

Investor Outlook: H2 2025

In our global survey of more than 450 investors in June, we consider how sentiment has shifted on asset class performance, commitment plans and macroeconomic challenges

- Despite plans to reduce commitments, investors believe private equity performance will improve
- Almost half of VC investors surveyed expect to commit less capital over the coming year
- Noticeable increase in the share of investors expecting a decline in private debt performance
- Highest share of investors since 2022 view hedge funds positively
- Interest rates are less of a concern for real estate investors as they pivot strategy
- Investors are planning to target infrastructure strategies that offer greater return potential

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Key findings

1

Investors believe private equity performance will improve

Investors appear proactive rather than reactive, planning to reduce their current commitments to private equity and VC and returning to lower-risk asset classes such as infrastructure or private debt. The slower move to a low interest-rate environment has dampened some optimism for private equity and VC, but expectations of improved performance remain, with a larger share of investors hoping for improvements in the next year.

2

Venture capital investors downbeat as short-term liquidity squeezed

The fundraising mood among VC funds is expected to remain depressed with almost half (40%) of investors surveyed expecting to commit less capital over the coming year – a more pessimistic take than what we saw in our June 2024 survey, when 28% of investors expressed this intention. However, the outlook for longer-term allocations is more stable, likely a result of current short-term liquidity constraints limiting potential commitments.

3

Almost all investors happy with private debt but signs of caution on the year ahead

Private debt continues to meet expectations for almost all (94%) investors in the asset class, an increase on 12 months previous. Some apprehension is beginning to form as fewer investors plan to increase short-term capital commitments. Additionally, there was a drop in the share of investors expecting private debt performance to improve, with a noticeable jump in the share (24%) expecting lower performance.

4

Positivity surrounding hedge funds but little urgency on timing of flows

A year ago, investor interest in hedge funds was low. Since then, the share of investors looking to push more capital into hedge funds has increased to 27%. With eight out of 10 investors looking to maintain or make commitments, this is the highest share of respondents viewing the asset class positively since 2022 but there is little sense of urgency over the timing of these commitments and some strategies, such as macro and relative value, are being favored over others.

5

Geopolitics replace interest rates as main worry for real estate investors

Real estate investors appear less worried about interest rates, suggesting they are more comfortable with the current interest rate environment, or have adjusted their strategies to mitigate its impact, instead, the geopolitical landscape has gained prominence as a significant risk factor. Sentiment towards core, distressed and real estate debt strategies, which are most sensitive to rate changes, remains flat.

6

Investors want more infrastructure, in the short and long term

In an already buoyant fundraising market, investors in the infrastructure asset class are looking to commit more capital in the short term and plan to increase their long-term allocation. Following the impressive performance of the asset class in 2024, investors also appear to be targeting strategies that offer greater return potential, favoring core-plus and value-added opportunities.

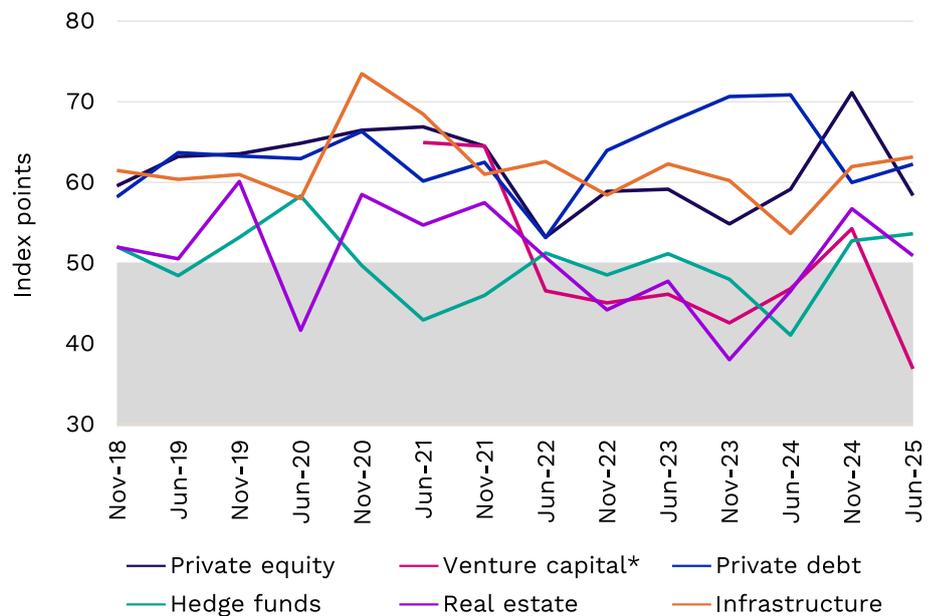
Executive summary

Investors search for reliability and opportunity in a shaky first half of the year

The first half of 2025 has certainly shaken some of the confidence that had been returning to alternatives markets, as investors had hoped to move back into a higher-growth environment. A rapidly shifting environment in the first few months of the year and constantly evolving fiscal policy delivered a series of shocks, with investors unsure how to react. Since our [Investor Outlook report](#) earlier this year, sentiment towards some asset classes has declined dramatically as the macroeconomic environment grew unstable and investors returned to more risk-off asset classes (Fig. 1.1).

Fig. 1.1: Investors have most optimism for infrastructure and private debt

Preqin's Investor Sentiment Index



Source: Preqin Investor Surveys, November 2018–June 2025

Below 50 indicates less capital will be committed, above 50 indicates plans to commit more capital. 50 alone suggests no expected change in commitments over the next 12 months.

*Venture capital included in private equity prior to June 2021

Interest in private equity and venture capital (VC) has fallen by the most, according to Preqin's Investor Sentiment Index. Expectations for further rate cuts globally and a move into a more risk-on environment proved unfounded as the start of the year saw markets destabilize and volatility spike.

Investors appear proactive rather than reactive, planning to reduce their commitments in private equity and VC and turning back towards lower-risk asset classes such as infrastructure or private debt. However, VC is the only asset class to have fallen below a 50% share on the index, where the pacing of short-term commitments from investors is expected to slow, while the other asset classes still expect to see increased commitments at various levels from investors.

In a more volatile macroeconomic environment, portfolio diversification remains key for investors in our survey (Fig. 1.2).

Fig. 1.2: Diversification is key across all market conditions

Investors were asked: ‘What are your main reasons for investing in alternative assets?’

Private equity	Venture capital	Private debt	Hedge funds	Real estate	Infrastructure	Natural resources
64.0% Diversification	60.2% High absolute returns	60.5% Reliable income stream	73.5% Diversification	68.9% Diversification	68.3% Diversification	63.8% Diversification
61.0% High risk-adjusted returns	49.4% Diversification	56.2% Diversification	54.4% Low correlation to other asset classes	50.3% Inflation hedge	54.0% Reliable income stream	42.1% Inflation hedge
51.0% High absolute returns	42.7% High risk-adjusted returns	44.0% High risk-adjusted returns	43.2% Reduce portfolio volatility	45.7% Reliable income stream	53.9% Inflation hedge	39.4% Low correlation to other asset classes
20.9% Low correlation to other asset classes	15.1% Low correlation to other asset classes	34.0% Reduce portfolio volatility	39.1% High risk-adjusted returns	40.0% Low correlation to other asset classes	49.2% Low correlation to other asset classes	19.8% Reduce portfolio volatility
20.5% Reduce portfolio volatility	6.7% Reduce portfolio volatility	28.8% Low correlation to other asset classes	25.7% High absolute returns	26.3% Reduce portfolio volatility	36.8% Reduce portfolio volatility	14.4% High absolute returns
7.3% Inflation hedge	3.2% Inflation hedge	19.8% High absolute returns	7.7% Inflation hedge	18.2% High risk-adjusted returns	28.4% High risk-adjusted returns	12.6% High risk-adjusted returns
4.0% Reliable income stream	2.2% Reliable income stream	15.9% Inflation hedge	3.7% Reliable income stream	11.0% High absolute returns	12.0% High absolute returns	11.0% Reliable income stream

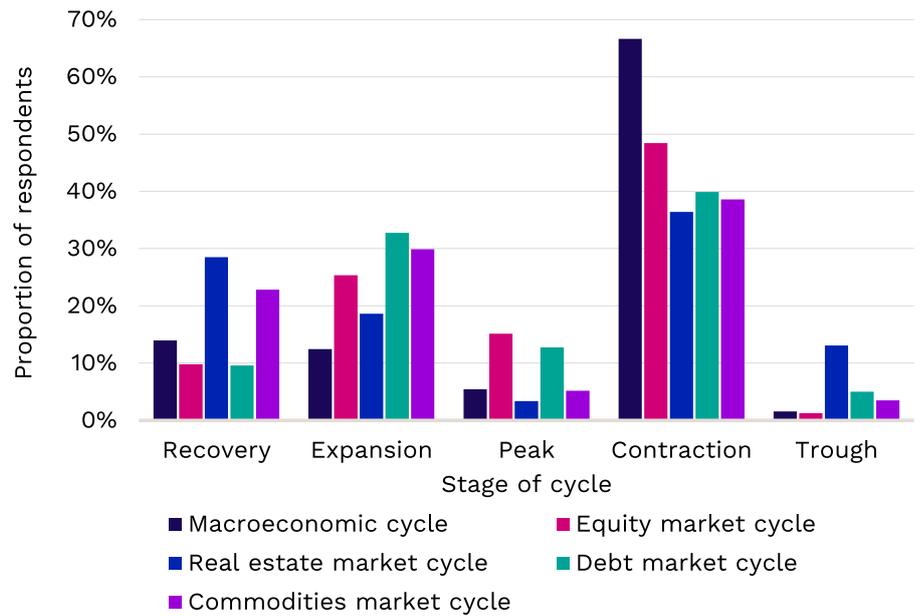
Source: Preqin Investor Survey, June 2025

Nevertheless, we also see ‘reliable income stream’ moving to the top spot as the main reason for investing in private debt, and ‘reduce portfolio volatility’ overtaking ‘high risk-adjusted returns’ for hedge funds. Private debt can generate steady returns in tough market environments, which has set the asset class apart from others in recent years and is an important capability for investors to prioritize, so it is no surprise that this response has moved into first place for the asset class.

The latest views on the current phase of market cycles from investors also add some context behind the changes in sentiment. Compared to the end of 2024, when investors viewed the equity market cycle as being in expansion, at the mid-point of the year, 48% of respondents now view it as in contraction (Fig. 1.3). Among the different cycles, the greatest share of investors (67%) see the current macroeconomic cycle contracting.

Fig. 1.3: All markets contracting according to investors

Investors were asked: ‘Where are we in global market cycles?’

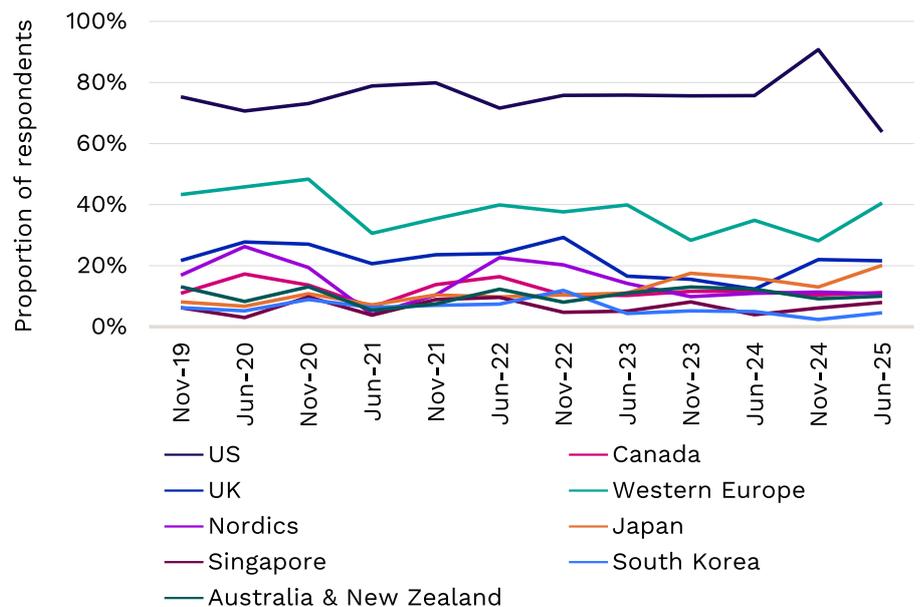


Source: Preqin Investor Survey, June 2025

Market preferences have also shifted as investors consider where the best opportunities lie for their allocations. Historically, the US has been the most attractive market, gaining a 77% average response rate to the question of ‘which developed market presents the best opportunities’ (Fig. 1.4). However, the start of the year has caused some investors to reassess their positions on that market and start paying more active attention to other markets globally.

Fig. 1.4: The pull of the US market weakens for investors

Investors were asked: ‘Which developed markets present the best opportunities?’



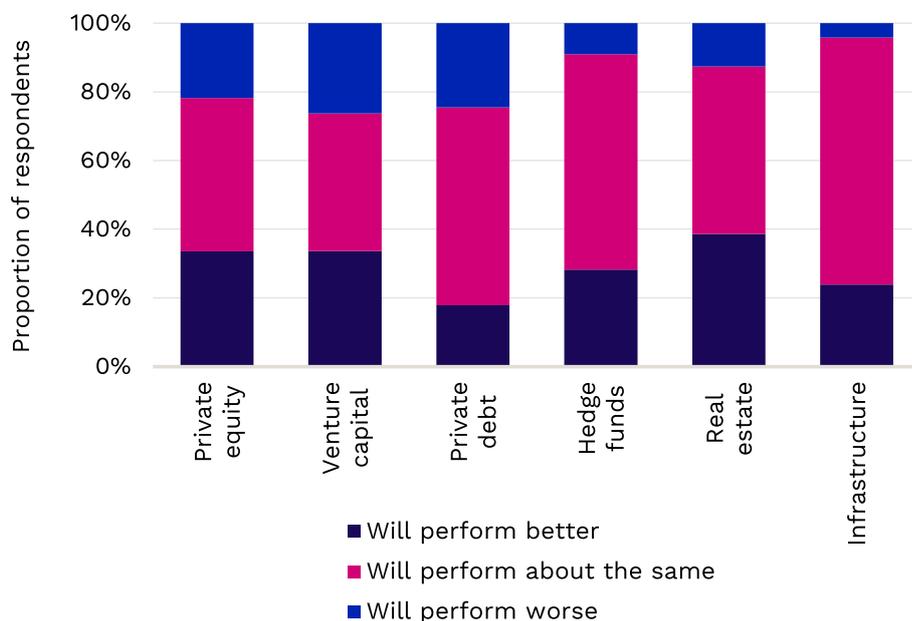
Source: Preqin Investors Survey, November 2019–June 2025

This sharp reduction in respondents' perception of US opportunities coincides with a growth in other markets' share. Although still below its historical high, investors seem more optimistic about Western Europe, with valuations typically lower there than in the US. Investors are also more positive on the Japanese market. While it has long been plagued by lack of growth and deflation, new regulations to boost growth may attract attention from investors looking to allocate towards the region.

On the question of how investors expect private capital to perform, perspectives have changed from six months ago, particularly for higher-risk asset classes. The slower move to a low interest-rate environment has dampened some optimism for private equity and VC, but investors still expect better performance (Fig. 1.5). Across all asset classes, excluding private debt, a larger share of investors are expecting performance to improve in the next year compared to those foreseeing a deterioration, highlighting the steadfast optimism that investors retain towards private capital.

Fig. 1.5: Investors becoming more optimistic over future performance

Investors were asked: 'How will next 12 months' performance compare to previous 12 months?'



Source: Preqin Investor Survey, June 2025

Private equity

Despite a tough exit environment, most investors remain committed to private equity over the long-term

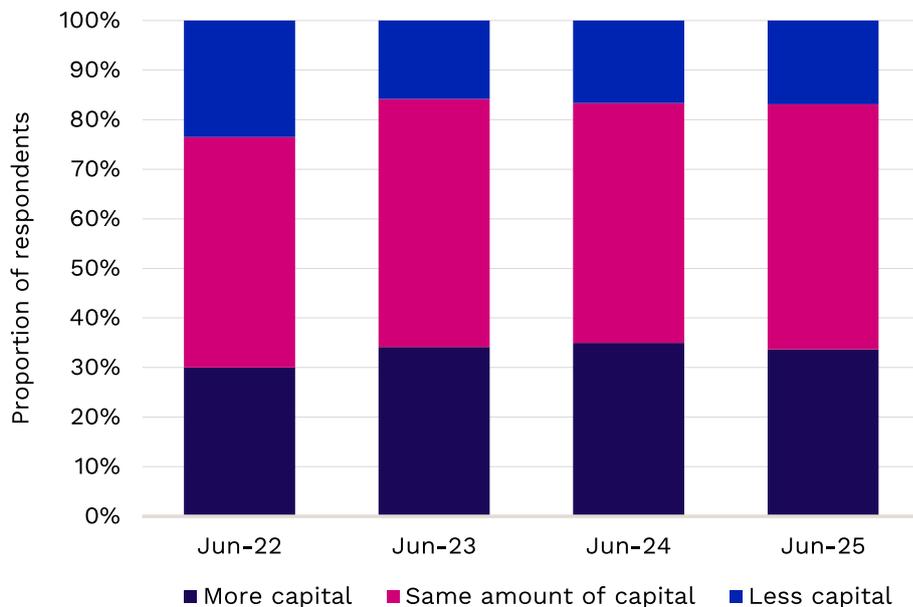


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2025 brought many déjà vu moments in private equity. As in the first half of 2024, investors grew impatient with the Federal Reserve (Fed) during the first half of 2025. With no cut to interest rates, investors are sticking to their plans regarding short-term capital commitments, with nearly half of respondents in our June survey intending to maintain their commitments (49% in June 2025 versus 48% in June 2024). As was the case 12 months ago, 17% of investors plan to commit less (Fig. 2.1). In November 2024, we recorded a seven-year low (8%), fuelled by investor anticipation of H1 2025 rate cuts. Given that these failed to materialise, the rebound to 17% is unsurprising.

Fig. 2.1: Short-term investor intentions are almost unchanged

Investors were asked: ‘How much capital will you commit in the next 12 months?’

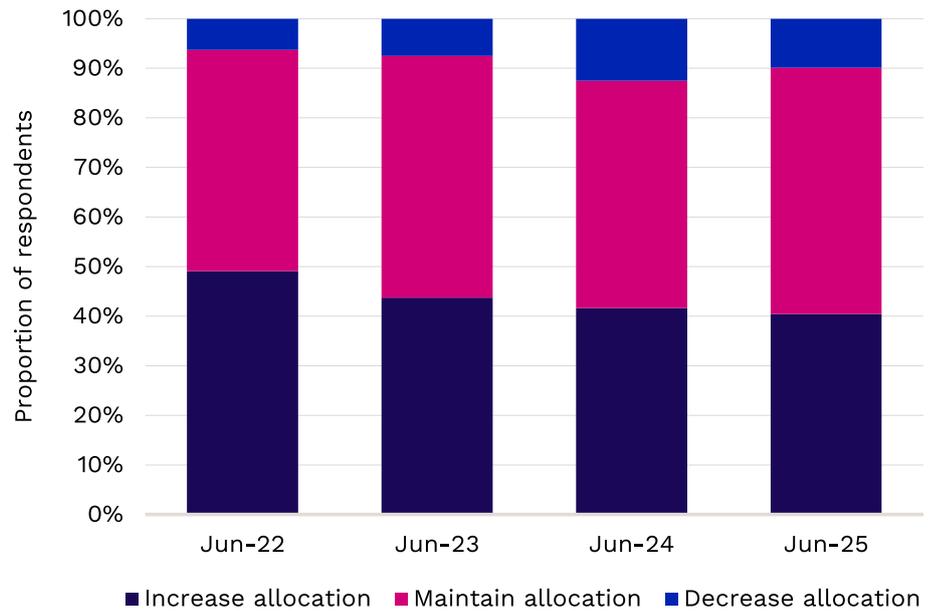


Source: Preqin Investor Surveys, June 2022–2025

Despite challenges within the industry – triggered by higher interest rate environment, including slower exits, inert asset valuations and less capital distributions since 2022 – most investors remain committed to private equity long-term. Two-fifths (40%) plan to increase their exposure, only two percentage points (ppts) less than a year ago (Fig. 2.2), while those looking to decrease allocation dropped by 3 ppts, to 10%. Half of the investors featured in our June 2025 survey plan to maintain their current exposure.

Fig. 2.2: Less investors intend to lower their strategic exposure to private equity

Investors were asked: ‘How will you allocate to private equity over the longer term?’

