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Global Market Portfolio 2026

A portfolio of everything

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Contents

3 What we can learn from the Global Market Portfolio

4 Insights into investor preferences

14 Risk-return profile of the Global Market Portfolio

17 Key themes from the Global Market Portfolio

17 Gold takes the diversification crown

22 Crypto enters the portfolio chat

27 Capital transformation is expanding Gulf assets

31 Europe's private capital edge

What we can learn from the Global Market Portfolio

The Global Market Portfolio (GMP), a portfolio of all risky assets proportionally weighted by their market capitalization, continues to be a solid way for institutional investors to view the broad and growing slate of asset classes available in the marketplace.

The GMP continues to show diversifying properties, as it holds all asset classes and therefore diversifies away all risk, except systematic. The changing composition of the GMP reflects the evolving global investment landscape, shifting investor preferences, and the growing accessibility of diverse asset classes and the biggest diversifiers and the highest sources of returns have shifted visibly in recent years

The size of the GMP reached another all-time high in March 2026, showing that investors are putting more and more capital to work and value it dearly. Investors could be well served by re-evaluating how certain risk premia can be harnessed, which asset classes provide alpha, and which assets can be relied on for effective diversification.

We define the GMP as the aggregate of all investable capital assets. This equals the total investable market value of all these assets. The portfolio weight of an asset is determined by dividing the asset's market value by the total market value of all assets within the portfolio.

Constructing the GMP

Our investable asset framework tracks the GMP over time.[1] We present its capital market values in US dollars and weightings as of March 2026, along with expected risk–return profiles for various horizons.

Additionally, we analyze each asset class's contribution to the GMP's risk (variance) and highlight its diversification benefits.

In our framework, we use broad indexes to obtain the invested market capitalizations for different asset classes. However, we exclude cash—as highlighted above—and remove commodities that are typically transformed and processed within their specific value chain, typically by companies that have issued equity and fixed income securities.

We have decided to include gold within this portfolio as a significant portion of gold is held as a store of value.[2] Indeed, we are interested in gold that central banks, sovereign wealth funds, institutions and individual investors treat as a store of value and own for reserves and other strategic reasons. The GMP provides exposure to a broad set of global asset classes and market factors, in particular equity risk premia, interest rate term premia, credit risk premia and, to a lesser extent, liquidity risk premia through the existence of less liquid assets. We acknowledge the strategic importance of cash and short-term money-market securities, but we deliberately exclude such assets from our framework to focus on assets that are expected to deliver risk premia over a risk-free asset such as cash.

Recent changes

Over the years, we have refined our framework, as we covered more markets and sub-asset-classes. This year, we continue our coverage of Middle East capital markets due to their growing importance as both a capital source and investment destination, and add a special focus on gold, private markets and cryptocurrencies.

Insights into investor preferences

As the sum of all holdings from the collective decisions of investors and issuers, as well as suppliers and demanders of capital, the GMP can be seen as a de facto proxy for the investable opportunity available to all investors globally.

It also represents the positioning of investors in aggregate and reveals insights into their attitudes and preferences. The GMP could be considered a natural benchmark for investors' strategic asset allocations—much more diversified and theoretically sound than the iconic 60/40 equity–bond benchmark.

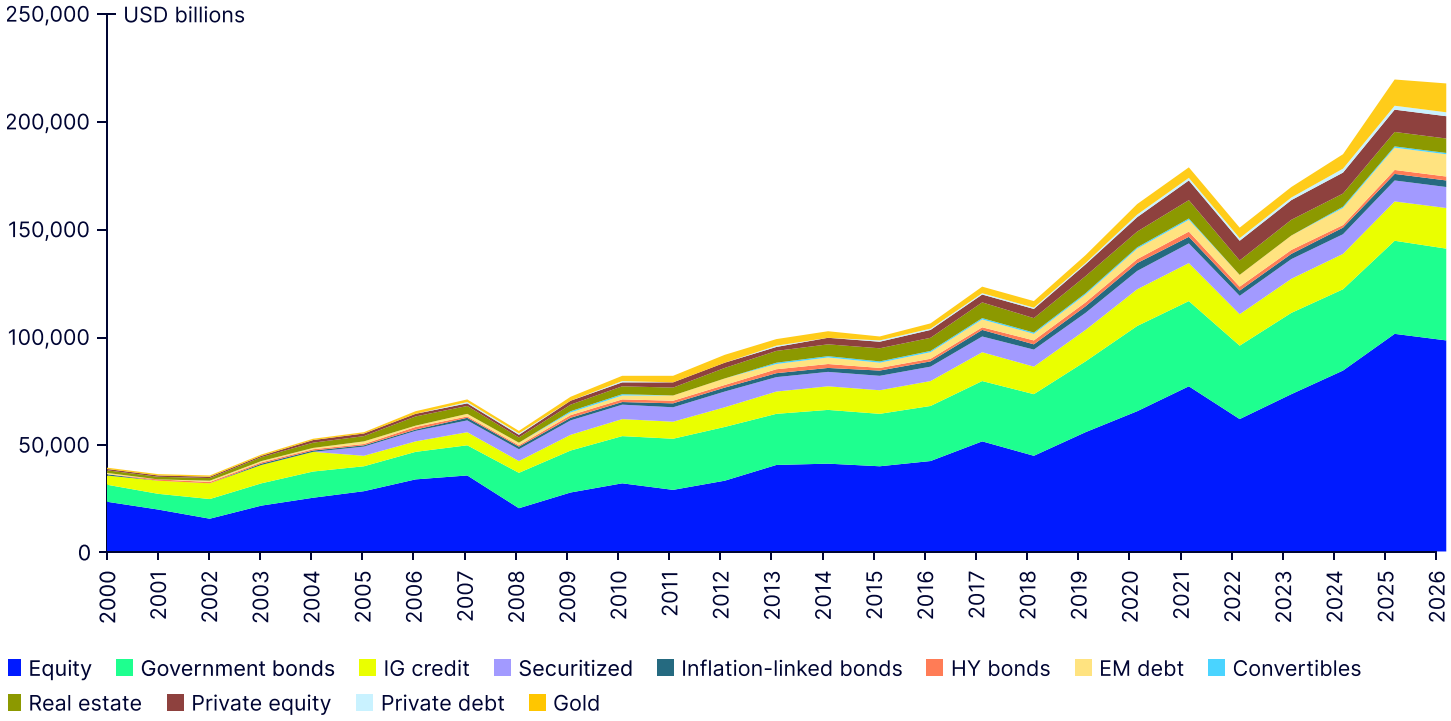
As always, investors want to get the most out of their portfolios. Questions related to asset classes that should be considered for the long term, their respective risks and merits, and how to combine them efficiently continue to be top of mind.

Investors aim to take advantage of higher expected returns

2025 extended the 2024 re-rating—marked by a sharp fall in inflation and AI-driven optimism—with broader market participation, stronger relative performance from non-US-equities, higher volatility, greater sensitivity to policy and geopolitical risks, and a weaker US dollar. The market value of the GMP had reached an all-time high of roughly USD 222 trillion as of end 2025, an increase of 240% from 2005 (Figure 1).

March 2026 marked a visible risk off turn after strong gains in 2025 and a very strong start of 2026. GMP market value declined to USD 221 trillion, driven primarily by the escalation of the Middle East conflict (late February), which disrupted energy supply and sharply lifted inflation risks, reversed the US dollar depreciation trend and shifted markets from pricing rate cuts to reassessing upside inflation and policy-tightening risks.

Figure 1: The GMP has thrived following higher asset prices



Source: Thomson Reuters, Bloomberg, Preqin, World Gold Council, J.P. Morgan, MSCI, State Street Investment Management, as of March 31, 2026.

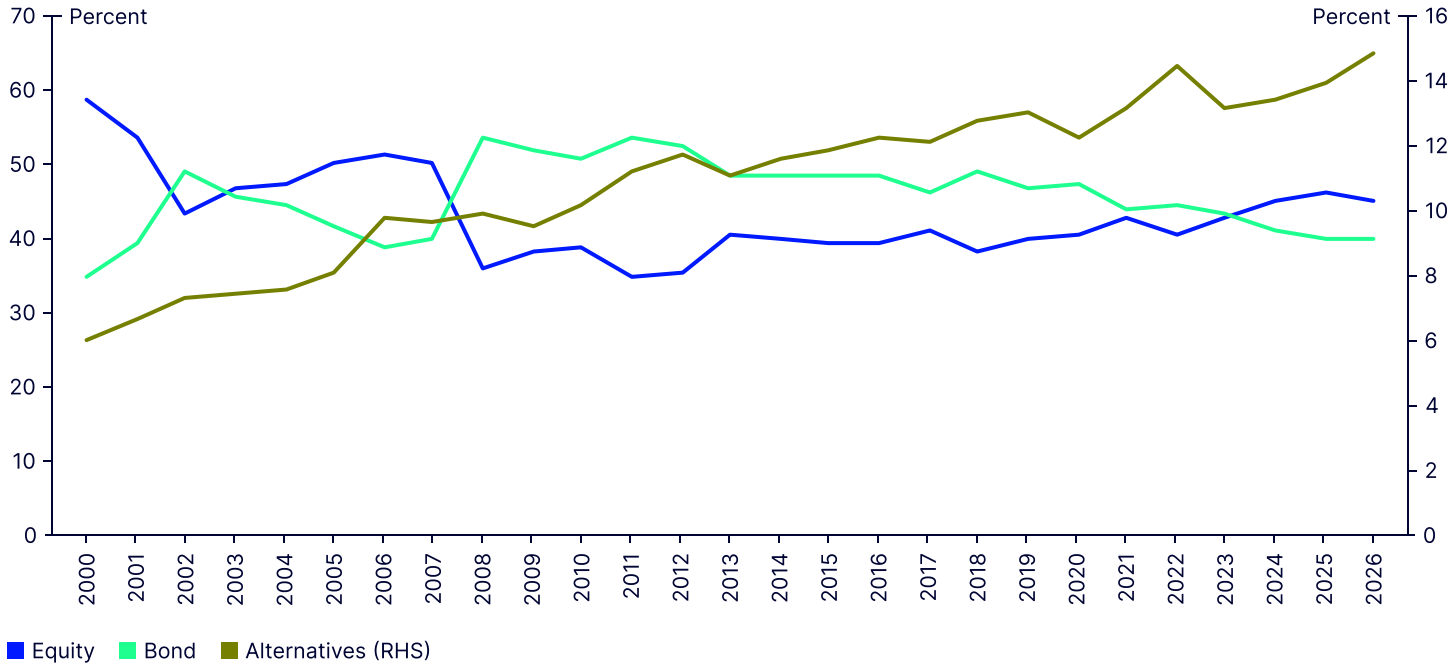
Based on our proprietary capital market assumptions, the medium-term expected return for the GMP is 6.3% on a USD basis. This largely reflects the higher interest rate environment we have been in since the end of 2021, and the positive expected returns from equity investments.

Particularly interesting is the evolution of the weighting of macro asset classes (Figure 2). In March 2026, the total equity weight was close to 45%. At the peak of the Dot Com bubble in 2000, it had reached an impressive 60%. It has steadily and visibly declined since then, reaching 50% in 2007 and oscillating between 35% and 45% since. Some of the relative declines could be attributed to the development of other alternative asset classes and also the significant issuance of fixed income securities by governments and corporates.

During bear markets and major corrections (2000–2002, 2007–2009, 2011–2012 and 2022), the equity weighting was negatively affected by lower equity prices, and reached the low end of this range. Conversely, and unsurprisingly given their more defensive characteristics, bonds have tended to increase in weight during bear markets, reaching up to 55% during the height of the global financial crisis in December 2008, the eurozone crisis of 2011, and the pandemic in March 2020. As of March 2026, global bonds represented 40% of the GMP, close to the low of the range.

The weight of alternative asset classes has steadily increased, more than doubling to 15% in 2026 from 6% in 2000. This growth reflects stronger investor confidence, the maturation of private equity and private credit, and the strong performance of certain alternative assets. Details on Q1 composition and asset class performance

Figure 2: The GMP's center of gravity has shifted as alternatives gain ground



Source: Thomson Reuters, Bloomberg, Preqin, World Gold Council, J.P. Morgan, MSCI, State Street Investment Management, as of March 31, 2026.

Details on Q1 composition and asset class performance

In the GMP, equities currently represent the largest asset class, despite some decline in market cap in Q1 2026 and the lower overall weight of equities in the GMP, discussed in the previous section. Sovereign and government-related bonds make the second-largest asset class, with robust issuance driving an increase in bond market cap (Figure 3).

