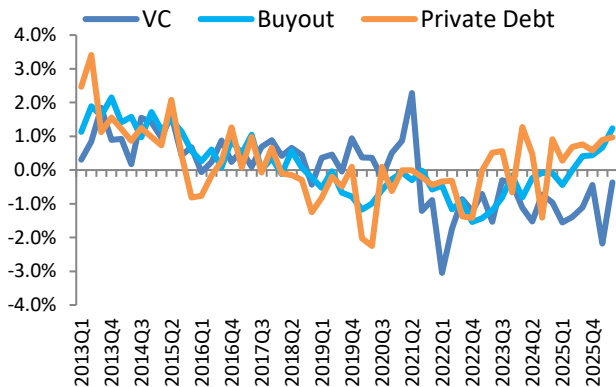
Cash flow improved across all three strategies in Q2 2026. Buyout generated the strongest positive net cash flow at 1.24%, up from 0.67% in Q1 2026, while Private Debt increased slightly from 0.90% to 0.97%. Venture Capital net cash flow also improved substantially, rising from -2.18% to -0.37%, as distributions increased and capital contributions declined. However, VC remained the only strategy with negative net cash flow during the quarter (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 Q2 2026.

Valuations

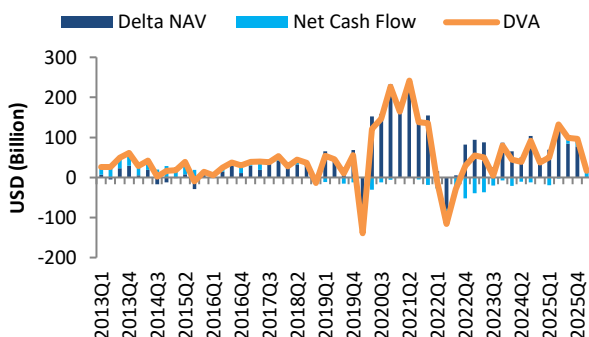
The Dollar Value Added (DVA) is the sum of NAV changes and net cash flows. It measures the realized and unrealized gains and losses in dollar amounts.

$$DVA = \text{Ending NAV} - \text{Beginning NAV} + \text{Distribution} - \text{Contribution}$$

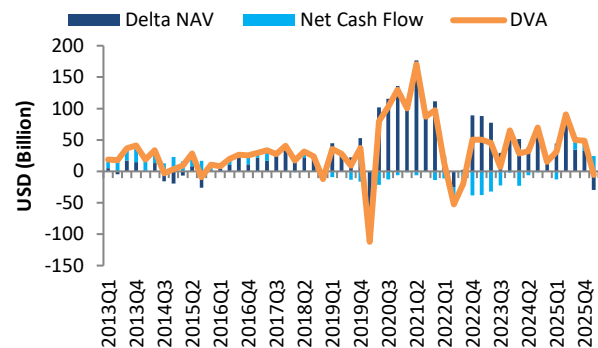
The quarterly DVA for all PE declined sharply from \$96.4 billion in Q4 2025 to \$16.6 billion in Q1 2026. The decline was primarily driven by a slight \$0.4 billion decrease in NAV, compared with a \$77.6 billion increase in the previous quarter. Positive net cash flow of \$16.9 billion kept the overall DVA above zero (see Exhibit 8A). Among strategies, Venture Capital recorded the largest positive DVA at \$19.6 billion, as a \$33.4 billion increase in NAV more than offset a negative net cash flow of \$13.7 billion. Private Debt generated a positive DVA of \$2.6 billion, supported by \$6.5 billion in positive net cash flow, despite a \$3.9 billion decrease in NAV. In contrast, Buyout posted a negative DVA of \$5.7 billion, as \$24.2 billion in positive net cash flow was outweighed by a \$29.8 billion decline in NAV (see Exhibit 8B, 8C, 8D, and 8E).