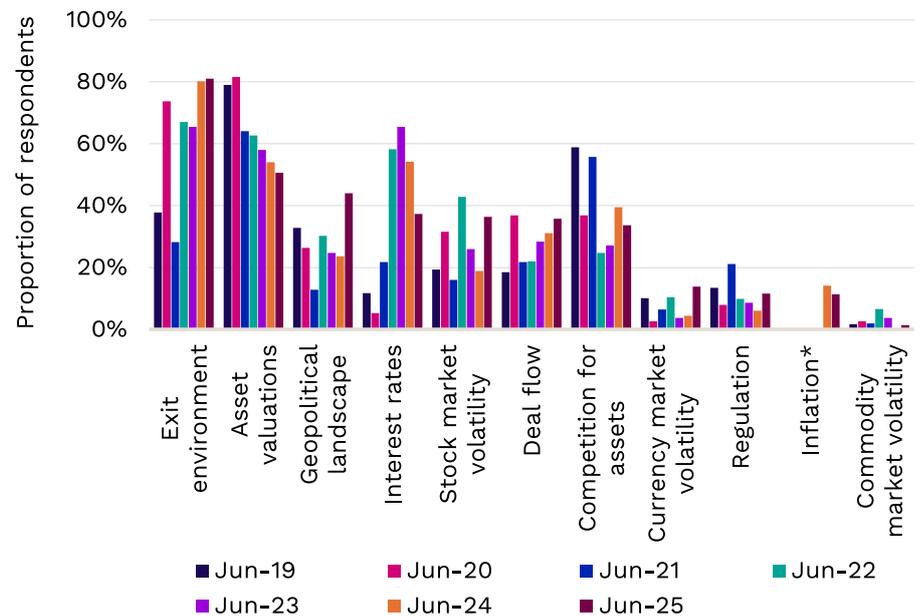


Source: Preqin Investor Surveys, June 2022–2025

The tough exit environment remains a key challenge for 81% of respondents, almost unchanged from 12 months ago (80%, Fig. 2.3). Higher interest rates have slowed exits, leading to reductions in capital distributions to LPs. However, given the ongoing strategic commitment to the asset class by the majority of investors, we can infer that they believe this challenge will be overcome. Asset valuations (51%) and the geopolitical landscape (44%) are the second- and third-most important challenges identified by respondents.

Fig. 2.3: Exits remain the major investor concern

Investors were asked: ‘What are key challenges for return generation in the next 12 months?’



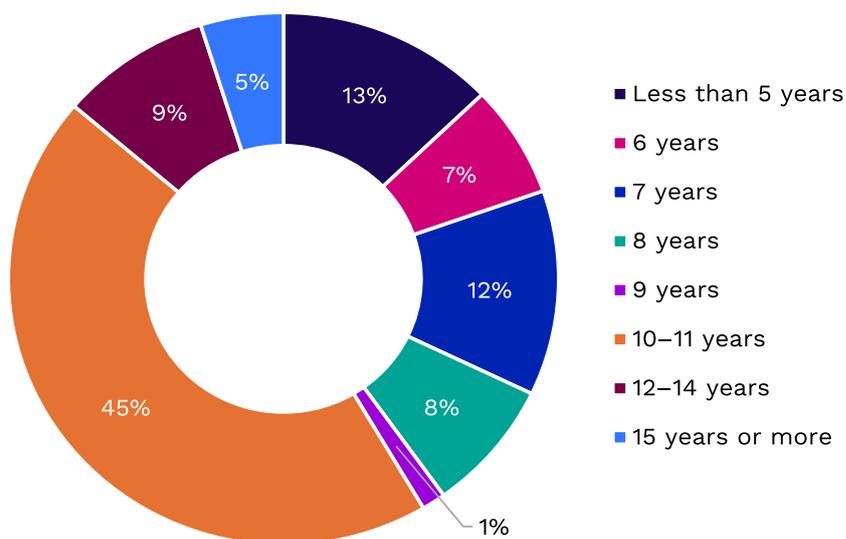
*Inflation was included as a challenge in 2024

Source: Preqin Investor Surveys, June 2019–2025

Deal flow, competition for assets, interest rates, and stock market volatility were also cited by LPs as major challenges. A tougher deal environment, resulting in fewer deals and exits, reduces investment options for LPs and leads to competition for assets. Slower exits – and extended capital distribution periods – drive more LPs to agree to extended holding periods, often entering new limited partnership agreements with continuation vehicles on existing assets. Nearly half of respondents (45%) expect returns over a 10- to 11-year term, up from the historical industry standard of five to seven years. This is a result of slowing capital distributions to LPs since 2022, leading to lower annual DPI (distributed to paid-in capital). Nevertheless, 32% of investors still expect a term of seven years or less (Fig. 2.4).

Fig. 2.4: Almost half of investors expect a 10- to 11-year private equity term

Investors were asked: ‘For capital being deployed now, what is the expected term on private equity closed-end fund investments?’

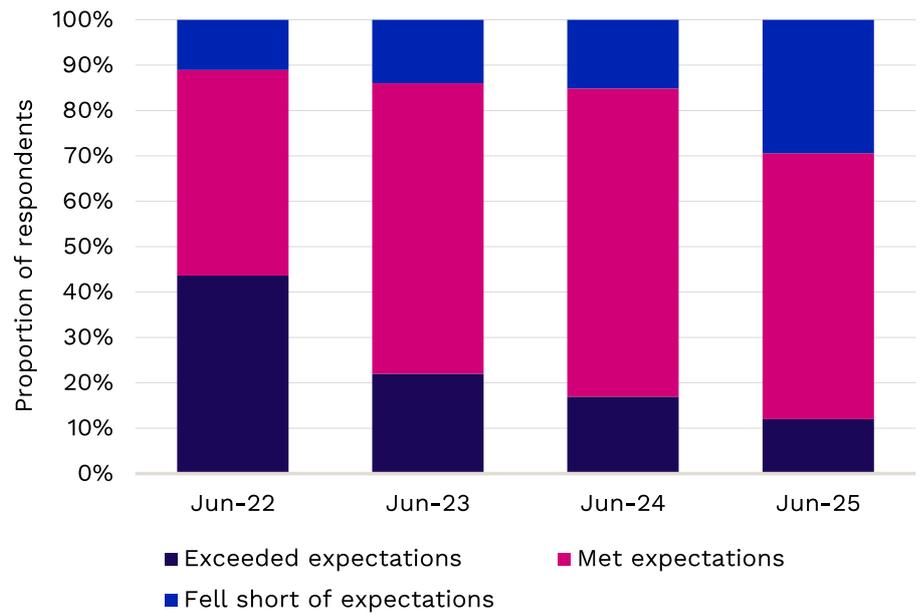


Source: Preqin Investor Survey, June 2025

Our survey also revealed that 29% of investors were disappointed with private equity returns over the past year, up from 15% in June 2024 (Fig. 2.5). The number of investors whose returns performed better than expected fell to 12%, a 5 ppt decrease. Additionally, 22% of investors expect the sector to perform worse over the next 12 months (Fig. 2.6), compared with 12% in June 2024. Only 34% anticipate better returns, down from 45% in June 2024.

Fig. 2.5: Nearly a third investors were disappointed with the past year’s returns

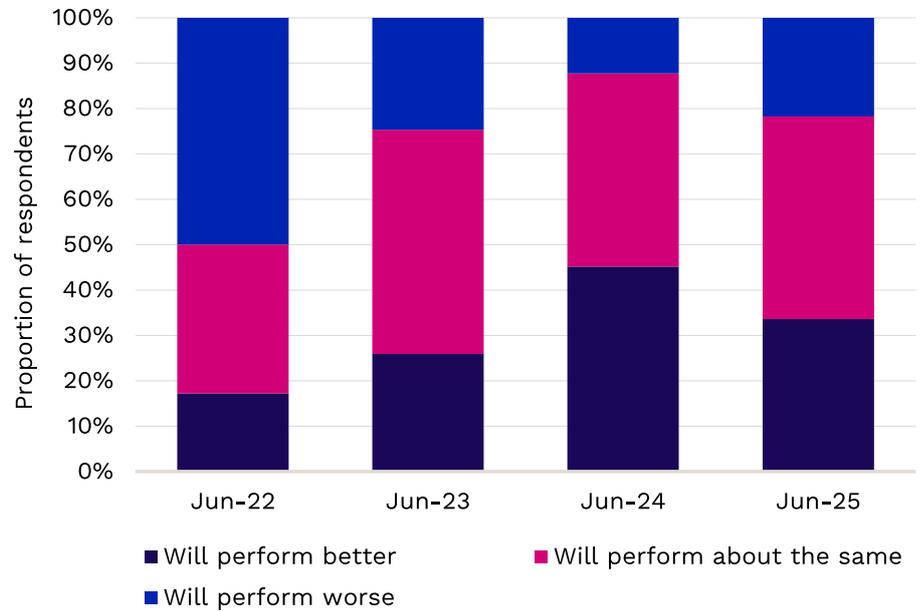
Investors were asked: ‘Have investments met expectations over the past 12 months?’



Source: Preqin Investor Surveys, June 2022–2025

Fig. 2.6: Short-term return expectations are still on the downside

Investors were asked: ‘How will next 12 months’ performance compare to previous 12 months?’

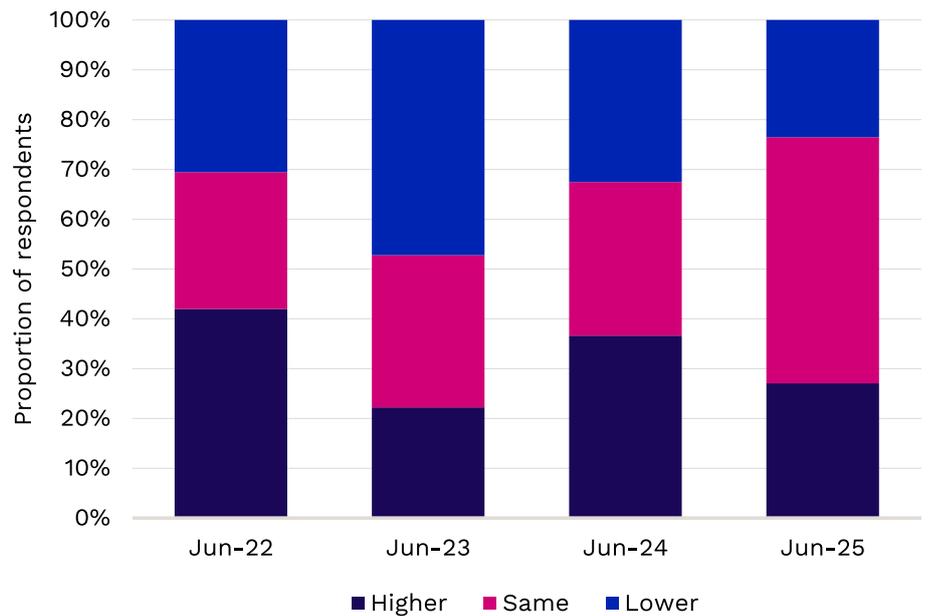


Source: Preqin Investor Surveys, June 2022–2025

Investors noted a stabilization in asset pricing, with fewer considering private equity assets to be overvalued, and more viewing them as undervalued. This suggests an expectation that lower entry points could result in higher investment returns over time. Historically, industry returns typically improve a few years after a downturn, as assets acquired at lower valuations mature and are eventually sold at a profit. Only 27% now think asset prices rose over the past year, down from 37% in June 2024. Our survey showed 49% of respondents saw asset pricing as unchanged, compared with 31% in the previous two years (Fig. 2.7). In June 2022, 27% of investors believed prices would stay stable, failing to anticipate imminent interest rate hikes.

Fig. 2.7: The majority observed either asset pricing improvement or stabilization

Investors were asked: ‘How has portfolio company/asset pricing changed on 12 months ago?’

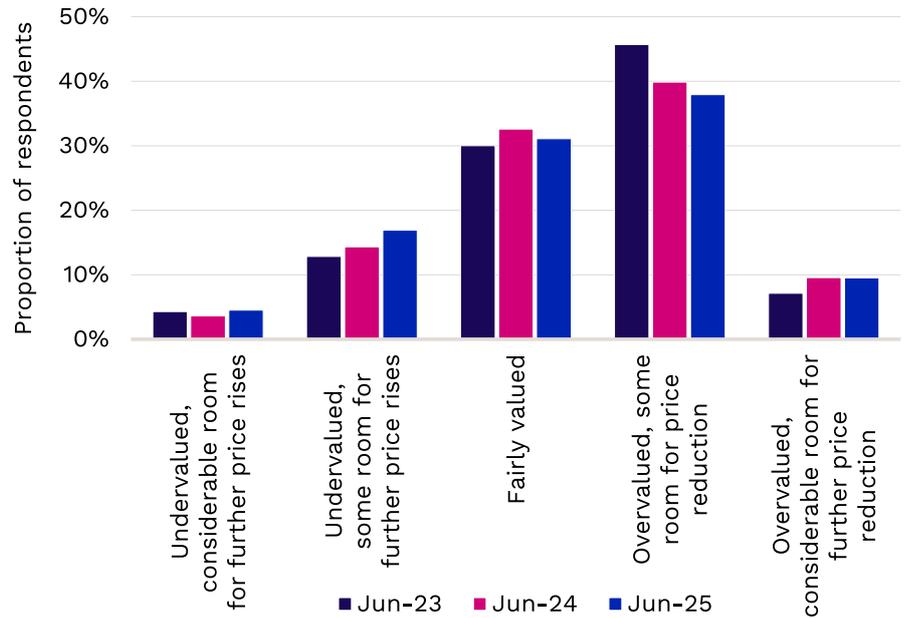


Source: Preqin Investor Surveys, June 2022–2025

Similarly, investor perceptions regarding current asset pricing indicate a more favorable outlook towards the private equity industry. A larger percentage of investors (48%) regard private equity assets as overvalued compared to those who view them as undervalued (21%), however these figures represent the lowest and highest proportions, respectively, observed over the past three years of our June surveys (Fig. 2.8). This points to improved investor return expectations from the current level over the longer time horizon, perhaps driven by lower current valuations and anticipated Fed rate cuts in the second half of the year.

Fig. 2.8: Investor asset pricing perceptions point to a more favorable outlook

Investors were asked: ‘How do you view portfolio company/asset pricing?’

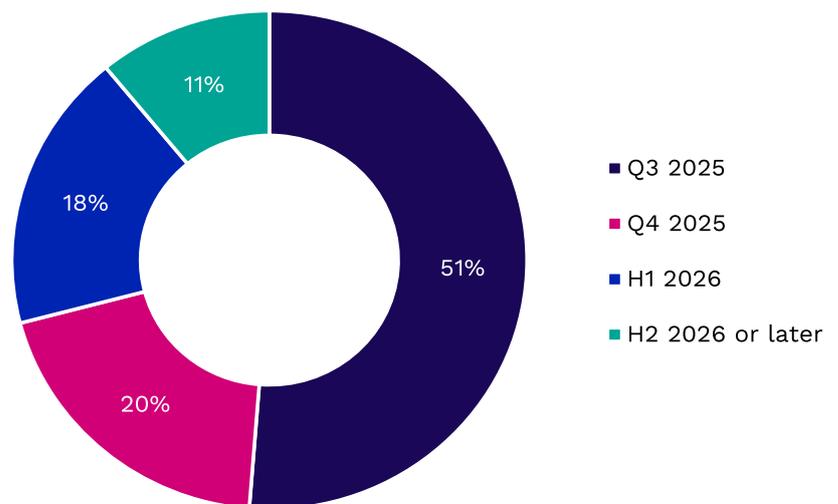


Source: Preqin Investor Surveys, June 2023–2025

With valuation perceptions improving, more than two thirds of investors plan to make commitments before the end of the year. Over half of investors (51%) noted their intentions to invest in private equity in Q3 2025, with a further 20% aiming to commit in Q4 2025 (Fig. 2.9).

Fig. 2.9: Over two thirds of respondents plan further commitments in 2025

Investors were asked: ‘When will you make next commitment to a private equity fund?’

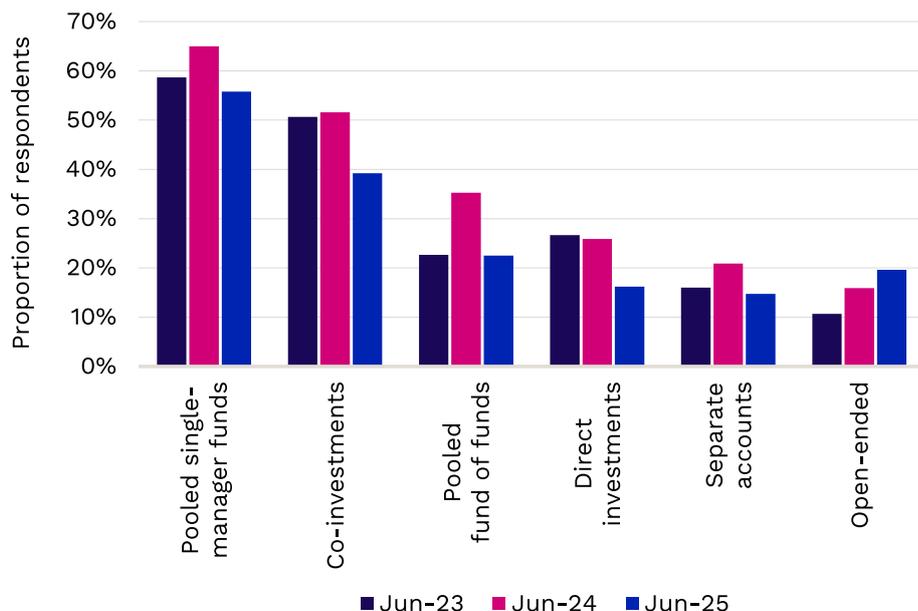


Source: Preqin Investor Survey, June 2025

Contrary to all other fund structures in our survey, including the two structures most likely to be targeted by investors – pooled single-manager funds (56%) and co-investments (39%) – investors’ intentions to target open-ended funds increased (Fig. 2.10). Non-institutional investors who previously did not have the opportunity to buy into private equity can now do so, often via open-ended structures. For example, open-ended structures have been gaining in popularity since end-2021 in Europe, as highlighted in Preqin’s [Guide to Open-Ended Funds](#) report.

Fig. 2.10: Only open-ended structure saw an increase in intention to target over the next year

Investors were asked: ‘What fund structures are you targeting in the next 12 months?’

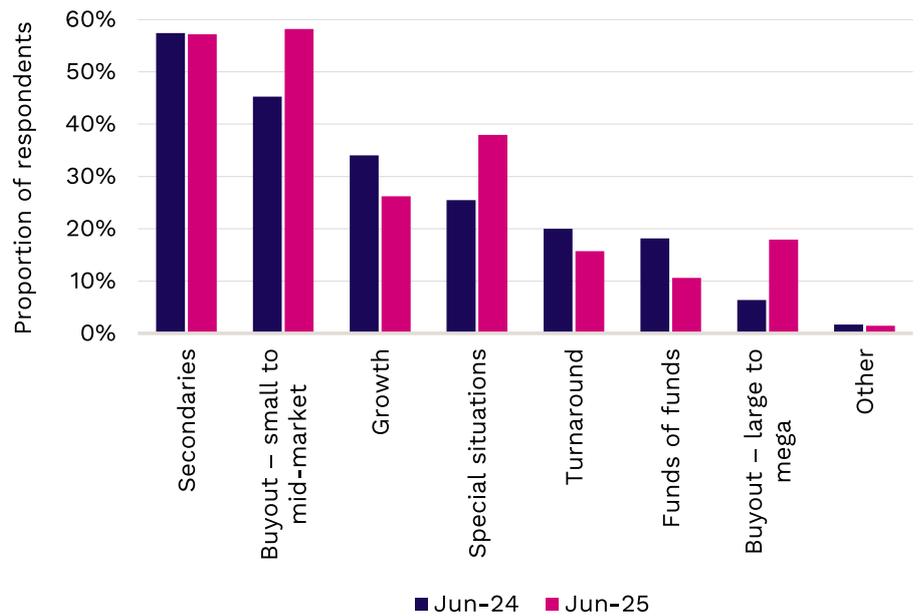


Source: Preqin Investor Surveys, June 2023–2025

Among fund types, small to mid-market buyouts (58%) and secondaries (57%) are viewed as the fund types offering the best opportunities (Fig. 2.11). Special situations and large-to-mega buyouts have also gained traction, likely benefiting from specialist expertise that helps generate alpha in today’s challenging private equity landscape.

Fig. 2.11: Small- to mid-market buyout strategies edge up before secondaries

Investors were asked: ‘Which fund types present the best opportunities?’

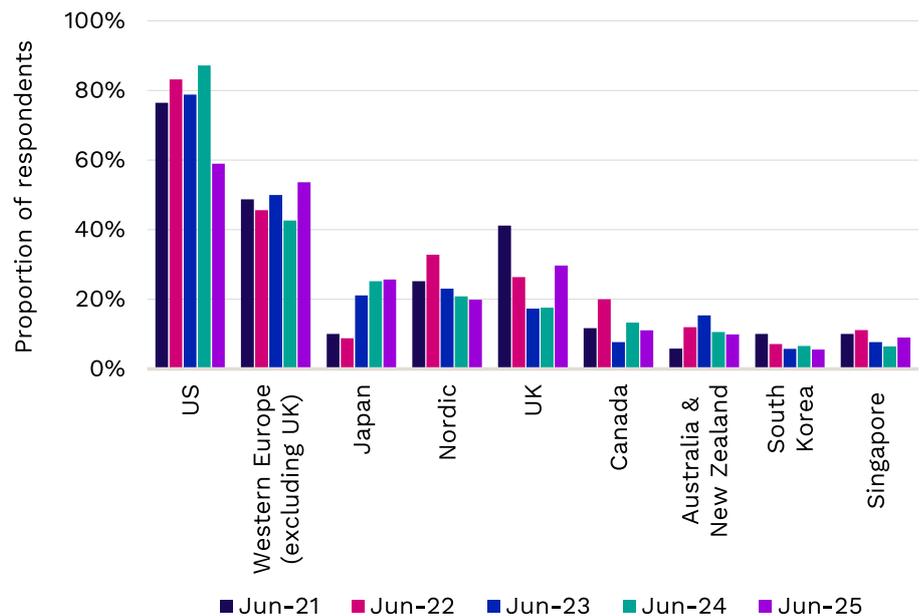


Source: Preqin Investor Surveys, June 2024–2025

Investor preferences have shifted from the US to Europe in developed markets, with European private equity seeing a notable increase (Fig. 2.12): Western Europe rose 11 pts to 54% and the UK increased by 12 pts to 30%. Nordic interest dipped slightly to 20%. Meanwhile, the share of investors identifying the US and Canada as presenting the best opportunities fell to 59% (down 28 pts) and 11% (down 2 pts) respectively, while APAC region preferences remained largely unchanged.