Equities declined in market cap in Q1

In Q1 2026, global equities were volatile as Middle East tensions, higher energy prices, and inflation concerns drove sharp regional divergence. Market capitalization fell to USD 99.3 trillion as of end-Q1 2026 from USD 102.6 trillion as of end-Q4 2025.

US equities outperformed on technology (especially AI and semiconductors) and energy earnings; the UK was broadly steady; Europe lagged on energy shocks and cyclical exposure; Japan gained moderately due to yen weakness and corporate governance reforms. Meanwhile, emerging markets faced the greatest pressure from oil-price risks, outflows, currency volatility, and higher borrowing costs.

Currently, the global equity market value is almost five times its level during the Global Financial Crisis (GFC) in 2008, and 1.5 times its level during the COVID-19 period (Q4 2020). The equity weighting of 45.0% for Q1 2026 (Figure 3) marked a notable decrease from 46.1% in Q4 2025.

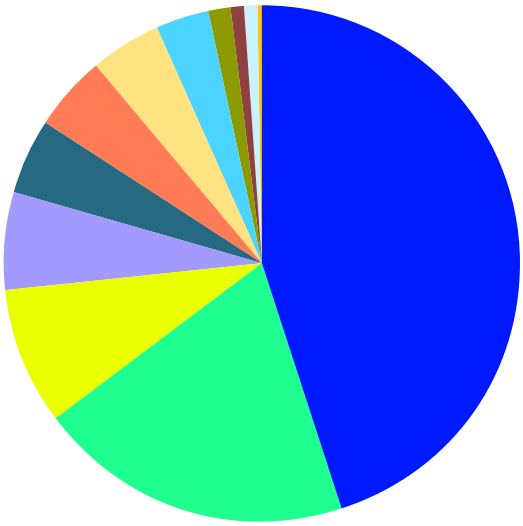
Lower issuance detracted from equity market cap in Q1 2025

As of end 2025, new issuance represented just 0.8% of total equity market capitalization, a figure that stands as one of the lowest points since 2000, underscoring a persistent trend of subdued issuance. This pattern, notably consistent since 2022, highlights a prolonged period of restrained activity in equity capital markets (Figure 5).

Even so, global equity capital market issuance soared to a four-year high of USD 799 billion (Figure 4). This surge was fueled predominantly by robust follow-on offerings, with the US and China dominating the landscape. Within IPOs, the US accounted for 26% of activity and mainland China for 20%. In follow-on offerings, China led with 30%, while the US contributed 26%. Together, these figures underscore the dominant role of the US and China in global equity capital markets and their influence on capital flows and investor sentiment.

Figure 3: The equity market value was USD 99.3 trillion at Q1 2026

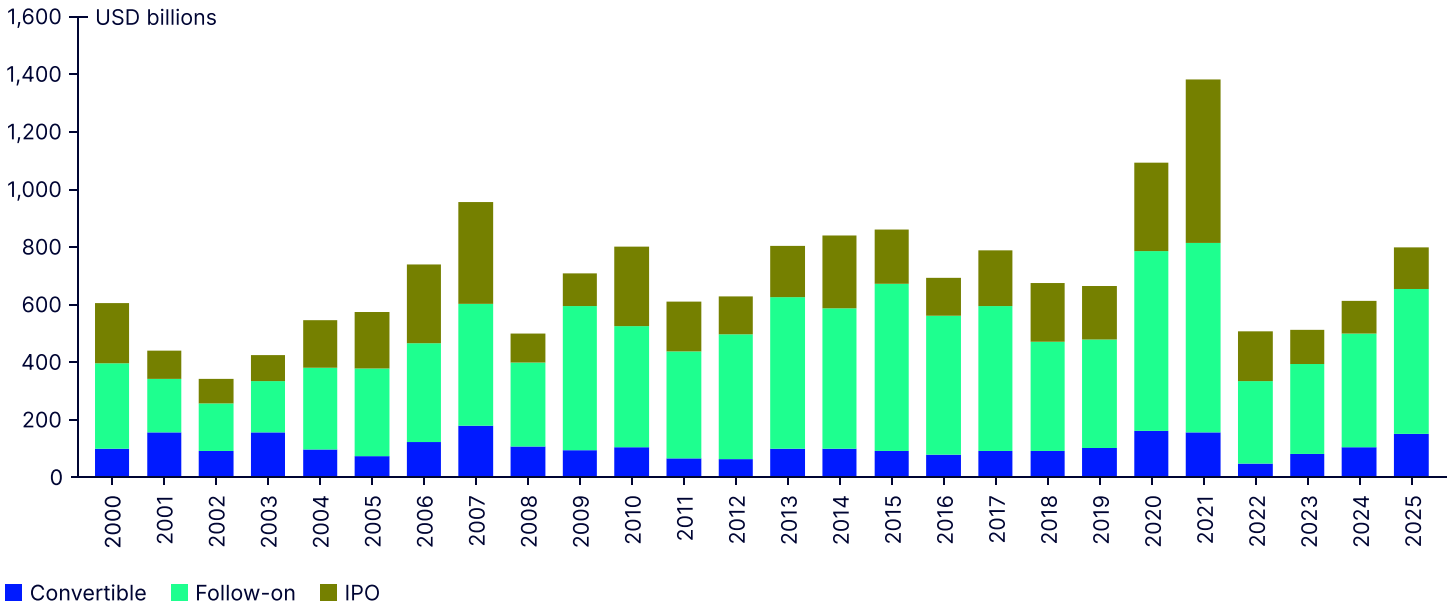
GMP	Weights (%)
Equity	45.0
Government bonds	19.8
IG credit	8.5
Gold	6.1
Private equity	4.8
EM debt	4.8
Securitized	4.5
Real estate	3.2
Inflation-linked bonds	1.4
HY bonds	0.8
Private debt	0.8
Convertibles	0.2



Note: The total GMP was valued at USD 221 trillion as of the end of March 2026. Weights are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. Source: Thomson Reuters, Bloomberg, Preqin, World Gold Council, J.P. Morgan, MSCI, State Street Investment Management, as of March 31, 2026.

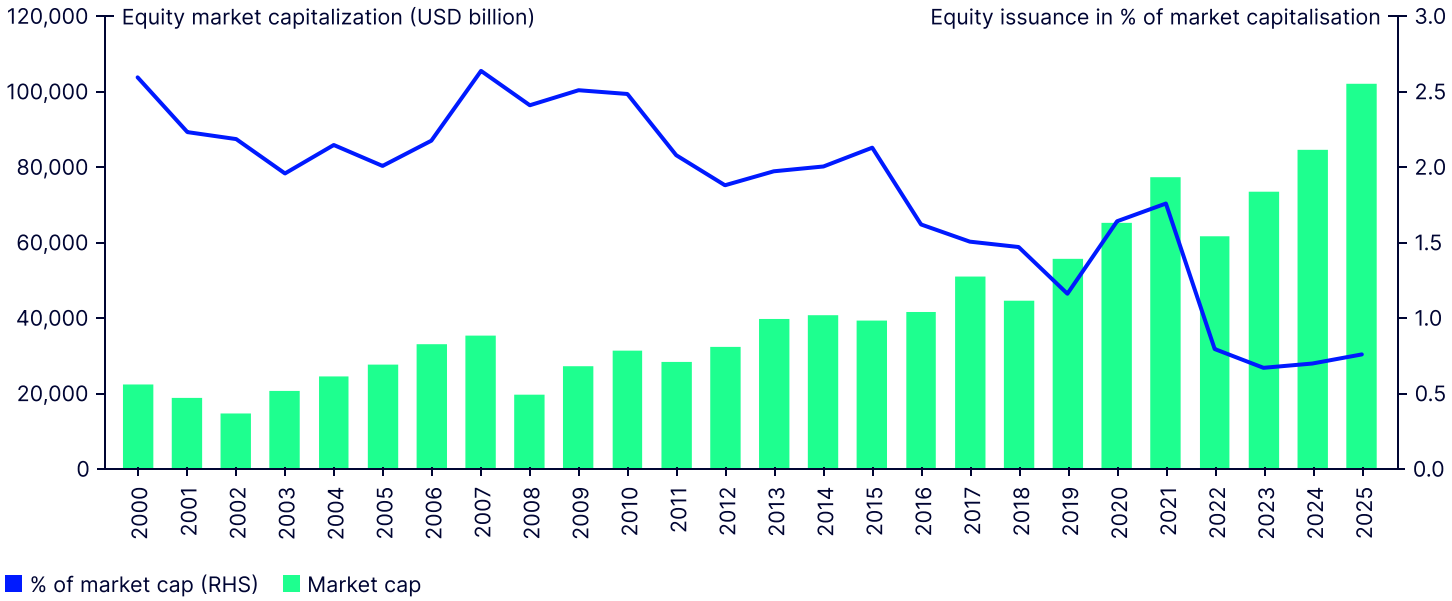
Equity capital markets strengthened in Q1 2026, with issuance rising 28.1% YoY to USD 197.4 billion, the strongest first quarter in five years. The US remained the largest market, accounting for 33% of issuance, while China raised USD 39.2 billion, up 30% YoY and equal to 20% of global equity issuance. Global IPOs increased 25.7% YoY to USD 32.7 billion, with US- and China-domiciled deals contributing 25% and 26%, respectively, underscoring renewed market activity and investor demand.

Figure 4: Equity issuance activity continues to be driven by IPO and follow-on offerings



Source: LSEG, Thomson Reuters, Bloomberg, Preqin, World Gold Council, J.P. Morgan, MSCI, State Street Investment Management, as of March 31, 2026. Data refers to live transactions.

Figure 5: Annual global equity issuance as percentage of equity market capitalization



Source: LSEG, Thomson Reuters, Bloomberg, Preqin, World Gold Council, J.P. Morgan, MSCI, State Street Investment Management, as of March 31, 2026. Data refers to live transactions.

Bond market cap rose on hefty public supply

As of the end of 2025, the market value of public debt securities surged to an unprecedented USD 88.7 trillion, setting a new global benchmark. However, the Iran conflict triggered a slight pullback, bringing the total down to USD 88.5 trillion by Q1 2026.

Despite this monumental growth, the relative importance of bonds in the broader market declined. By Q1 2026, government bonds commanded a market cap of USD 43.6 trillion, representing just 19.8% of the total, a notable drop from 21.1% in Q1 2025. Meanwhile, investment grade (IG) credit, valued at USD 18.9 trillion, accounted for 8.5% of the market, marking a decrease from 9.1% in the previous year. These shifts reflect a rapidly evolving landscape, where historic highs mask underlying changes in market structure and investor sentiment.

Q1 2026 saw sharp bond market sell-offs driven by persistent inflation concerns and heavy new issuance, though bouts of risk aversion triggered strong rallies and heightened volatility. US Treasury yields swung sharply, first falling on safe-haven demand before rebounding as inflation pressures and expectations for slower rate cuts intensified. UK gilts followed a similar pattern, with long-end yields especially sensitive to domestic inflation and imported energy shocks. In the eurozone, Germany benefited from safe-haven demand, but Bund yields were still pulled higher at times by inflation concerns, heavy issuance, and broader rate volatility. Peripheral markets such as Spain and Italy also saw significant upward pressure on yields, highlighting vulnerabilities under elevated interest rates.

Debt issuance shattered records in 2025, reaching a staggering USD 11.9 trillion, a nearly 15% jump from 2024. This surge spanned every sector, with new issuance representing a formidable 13.4% of total bond market capitalization, the second-highest proportion since 2009. The sheer scale of fresh debt underscores the relentless demand for capital and the pivotal role bonds play in the global financial ecosystem (Figure 7).