Exhibit 8. Dollar Value Added

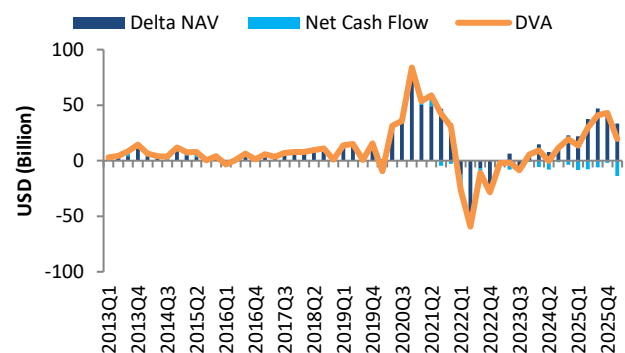
A. All PCI



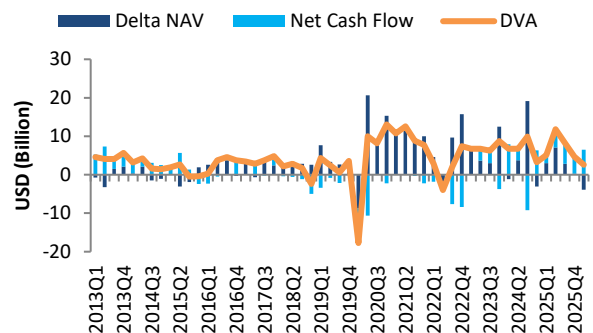
B. Buyout



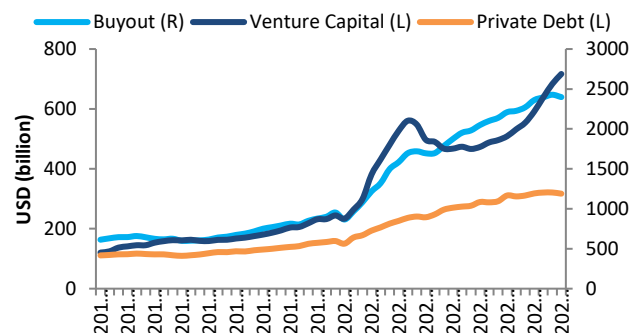
C. Venture Capital



D. Private Debt



E. NAV by VC, Buyout and Private Debt



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

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 9A 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 Q1 2026.¹⁸ Information Technology continued to represent the largest share of holdings across Buyout and Venture Capital and Private Debt funds in Q1 2026. For Buyout funds, Information Technology accounted for 30% of NAV, followed by Industrials and Health Care at 15% and 12%, respectively. Venture Capital remained highly concentrated in Information Technology, which represented 50% of NAV, followed by Health Care at 15%, and Industrials and Financials at 11% and 8%, respectively. Private Debt continued to exhibit a more diversified sector profile, with Information Technology, Financials and Health Care sector accounting for 16% and 14.9% and 14% respectively, as three largest sector exposures.

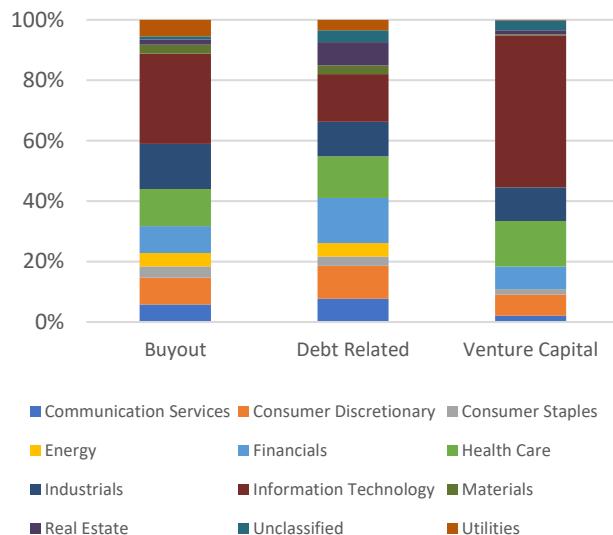
For funds classified as Generalist in SSPCI, Information Technology remained the largest sector exposure at 21.6% of NAV, followed by Industrials and Health Care at 18.9% and 15.2%, respectively. Financials and Consumer Discretionary accounted for 10.8% and 10.6% of NAV. Collectively, these top five sectors represented 77% of total NAV within Generalist funds, indicating a continued concentration in these key sectors (see Exhibit 9B).

Exhibit 9C illustrates the percentage of holding companies in each sector and the directional changes in their NAV-to-remaining-cost ratios from Q4 2025 to Q1 2026, 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 Q1 2026, valuation trends are more divergent than the previous quarter. In most sectors, more than half of the companies experienced valuation decreases, while Energy sector leads the valuation increase with close to 70% of the companies in the sector seeing an increase in Q1 valuation, primarily due to a major geopolitical energy shock in the Middle East. Meanwhile, a significant proportion, 67% of

