

## Private Markets Outlook Q3 2025: Five takeaways for wealth investors

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*In a market that continues to be defined by uncertainty, the potential of specialist private market strategies to bring enhanced portfolio resilience, returns and income has arguably never been more important.*

Schroders Capital recently published its [Private Markets Investment Outlook Q3 2025: How to navigate uncertainty](#), sharing our views on the environment for new private markets investments.

In it, we highlight that uncertainty remains the dominant theme for the global economy, in the face of multiple geopolitical and policy headwinds. The potential of private markets to help navigate this prevailing global uncertainty has arguably never been more important.

Importantly, private markets continue to benefit from cyclical tailwinds. A broader slowdown in terms of fundraising, new deal activity and exits in private equity, infrastructure and real estate is now into its fourth year – and supply of capital in financing markets continues to be constrained.

As a result, private market valuations and yields are generally attractive in both absolute and relative terms – and there are specific opportunities across private asset classes to boost portfolio diversification, resilience and returns. At the same time, in a market with heightened idiosyncratic risk, diversification across private market strategies remains key.

In this article, we present the key takeaways for wealth managers and private investors, highlighting the continuing key role private markets can play in strategic asset allocation.

### **1. Selectivity and downside protection hold the key**

Private markets have historically offered some protection against public market volatility and have often thrived amid environments of uncertainty. We have shown this previously in our study on [private equity performance during crisis periods over the past 25 years](#).

However, in common with our view in the previous quarter, we believe that in the current market environment there will be some private market strategies that exhibit notably better risk/return profiles than others.

Investors should therefore continue to be selective and focus on strategies with downside protection in the form of **modest leverage or asset backing**, that provide access to **companies and assets that are to a degree insulated from global trade tensions**, and that can bring diversification through **reduced correlation with listed markets and distinct risk exposures**.

### **2. In private equity, three key themes are emerging**

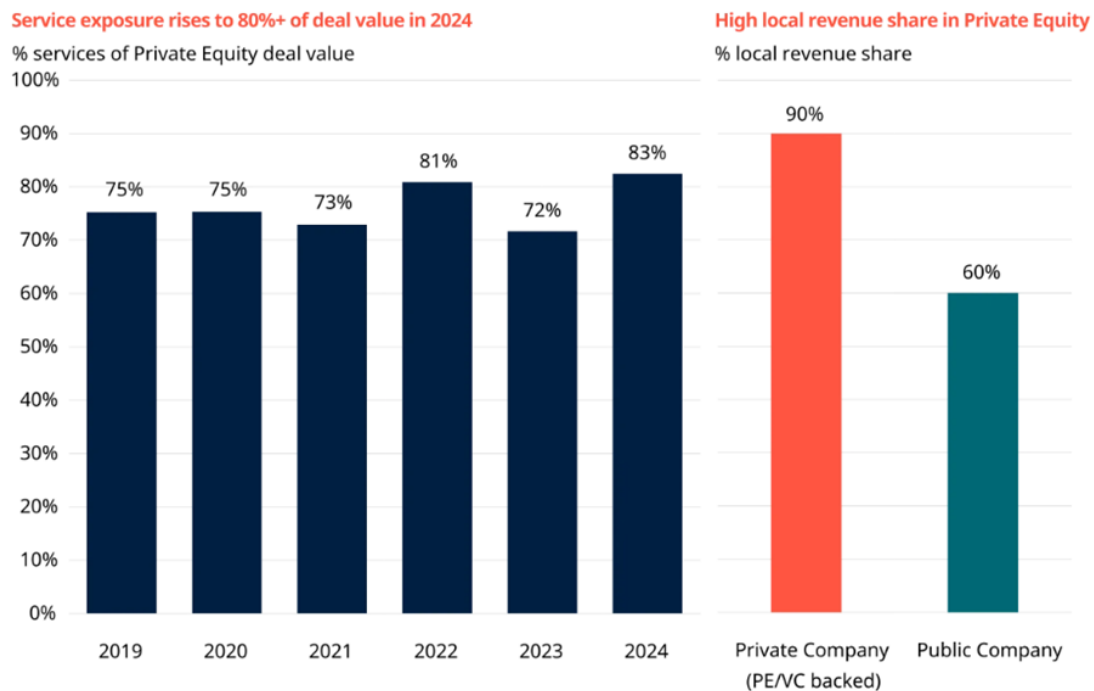
Within private equity, we have identified three complementary levers that we believe can help to mitigate today's challenges:

- **Local champions:** Backing companies whose revenues are overwhelmingly domestic and service-orientated, limiting exposure to tariff, supply-chain and geopolitical uncertainties (see chart). This can be achieved through a focus on small and mid-market buyouts.
- **Transformative growth:** Investing in businesses where operational complexity or innovation agendas create controllable value-creation paths and extra return

premia, offsetting broader market turbulence. Again, small and mid-buyouts are key opportunities – and continuation investments (also known as GP-led secondaries) also provide a compelling and cost-effective avenue to access the next phase growth for high-quality, private equity-backed companies, without disrupting value creation plans.

- **Multi-polar innovation:** Allocating to the widening set of regional technology hubs so portfolios capture breakthrough growth wherever it emerges, diversifying away single-market concentration risk. This brings a focus on early-stage venture concentrated in key sector opportunities.

### Private equity’s services and local revenue tilt buffer against trade shocks



*Past performance is not a guide to future performance and may not be repeated. Source: Pitchbook, data as of 27 May 2025, S&P Capital IQ 21 May 2025, Schroders Capital, 2025. For Private Equity, the percentage of services is based on capital invested in buyout and venture capital deals. 41 sectors have been split into goods and services. Local revenue share is based on Capital IQ’s ‘Segment 1’ revenue field, which is mostly country specific though some entries reflect broader regions. The views shared are those of Schroders Capital and may not be verified. Forecasts and estimates may not be realised.*

### 3. In private credit, specialised strategies offer attractive yields

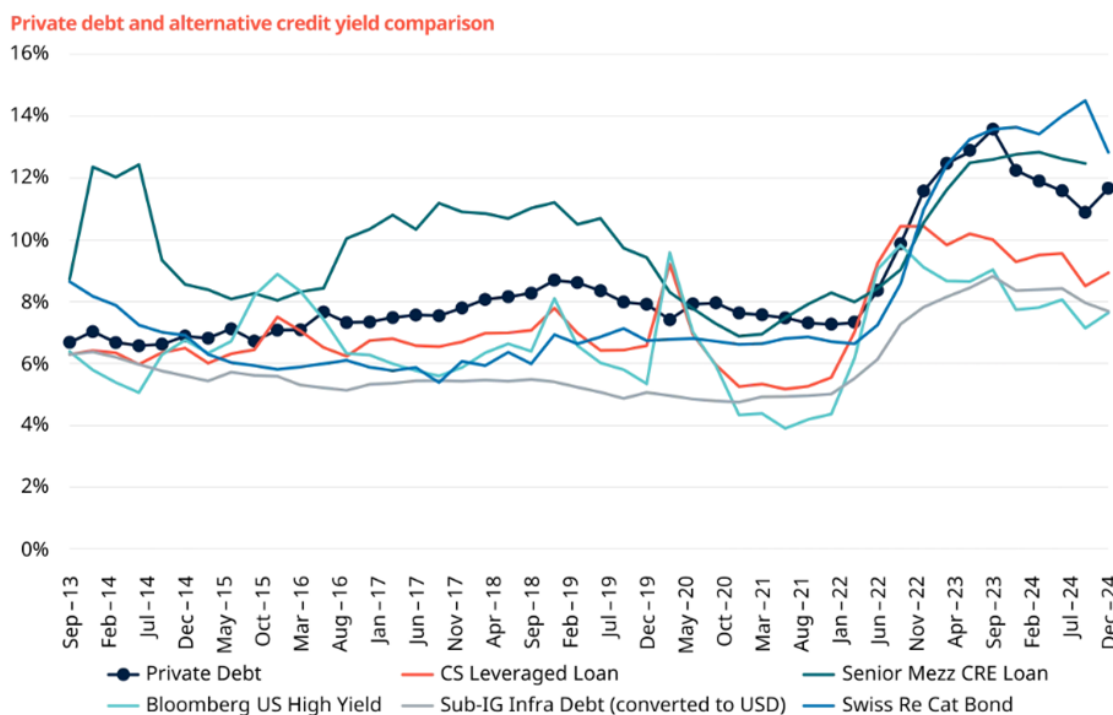
In this environment, we feel that pockets of volatility, such as the more attractive yields on offer following US trade tariff announcements, are producing interesting opportunities across the debt spectrum for income-seeking investors.