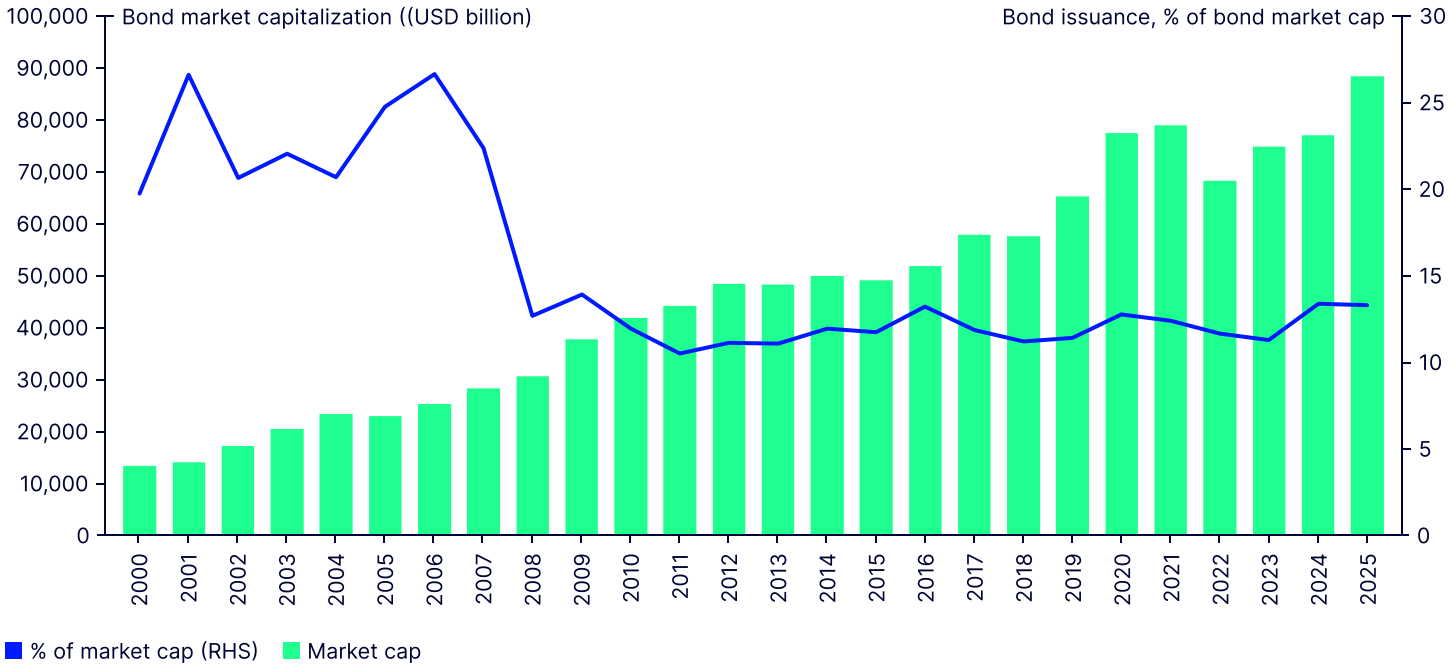
Global investment grade corporate debt offerings soared to USD 1.6 trillion in Q1 2026, up 9.1% from Q1 2025, marking the strongest opening quarter for high-grade corporate debt ever recorded. This milestone represents the third consecutive first quarter in which issuance surpassed USD 1.5 trillion, accounting for 47.2% of total issuance in Q1. With almost 5,000 new offerings hitting the market in Q1 2026, and though this was down 6.3% from a year ago, the sheer volume highlights the sector's resilience and growing investor appetite for quality credit.

Sovereign debt issuance reached USD 1.3 trillion in Q1 2026, up 9.0% from a year earlier and accounting for 36.2% of total quarterly issuance. The number of new offerings rose to nearly 1,600, a 10.0% year-on-year increase. China led issuance with a 47.2% share, followed by Germany at 6.9%, while the US represented just 1.5%. This trend points to growing government financing needs.

Global high yield debt issuance reached USD 131.7 billion in Q1 2026, a 4.6% increase from Q1 2025. Issuers from the US, Canada, and European countries such as the Netherlands, France, Germany, Italy, and the UK dominated the arena, accounting for an astounding 84.5% of Q1 2026 issuance, an uptick from 82.5% a year ago. This concentration signals the shifting power centers in high-yield markets and the growing role of these economies in driving global risk capital.

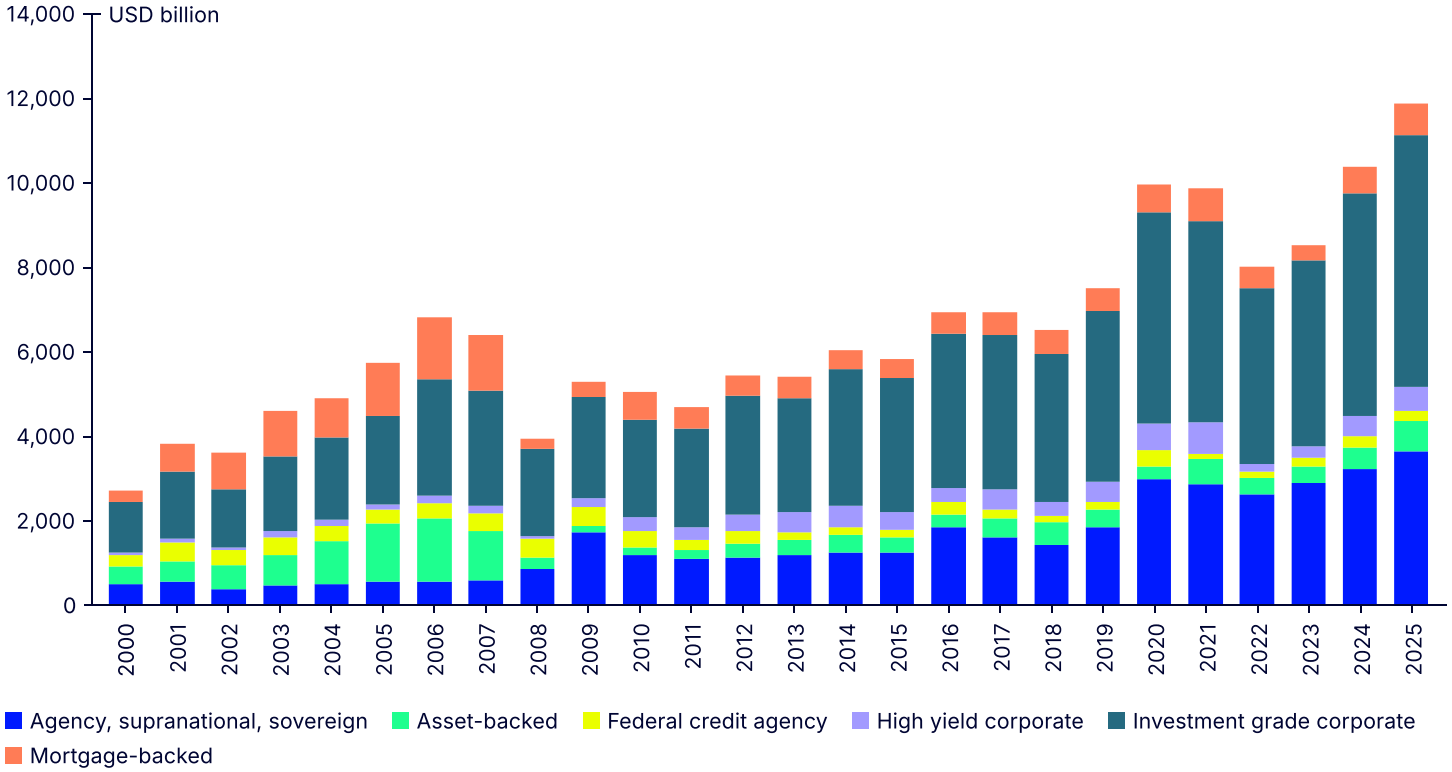
International bond offerings hit an all-time high of USD 2.0 trillion in Q1 2026, up 9% from the prior year and underscoring the relentless expansion of global debt markets. Emerging market corporate issuers posted USD 107.2 billion in new debt, down 17% year-over-year, with Saudi Arabia, India, Brazil, and the United Arab Emirates contributing a commanding 48% of activity. These figures illuminate the dynamic shifts and growing complexities within international and emerging market debt landscapes.[3]

Figure 6: Issuance boosted bond market cap in 2025



Source: LSEG, Thomson Reuters, Bloomberg, Preqin, World Gold Council, J.P. Morgan, MSCI, State Street Investment Management, as of March 31, 2026. Data refers to live transactions.

Figure 7: Investment grade corporate and sovereign debt hold the highest shares of bond issuance



Source: LSEG, Thomson Reuters, Bloomberg, Preqin, World Gold Council, State Street Investment Management, as of March 31, 2026. Data refers to live transactions.

Private markets are fragmenting

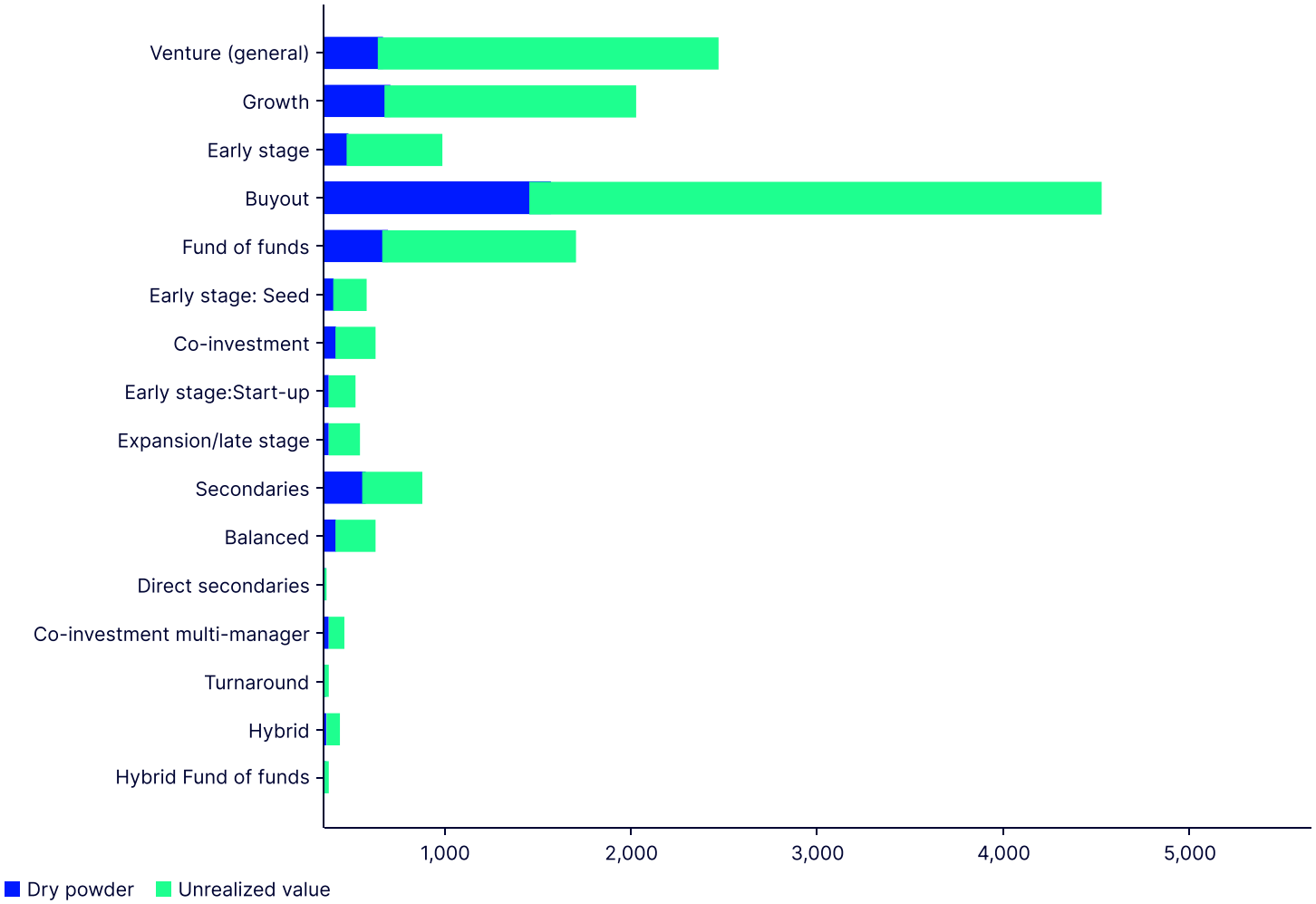
Private markets are becoming more selective and more concentrated. Capital is still available, but it is flowing disproportionately to larger managers, larger funds, and strategies that offer more liquidity or flexibility.

Global private equity remains under pressure, though market size has continued to grow. As of Q1 2026, the asset class was estimated at around USD 10.7 trillion, up roughly 10.4% from its Q1 2025 level. Private equity now represents an estimated 4.8% of the GMP, down from its 5.9% peak in 2022 and 5.0% in Q1 2025, but still above pre-pandemic levels. Buyouts remain the dominant strategy, accounting for 42.2% of total private equity AUM.