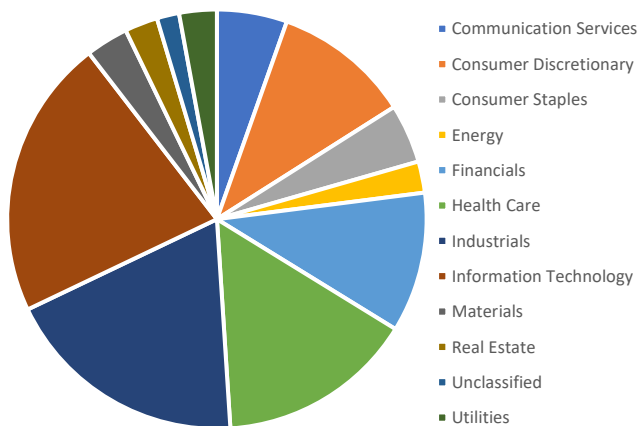
Information Technology companies experienced valuation declines in Q1, followed by Consumer Discretionary and Consumer services with 58% and 56% decreases.

Exhibit 9. Holdings Sector Exposure Measured by NAV

A. Sector Exposure by Strategies

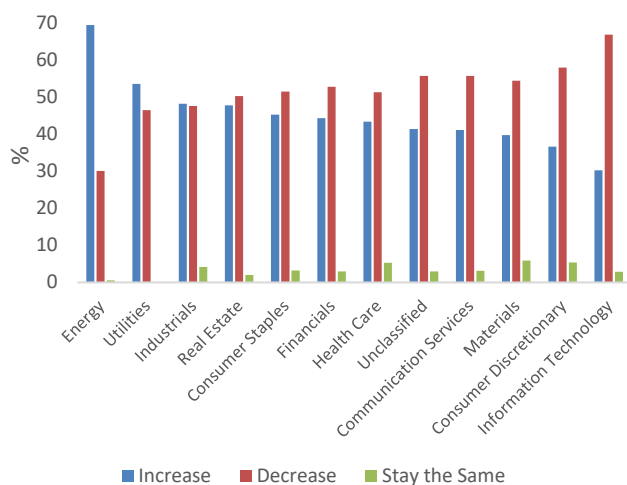


B. Sector NAV weights for Generalist PE Funds



¹⁸ As of Aug 2026, the coverage of Q1 2026 holdings data was 66% of the overall NAV in SSPCI.

C. NAV/Remaining Cost Ratio from Q4 2025 to Q1 2026



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

Nowcasting

Inspired by the concept of nowcasting, the SSPCI research team developed a model to estimate the concurrent performance of the private equity market, of which the reporting is otherwise delayed at least by one quarter. We hereby only share the model predictions for Q2 2026 without going into theoretical background. For model details, please refer to State Street Private Capital Insights Q3 2021 publication¹⁹. 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.

For Q1 2026, actual quarterly returns for All PE, Venture Capital, Buyout, and Private Debt were 0.48%, 2.84%, -0.23%, and 0.82%, respectively, compared with prior predictions of 3.80%, -0.81%, 3.83%, and 3.64%. As shown in Exhibit 10, the model predictions for all strategies fell within their 95% confidence intervals, except for Private Debt, where the realized return was below the lower bound. The model overestimated All PE, Buyout and Private Debt returns, while underestimating Venture Capital return.