Fig. 2.12: Investor views confirm market rotation from the US to Europe

Investors were asked: ‘Which developed markets present the best opportunities?’

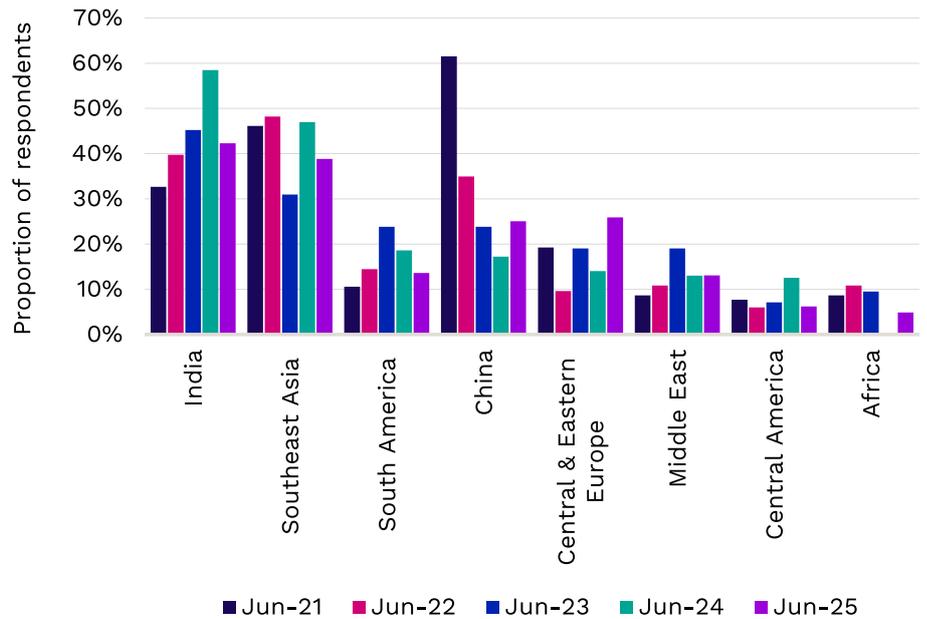


Source: Preqin Investor Surveys, June 2021–2025

Turning to emerging markets, investor interest in India has declined, with 42% now viewing it as an attractive private equity market, down from 58% in June 2024 (Fig. 2.13). Meanwhile, China’s appeal is recovering after the internal regulatory changes and economic challenges of the past few years; 25% of investors believe the best emerging market opportunities can be found there, up from 17% last year. Central & Eastern Europe gained traction, likely due to a European rotation trend, while Southeast Asia and South America saw decreased investor interest.

Fig. 2.13: China and Central & Eastern Europe are gaining traction as India loses some investor interest

Investors were asked: ‘Which emerging markets present the best opportunities?’



Source: Preqin Investor Surveys, June 2021–2025

Venture capital

Exits and asset valuations remain key challenges but only a quarter of investors expect performance to get worse

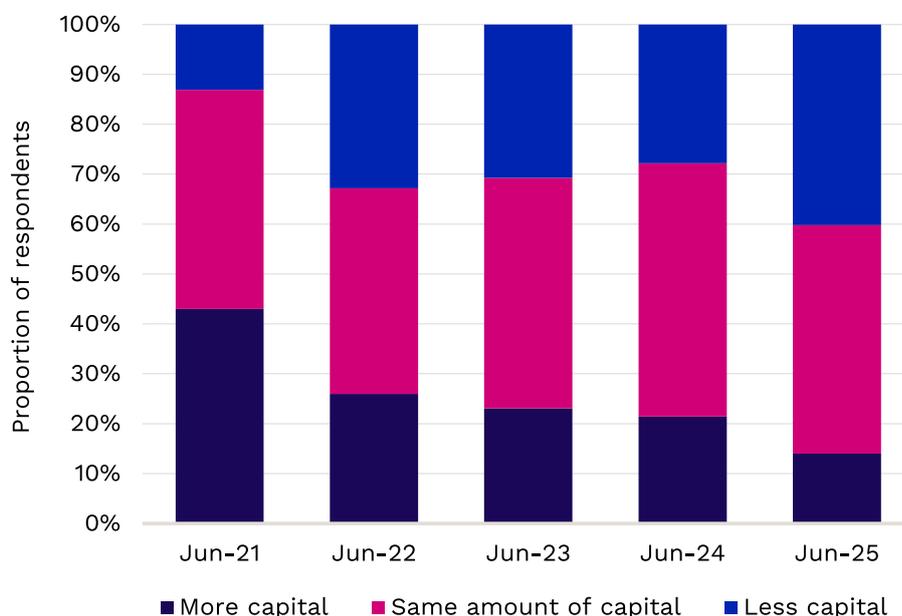


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Investors retain a negative outlook on deploying capital into the venture capital asset class. According to our June 2025 survey, 40% of investors expected to commit less capital over the coming year – a more pessimistic take than seen in our June 2024 survey, when 28% of investors expressed this intention (Fig. 3.1). This caution aligns with the slower fundraising environment we have witnessed so far this year, with Q2 fundraising remaining significantly below the five-year average.

Fig. 3.1: Fewer investors expecting to allocate more capital over the next year

Investors were asked: ‘How much capital will you commit in the next 12 months?’

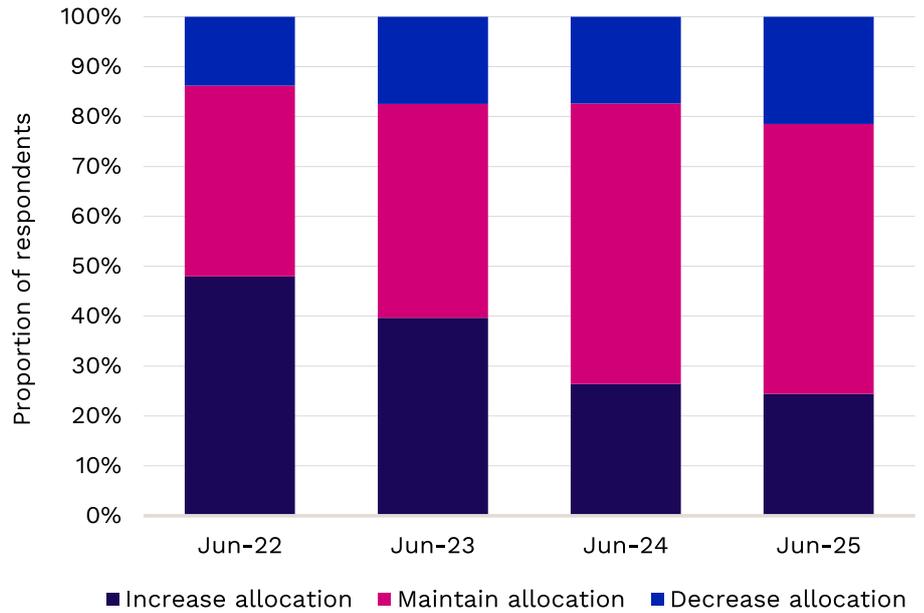


Source: Preqin Investor Surveys, June 2021–2025

Nevertheless, the outlook for longer-term allocations has remained stable over the year, with 54% of institutional investors expecting to maintain their longer-term allocation to the asset class, and 24% of investors looking to increase allocations (Fig. 3.2). There remains a divergence for investors who are positive regarding longer-term commitments to the asset class but more hesitant regarding shorter-term commitments. One of the challenges driving this is that liquidity is not meeting investor expectations.

Fig. 3.2: Investors holding stable on longer-term allocations

Investors were asked: ‘How will you allocate to VC over the longer term?’

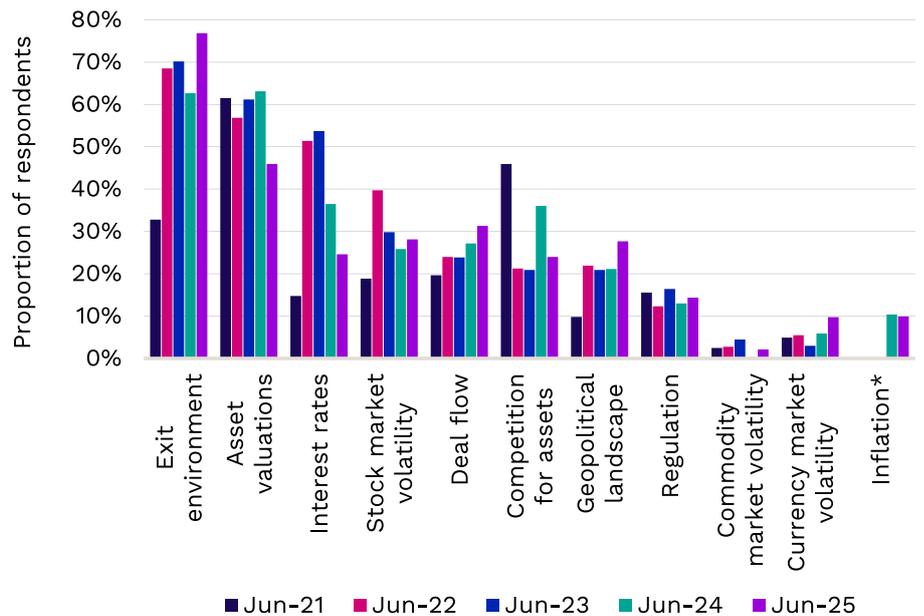


Source: Preqin Investor Surveys, June 2022–2025

The key challenges identified by investors in our survey remain the same as 12 months ago: exits and asset valuations. Venture capital funds have had a tougher time realizing exits, and this remains the number-one concern for investors – up from 63% a year ago to 77% (Fig 3.3). Exits have always been of key importance for an illiquid asset class and with companies staying private for longer, investors are forced to adjust

Fig. 3.3: Exits and asset valuations remain key challenges

Investors were asked: ‘What are key challenges for return generation in the next 12 months?’



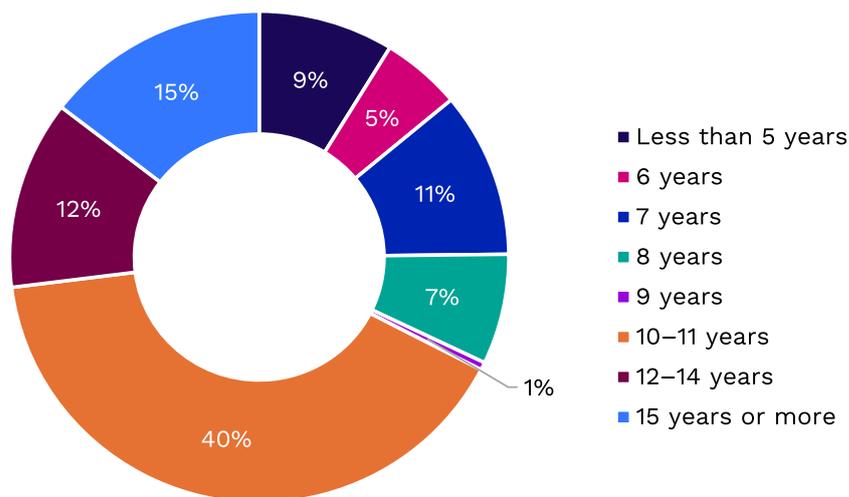
*Inflation was included as a challenge in 2024

Source: Preqin Investor Surveys, June 2021–2025

their expectations. One in seven investors expect that capital deployed now will take 15 or more years to be returned (Fig. 3.4). Outside exits and asset valuations, investors highlight access to deal flow and the geopolitical landscape as key concerns. Access to the best deals in some sectors remains difficult and global trade anxiety has heightened stock market volatility, adding to uncertainty.

Fig. 3.4: One in seven investors expect capital going in will now take 15 years to be returned

Investors were asked: ‘For capital being deployed now, what is the expected term on venture capital closed-end fund investments?’

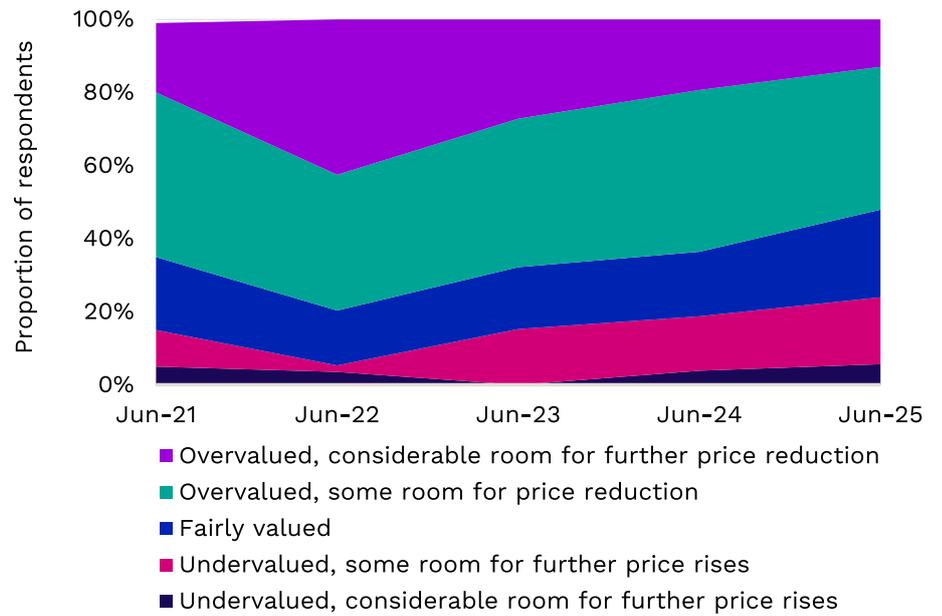


Source: Preqin Investor Survey, June 2025

While asset valuations remain a concern, fewer investors are now worried about this – down from 63% a year ago to 46% in this survey, the lowest it has been since 2021. Asset valuations have been slowly moving closer to fair value in the minds of investors surveyed since 2022. It has been a slow process though, and 52% of investors still view the asset class as overvalued (Fig. 3.5). That said, this improvement in sentiment is reflected in how investors view portfolio company pricing – the majority (56%) now expect it to stay the same or increase. In the previous three years, the majority anticipated a decrease in value (Fig. 3.6).

Fig. 3.5: Valuations move closer to fair value

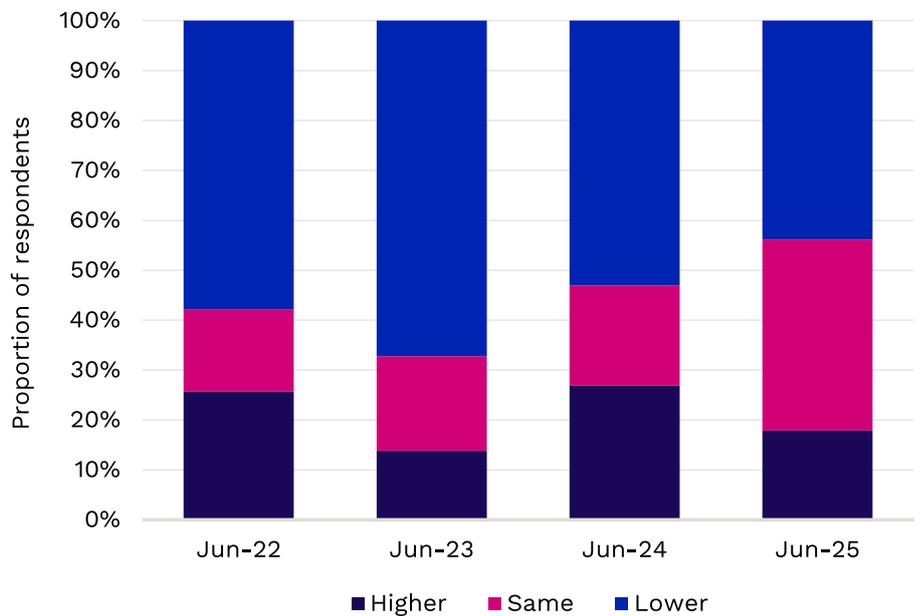
Investors were asked: ‘How do you view portfolio company/asset pricing?’



Source: Preqin Investor Surveys, June 2021–2025

Fig. 3.6: Majority of portfolio companies see asset pricing as stable or increasing

Investors were asked: ‘How has portfolio company/asset pricing changed on 12 months ago?’

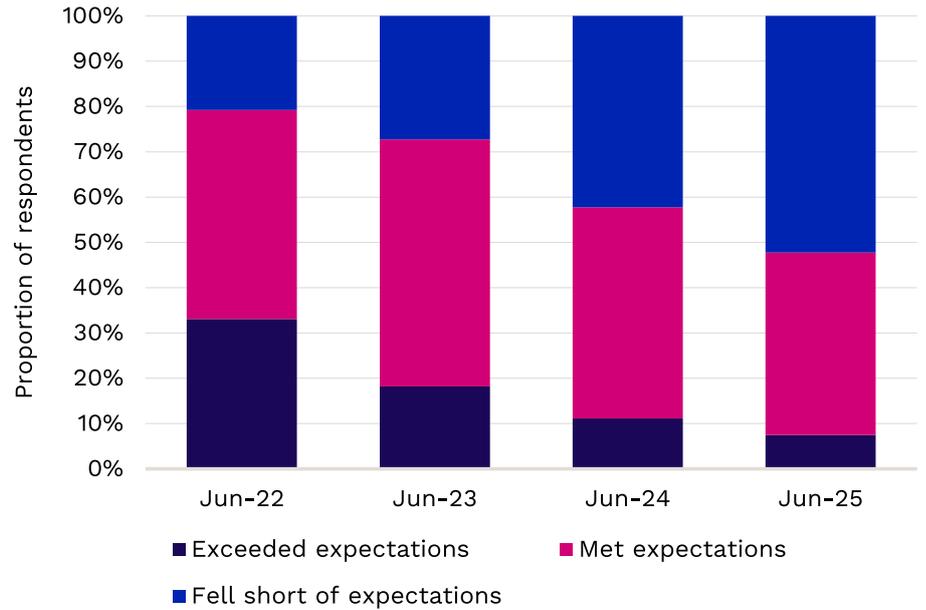


Source: Preqin Investor Surveys, June 2022–2025

It may not come as a surprise, given lower asset valuations, that venture capital continues to fall short for most investors. More than half (52%) said investments have not met expectations and only 7% said the asset class had exceeded expectations (Fig 3.7). This negative sentiment has been exacerbated by the particularly optimistic view investors held for the asset class a year ago, when 82% predicted it would either perform the same or better over the next 12 months. Saying this, most investors still hold a positive outlook for the year ahead, with just over a quarter (26%) of investors expecting performance to worsen (Fig. 3.8).

Fig. 3.7: Majority of investors see investments fall short over the last year

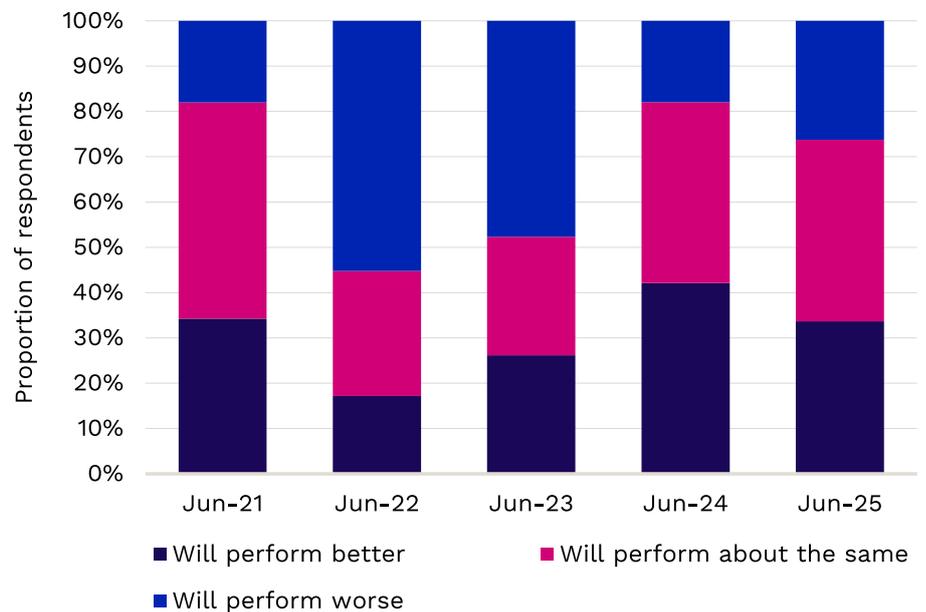
Investors were asked: ‘Have investments met expectations over the past 12 months?’



Source: Preqin Investor Survey, June 2022–2025

Fig. 3.8: Three quarters of investors expect VC returns to remain the same or improve over the coming year

Investors were asked: ‘How will next 12 months’ performance compare to previous 12 months?’