The clearest sign of strain is in fundraising, which is stabilizing but becoming more concentrated among fewer managers. North America continues to lead, while Europe and APAC lag, and longer timelines are widening the gap between stronger platforms and weaker peers. The same pattern is also visible in deal activity. Larger buyouts are still clearing, but overall value has edged lower and financing conditions continue to weigh on transactions, particularly in North America.

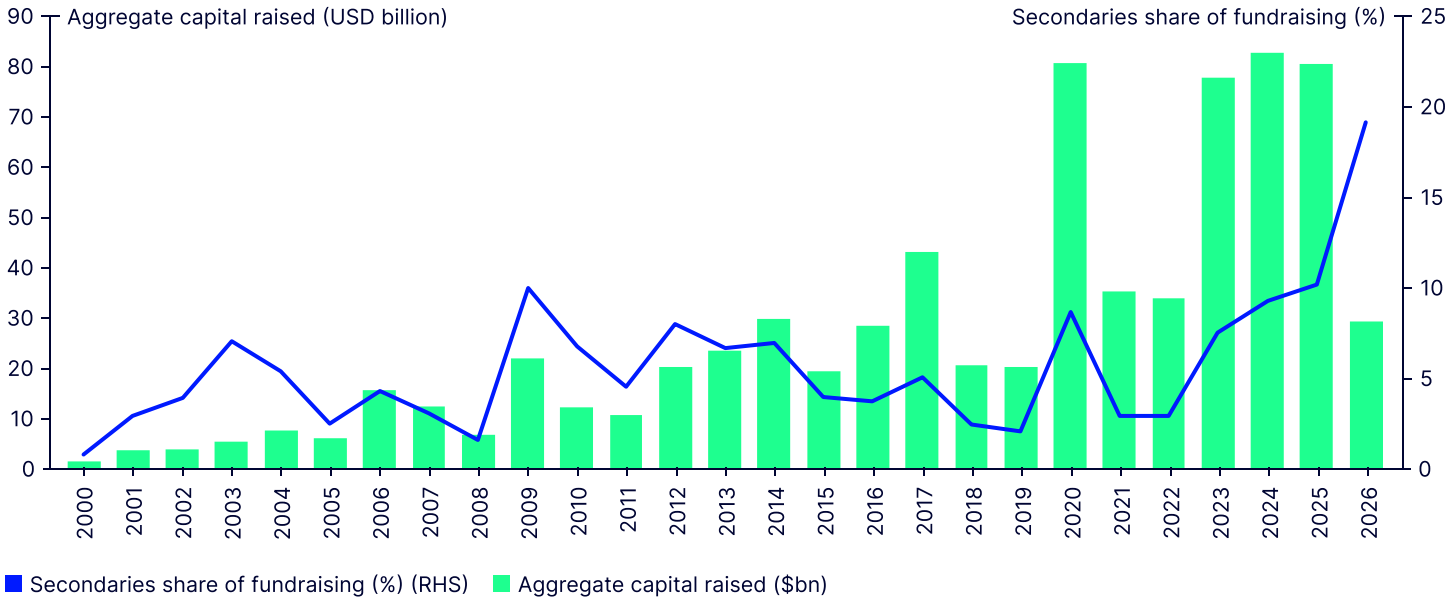
The main bottleneck, however, remains exits. Volumes and values have weakened, IPO windows remain narrow, and realizations are concentrated in a handful of large transactions rather than a broad-based reopening. This keeps liquidity tight, constrains LP capital recycling and leaves the market dependent on a more meaningful reopening of exit channels. As 2026 prepares for significant IPOs like SpaceX, Anthropic and OpenAI, the market might see a turning point this year.

Figure 8: Buyouts are the most favored strategy in private equity (USD billion)



Source: Preqin, State Street Investment Management, as of March 31, 2026.

Figure 9: Share of secondaries in fundraising has risen significantly



Source: Preqin, State Street Investment Management, as of March 31, 2026.

Secondaries are benefiting from the demand for flexibility

Focus has shifted toward a less familiar segment: secondaries. Over the past three years, the market has expanded materially, with global capital raised for private equity secondaries averaging USD 80.5 billion a year, well above prior periods, excluding 2020.

In Q1 2026, secondaries funds raised USD 30 billion. That was more than one-third of their total fundraising for 2025 and lifted their share of private equity fundraising to 19% for the quarter.

Scale is driving the secondaries market. In Q1 2026, nearly 78% of secondaries funds closed above target, while the strategy represented just 3% of fund count but 12% of targeted capital.[4] In a slow-exit market, investors are turning to secondaries for portfolio rebalancing, pricing flexibility and stronger risk-adjusted return potential.

A stronger private equity cycle depends on exits reopening. Until liquidity improves, fundraising and deal activity will remain constrained. Secondaries should continue to attract capital, while traditional buyouts need better pricing alignment and clearer exit routes before growth can recover.

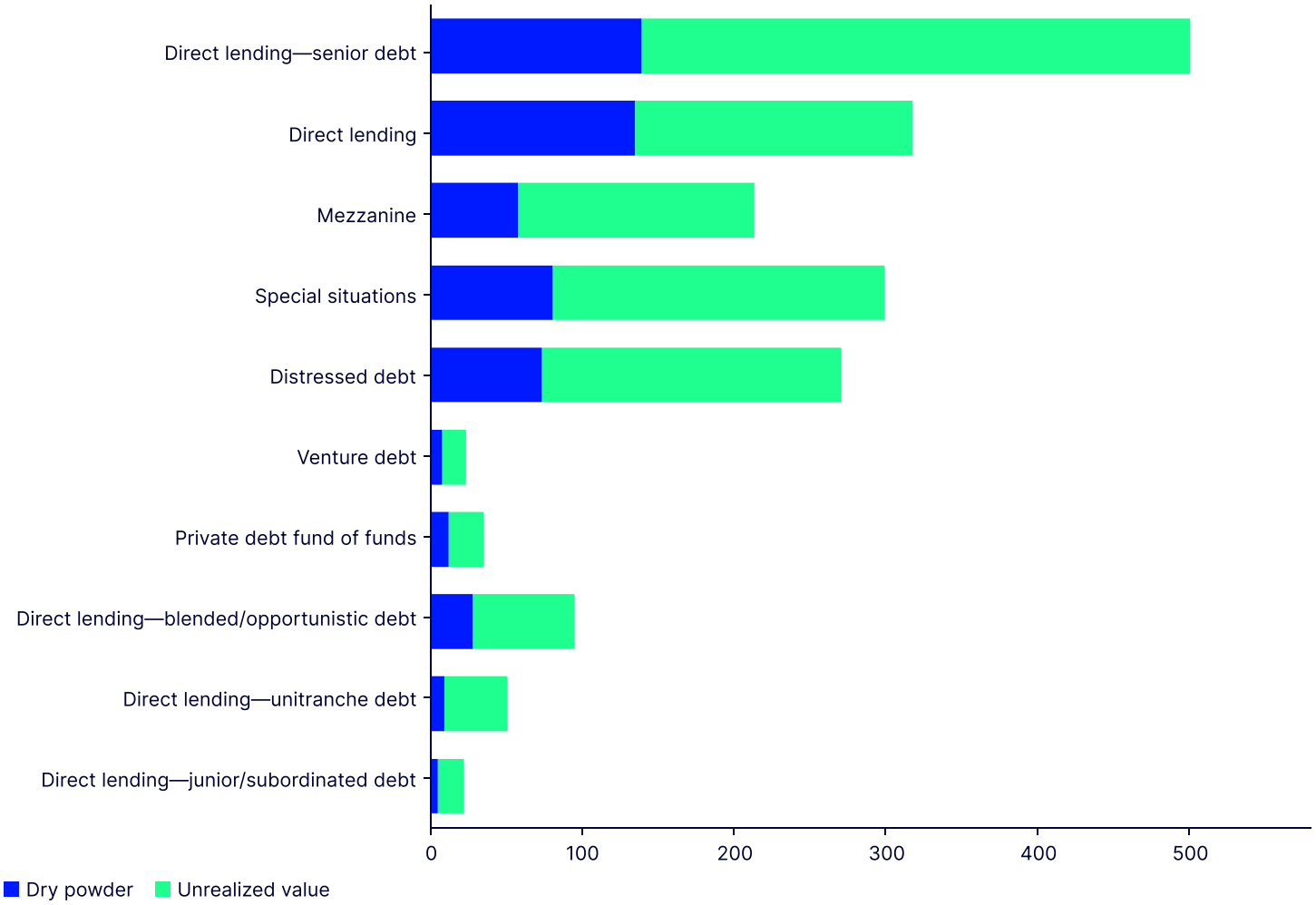
Private debt growth is slowing as investors look for resilience

Private debt's momentum has slowed after a period of strong growth. As of end Q1 2026, global private debt was estimated to reach USD 1.8 trillion, broadly unchanged from Q1 2025. The asset class is estimated to represent 0.8% of the GMP as of Q1 2026, down from 1.0% in Q1 2025 but still well above its 0.3% share in 2006.

Direct lending remains the core strategy, accounting for about 50% total AUM, followed by credit special situations at 16.3%.

This slower growth reflects a tougher backdrop. Rate uncertainty, AI-driven market shifts and geopolitical risk have made investors more cautious, while demand has shifted toward more liquid structures. By early 2026, growing concerns over private credit performance had reinforced investors' focus on resilience across full credit cycles, disciplined underwriting and stronger risk management.

Figure 10: Private credit by different strategies in 2025 (USD billion)



Source: Preqin, State Street Investment Management, as of March 31, 2026.

Fundraising is weaker and capital is becoming more selective

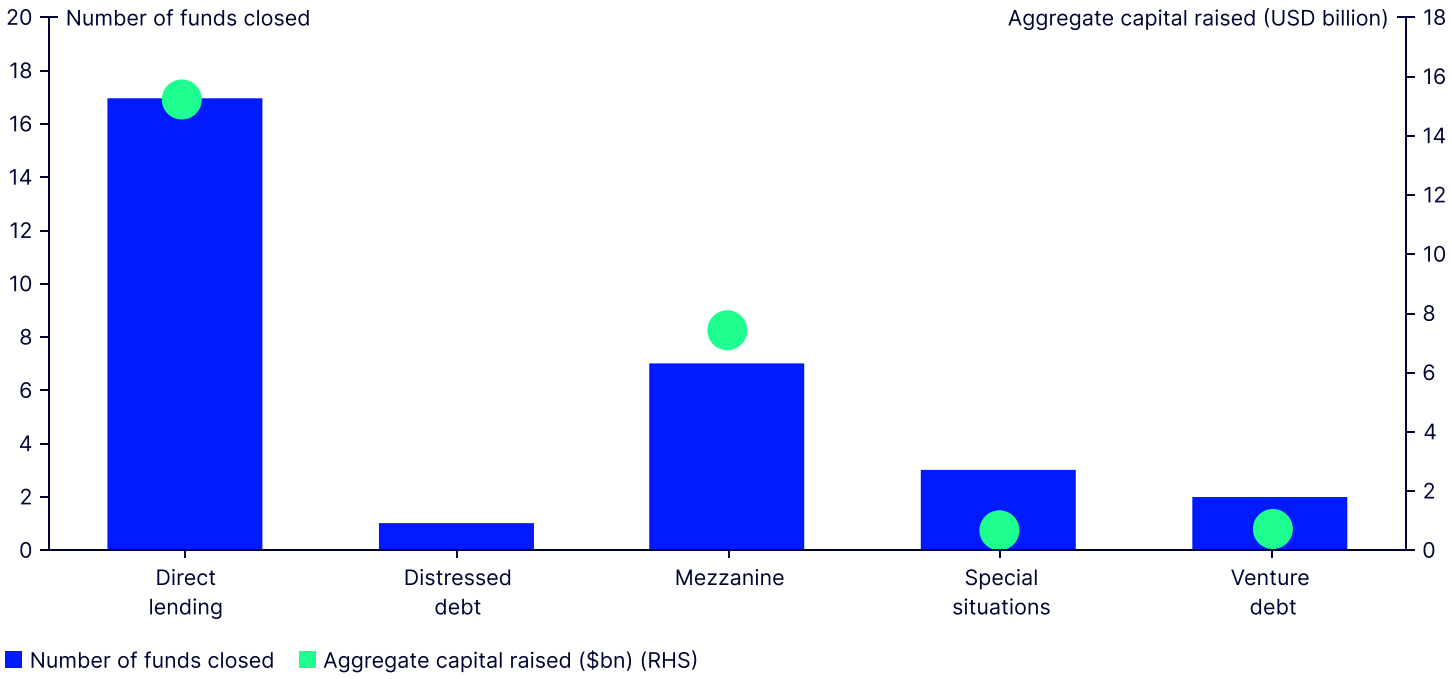
In Q1 2026, private credit funds raised just USD 23 billion, sharply below the USD 72 billion raised in Q1 2025. Direct lending still attracted the most capital, followed by mezzanine.