The more intense the volatility that we see, and the more disrupted the liquidity is in regulated channels (e.g. banks and insurers) as a result, the more opportunities we will see in private credit in particular.

Specifically, we see an urgent need emerging to refinance construction and maturing commercial real estate loans in the US, as transaction activity has increased at the same time as issuance has slowed on syndicated markets. Meanwhile, specialty and asset-backed finance offer inherent diversification and access to differentiated risk premiums, with the potential to capture market inefficiencies created by turbulence.

For those hunting for diverse and stable income, the solid, “boring as usual” and comparatively high income available from infrastructure debt looks particularly appealing in today’s uncertain environment. Insurance-linked securities also continue to stand out for their lack of correlation with the macroeconomy, providing a much-needed respite from unstable markets.

### Private premium remains attractive



*Past performance is not a guide to future performance. Source: Schroders Capital, Bloomberg, CS, Swiss Re, Bank of America as of December 2024. The views and opinions shared are those of the Schroders Capital Securitized Products & Asset-Based Finance Team and are subject to change. Shown for illustrative purposes and should not be viewed as investment guidance.*

### 4. Focus on Europe and Asia for energy transition infrastructure

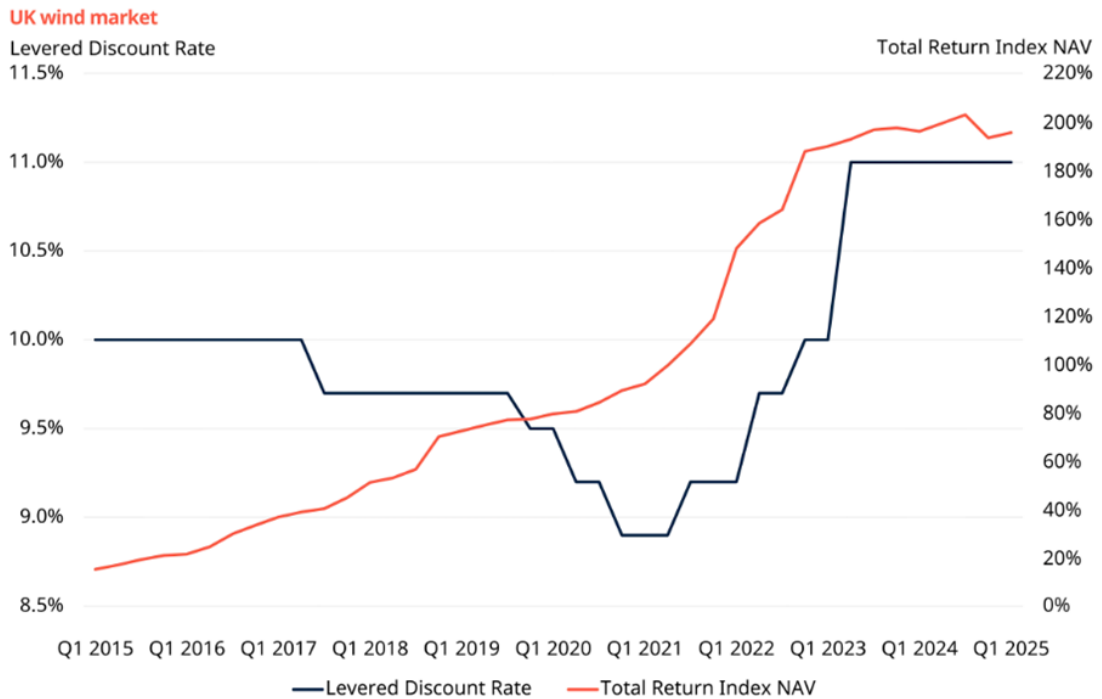
The energy transition segment in infrastructure remains particularly compelling in the current uncertain macro environment, due to its strong inflation correlation and secure income traits. It also provides positive diversification through exposure to distinct risk premia, such as energy prices.