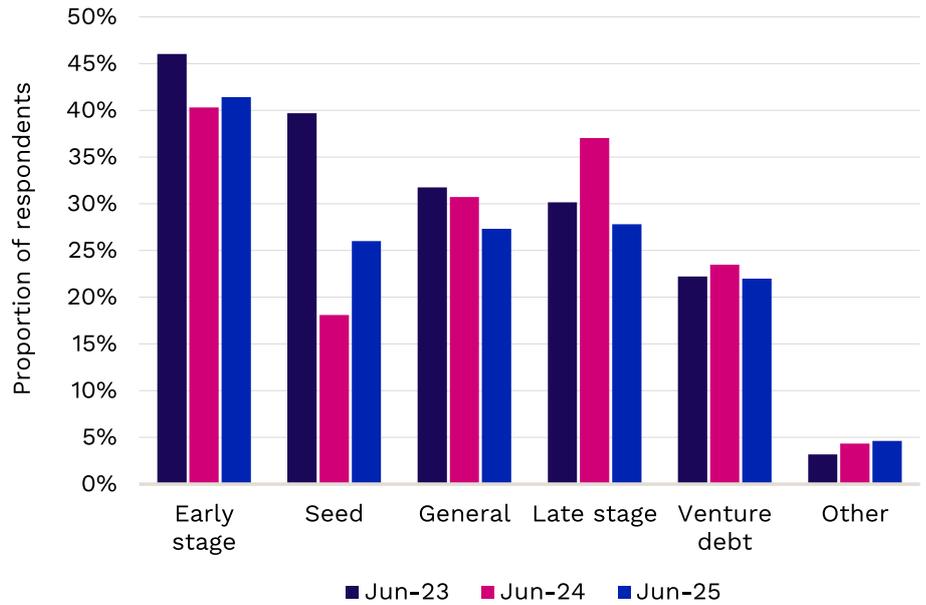
Source: Preqin Investor Surveys, June 2021–2025

Early-stage (41%) strategies remain in favor, while the share of investors identifying late-stage strategies as offering the best opportunities fell from 37% to 28% (Fig. 3.9). Stock market volatility has delayed some larger exits and may be a drag for late-stage strategies, but there remains pent up demand for greater liquidity from investors, which will continue to put pressure on portfolio companies to find a means to exit.

Investors still see the US as the developed market with the best opportunities for VC, but the proportion of investors sharing this view has decreased from 90% to 77%, driven by a decrease in sentiment from Europe-based investors (Fig. 3.10). Western Europe, the UK and Japan have seen a slight increase in interest as a result of this.

Fig. 3.9: Early stage continues to be seen as offering the best opportunities

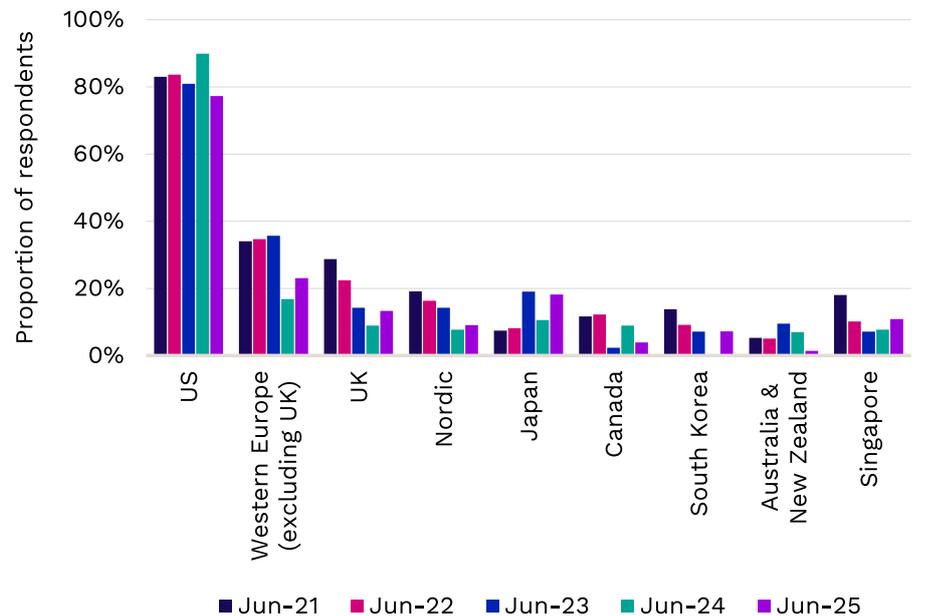
Investors were asked: ‘Which fund types present the best opportunities?’



Source: Preqin Investor Surveys, June 2023–2025

Fig. 3.10: US still viewed as the best market for VC investors

Investors were asked: ‘Which developed markets present the best opportunities?’

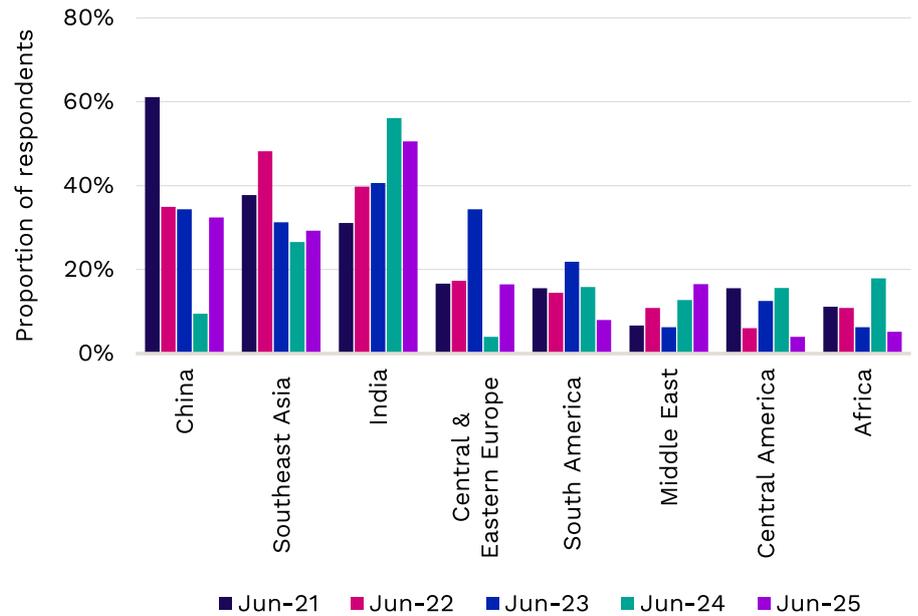


Source: Preqin Investor Surveys, June 2021–2025

Turning to the developing world, about half of investors (51%) in our latest survey (Fig. 3.11) view India as the developing market with the best opportunities, maintaining the view taken a year ago. China (32%) and Southeast Asia (29%) remain key locations. The Middle East has been trending upwards over the past few years, spurred on by government efforts to encourage more venture activity in the region; 17% of investors now view it as a key developing market for venture capital, up 4 pts from June 2024. It's worth noting that investors do exhibit a home bias when it comes to evaluating the areas where they believe the best opportunities lie.

Fig. 3.11: India remains best opportunity within emerging markets

Investors were asked: 'Which emerging markets present the best opportunities?'



Source: Preqin Investor Surveys, June 2021–2025

Private debt

Demand for private debt remains firm, despite fears over lower performance prompting a more cautious stance



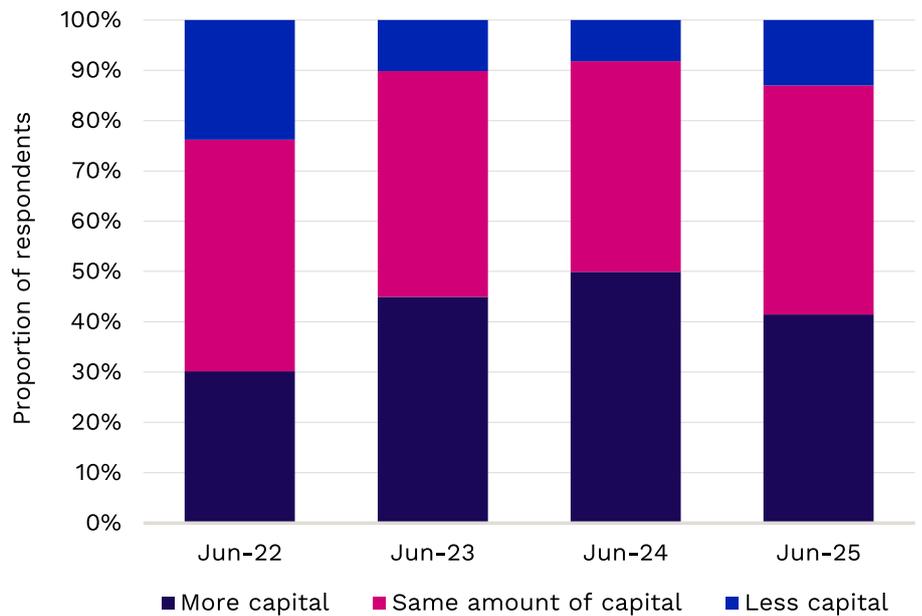
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With interest rates staying high in 2025, broadly in line with expectations at the start of the year, it is perhaps no surprise that income continues to be the primary motive for investors to allocate to private debt, with 60.5% of survey participants highlighting reliable income as one of their main reasons for committing funds (Fig. 1.2). While higher interest rates may weigh on deal activity in private equity, they are a boon for private debt performance. Floating rates can help deliver on investors’ income goals. Diversification and high risk-adjusted returns are also important drivers.

Despite a more cautious mood, our survey reveals that demand for private debt remains robust, consistent with the desire for income and diversification. The resilience in private debt demand, in line with our long-term forecasts, is borne out in the data, with 84% of those surveyed saying they want to maintain or add to their existing private debt positions over the next 12 months (Fig. 4.1).

Fig. 4.1: Substantial portion of investors increasing or maintaining capital commitments in the next 12 months

Investors were asked: ‘How much capital will you commit in the next 12 months?’

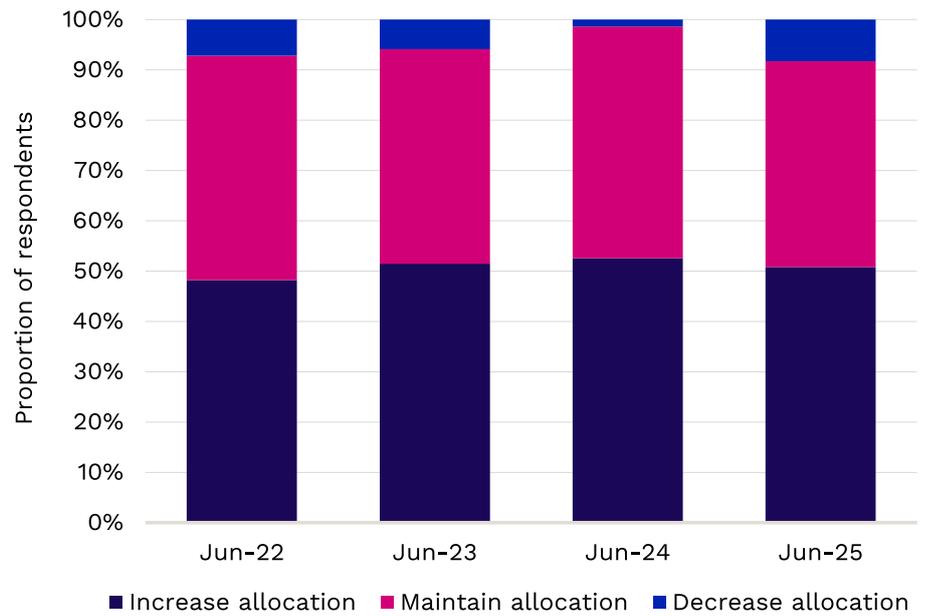


Source: Preqin Investor Surveys, June 2022–2025

The majority of investors also want to increase their positions over the longer term (Fig. 4.2). There is a slight uptick in the proportion saying they want to decrease allocations, but given the low absolute levels (13% in the short term and 8% in the long term), this is unlikely to be meaningful.

Fig. 4.2: Majority of investors plan to increase allocations in the longer term

Investors were asked: ‘How will you allocate to private debt over the longer term?’

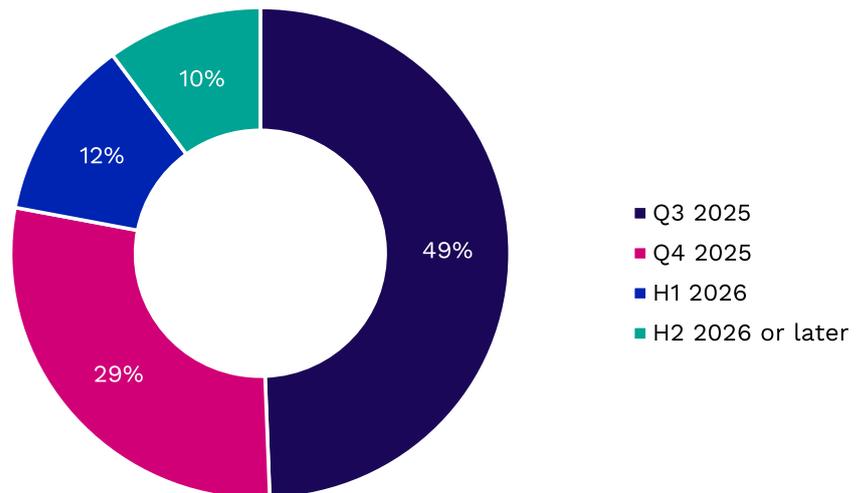


Source: Preqin Investor Surveys, June 2022–2025

When asked about the timing of their next allocation to private debt, respondents again showed strong interest, with 78% saying they would do so before the end of the year (Fig. 4.3).

Fig. 4.3: Substantial majority of investors intend to make an allocation before year end

Investors were asked: ‘When will you make your next commitment to a private debt fund?’

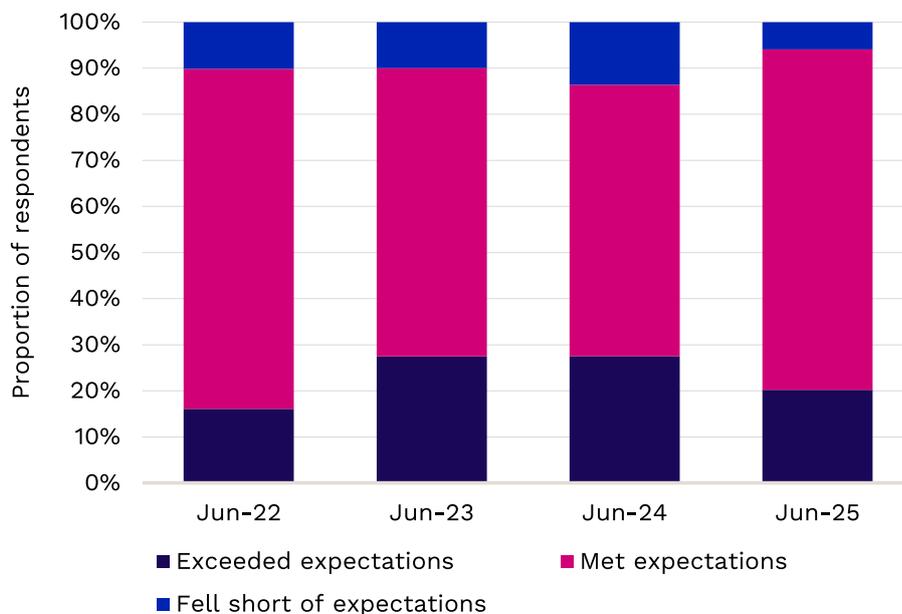


Source: Preqin Investor Survey, June 2025

Most investors (94%) agreed that private debt has either met or exceeded expectations, an increase from 86% in the June 2024 survey (Fig. 4.4). Meanwhile, the proportion of investors saying they would increase short-term capital commitments fell from 50% in 2024 to 40% in 2025; while investors are positive, they have also grown slightly more cautious in the past year. Respondents are overwhelmingly satisfied with how the asset class has performed over the past 12 months, but their commitment intentions reveal doubts over whether this will continue.

Fig. 4.4: Private debt meets or exceeds investor expectations

Investors were asked: ‘Have investments met expectations over the past 12 months?’



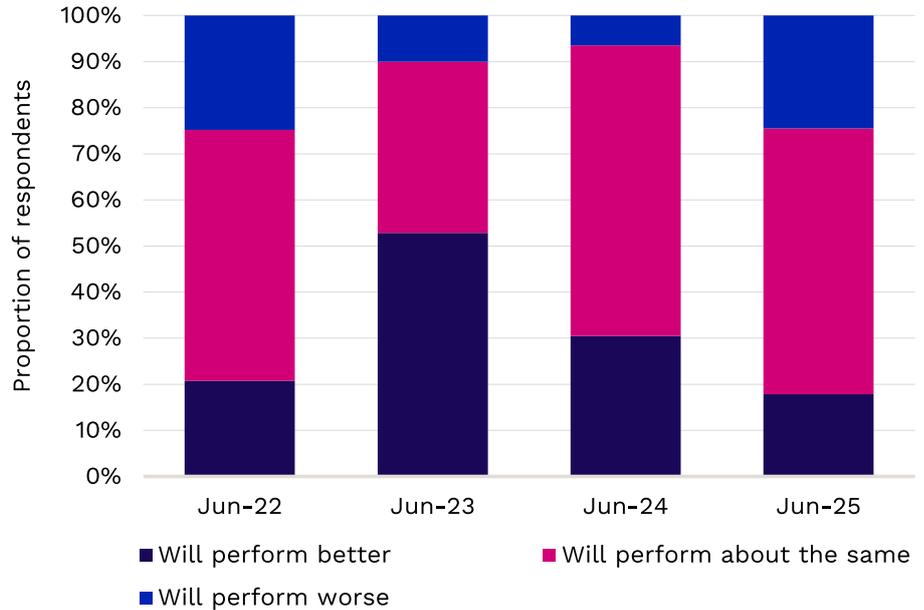
Source: Preqin Investor Surveys, June 2022–2025

More investors expect worse returns

Fears over the prospects for weaker year-on-year performance over the next 12 months are increasing among investors. Although the proportion of investors expecting performance to remain about the same has changed only slightly, dropping from 63% to 58% year on year, there has been a larger drop in the share of investors expecting private debt performance to improve (from 30% in June 2024 to 18% in June 2025) and an increase in the share expecting worse performance from 6% to 24% over the period (Fig. 4.5). Nevertheless, the vast majority still expect the same or better returns – 76%, down from 94% a year ago.

Fig. 4.5: Investors have a more cautious outlook for private debt

Investors were asked: ‘How will next 12 months’ performance compare to previous 12 months?’



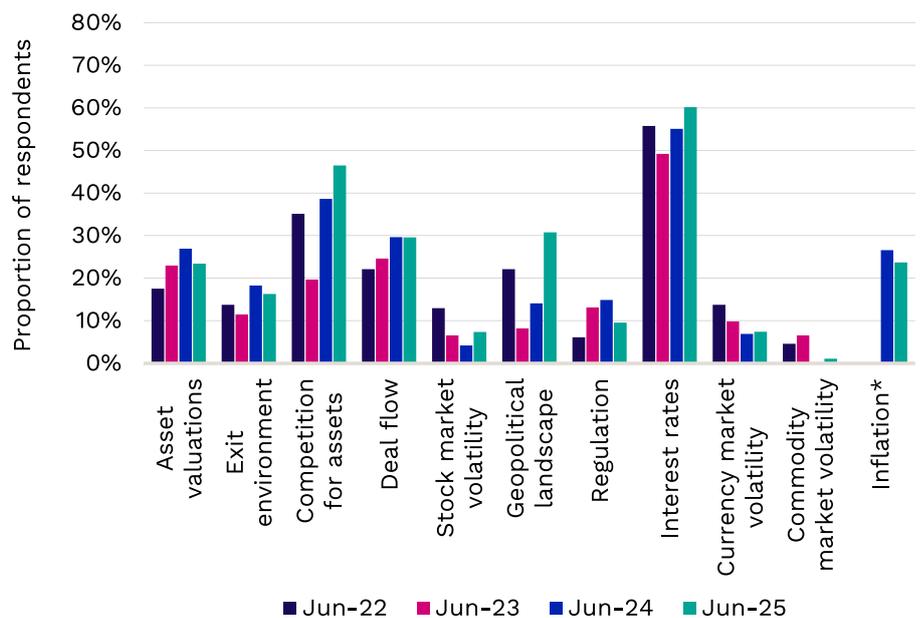
Source: Preqin Investor Surveys, June 2022–2025

Key concerns: Interest rates, geopolitics, deal flow

What is driving investor concern? Investors responding to our 2025 survey are most focused on interest rates, competition for assets, geopolitics, and deal flow (Fig. 4.6). The biggest worry is likely to be that continued high interest rates will hamper deal flow in private equity, which, in turn, is likely to limit deployment opportunities in

Fig. 4.6: Interest rates remain the main concern for investors in private debt

Investors were asked: ‘What are key challenges for return generation in the next 12 months?’



*Inflation was included as a challenge in 2024

Source: Preqin Investor Surveys, June 2022–2025

private debt. Ongoing high interest rates are also exercising investors' minds about competition for assets, since fewer private equity deals means private debt fund managers are chasing fewer deals. This competition may erode the agreed spread for private debt over the risk-free rate.