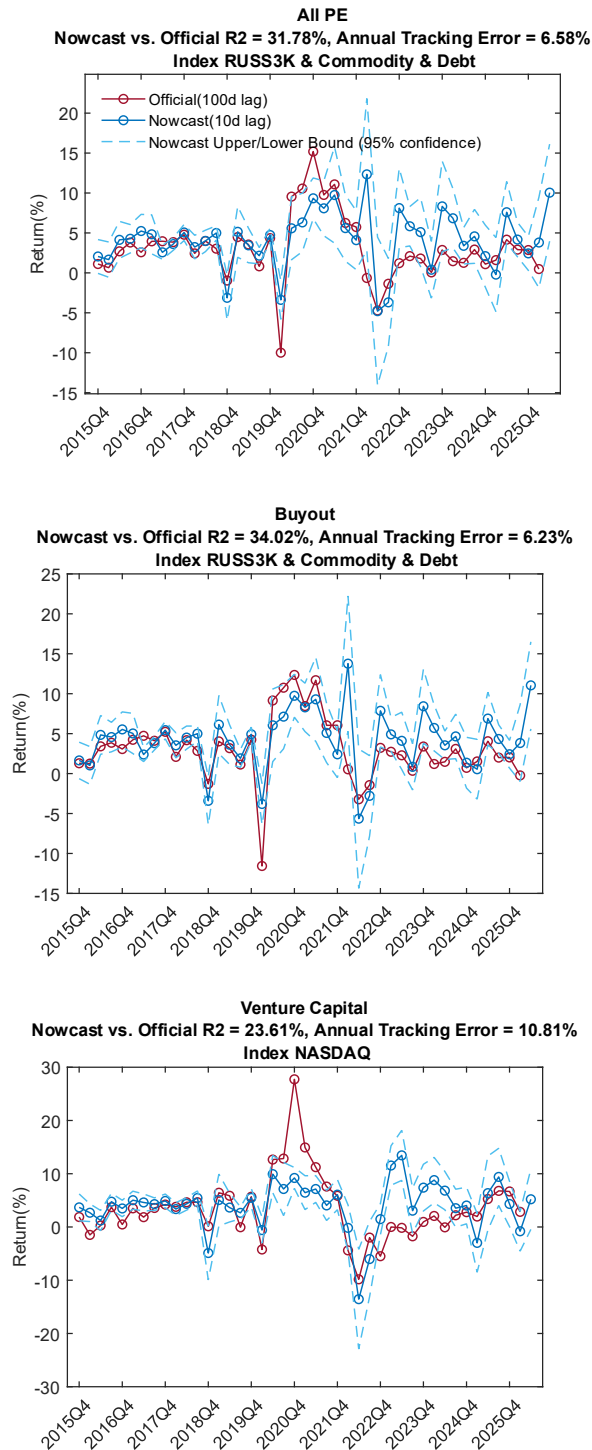
Looking ahead to Q2 2026, the nowcasting model predicts quarterly returns of 10.04%, 11.04%, 5.20%, and 4.96% for All PE, Buyout, Venture Capital, and Private Debt, respectively. The model forecasts an increase in quarterly returns across all groupings relative to Q1, primarily reflecting the sharp rebound in public markets. During Q2, the Nasdaq and Russell 3000 rose 21.60% and 15.44%, respectively, while fixed income markets also posted positive returns, with the Bloomberg U.S. Aggregate Bond Index rising 0.70% and the Bloomberg U.S. Corporate High Yield Index increasing 2.55%.

Public market strength provided a strong positive signal for the Q2 nowcast. Equity gains were supported by renewed AI and semiconductor momentum, stronger-than-expected corporate earnings, easing Middle East geopolitical risk as oil prices retreated, and broader market participation beyond mega-cap technology. These factors improved public comparable valuations, exit conditions, liquidity, and investor risk appetite. In the model, the Russell 3000 supports the All PE and Buyout nowcasts as a broad proxy for U.S. equity valuation conditions, while the Nasdaq provides a more direct signal for Venture Capital given its technology and growth orientation. For Private Debt, the Bloomberg U.S. Corporate High Yield Index captures

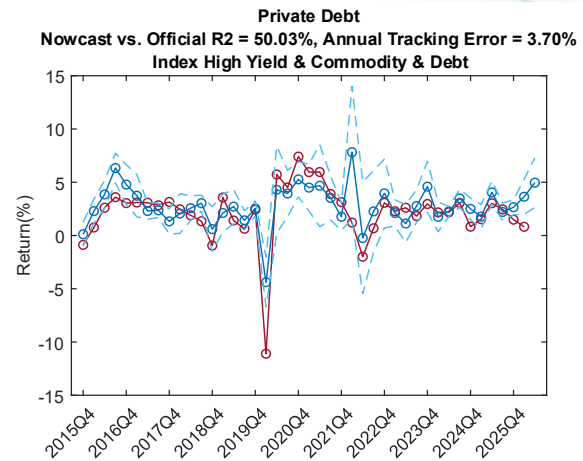
¹⁹ State Street Private Equity Insights Q3 2021
<https://globalmarkets.statestreet.com/portal/peindex/publications>

credit-market sentiment and spread conditions, with positive high-yield returns indicating healthier credit risk appetite. The Bloomberg Commodities Index further captures macro and inflation-sensitive conditions relevant across strategies.

Exhibit 10. Actual vs. Out-of-sample Nowcast IRRs



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



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

DISCUSSION

Performance Attribution for Private Markets: A Hierarchical Custom Benchmark Approach

Performance attribution in private markets begins with selecting an appropriate benchmark. Unlike public markets, private market portfolios vary significantly in strategy, geography, vintage-year exposure, and manager selection. Comparing a client portfolio with a broad private market index may therefore provide limited insight into why the portfolio outperformed or underperformed. A more informative approach is to construct custom benchmarks that reflect the client's portfolio allocations and then use Brinson-style attribution to identify the sources of performance differences.