We currently see the most attractive opportunities in Asia and Europe, where governments are continuing to strengthen their decarbonisation commitments. In the US, it does appear that the federal tax credit support for renewables will be phased out

on a much more rapid timeline, which could initiate a rush of activity to get new plant in the ground.

The market shifted to a buyer’s market since 2024, recalibrating expected equity returns due to higher interest rates and reduced dry powder, creating a capital supply and demand gap. The current environment remains attractive for core/core+ strategies, with implied levered equity returns up by more than 200bps since the beginning of 2023.

**Infrastructure asset returns have materially re-rated**



*Past performance is not a guide to future performance. Source: Listed Greencoat fund quarterly reports Q1 2015 - Q1 2025 (Total Return Index NAV, (NAV + Reinvested Dividends)). Past performance is not a reliable indicator of future results. There is no guarantee that this rate trajectory will remain the same in the foreseeable future. Discount rate refers to UK wind assets.*

**5. We still expect 2025 to be a strong vintage for real estate**

There is now increasing evidence of positive real estate market movements – and our proprietary valuation framework points to investment opportunities across multiple sectors and geographies.

Performance is expected to improve sequentially across markets, and we continue to believe that 2025 will be a strong vintage year for deployment despite the impact of tariffs and other uncertainties. However, we recognise the stagflationary risks that could manifest.

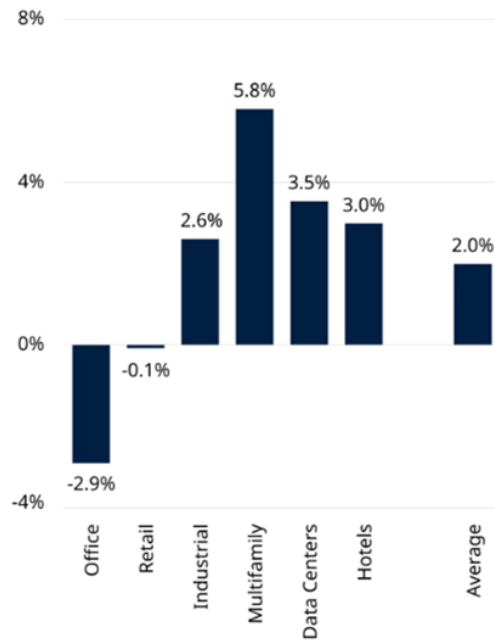
Although the economic outlook for our rental growth projections was already muted and is now further obscured by ongoing market uncertainties, operating conditions remain well supported by broadly constrained supply. Elevated construction costs have been a

major factor in this – and additional rises in construction costs could contribute to a 'cost-push' effect on rents, a dynamic we have already observed emerging.

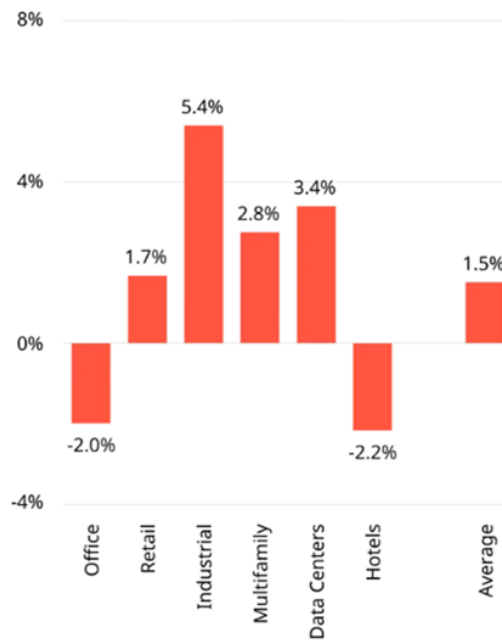
Both transaction pricing and valuations have shown modest improvements in the first quarter of this year following recoveries across regions and segments, albeit the extent of these varies considerably across markets.

### Real estate pricing recovers modestly in Q1 2025

European transaction price trends – YoY to Q1'25



US transaction price trends – YoY to Q1'25



Sources: Green Street Advisors, Schroders Capital, May 2025. Data last updated on 22 April 2025.