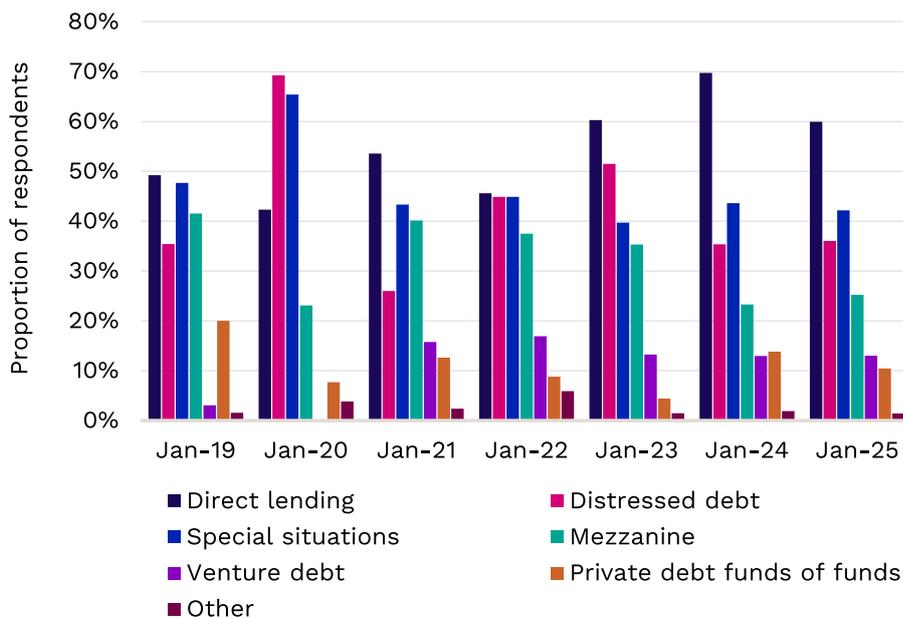
Geopolitical factors are preoccupying more investors in our 2025 survey. Looking at the historic data, this concern tends to fade quickly. In June 2022, 22% of respondents highlighted the geopolitical landscape as a key challenge, but by June 2023, only 8% held the same view. Given that private debt is more senior than private equity in the capital stack, private debt investors typically enjoy greater protection from macroeconomic shocks, but this protection depends on the severity and duration of any shock.

Higher-returning strategies close the gap with direct lending

Direct lending has been the mainstay of private debt investment for several years. In June 2025, 60% of those surveyed said direct lending presents the best opportunities (Fig. 4.7). However, this figure has declined from 70% in June 2024, which means the gap between direct lending and higher-returning alternatives such as special situations and distressed debt has narrowed. Investor interest in the latter two strategies has remained broadly steady over the past 12 months.

Fig. 4.7: Investors still see direct lending as offering best opportunities

Investors were asked: 'Which fund types present the best opportunities?'



Source: Preqin Investor Surveys, June 2019–2025

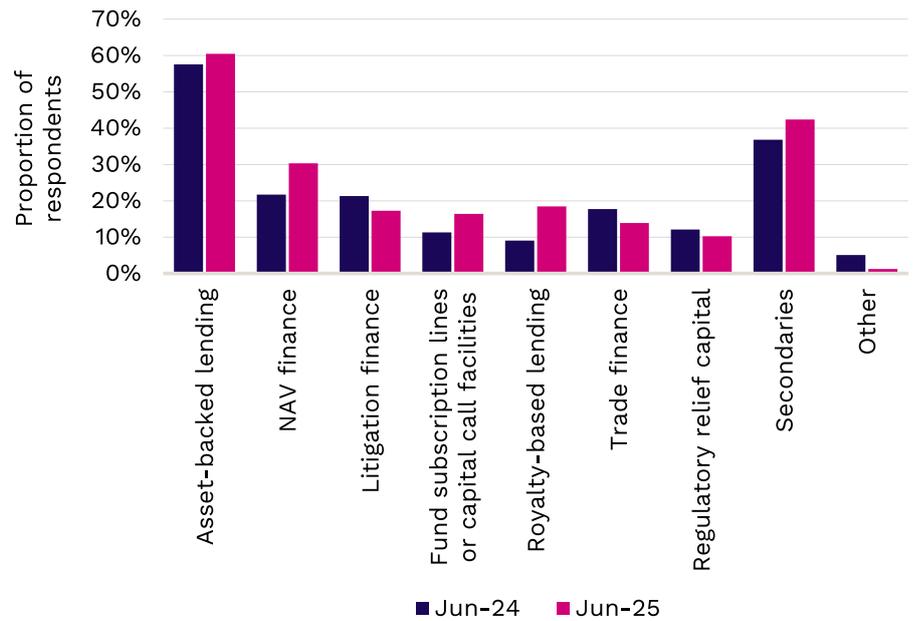
Higher-returning strategies closing the gap with direct lending in terms of investor preference may indicate investors are looking to maintain yields by opting for these strategies. This is telling as it shows that, while there is concern about returns, investors remain willing to bear greater risks to ensure returns reach acceptable levels.

Growing interest in private debt secondaries

Enthusiasm for select niche strategies is growing. In particular, asset-backed lending stands out, with 60% of investors saying it presents the best opportunities over the coming year. Private debt secondaries have seen greater interest, with 42% of investors highlighting secondaries strategies in June 2025 versus 37% at the same point in 2024 (Fig. 4.8).

Fig. 4.8: Asset-backed lending and secondaries remain the niche strategies viewed as presenting the best opportunities

Investors were asked: ‘What types of emerging private debt funds do you think will present the best opportunities in the next 12 months?’



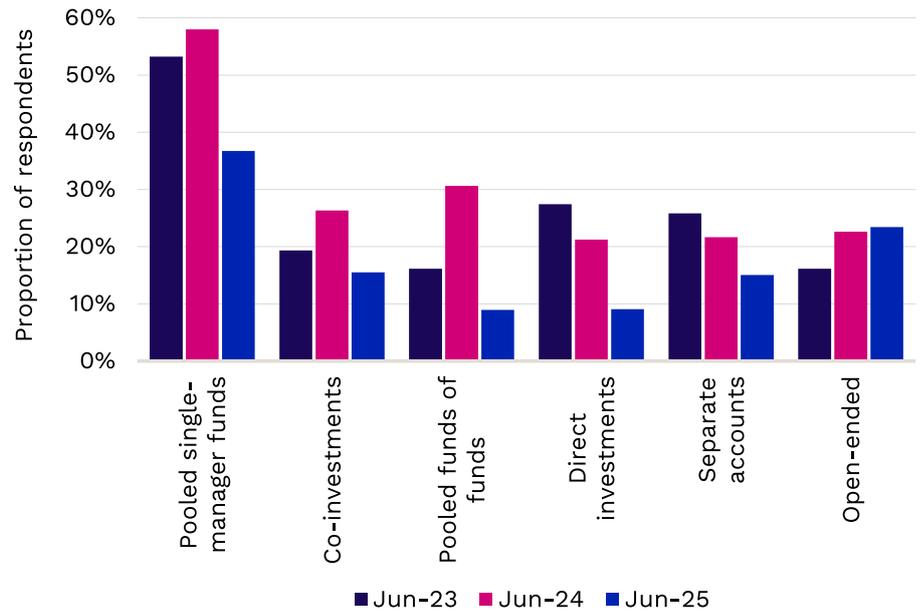
Source: Preqin Investor Surveys, June 2024–2025

Our feedback from clients is that secondaries are particularly attractive to those seeking to build a portfolio of performing assets quickly because investors can avoid the drawdown period needed in traditional closed-end funds. Secondaries may be favored by investors looking for an asset generating income immediately, which is important for those looking at private debt as a substitute for traditional fixed income.

The share of investors favoring traditional pooled single-manager funds has fallen significantly; 37% of June 2025 respondents said they are targeting this structure in the next 12 months, compared with 58% in the H2 2024 survey (Fig. 4.9). By contrast, open-ended funds have maintained their share of interest, unchanged year on year at 23%. Based on conversations with clients, we think this indicative of a shift in where the marginal investor is allocating, with interest more balanced between the two structures.

Fig. 4.9: Open-ended funds narrow gap with traditional rivals

Investors were asked: ‘What fund structures are you targeting in the next 12 months?’



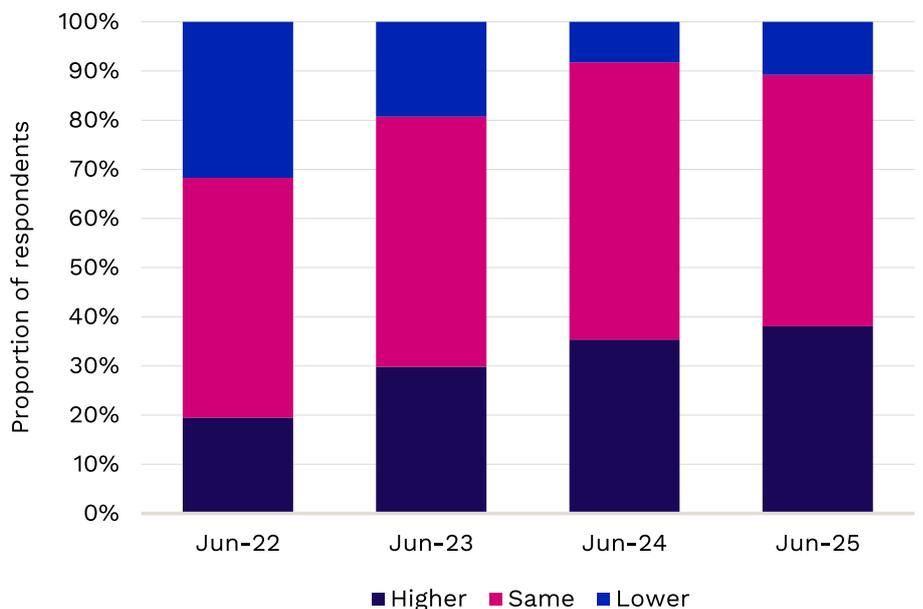
Source: Preqin Investor Surveys, June 2023–2025

Confidence despite caution

Private debt investors remain confident on asset pricing. The majority (51%) say pricing has remained steady (Fig. 4.10), which is to be expected considering the floating-rate nature of private debt. Similarly, most respondents (59%) believe assets are fairly priced (Fig. 4.11), a proportion that has increased gradually from 55% in June 2023. This indicates that investors’ confidence in their existing portfolios is resilient in the face of external challenges.

Fig. 4.10: Asset pricing remains steady...

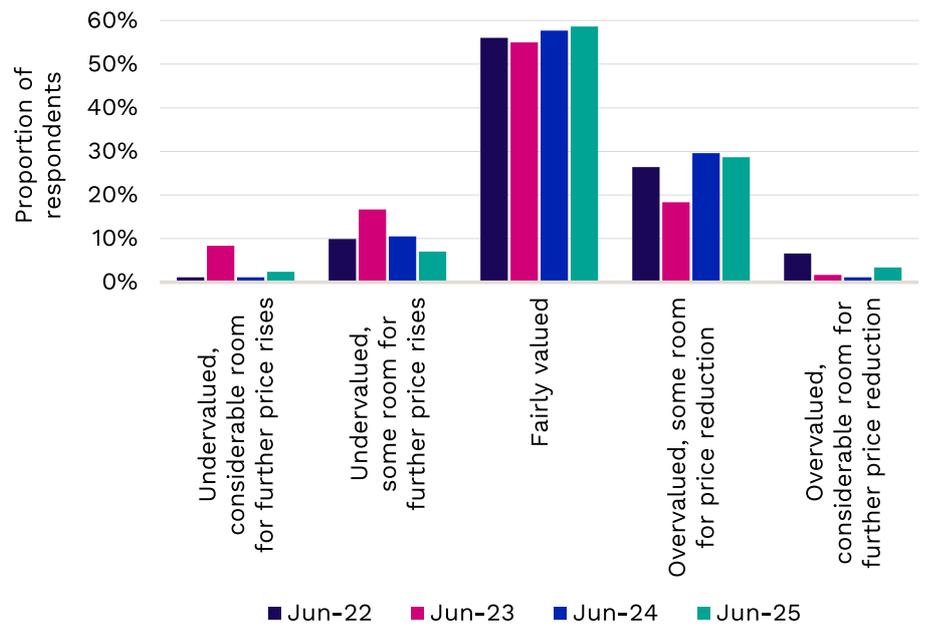
Investors were asked: ‘How has portfolio company/asset pricing changed from 12 months ago?’



Source: Preqin Investor Surveys, June 2022–2025

Fig. 4.11: ...as does investor confidence in asset pricing

Investors were asked: ‘How do you view portfolio company/asset pricing?’



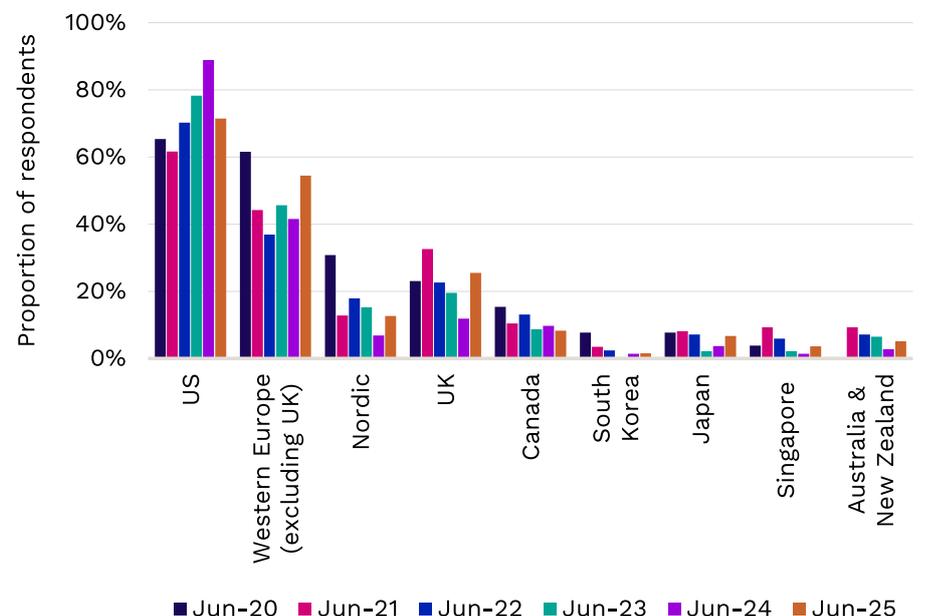
Source: Preqin Investor Surveys, June 2022–2025

US loses its shine as investors point to opportunities in other regions

The proportion of private debt investors expressing interest in Europe has picked up across the board, while for the US, it is in decline. This marks a significant break in a previously longstanding trend of growing interest in the US market. While the US was still most frequently named among the developed markets presenting the best opportunities (by 71% of those surveyed this year), Western Europe is gaining ground. Investors may be seeking geographical diversification to mitigate country-specific political risk. The Nordics and the UK have also seen strong year-on-year increases in interest according to our survey (Fig. 4.12).

Fig. 4.12: US loses ground as Europe advances in investor interest

Investors were asked: ‘Which developed markets present best opportunities?’

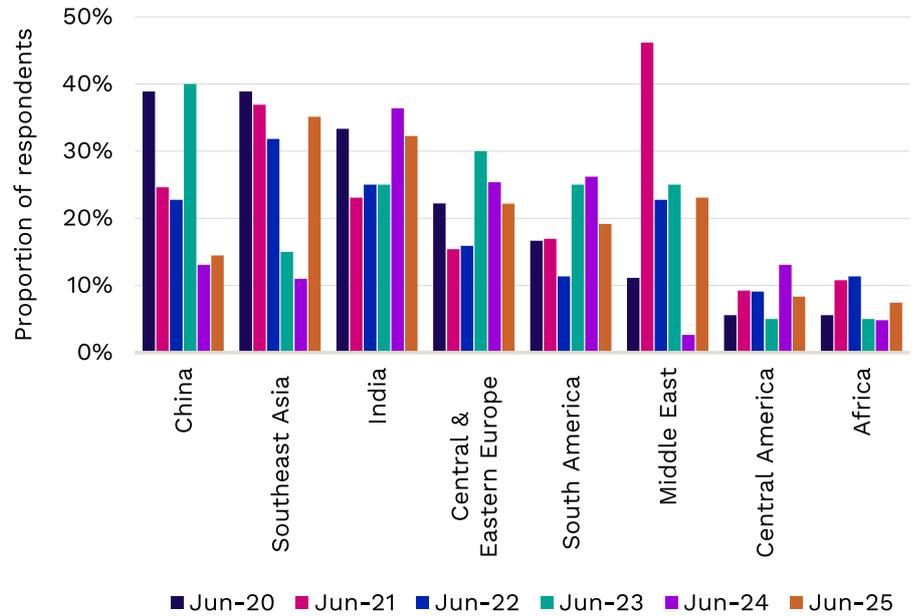


Source: Preqin Investor Surveys, June 2020–2025

Among emerging markets, the most notable results are the significant increase in focus towards Southeast Asia, up from 11% to 35% year on year, and the Middle East, up from 3% to 23% (Fig. 4.13). Investors may be interested in Southeast Asia because it can provide exposure to dollar-denominated revenues with higher returns than the US itself.

Fig. 4.13: Middle East and Southeast Asia see sharp increase in investor responses

Investors were asked: ‘Which emerging markets present best opportunities?’



Source: Preqin Investor Surveys, June 2020–2025

Hedge funds

Hedge funds are poised to capitalize on investor trepidation over an uncertain outlook



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The allure of hedge funds for investors continues to grow into the latter half of 2025 against an unpredictable macroeconomic backdrop. The asset class has long suffered from net negative cash flows, stifling growth potential for fund managers. However, as we reported in our [Investor Outlook: H1 2025](#), opinion on the asset class seems to have turned a corner – and investors are now viewing hedge funds more favorably, according to Preqin’s latest investor survey.

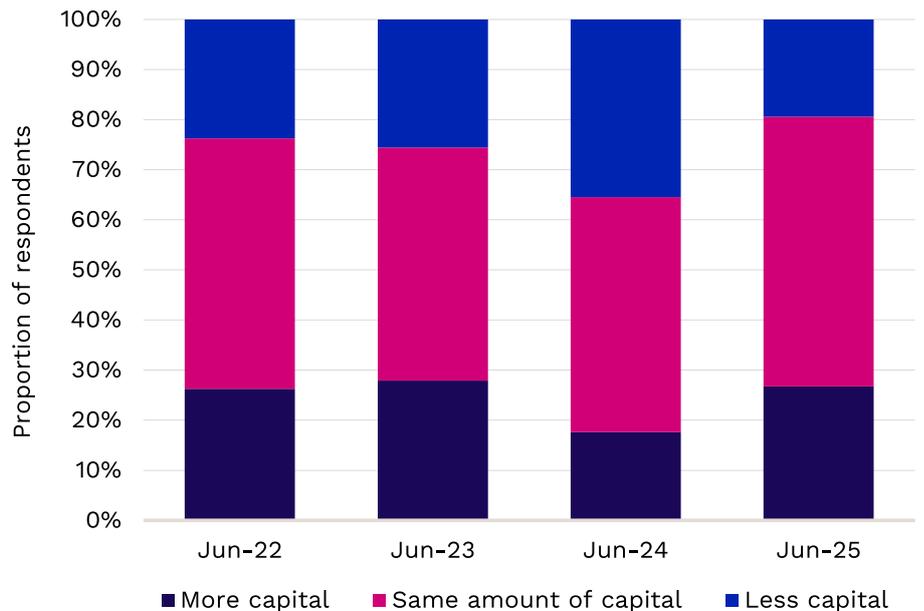
Hedge funds have shown some resilience in the face of downturns in public markets, and better-than-expected performance has highlighted the rationale for including hedge fund exposure in investors’ portfolios. With the variety of strategies available also providing clear benefits at a time when the outlook is uncertain, optimism surrounding the asset class is in the ascendant.

Hedge funds primed for long-term success

In the 12-month period to June 2025, there has been a dramatic shift in investor sentiment towards hedge funds. A year ago, interest in the asset class was significantly lower. Since then, the share of investors looking to push more capital into hedge funds has increased to 27%, while 54% of respondents are looking to maintain their capital commitments over the next 12 months (Fig. 5.1). The 81% of investors planning to maintain or increase commitments is the highest share of respondents viewing the asset class positively since 2022.

Fig. 5.1: Short-term commitment intentions turn positive for hedge fund investors

Investors were asked: ‘How much capital will you commit in the next 12 months?’