A custom benchmark can be created by rescaling the benchmark's commitment weights to reflect the client's ex-ante commitment allocation. For example, if a client allocates 70% of commitments to Buyout and 30% to Venture Capital, the benchmark's Buyout and Venture constituents can be rescaled to the same 70/30 allocation. The resulting benchmark answers a useful counterfactual question: How would the client have performed with the same strategy allocation but representative market performance within each strategy?

This process can be extended hierarchically. Consider:

Strategy → Region → Vintage Year

Starting from a broad private market benchmark, a strategy-matched benchmark is created by matching the client's commitment allocations across Buyout, Venture Capital, and Private Debt. A second benchmark further matches the client's regional allocation within each strategy. A third benchmark additionally matches the client's vintage-year allocation within each strategy-region combination.

This creates a sequence:

Market Benchmark → Strategy Matched → Strategy and Region Matched → Strategy, Region, and Vintage Matched → Client Portfolio

Each successive benchmark controls for another dimension of the client's investment decisions.

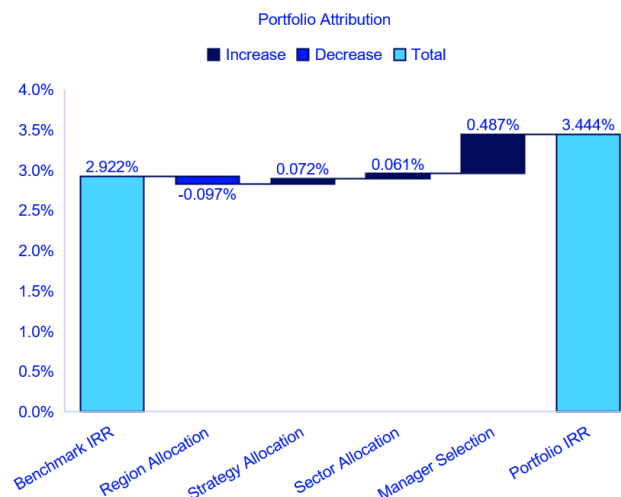
The Brinson-Fachler (BF) framework provides a useful way to attribute performance through this hierarchy. At the strategy level, BF attribution determines whether differences in commitments to Buyout, Venture, Private Credit, and other strategies contributed positively or negatively to performance. For example, overweighting Venture adds value if Venture

subsequently outperforms the overall private market benchmark.

The analysis then moves one level deeper. Within each strategy, regional attribution compares the client's regional commitment weights with the corresponding regional weights of that strategy benchmark. Importantly, the reference return is now the parent strategy benchmark. Thus, within Buyout, the analysis asks whether overweighting North America, Europe, or Rest of World added value relative to Buyout overall. The same process can then be repeated for vintage years or other relevant dimensions.

At each level, Brinson attribution distinguishes between allocation and selection effects. However, selection at an upper level should not immediately be interpreted as manager-selection skill. Apparent selection within Buyout, for example, may be explained by the client's regional positioning. Once region is considered, the remaining performance difference may be further explained by vintage exposure. Only after the relevant systematic dimensions have been controlled should the residual difference between the fully customized benchmark and the client portfolio primarily be interpreted as fund/manager selection and other unmodeled effects (see Exhibit 11).

Exhibit 11. Hierarchical performance attribution



Source: State Street Data Intelligence. Numbers are for illustration only.

Private market investment decisions are not always made in a clear sequence. A commitment to a European Buyout fund simultaneously represents decisions about strategy, region, vintage, and manager. Therefore, Strategy → Region →

Vintage is not necessarily the only appropriate hierarchy. Alternative views such as Region → Strategy → Vintage or Vintage → Strategy → Region can also be evaluated.

Comparing attribution across alternative hierarchies provides an additional analytical insight: it tests the robustness and relative importance of different performance drivers. If strategy allocation remains an important contributor across different hierarchy specifications, for example, this provides stronger evidence that strategy positioning is a persistent driver of performance—even if the investor did not explicitly view strategy allocation as the dominant decision. Conversely, if its contribution changes substantially depending on the hierarchy, the apparent strategy effect may be intertwined with regional, vintage, or other allocation decisions.

By combining commitment-rescaled custom benchmarks with hierarchical Brinson attribution, private market performance measurement can move beyond determining whether a portfolio beat an index. It can identify whether performance was driven by strategy allocation, regional positioning, vintage pacing, or ultimately fund and manager selection—providing investors with a clearer understanding of where their investment decisions added or detracted value.

ABOUT THE STATE STREET PRIVATE CAPITAL INDEX

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 4,300 funds representing more than \$6.3 trillion in capital commitments as of Q1 2026
- 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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