However, weaker fundraising does not suggest capital has exited the market; rather, it is shifting toward stronger platforms. By March 2026, more than 15% of funds in market were targeting over USD 1 billion, indicating that larger, established managers can still secure commitments despite tougher conditions.[5]

Dislocation is creating targeted opportunities.

That selectivity is also creating opportunity. Secondaries, special situations and distressed debt are better placed to benefit from forced selling, lower valuations and rising redemptions from evergreen funds. Closed-end funds remain relevant because they are insulated from redemption pressure and can target specific vintages.

Figure 11: Direct lending dominates the private debt market in Q1 2026



Source: Preqin, State Street Investment Management, as of March 31, 2026.

Gold rose while real estate remained weak

At the end of March 2026, gold accounted for 6.1% of the GMP, the highest level in our records of 25 years, and a sharp increase compared to the 4.5% level of Q1 2025. Despite being affected by the Iran conflict, its total value went up by more than 50% since Q1 2025, to USD 13.5 trillion, an all-time high. Gold's current weighting now is much higher compared to the 3.8% level seen in 2011–12, when central banks were very active in quantitative easing and asset purchase programs in the aftermath of the global financial crisis and the beginning of the eurozone crisis.

Real estate's market value totaled USD 7.1 trillion as of end-March 2026, remaining 11% lower than its pre-pandemic December 2019 level. Real estate was estimated to account for 3.2% of the GMP as of end-March 2026, which is the second lowest proportion since the early 2000s (after December 2025 of 2.9%).

Risk-return profile of the Global Market Portfolio

As discussed, using proprietary capital market assumptions, the GMP is expected to deliver a nominal return of 6.3% in USD terms over the medium term, and 6.1% over the long term, gross of fees and transaction costs. This return comfortably exceeds current and anticipated inflation levels in most advanced economies, with equities and risky debt emerging as the primary contributors (Figure 12).

For investors operating in other base currencies, returns may vary depending on hedging strategies. As of March 2026, the portfolio's estimated volatility stands at 9.9%, and with an expected USD cash return of 3.3%, the ex-ante Sharpe ratio is calculated at 0.3, indicating a reasonable compensation for the risks borne by investors.

Yet, not all investors will find these expected returns sufficient. Those with higher return expectations or unique constraints may need to pursue more aggressive allocations or consider private assets, active security selection, or tactical strategies.

Conversely, institutional investors such as banks or endowments may tailor their portfolios based on liquidity needs and investment horizons, often incorporating short-term bonds or illiquid assets like private equity and private credit.

Figure 12: Risk–return forecasts for the GMP are attractive (USD basis)

	US$ (billions)	Weights (%)	Annualised return		Estimated risk (std dev) (%)
			3-5 years (%)	10+ years (%)	
Equity	99,290	45.0	7.5	7.1	16.0
Government bonds	43,646	19.8	5.3	4.9	7.4
IG credit	18,871	8.5	4.9	4.9	8.5
Inflation-linked bonds	3,090	1.4	3.6	3.7	6.8
HY bonds	1,829	0.8	5.2	5.4	11.0
EM debt	10,487	4.8	6.5	6.6	9.9
Securitized	10,040	4.5	4.9	4.7	4.9
Convertibles	537	0.2	5.4	5.4	11.2
Real estate	7,050	3.2	6.8	6.6	20.4
Private equity	10,661	4.8	9.2	8.8	10.6
Private debt	1,770	0.8	6.7	6.7	7.9
Gold	13,454	6.1	2.6	2.6	18.3
Total	**220,722**	**100.0**	**6.3**	**6.1**	**9.9**

The above forecasts are estimates based on certain assumptions made and analyses run by State Street Investment Management. There is no guarantee that the estimates will be achieved. We have used returns over 10 years as a proxy for 3–5-year returns for convertibles, private credit and gold. Source: Bloomberg, Thomson Reuters, Preqin, World Gold Council, FactSet, J.P. Morgan, MSCI, State Street Investment Management, as of March 31, 2026.

Sources of diversification and risk

In today's volatile investment landscape, diversification has re-emerged as a foundational principle for managing risk and enhancing long-term returns. The strength of the GMP lies not only in its return potential, but also in its inherent diversification.

Diversification is achieved when the combined risk of a portfolio is less than the sum of the risks of its individual components. This is typically measured by comparing the sum of the risk contributions from each asset class with the overall portfolio volatility:

Diversification Benefit = $\sum (w_i \times \sigma_i) - \sigma_p$

Where:

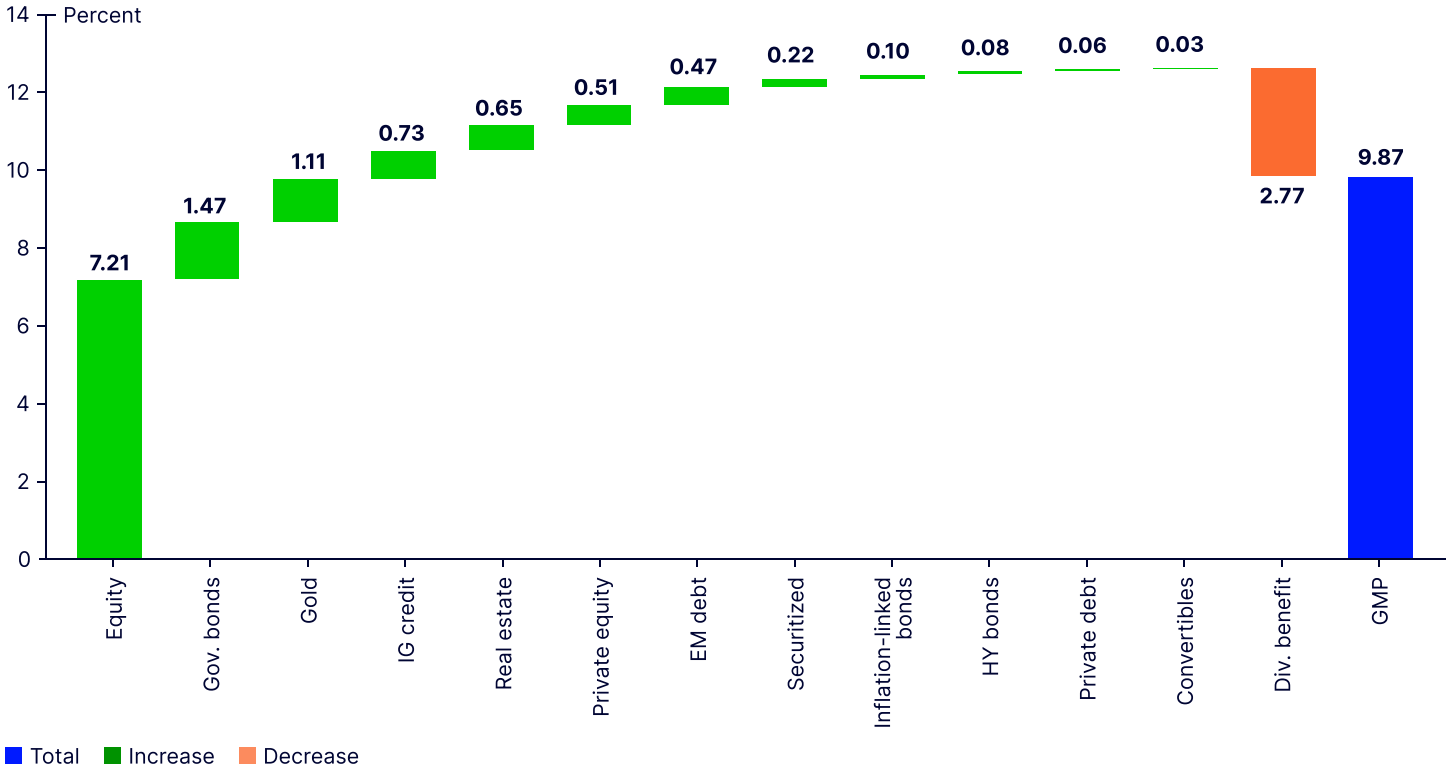
- w_i = weight of asset i in the portfolio
- σ_i = volatility of asset i
- σ_p = overall portfolio volatility

A higher diversification benefit indicates a more diversified portfolio. This metric complements traditional measures like the Sharpe Ratio, expected risk, and expected return. Assessing the degree of portfolio diversification is vital, but recognizing its origins is equally significant. In uncertain times like these, it is beneficial to examine the individual contributors to diversification within our portfolio and determine if these elements are undergoing any changes. This entails comparing the difference between standalone risk and total risk contribution for each asset. As of March 2026, the GMP demonstrates a significant diversification benefit of 2.77%. If all assets were perfectly correlated, the total portfolio risk would be 12.6%, compared to the actual estimated 9.9% for the GMP—a material and meaningful difference (Figure 13).

Understanding the sources of diversification is just as important as measuring it. Notably, government bonds, gold, and private equity are among the top contributors.

Government bonds, which make up 19.8% of the GMP, contribute 25% to this diversification benefit. Meanwhile, alternative investments such as gold, real estate, private equity, and private debt—despite their smaller allocations—collectively contribute over 47% to the benefit (Figure 14). This underscores the strategic value of including less correlated assets in a portfolio.

Figure 13: The diversification of the GMP reduces total portfolio risk by 277 bps



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On the flip side, public equities, while comprising 45% of the capital allocation, account for nearly 70% of the total portfolio risk, highlighting the importance of balancing growth potential with risk exposure (Figure 15).

Managing higher equity risk

To manage this risk, investors might consider strategies such as managed-volatility equities, target volatility triggers, or option overlays. Dynamic asset allocation—guided by market regime analysis and tactical outlooks—can also play a key role in both enhancing returns and mitigating risk.

In conclusion, the GMP offers a compelling case for diversified investing. It not only provides a robust return profile but also exemplifies how thoughtful asset allocation can reduce risk and improve resilience. In an environment where uncertainty is the only constant, diversification remains one of the most effective tools for navigating complexity and achieving long-term investment success.

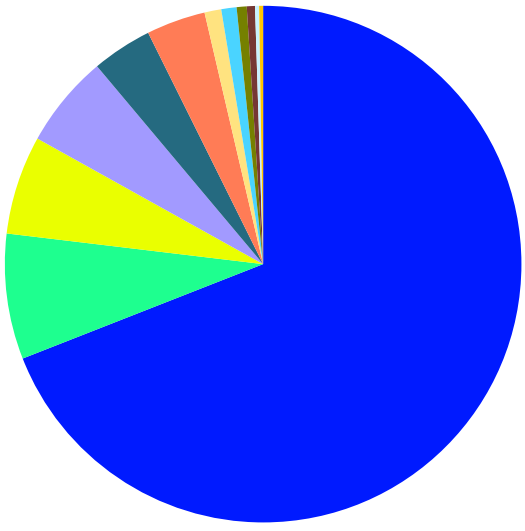
Figure 14: Alternatives act as strong diversifiers

Asset class	Diversification benefit contribution (%)
Gold	0.75
Government bonds	0.69
Private equity	0.41
Equity	0.39
Securitized	0.13
IG credit	0.12
EM debt	0.10
Real estate	0.08
Private debt	0.05
Inflation-linked bonds	0.04
High yield bonds	0.01
Convertibles	0.00
Total	**2.77**

The above forecasts are estimates based on certain assumptions made and analyses run by State Street Investment Management. There is no guarantee that the estimates will be achieved. We have used returns over 10 years as a proxy for 3–5-year returns for convertibles, private credit and gold. Source: Bloomberg, Thomson Reuters, Preqin, World Gold Council, FactSet, J.P. Morgan, MSCI, State Street Investment Management, as of March 31, 2026.

Figure 15: Public equities lag as diversifiers, but contribute a high level of risk

Asset class	Risk contribution (%)
Equity	69.0
Government bonds	7.8
IG credit	6.2
Real estate	5.8
EM debt	3.8
Gold	3.7
Securitized	1.0
Private equity	1.0
HY bonds	0.8
Inflation-linked bonds	0.5
Convertibles	0.3
Private Debt	0.1



The above forecasts are estimates based on certain assumptions made and analyses run by State Street Investment Management. There is no guarantee that the estimates will be achieved. We have used returns over 10 years as a proxy for 3–5-year returns for convertibles, private credit and gold. Source: Bloomberg, Thomson Reuters, Preqin, World Gold Council, FactSet, J.P. Morgan, MSCI, State Street Investment Management, as of March 31, 2026.