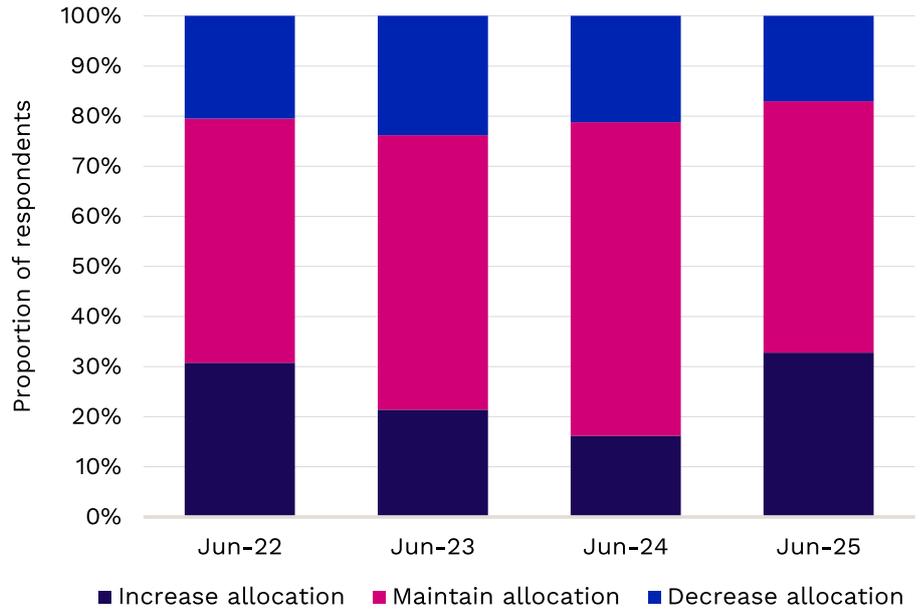
Source: Preqin Investor Surveys, June 2022–2025

The change in how investors view the asset class over the longer term is more telling. In previous Preqin investor surveys, longer-term allocation intentions have remained relatively unchanged. However, our latest poll shows a marked increase in respondents planning to increase their allocations over an extended period, from 16% in June 2024 to 33% in June 2025 (Fig. 5.2). With a fall in investors looking to reduce allocations too, hedge funds look set to grow over the short and long term.

The survey results indicate little sense of urgency over the timing of these commitments. While most still plan to invest within the next six months (at 61%), one-fifth of respondents also seem content to act within the next 12 months (Fig. 5.3).

Fig. 5.2: Long-term allocation for hedge funds set to bolster

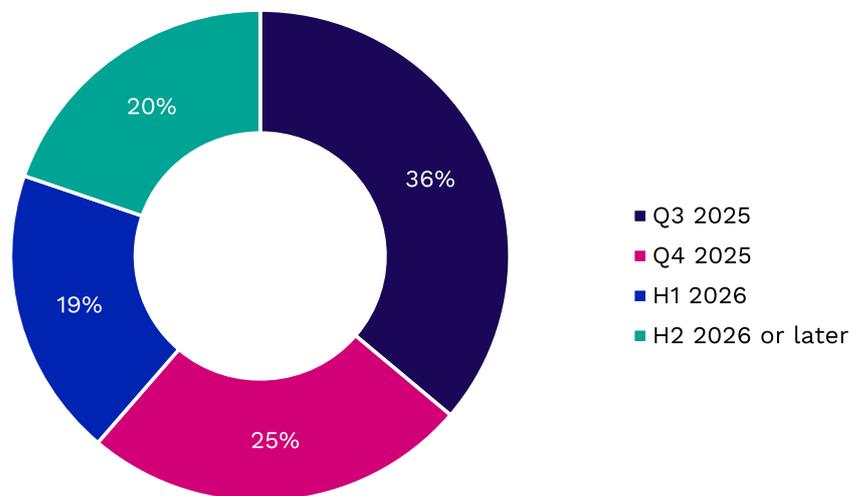
Investors were asked: ‘How will you allocate to hedge funds over the longer term?’



Source: Preqin Investor Surveys, June 2022–2025

Fig. 5.3: Investors show no clear correlation in commitment timings

Investors were asked: ‘When will you make your next commitment to a hedge fund?’



Source: Preqin Investor Survey, June 2025

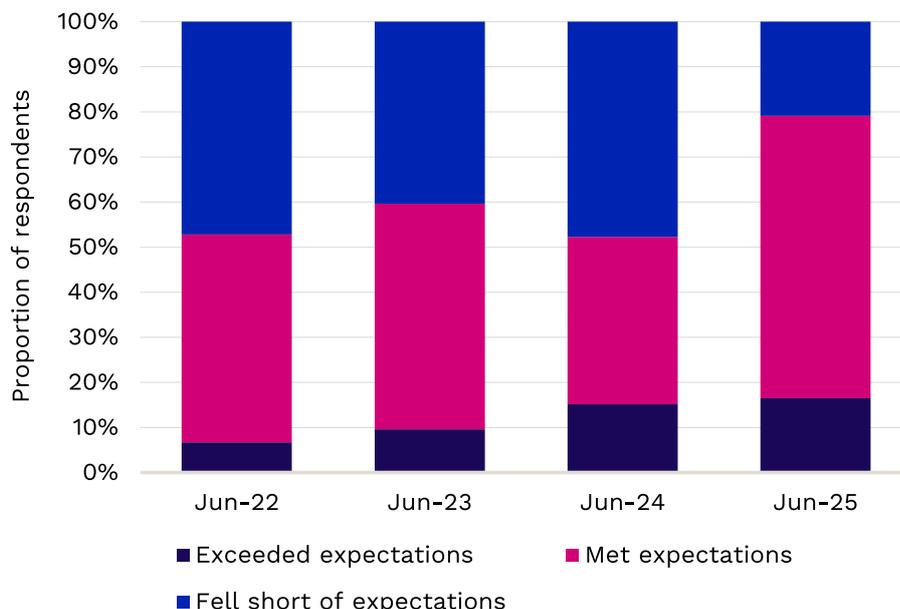
In a time when liquidity is regarded as vital for investors, commitment pacing models ensure they can maintain some cash on hand for unfunded commitments – and influence when they plan to make their next hedge fund investment.

Investors less ambitious on returns

Expectations towards how hedge funds should be performing have certainly improved since June 2024, when almost half of respondents found that the asset class fell short. Fast-forward to our latest survey and the consensus shows that 63% of investors have had their expectations met and are much more satisfied with hedge funds (Fig. 5.4). A strong end to 2024 has continued into 2025, with the asset class not only providing some outperformance in the short term but also providing some downside protection.

Fig. 5.4: Investors more content with hedge funds now

Investors were asked: ‘Have investments met expectations over the past 12 months?’

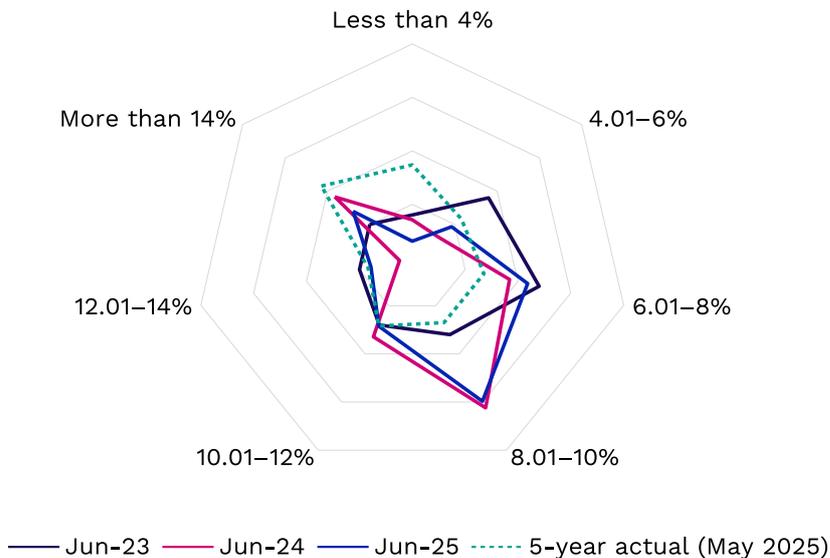


Source: Preqin Investor Surveys, June 2022–2025

However, the renewed optimism towards hedge funds has not necessarily translated into the returns that investors are targeting from the asset class. In both June 2024 and June 2025, the greatest share of investors said they were targeting returns of 8–10%, while there has been a reduction in respondents targeting returns greater than 14% in June 2025 (Fig. 5.5). Some of that pessimism may stem from the higher interest rate environment continuing into 2025, dampening expectations over performance in a lower-growth environment when public equity markets remain subdued.

Fig. 5.5: Target returns for hedge fund investors rebuffed

Institutional investors' targeted returns for their alternative assets portfolios



Source: Preqin. Preqin Investor Surveys, June 2023–2025

The question now is whether hedge fund investors should be more aspirational about targeted returns. Taking the 2,500+ constituent funds in Preqin's All Hedge Fund Index and analyzing the annualized five-year returns shows some outperformance against investor expectations.

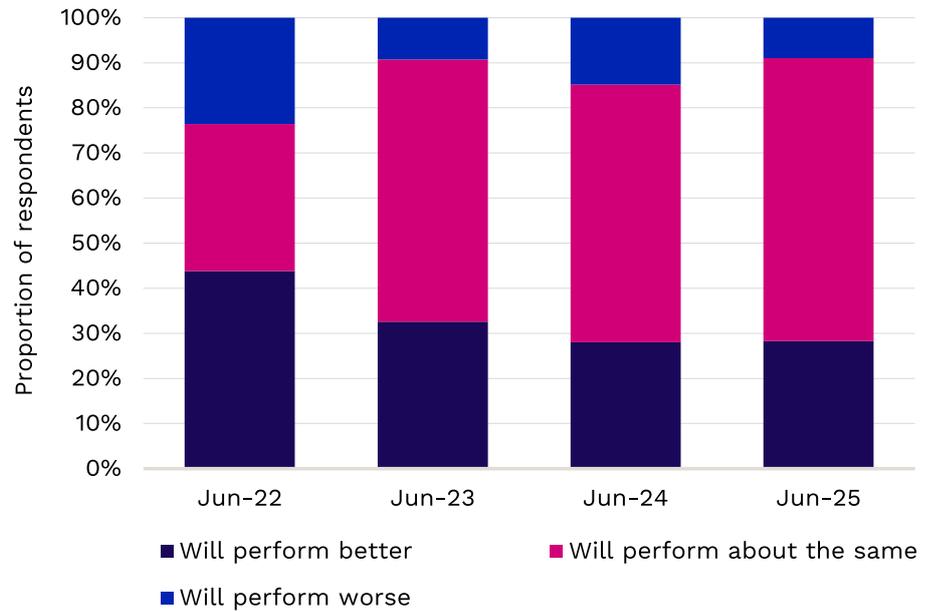
Although the spread of returns is more evenly distributed across the different bandings, only 13% of funds within the universe fall into the 8–10% range, which was the most common response from investors. Interestingly, 21% of funds recorded annualized returns of 14% or more over five years, greater than the share of respondents targeting this level of returns over the past three years. This could mean investors have some room to maneuver when assessing what hedge fund returns they are aiming for.

Even with hedge fund returns exceeding investors' expectations for the asset class, the outlook for performance remains largely unchanged year on year. At this point in 2024, investors were more optimistic on the outlook for the equity market, with more than half seeing the market as rising, but in the 12 months since, various macroeconomic shocks have prompted opinions to shift towards a declining market cycle (Fig. 1.3).

This could be why investors seem to be relatively sanguine over future performance, with the share of respondents predicting that performance will improve over the next 12 months (28%) unchanged in June 2025 versus the same period a year ago, although the share of investors expecting worse performance has fallen from 15% to 9% (Fig. 5.6).

Fig. 5.6: Future performance expectations flat for investors

Investors were asked: ‘How will next 12 months’ performance compare to previous 12 months?’



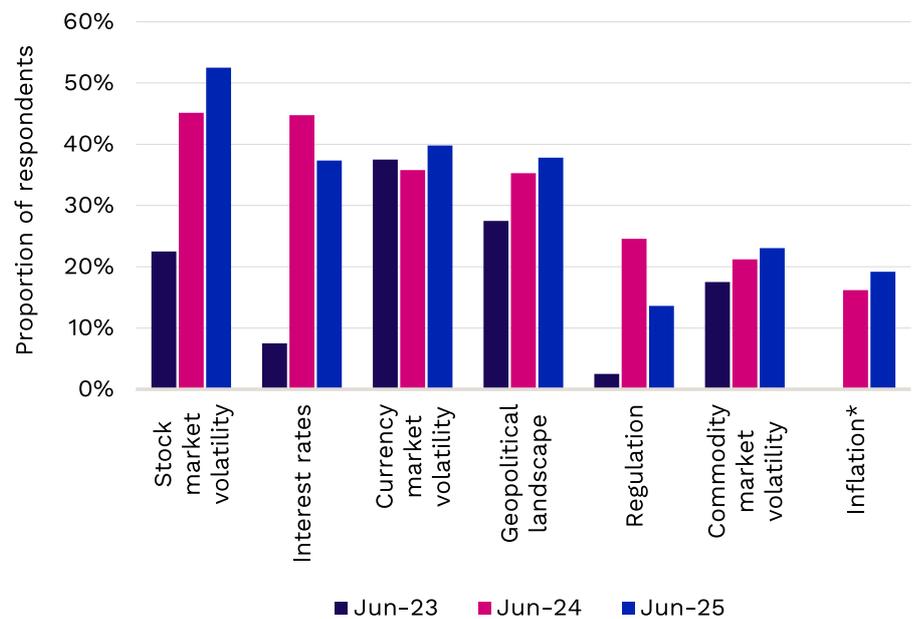
Source: Preqin Investor Surveys, June 2022–2025

Investors targeting key strategies in more volatile environment

The first half of 2025 has proved tough for hedge funds, and investors’ previously cited primary concerns on the key issues facing return generation are growing. Stock market volatility remains top of mind for hedge fund investors, with 53% of respondents regarding it as the asset class’s key challenge (Fig. 5.7).

Fig. 5.7: Concerns over volatility across the markets compounding for investors

Investors were asked: ‘What are key challenges for return generation in the next 12 months?’



*Inflation was included as a challenge in 2024

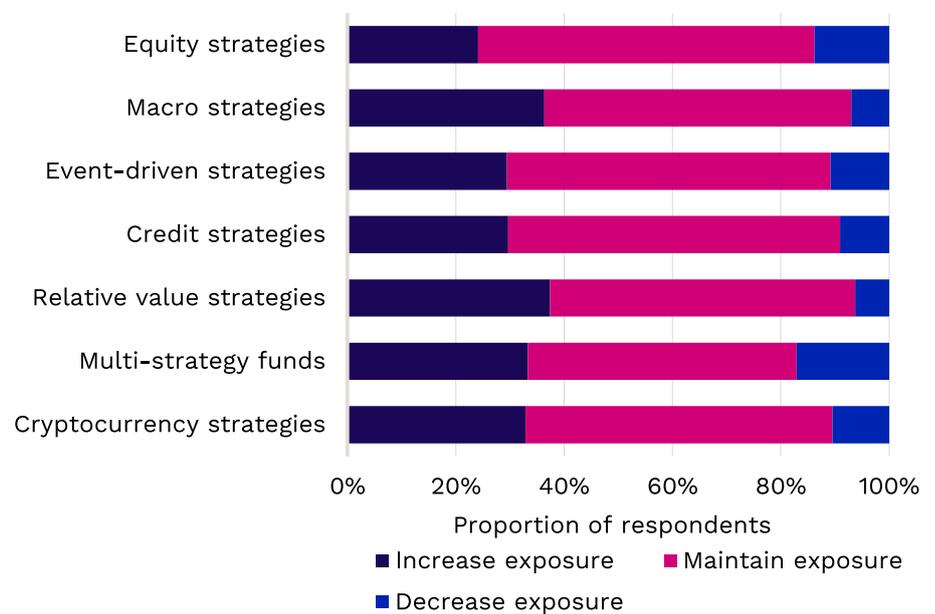
Source: Preqin Investor Surveys, June 2023–2025

Apprehension over volatility in currency and commodity markets has also grown in the past 12 months, further accentuating worries about the current macroeconomic environment. The influence of interest rates on hedge fund returns has declined, as the share of respondents saying that they are a key challenge has fallen by 8 ppts. Regionality may be a factor in the change in perspective over interest rates. In Europe rates continue to be cut as inflation inches closer to central bank targets, while in North America rate cuts have been far less frequent amid ongoing concerns over persistent inflation.

Given the concerns over volatility and current market cycles, certain hedge fund strategies are re-emerging as popular. Macro strategies have been seen as offering the best opportunities for investors. In our November 2024 survey, 13% of respondents said they were looking to increase exposure, and six months later that proportion had increased to 23% (Fig. 5.8). Macro strategies’ ability to react more dynamically to shifting market conditions to generate returns may be enticing for investors in more volatile environments – and could be driving the increased interest.

Fig. 5.8: Investors intrigued by strategies that can navigate tougher market environments

Investors were asked: ‘Which fund types present the best opportunities?’



Source: Preqin Investor Survey, June 2025

Equity and multi-strategy hedge funds both saw increases in the share of investors looking to reduce their exposure from November 2024. With opinions on the equity market souring and concerns over stock market volatility growing, sentiment on equity strategies growing more negative is not wholly unexpected, but multi-strategy hedge funds were capturing investor interest towards the end of 2024.

Those strategies that were slower to react to spiking volatility were left more exposed to the market downsides, providing some explanation for why investors are less enthusiastic about them now. Nevertheless, multi-strategy funds have recovered and returned to positive gains in recent months.¹

Although the first half of the year has proved to be a challenging environment, sentiment surrounding hedge funds continues to improve steadily. Investors are still intrigued by the opportunities the asset class can offer over the short and long term and are willing to increase commitments. The variety on offer within the asset class is also a plus. Investors looking for more correlated returns can allocate towards more stock picker-style strategies, whereas those wanting to navigate the volatile market environment, the availability of more tailored strategies is a key feature. Ultimately, performance is key in deciding on allocations, but a diverse set of strategies caters for a wide range of investors, positioning hedge funds well for commitments through 2025.

¹ Multistrat Hedge Funds Balyasny, Schonfeld Turn a Rocky April Into More Profits | Bloomberg

Real estate

Europe gains traction as investors look for greater geographical diversification

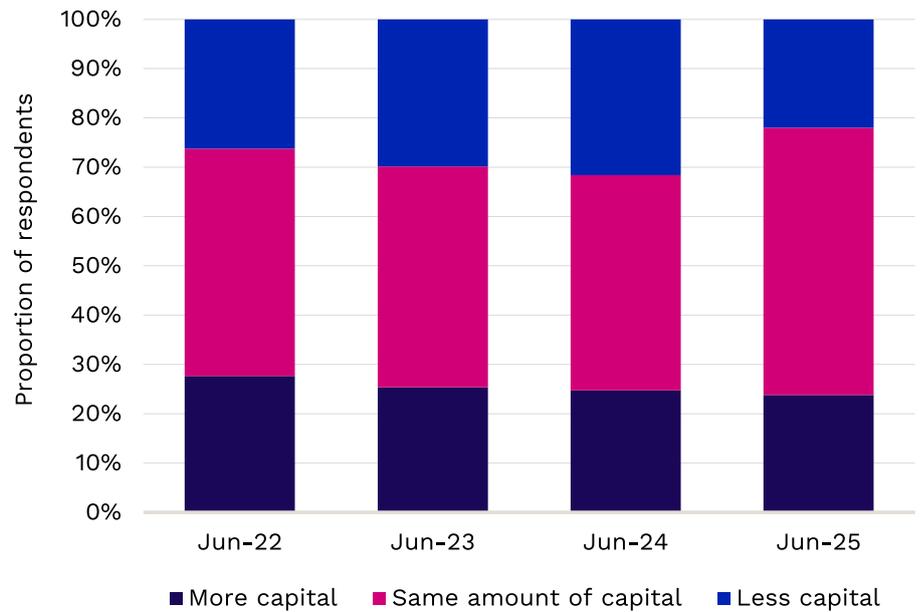


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Investors appear to be shifting towards a more neutral sentiment according to the June 2025 survey results, with similar proportions of investors planning to commit more and less capital (24% and 22% respectively) and the majority (54%) planning to maintain their contributions in the next 12 months (Fig. 6.1). The same trend is evident in long-term allocation plans – the difference between the proportion of investors planning to increase and decrease their contributions has narrowed from 25 ppts in June 2024 to 5 ppts in June 2025, and those maintaining their current allocation (61%) represent the majority (Fig. 6.2).

Fig. 6.1: Majority of LPs planning on maintaining their capital commitments

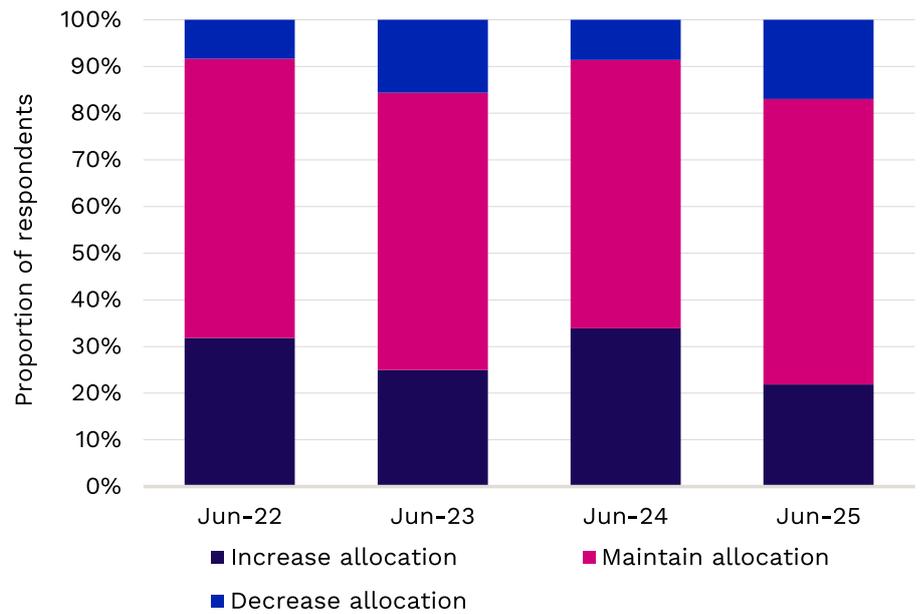
Investors were asked: ‘How much capital will you commit in the next 12 months?’