Key themes from the Global Market Portfolio

Gold takes the diversification crown

In 2026, gold volatility broke all records, driven by rapidly changing Federal Reserve rate cut expectations, surging bond yields from events like Kevin Warsh's Fed Chair nomination and Middle East turmoil, a strengthening US dollar, and aggressive profit-taking as gold soared from $5,000 to $5,500 per ounce.

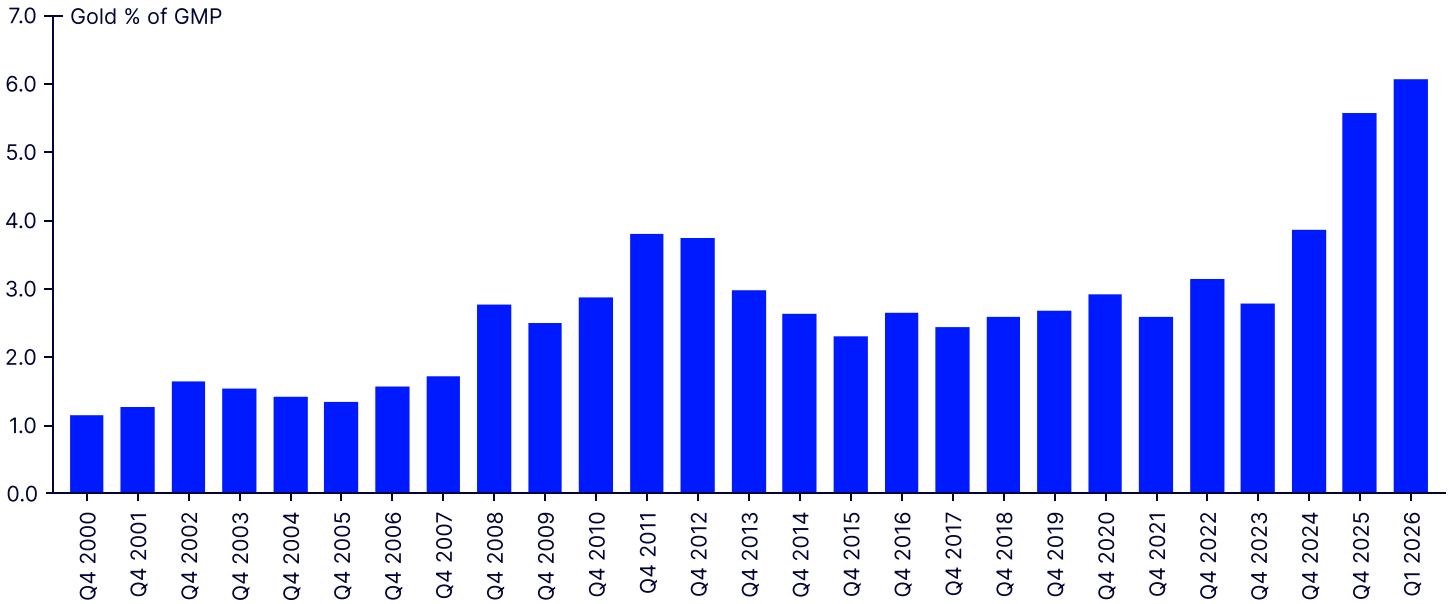
Stop-loss triggers further amplified these moves, making gold's price swings both swift and unpredictable. Despite this turbulence, gold prices were still up 49.4% in Q1 2026 from Q1 2025. Gold's share of the Global Market Portfolio (GMP) rose to 6.1% in Q1 2026, up from 1.2% in 2000 and above the peaks seen in 2011–12 during a period of large-scale central bank intervention.

Gold's safe haven status weakened in early 2026

In 2025, gold demonstrated remarkable resilience as a safe haven, even as traditional assets like US Treasury bonds faltered under the weight of deficit concerns and persistent inflation. Yet, beneath this impressive rally lay hidden vulnerabilities: as structural demand diminished and risk aversion intensified, particularly in response to the Iran conflict, gold became increasingly sensitive to rising real yields. The very forces that propelled gold higher could quickly reverse course, exposing it to steep declines. This fragility was laid bare when gold plummeted 12% following the eruption of the Iran conflict, underscoring that such setbacks during geopolitical turmoil are not unusual, especially when real yields rise and holding gold becomes less attractive.

Building on these vulnerabilities, changing gold demand dynamics further intensified selling pressure. The once-reliable relationship between gold prices

Figure 16: Gold's role in the Global Market Portfolio has become much larger since 2024

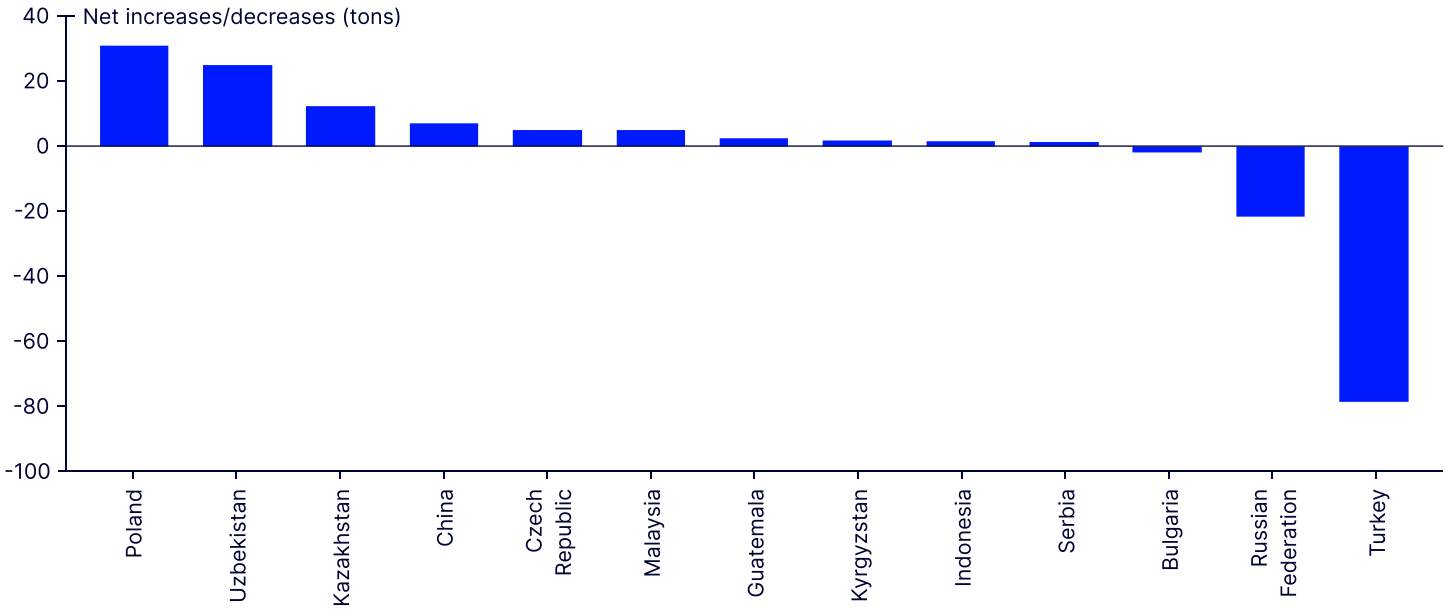


Source: Bloomberg, Thomson Reuters, Preqin, World Gold Council, FactSet, MSCI, J.P. Morgan, State Street Investment Management, as of March 31, 2026. **The performance data quoted represents past performance. Past performance does not guarantee future results. Investing involves risk including the risk of loss of principal.**

and real yields has eroded, as central banks and Chinese investors stepped in as major buyers and momentum-driven trading pushed gold higher regardless of its fundamentals. However, these crucial supports can come and go, as we saw in Q1 2026, when central banks sold gold either to defend their currencies (Turkey, Indonesia) or to finance war efforts (likely Russia and Iran). Meanwhile, demand in both China and Western markets became more speculative, altering gold's traditional safe-haven characteristics. This evolution, combined with prevailing risk-off sentiment, accelerated the decline in gold prices at the end of Q1, while the risk-on sentiment prevailing in Q2 did not benefit gold, as investors turned more bullish on equities.

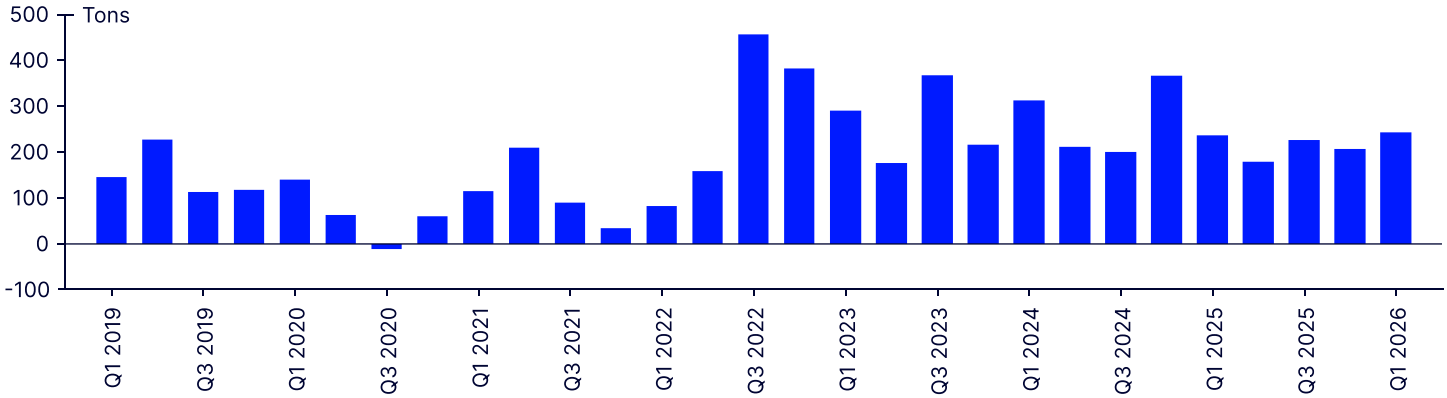
The consequence has been a sharp reversal in gold's momentum and a very disappointing performance

Figure 17: Central banks begin 2026 with an uptick in net sales (Q1 2026 change)



Source: World Gold Council, State Street Investment Management, as of March 31, 2026.

Figure 18: But central bank demand remained strong



Source: World Gold Council, State Street Investment Management, as of March 31, 2026.

in 2026 so far. Still, this does not mean gold has lost its safe-haven role. Rather, it suggests that this role has become more conditional. Gold can still benefit from geopolitical stress, but only when that support is not overwhelmed by rising real yields, weaker marginal demand, and a reversal in speculative positioning.

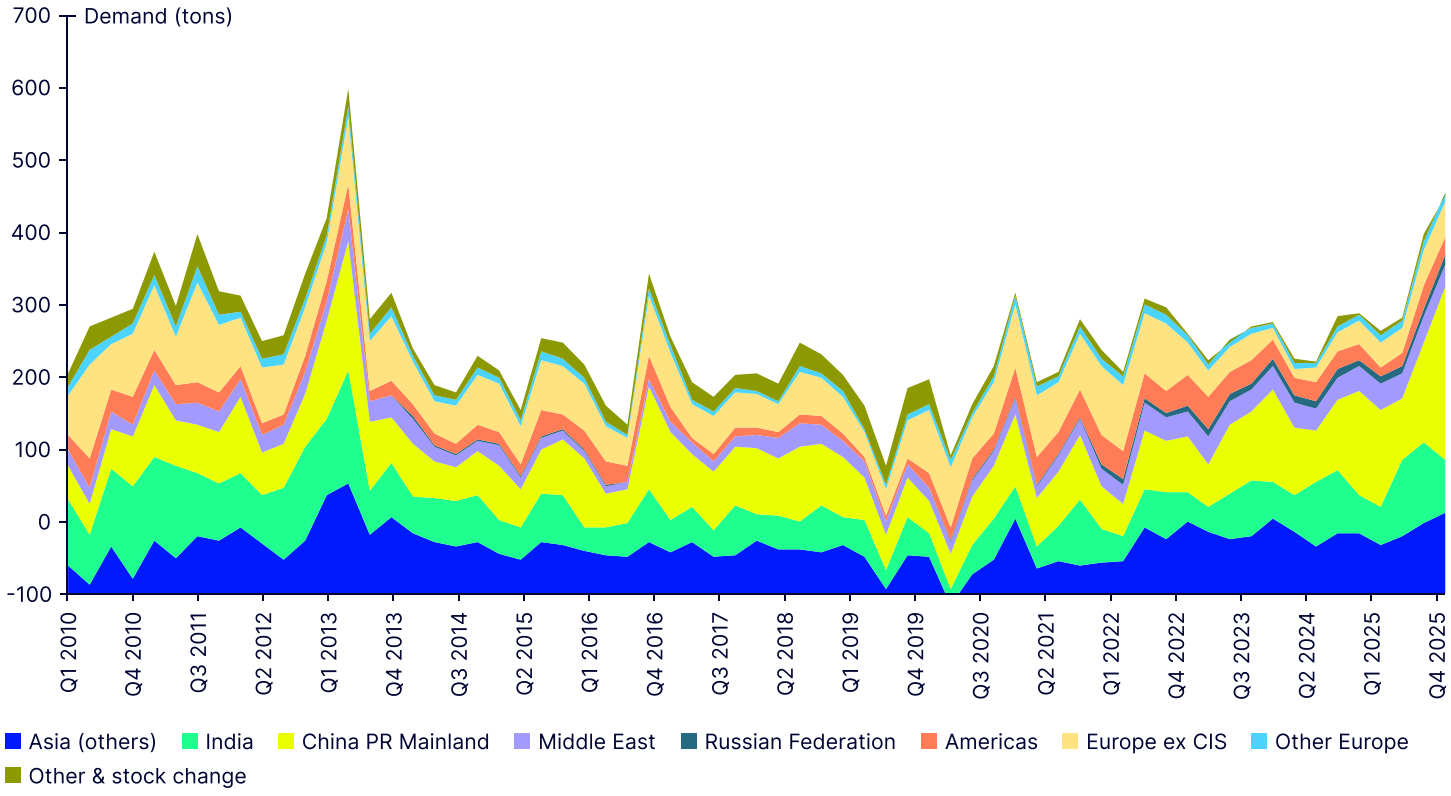
Nonetheless, the investment case for gold has not disappeared. Central banks may be less persistent buyers in the short run, but their broader desire to diversify strategic reserves continues to support gold's long-term strategic role.

Asia powers a surge in bar and coin demand

Bar and coin investment in Q1 was exceptionally strong, nearly matching the Q2 2013 record, with Asia leading and demand value hitting an all-time high of USD 74 billion. Most purchases occurred in January, but buying continued throughout the quarter as some investors capitalized on price dips.

China saw record bar and coin demand at 207 tons, fueled by high prices, trade and geopolitical risks, and VAT reforms that shifted investment from jewelry. Demand is likely to remain high, supported by expectations for lower rates and ongoing global uncertainty, with insurers potentially increasing gold holdings.

Figure 19: Asia powers gold demand



Source: World Gold Council, State Street Investment Management, as of March 31, 2026.

Robust ETF demand

Global gold ETFs extended their powerful run, drawing another 62 tons in Q1 and underscoring resilient investor demand despite softer momentum. Beneath this headline strength, however, regional flows diverged sharply, with Asia's gains more than offsetting weakness in North America and Europe.

This divergence was most evident in Asia, which stood out as the driving force, delivering unwavering monthly growth and adding a powerful 84 tons, fueled predominantly by China's strategic safe-haven investments amid volatile equities and currency softness. Indian and Japanese investors also added to regional demand. North America inflows turned negative as a stronger dollar and rising rates weighed on flows. Europe posted a second consecutive quarterly decline, while Australia-led other region's flows added 2 tons across other regions.

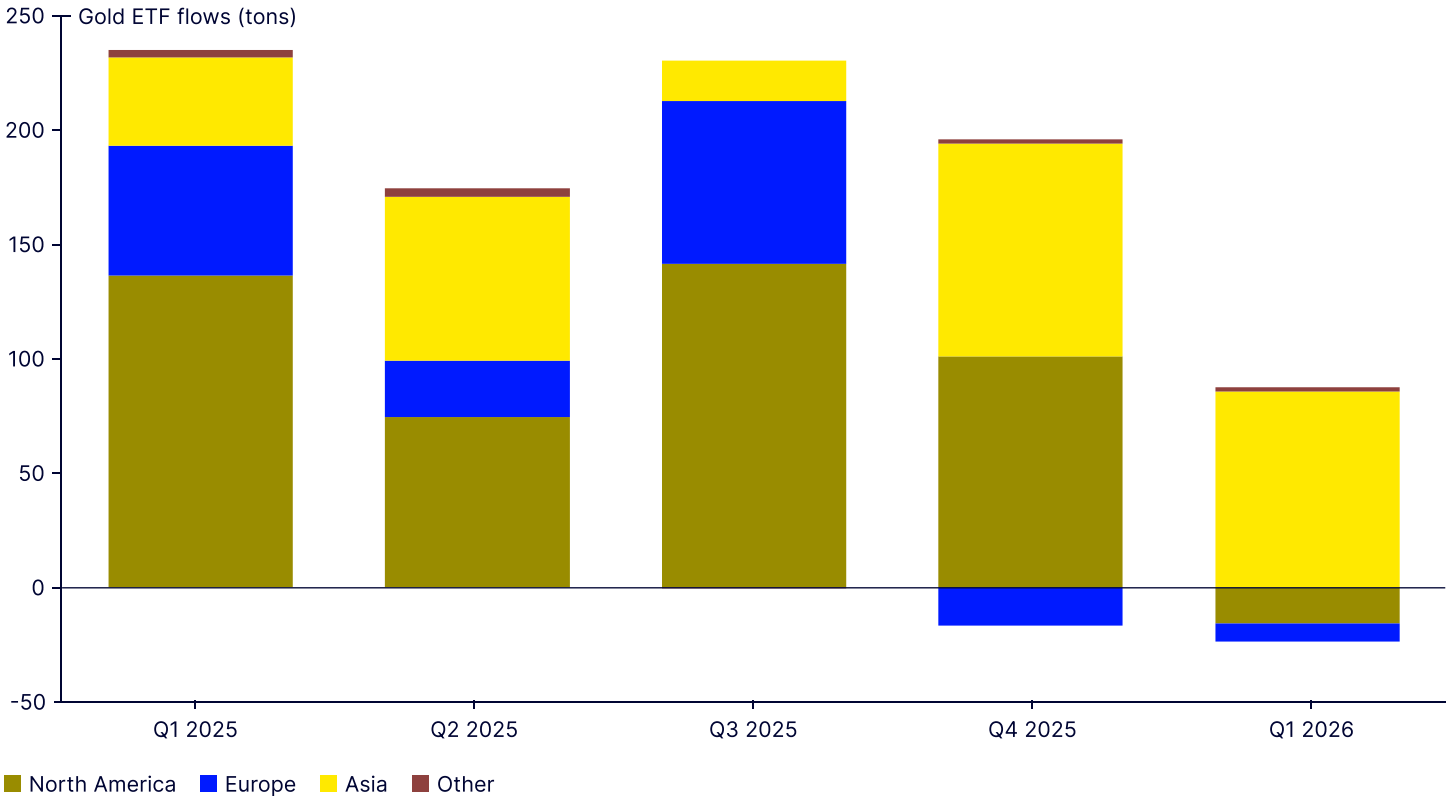
Gold volatility tends to revert to normal quickly

While Middle East conflict caused trading disruptions, higher volatility affected not only gold but also equities and bonds. Some investors sold gold for quick cash, yet it quickly recovered and continued its strategic role. Historically, gold's volatility returns to normal levels—annualized rates between 10% and 18%—with spikes typically fading in about six weeks, similar to equities. Prolonged periods of high volatility are uncommon, and markets usually stabilize rapidly.[6]

This pattern was evident in March 2020, when the COVID-19 pandemic affected global markets and triggered widespread selloffs. Trading volumes in gold surged, underscoring its role as a source of deep liquidity during episodes of significant financial stress.

Brief liquidity shocks led to wider bid-ask spreads, but these quickly narrowed again. Gold's spreads stayed within usual ranges, with disruptions short-lived and liquidity expected to return to regular levels soon.

Figure 20: Asia keeps Global ETF flows steady



Source: World Gold Council, State Street Investment Management, as of March 31, 2026.

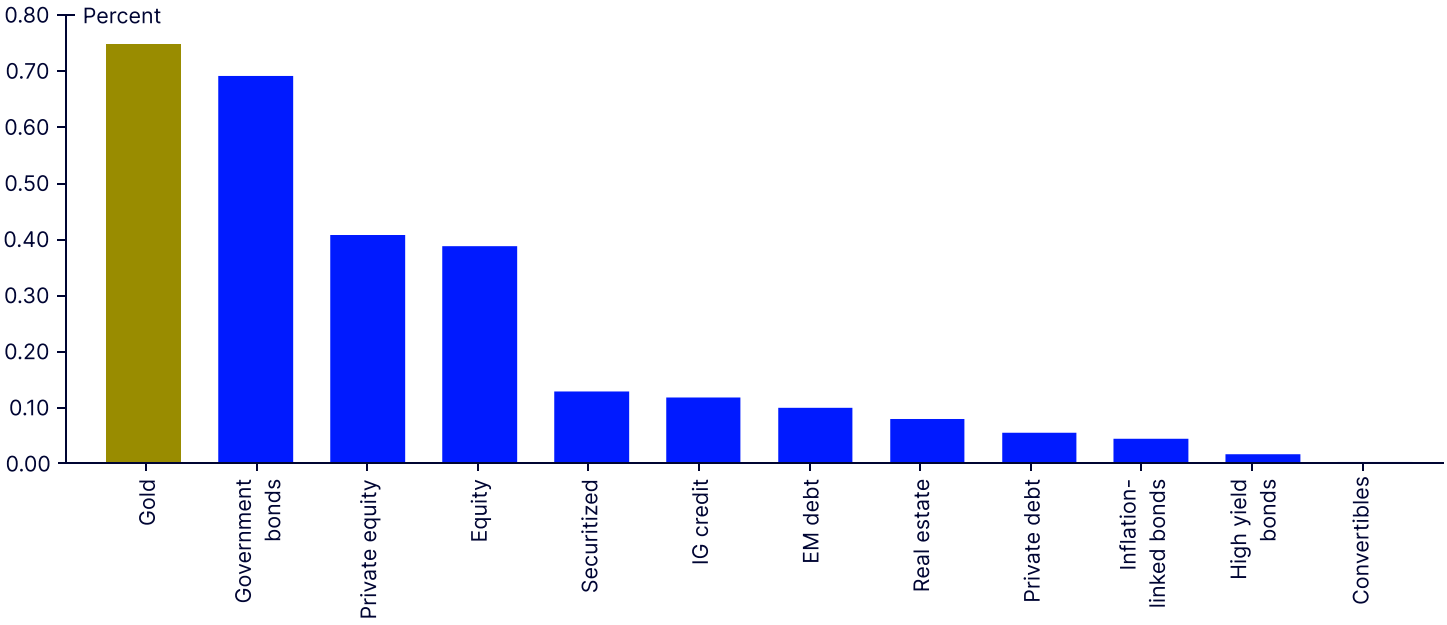
Gold continues to act as a diversifier

Gold remains an indispensable strategic asset for investors, holding its safe-haven role even amid wild volatility spikes. While inflation shocks synchronize bonds and equities, gold's negative correlation persists, especially during geopolitical and oil-driven inflation risks. Within diversified portfolios, gold reliably reduces risk: even if sold for liquidity, it rebounds and outperforms other assets if uncertainty persists, providing stability.

As of March 31, 2026, gold made up 6.1% of the GMP and contributed 27% to total diversification benefits—ranking first among all assets. Its persistently low correlation with other classes makes it unmatched for portfolio diversification.

As uncertainties persist, gold's gleam in the global investment landscape appears far from fading.