Source: Preqin Investor Surveys, June 2022–2025

Fig. 6.2: Most investors planning to maintain long-term allocations

Investors were asked: ‘How will you allocate to real estate over the longer term?’

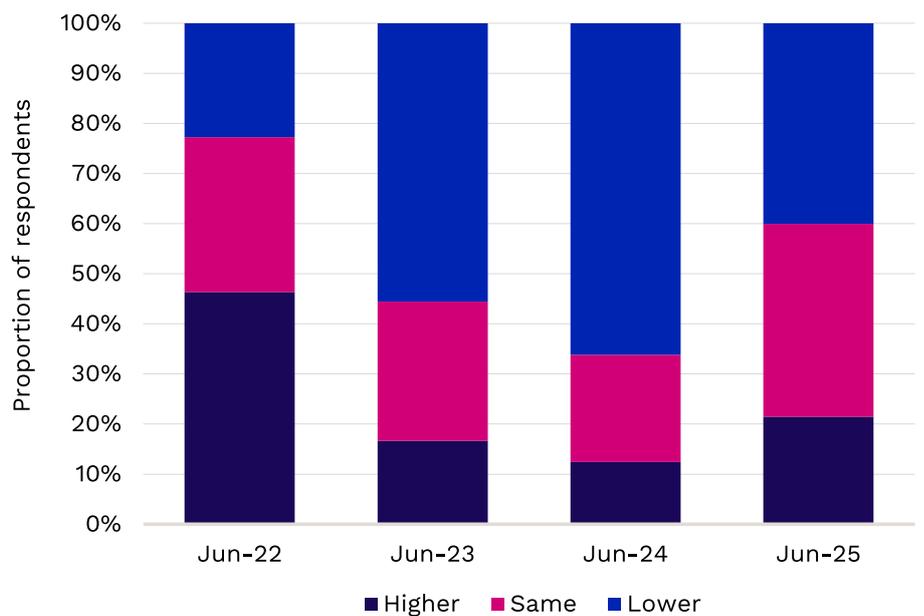


Source: Preqin Investor Surveys, June 2022–2025

Downwards property price adjustments, which cause performance of the real estate sector to lag, are ongoing. Over the 12 months to June 2025, however, the real estate market has shown signs of moderation in price adjustments. Fewer investors now report a decline in portfolio pricing – down from 66% in June 2024 to 40% in our latest survey (Fig. 6.3). Additionally, more than half of the respondents indicated that their real estate investments had met expectations over the past year (Fig. 6.4). This

Fig. 6.3: Property price adjustments seem to be moderating

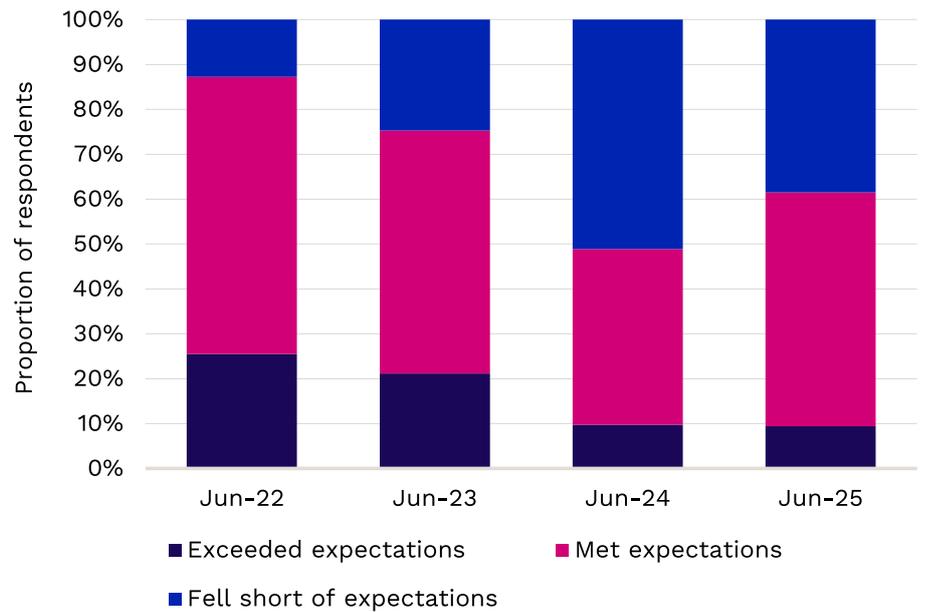
Investors were asked: ‘How has portfolio company/asset pricing changed on 12 months ago?’



Source: Preqin Investor Surveys, June 2022–2025

Fig. 6.4: Real estate performance met expectations of most investors

Investors were asked: ‘Have investments met expectations over the past 12 months?’



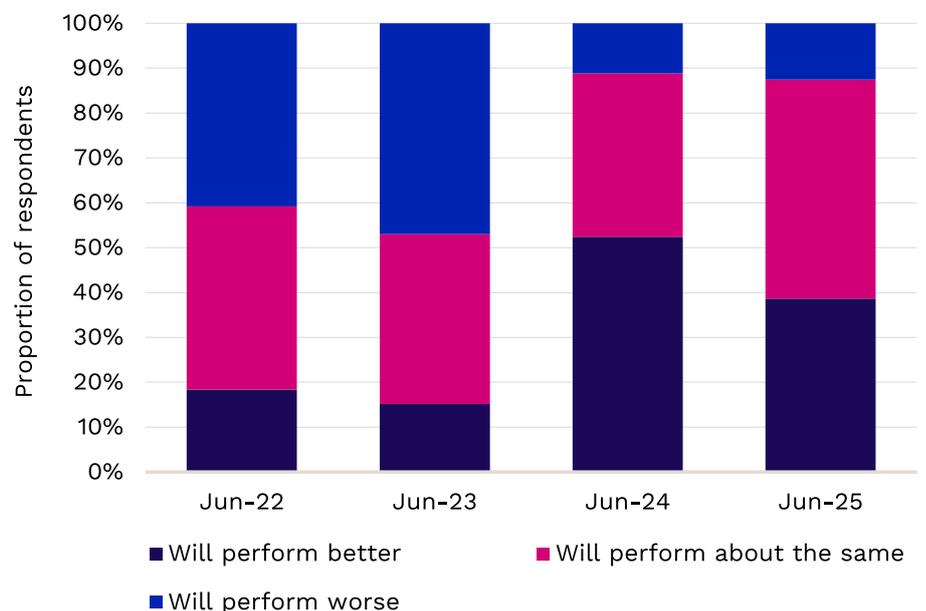
Source: Preqin Investor Surveys, June 2022–2025

is a significant improvement on 2024, when performance disappointed more than half of real estate LPs. However, the proportion of investors reporting that portfolio performance in the past 12 months had exceeded expectations (9%) was considerably surpassed by those who felt it had fallen short (39%).

The largest group of investors (49%) now expects the market to perform similarly to the previous year (Fig. 6.5). In June 2024, more than half anticipated better performance. June 2025 survey results also indicate that investors have generally lowered their targeted returns from real estate investments (Fig. 6.6).

Fig. 6.5: Investors remain positive but are more conservative regarding future market

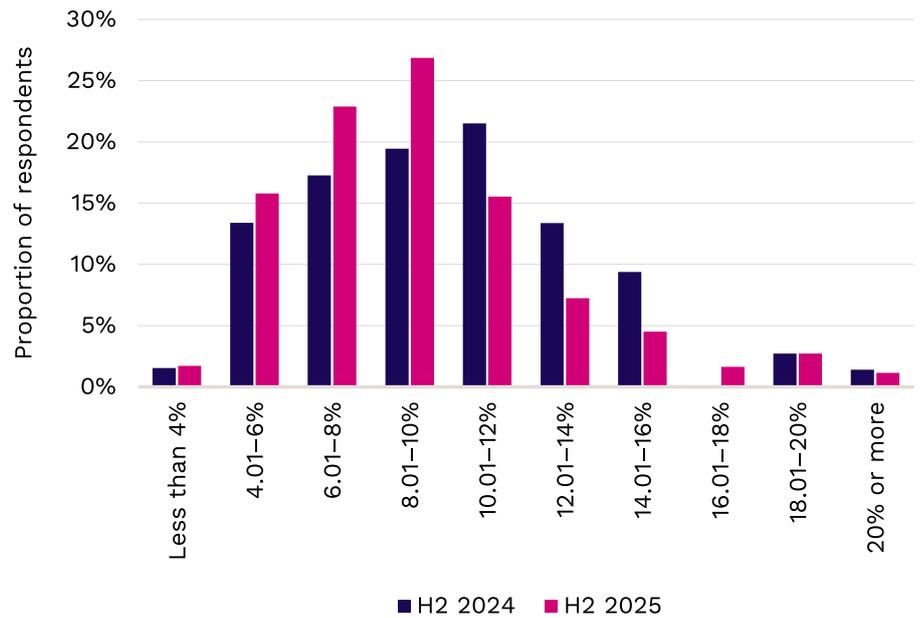
Investors were asked: ‘How will next 12 months’ performance compare with previous 12 months?’



Source: Preqin Investor Surveys, June 2022–2025

Fig. 6.6: Two-thirds of investors targeting returns of 10% or less

Institutional investors' targeted returns for their real estate portfolios



Source: Preqin Investor Surveys, June 2024–2025

In our November 2024 [investor survey](#), we observed a boost in investors' willingness to deploy capital in real estate, both in the short and long term. However, at the time of writing, the Fed has left interest rates in the US (the world's largest real estate market) unchanged in 2025 – and investor sentiment has shifted to the more neutral view seen in Figures 6.1 and 6.2. Although some other major markets, such as the UK and Europe, have cut interest rates, global trade anxiety raises questions over whether economic growth will slow in the long term.

Overall, investors have shown a diminished level of concern regarding the primary risks traditionally associated with real estate investment, such as asset valuations and inflation. In the June 2025 survey, the share of investors identifying interest rates as a key challenge for real estate also fell, by 16 pts (Fig. 6.7). This decline suggests that investors are becoming more comfortable with the current interest rate environment or have adjusted their strategies to mitigate its impact. Conversely, the geopolitical landscape has gained prominence as a risk factor. More than a fifth of respondents (22%) highlighted geopolitical issues as a key concern in June 2025.

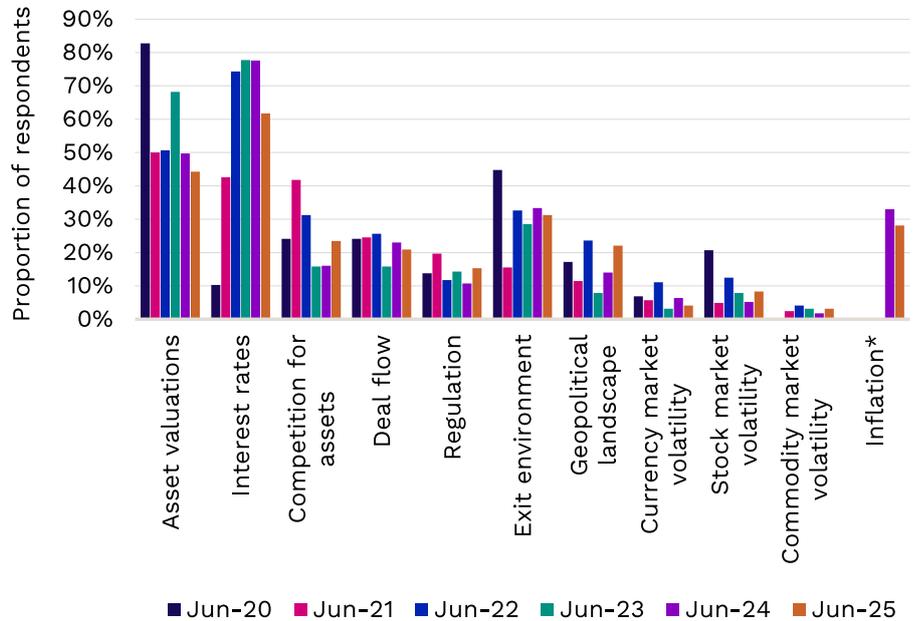
Investor strategy preferences largely align with sentiment in 2024

In our November 2024 Investor Outlook report, we highlighted that interest rate shifts may have influenced investor preferences and spurred a recovery in the proportion of investors citing core among strategies presenting the best opportunities. However, with US interest rates flat in the first half of 2025, sentiment in favor of core, distressed, and real estate debt strategies, which are most sensitive to rate changes, has

returned to similar levels to June 2024 (Fig. 6.8). Since most core strategies use open-ended vehicles, steady sentiment towards opportunities presented by core real estate funds is reflected in consistent demand for open-ended funds (Fig. 6.9).

Fig. 6.7: Interest rates and asset valuations are most common concerns among investors

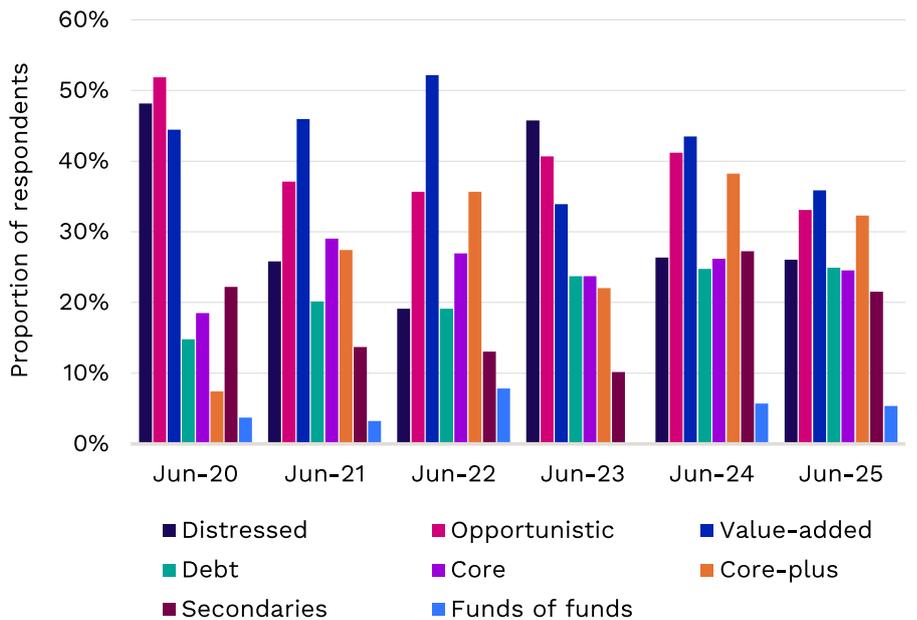
Investors were asked: ‘What are key challenges for return generation in the next 12 months?’



Source: Preqin Investor Surveys, June 2020–2025

Fig. 6.8: Sentiment towards core and debt returns to similar level to June 2024

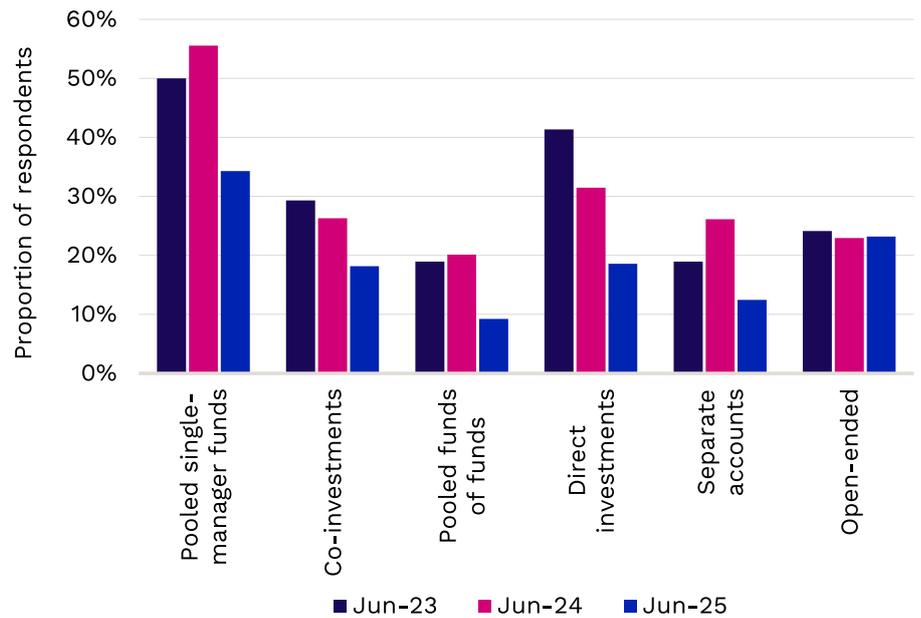
Investors were asked: ‘What types of real estate funds do you think will present the best opportunities in the next 12 months?’



Source: Preqin Investor Surveys, June 2020–2025

Fig. 6.9: Investors narrow scope of structures targeted for future investment

Investors were asked: ‘What fund structures are you targeting in the next 12 months?’



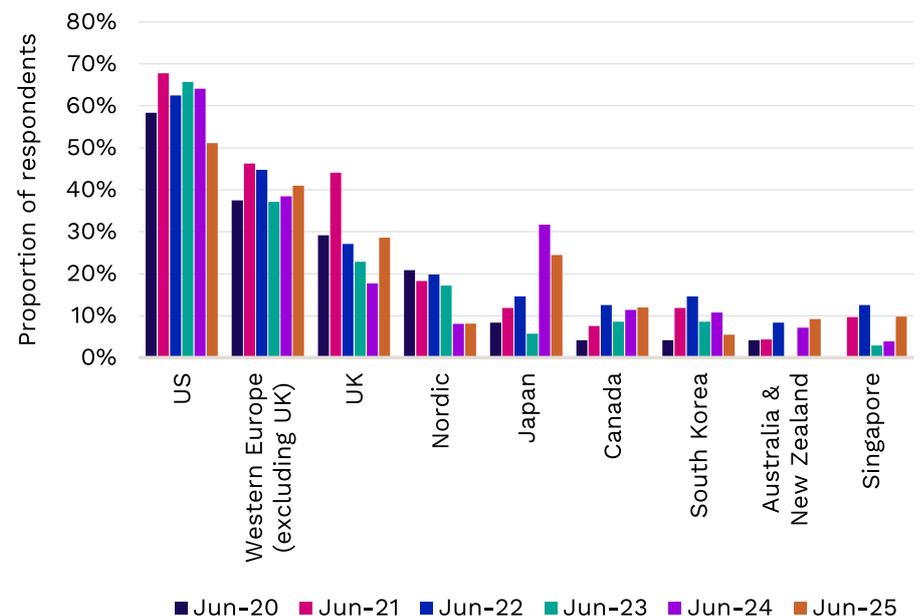
Source: Preqin Investor Surveys, June 2023–2025

Investors seeking greater geographical diversification

Rising trade tensions between the US and its global trading partners have prompted investors to seek alternatives for developed market investments. In our latest survey, the share of respondents identifying the US as the best opportunity for developed market investment was barely over half (Fig. 6.10), while Western Europe and the UK were viewed favorably by a higher proportion of investors than 12 months ago. Notably, the gap between Western Europe and the US in terms of investor responses has narrowed to its closest point in the past six years.

Fig. 6.10: Investor interest shifts from US to Europe

Investors were asked: ‘Which developed markets present best opportunities?’

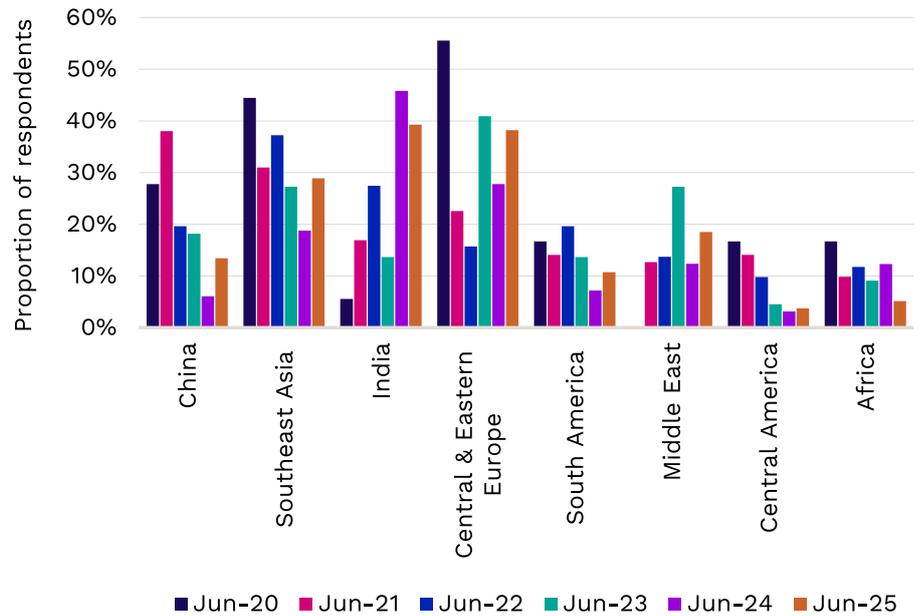


Source: Preqin Investor Surveys, June 2020–2025

At the same time, Central & Eastern Europe, which has demonstrated stronger economic growth than Western Europe, is gaining traction among investors (Fig. 6.11); the share of respondents identifying the region as holding the best opportunities among the emerging markets was up 10 ppts on last June’s survey. Nevertheless, India narrowly holds on as most-cited destination for developing market investments. Southeast Asia has also captured the attention of investors. In our latest survey, 29% of respondents consider this region to hold the best opportunities among the developing markets – a considerable increase (10 ppts) on June 2024 figures. China, the most-favored emerging market back in June 2021, also experienced an increase in investor interest according to our June 2025 survey.

Fig. 6.11: India, Central & Eastern Europe, and Southeast Asia most frequently seen as having the best opportunities

Investors were asked: ‘Which emerging markets present best opportunities?’



Source: Preqin Investor Surveys, June 2020–2025

Infrastructure

Infrastructure investors are increasingly satisfied with their investments, and a growing share plan to expand long- and short-term allocations



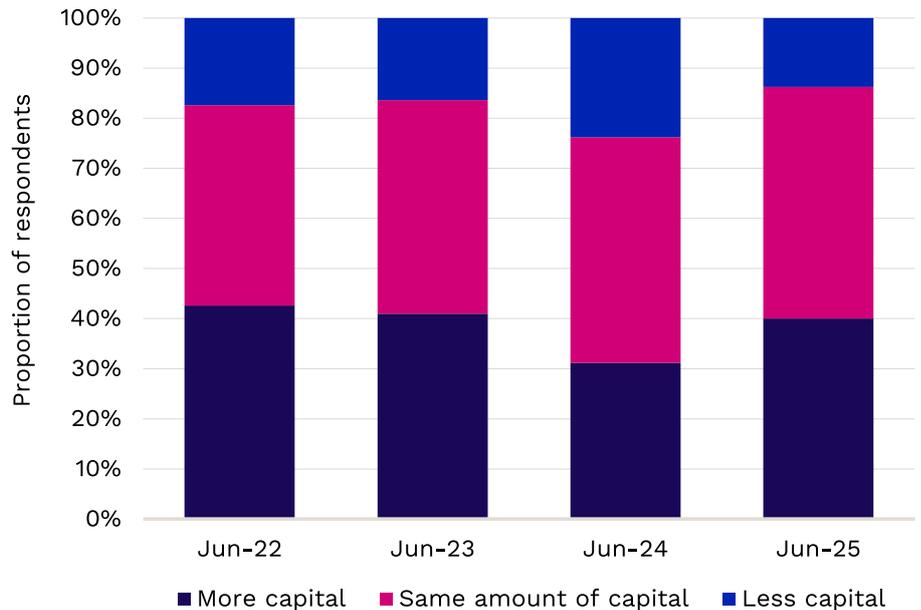
Rachel Dabora
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In an already buoyant fundraising market, investors in the infrastructure asset class want to commit more capital in the short-term and plan to increase their long-term allocation, according to our latest survey. Forty percent of infrastructure investors say they plan to commit more capital to the asset class over the next 12 months (Fig. 7.1), up from 31% in June 2024. Sentiment also appears positive on a long-term basis, as 46% of respondents are looking to increase their allocation versus 38% at the same point a year ago (Fig. 7.2).

The higher inflationary environment over the past few years and liquidity concerns over other asset classes may have influenced these investor views, as infrastructure can act as a hedge against inflation, with the potential for reliable revenue streams throughout an asset’s lifespan. Survey respondents said their main reasons for investing in the asset class, aside from diversification, were for its inflation-hedging properties and reliable income stream (Fig. 1.2).

Fig. 7.1: Investors look to commit more capital to infrastructure

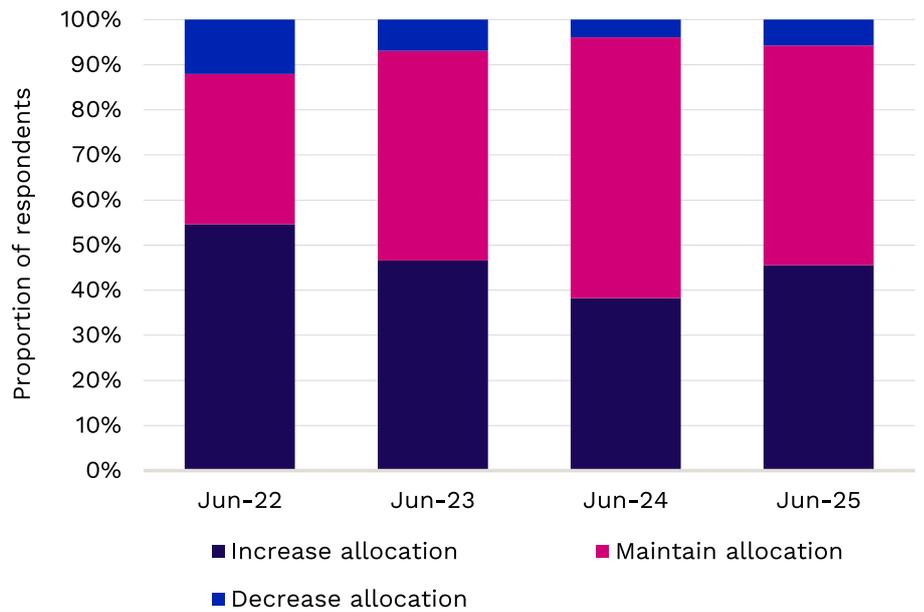
Investors were asked: ‘How much capital will you commit in the next 12 months?’



Source: Preqin Investor Surveys, June 2022–2025

Fig. 7.2: Investors poised to increase long-term allocations

Investors were asked: ‘How will you allocate to infrastructure over the longer term?’



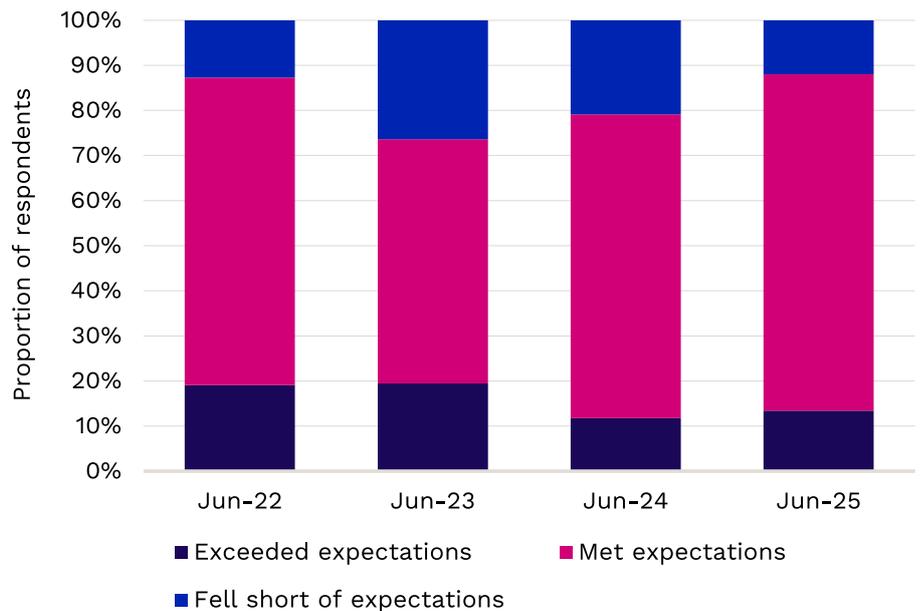
Source: Preqin Investor Surveys, June 2022–2025

Satisfaction with performance continues to increase

Most investors in our survey are satisfied with performance of their infrastructure investments, aligning with the impressive outperformance by the asset class in 2024. As of June 2025, 75% of respondents said their infrastructure investments met expectations over the past 12 months. Only 12% felt investments fell short of expectations, a decrease of 9 ppts from June 2024 (Fig. 7.3).

Fig. 7.3: Infrastructure assets are increasingly meeting investor expectations

Investors were asked: ‘Have investments met expectations over the past 12 months?’



Source: Preqin Investor Surveys, June 2022–2025

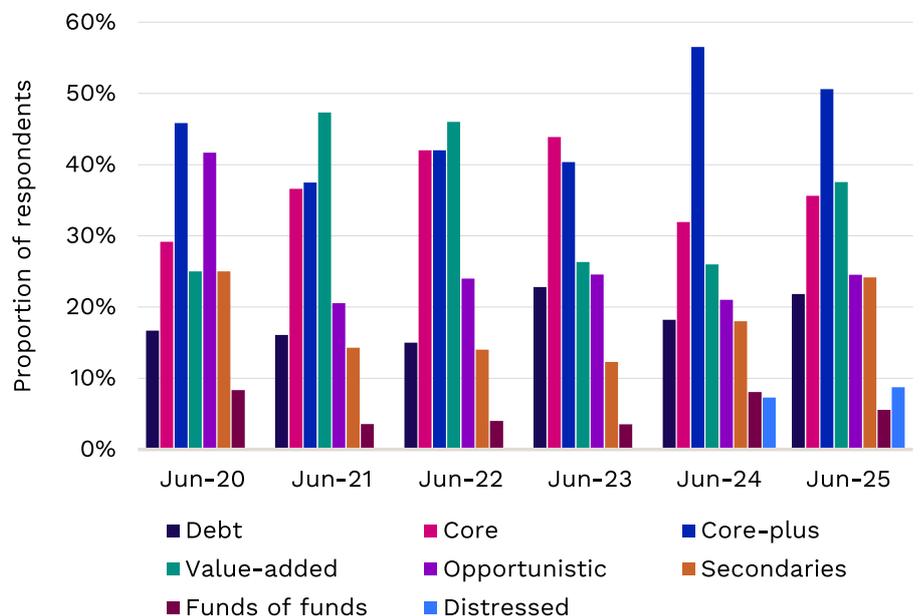
Infrastructure assets are known for their longer time horizons, relatively low risk, and stable returns that are somewhat less volatile in difficult market environments. The infrastructure sector’s 2024 returns were high relative to other alternative asset classes but lower than its annualized returns in 2021 and 2022. However, infrastructure returns in 2021 were the lowest across private markets, at 16.1%. These trends further highlight that, in more difficult or moderate market environments, the asset class can outperform, but investors risk more muted (but stable) returns during better economic conditions.

Value-added overtakes core as investors seek returns

When it comes to strategy, investors are increasingly interested in value-added opportunities, with 38% of survey respondents citing value-added infrastructure among strategies presenting the best opportunities, up from 26% in June 2024 (Fig 7.4). Investors appear to be targeting the strategies that have greater return potential, highlighting core-plus and value-added opportunities.

Fig. 7.4: Value-added overtakes core as presenting more opportunities

Investors were asked: ‘Which fund types present the best opportunities?’



Source: Preqin Investor Surveys, June 2020–2025

This is the first time since June 2022 that a larger proportion of investors identified value-added among strategies presenting the best opportunities compared with core infrastructure assets. In the first half of 2025, value-added funds raised more capital than core funds, aligning with infrastructure investor sentiment. Value-added infrastructure opportunities lean heavily towards energy, with a focus on renewables and clean technology opportunities. This shift shows investors may be more tolerant of risk and still see the energy transition as a relevant part of their portfolios.

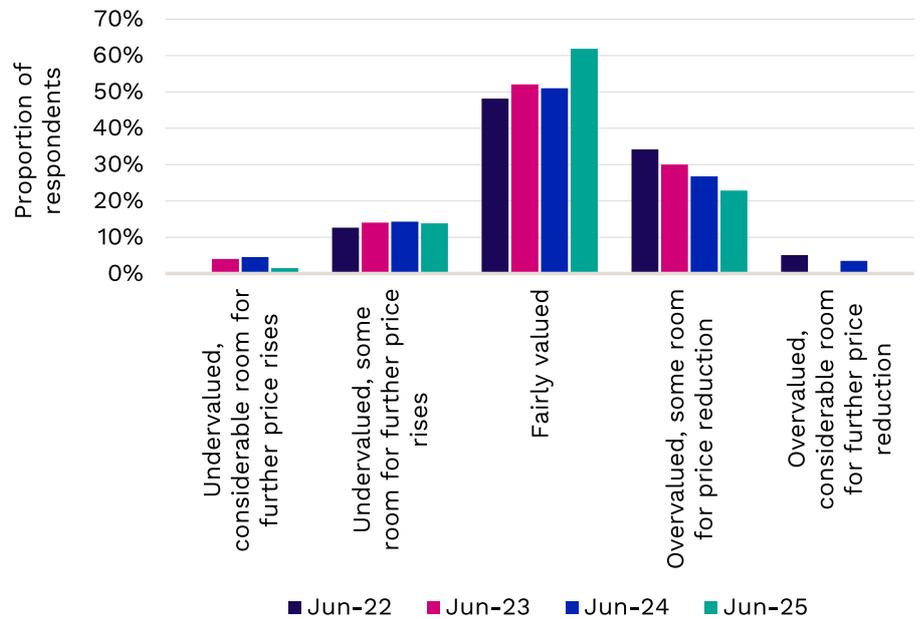
Core-plus remains the strategy most investors see as offering the best opportunities, despite the proportion highlighting it declining from 57% in June 2024 to 51% in June 2025. To start the year, aggregate infrastructure capital raised has been at its greatest within the core-plus strategy. Some of the larger closes have aligned with energy transition industries, but there have also been closes of diversified funds that look towards telecoms and transport opportunities. Investors may continue to turn to core-plus given the balanced risk/return profile it offers, continued cash flow opportunities, and relatively diversified sector offerings.

Assets are fairly valued, but competition looms

Investors are increasingly aligned on their perception of asset valuations, as 62% responded that their infrastructure portfolio company and asset pricing are fairly valued (Fig 7.5). The share of investors responding that assets appear overvalued has also fallen, from 39% in June 2022 to 23% in June 2025.

Fig. 7.5: Fair valuations for infrastructure investments

Investors were asked: ‘How do you view portfolio company/asset pricing?’



Source: Preqin Investor Surveys, June 2022–2025

This may reflect a new market equilibrium characterized by higher interest rates and a slightly higher inflationary environment within the US and, to some extent, the UK.² It is also reflected in fewer investors being concerned about asset valuations, which we’ve seen fall as a key challenge for return generation every year since June 2020 (Fig 7.6). As of June 2025, 25% of investors reported asset valuations as a key concern for return generation, down from 30% in June 2024 and 64% in June 2020.

There are concerns among investors about competition for assets – 36% of investors reported this to be a key challenge for return generation in the next 12 months – which is to be expected since pricing has remained steady. It is the third-most common concern on return generation for investors after interest rates (43%) and geopolitical uncertainty (40%), and has increased by 8 ppts since June 2024.

A slowing deal market may play a role in some of this investor concern. That said, in the long run, deal flow is falling as a key concern. There have been a few larger deals running up aggregate deal value to start the year, suggesting that, despite the perceived competition over assets, the market is still seeing focused opportunities for larger deployments.

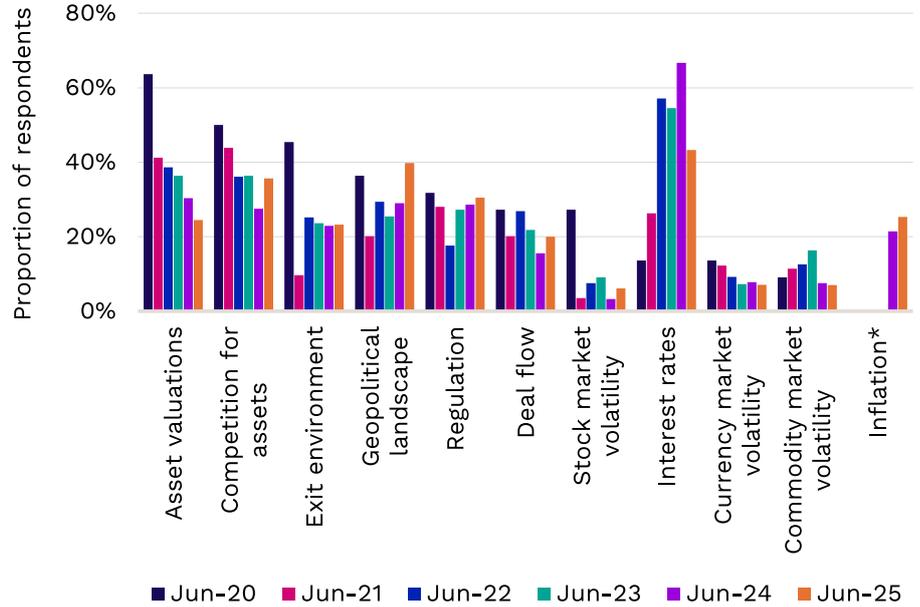
Western Europe wins out as uncertainty grows over US opportunities

Western Europe is now the favored market for the largest share of infrastructure investors, with 62% of them regarding it as the developed market presenting the best opportunity, unchanged on 2024. The US, meanwhile, has fewer infrastructure investors considering it the most attractive option, falling from 74% in June 2024 to 58% in June 2025 (Fig. 7.7).

² PMI surveys indicate elevated US price growth as tariffs drive inflation differential with rest of world | S&P Global

Fig. 7.6: Interest rates, geopolitics, and competition for assets are common concerns

Investors were asked: ‘What are key challenges for return generation in the next 12 months?’

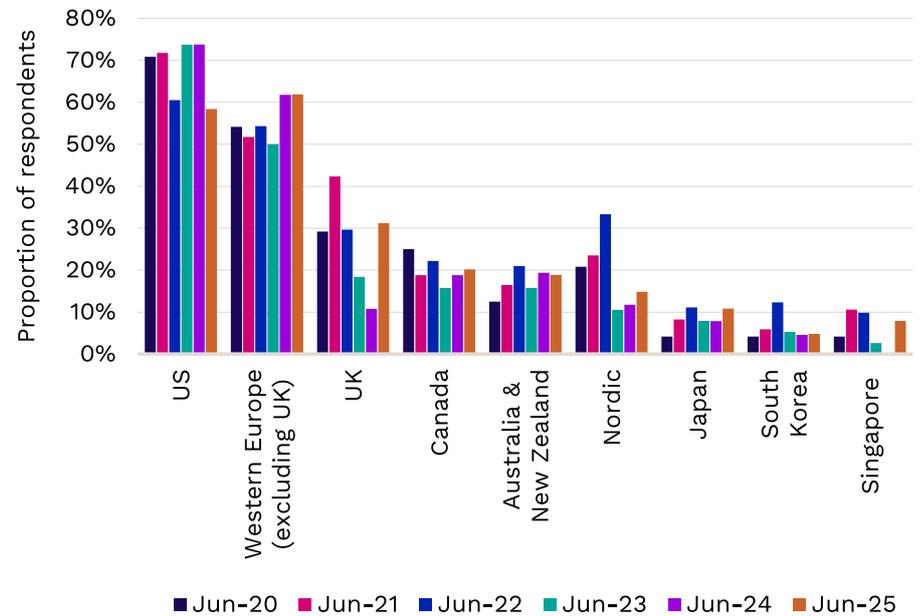


*Inflation was included as a challenge in 2024

Source: Preqin Investor Surveys, June 2020–2025

Fig. 7.7: Western Europe listed among favored developed markets for largest proportion of infrastructure investors

Investors were asked: ‘Which developed markets present best opportunities?’



Source: Preqin Investor Surveys, June 2020–2025

Some moderation of interest in the US has been noted more broadly, as investor sentiment for the US has turned less positive across private capital (Fig 1.4). For infrastructure investors, the geopolitical landscape has become a greater perceived challenge for return generation, most likely driven by key policies introduced by the US administration. A perception of increased geopolitical risk may have made infrastructure investors warier. Another factor may be the potential for continued higher interest rates in the US compared with the EU. Forty-three percent of investors cited interest rates as a key challenge to return generation in our June 2025 survey, although this was a lower proportion than in 2024 (Fig 7.6).

Europe saw strong fundraising in Q4 2024 and Q1 2025, when regionally focused aggregate capital raised for infrastructure outpaced that for the sector in North America. There was a shift back to North America-focused fundraising in Q2 2025, in contrast with investor sentiment seen in our survey. That said, there tends to be a lag on fundraising from investor sentiment. We will continue to track whether sentiment in our survey responses carries through to fundraising totals. European goals of bolstering regional security and energy independence³ are also attracting attention as potential drivers of investment within key industries in the region.

Across developed markets, as interest in the US faded, the UK experienced the most positive change in investor perception, with the proportion of respondents highlighting it among markets presenting the best opportunities shifting from 11% in June 2024 to 31% in June 2025. The UK government has shown increasing interest in attracting more private infrastructure investment, looking to create more public-private partnerships for public services.⁴ Reforms are still under discussion in the country, but this dialogue may be contributing to more positive sentiment towards the market.

³ [EQT says Europe becoming 'more attractive' for infrastructure investments | FT](#)

⁴ [UK government launches new wave of private financing for public services | FT](#)

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The cover of the 'Investor Outlook: H1 2025' report features a grid pattern on the left side. The title 'Investor Outlook: H1 2025' is prominently displayed. Below the title, there is a navigation bar with icons for PE, VC, PD, HF, RE, and INF. The main content area lists several key findings, such as 'Half of LPs plan to increase investment in private equity over the short and long term in our survey of investors at the end of last year' and 'Proportion of investors seeing venture capital assets as overvalued has fallen, with a quarter now seeing fair value'. A 'READ FULL REPORT' link is provided at the bottom, along with the name and contact information of the Lead Analyst, Sude Ahmed.

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