Figure 21: Gold is a strong source of diversification within the GMP



Source: Thomson Reuters, Bloomberg, Preqin, World Gold Council, MSCI, J.P. Morgan, State Street Investment Management, as of March 31, 2026. **The performance data quoted represents past performance. Past performance does not guarantee future results. Investing involves risk including the risk of loss of principal.**

Crypto enters the portfolio chat

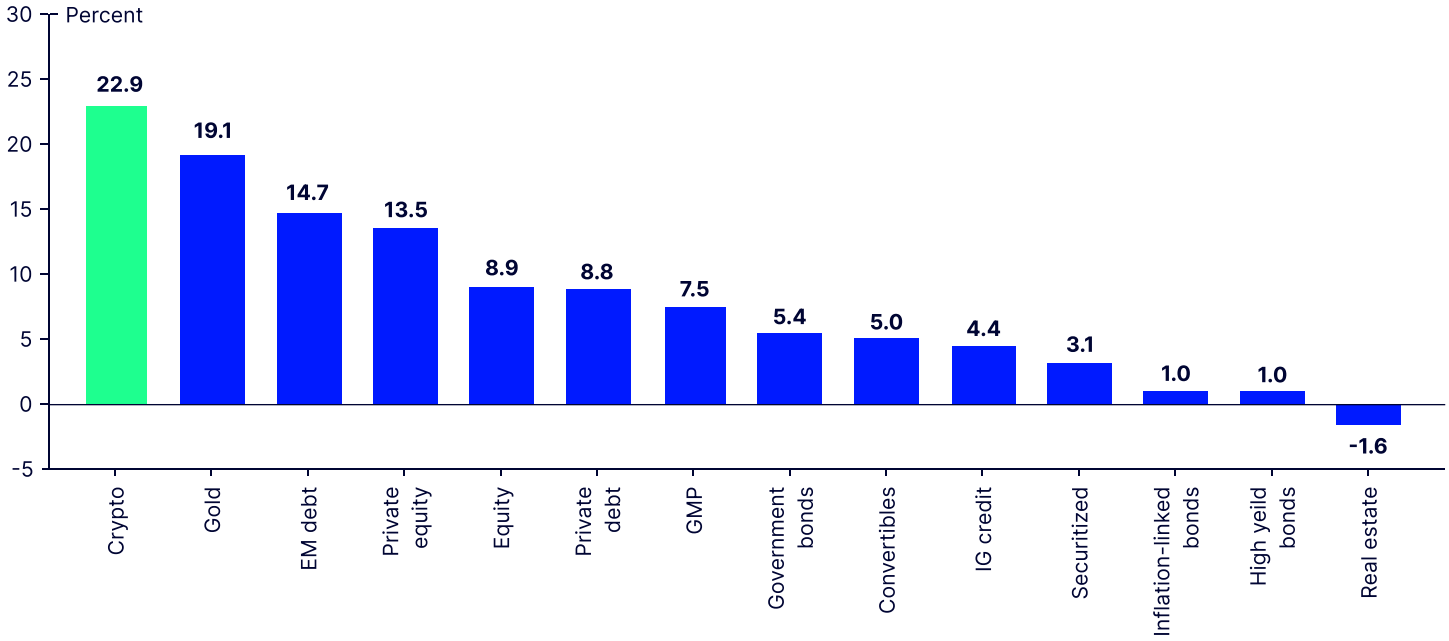
Crypto has moved from a niche, volatile market to a visible part of the global investable universe. Rapid growth, ETF access, institutional demand and clearer regulation now make it a potential contender to find its place in the Global Market Portfolio at least on the sole criterion of market capitalization.

If we consider doing this hypothetically to make a point, the first step is to size the market. Crypto assets under management grew by 22.9% per year from 2017 to 2025, outpacing other assets including gold and emerging-market debt.

That growth lifted crypto from USD 600 billion at end-2017, or around 0.5% of the GMP including crypto, to a peak of USD 4.4 trillion in Q4 2025. After a 45% decline since then, it still stood at USD 2.4 trillion, or 1.1% of the global GMP, by 31 March 2026.

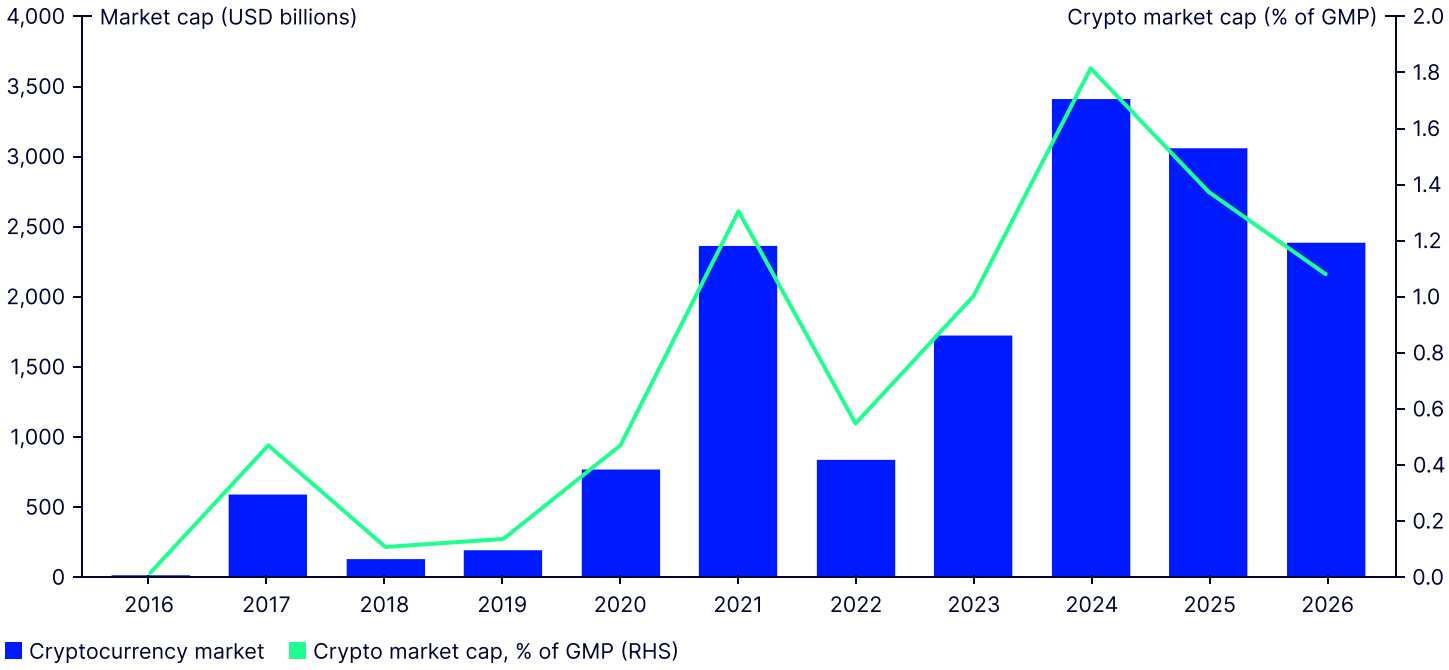
The cryptocurrency market remains highly concentrated. Bitcoin accounts for 56.1% of total crypto value, followed by Ethereum and Tether, while the top eight cryptocurrencies represent nearly 90% of the market. Figure 24 summarizes the largest crypto assets by launch date and market capitalization as of end-Q1 2026.

Figure 22: Crypto has outpaced traditional assets
2017–2025, AUM growth per annum



Source: CoinGecko, MSCI, Thomson Reuters, Bloomberg, Preqin, World Gold Council, J.P. Morgan, State Street Investment Management, as of March 31, 2026. **The performance data quoted represents past performance. Past performance does not guarantee future results. Investing involves risk including the risk of loss of principal.**

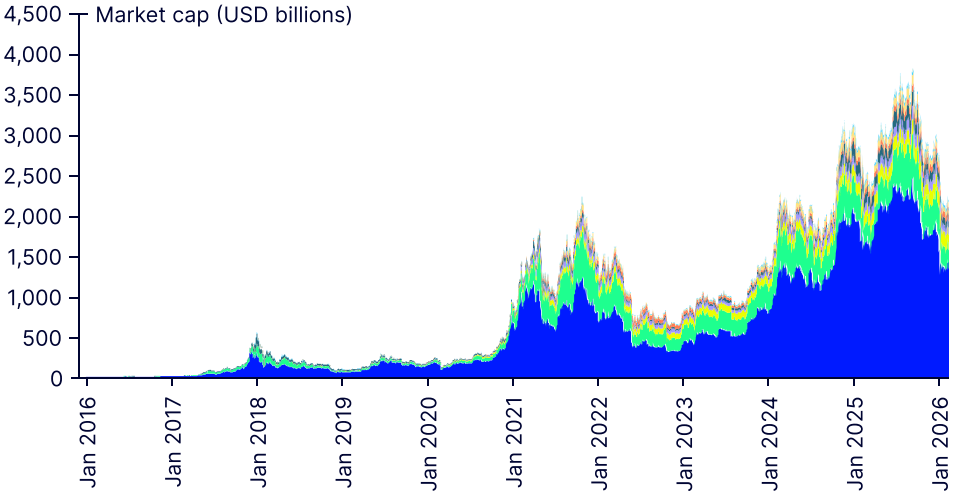
Figure 23: Crypto has evolved from a niche market into a mainstream investable asset



Source: CoinGecko, MSCI, Thomson Reuters, Bloomberg, Preqin, World Gold Council, J.P. Morgan, State Street Investment Management, as of March 31, 2026. **The performance data quoted represents past performance. Past performance does not guarantee future results. Investing involves risk including the risk of loss of principal.**

Figure 24: Top eight cryptocurrencies represent nearly 90% of the market

Name	Date of inception	Market cap (USD, as of end-Q1 2026)
Bitcoin	Jan 2009	1.3 trillion
Ethereum	July 2015	233.3 billion
Tether	Oct 2014	184.1 billion
BNB	Jul 2017	83.0 billion
XRP	Jun 2012	81.1 billion
USD Coin	Sep 2018	77.4 billion
Solana	Mar 2020	47.2 billion
TRON	Sep 2017	30.2 billion



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Institutional interest in crypto is growing

Institutional access has been the next major catalyst. Futures-based Bitcoin ETFs launched in 2021, followed by spot Bitcoin ETFs in January 2024 and Ethereum ETFs in October 2024. By Q1 2026, Bitcoin ETF assets had reached USD 88.4 billion, or 87.5% of the crypto ETF market, broadening access and reinforcing Bitcoin's dominance.

Bitcoin's investment case rests on scarcity, a fixed 21 million supply cap, four-year halvings and nearly 20 million coins already in circulation, alongside historically low correlations to traditional assets. ETF adoption and institutional demand have therefore helped shift Bitcoin from a niche exposure toward a more recognized, though still speculative, asset class. Meanwhile, crypto treasury holdings rose from roughly USD 4 billion at end-2020, all in Bitcoin, to USD 143 billion by 31 March 2026. Bitcoin still accounted for 86.2%, with institutions and public companies holding more than 1.8 million BTC, or about 8.9% of supply.

Beyond Bitcoin, stablecoins provide the clearest link between crypto and traditional finance. Their market capitalization stood at USD 0.3 trillion, or 13% of total crypto value, with USDT and USDC making up 87% of the stablecoin market and 2% of US Treasury bill holdings.[7] DeFi shows both the promise and fragility of open financial infrastructure. It came under pressure in Q1 2026 as asset prices fell and withdrawals rose, but decentralized exchanges doubled their market share, signaling continued demand for on-chain trading rails.

Taken together, the market has become more established and more connected to traditional finance. But adoption alone does not settle the allocation case: the portfolio evidence still argues for cautious and opportunistic positioning.

Crypto now exceeds 1% of a GMP

If crypto as a whole has become more accessible, it has not grown more stable. For strategic portfolios, Bitcoin still shows unstable returns, high risk and difficulty in assessing long-term expected return. The impressive past performance that has materialized over a short time window is not a guarantee of future performance. From an investment perspective, Bitcoin and other cryptocurrencies can be classified in the collectible category with a few currency-like features but do not generate any income. If the strategic case is not visible, there is potential for additional portfolio returns through the disciplined application of trend-following strategies and through an investment framework that analyses market regimes and investor's sentiment. Especially for Bitcoin, which benefits from the longer history, crypto assets have shown promising results on a tactical basis, even at a small dose.

The table below highlights some of these challenges: Bitcoin's latest 3-month volatility is 59.4%, well above gold at 40.0% and global equities at 12.5%–19.6%. Returns are also highly start-date dependent. Bitcoin's 5-year return is near flat, while its 10-year return is exceptionally strong; gold and equities are far more consistent across horizons.

Figure 25: Bitcoin's return comes with exceptional volatility

Asset	Latest 3M rolling volatility (%)	5-year annual return (%)	5-year annual risk (%)	10-year annual return (%)	10-year annual risk (%)
Bitcoin	59.4	3.0	55.7	66.5	65.4
Gold	40.0	22.3	17.5	14.2	15.7
MSCI ACWI IMI	12.5	7.3	13.7	9.2	14.6
MSCI ACWI Growth	19.6	13.2	22.9	17.4	21.9

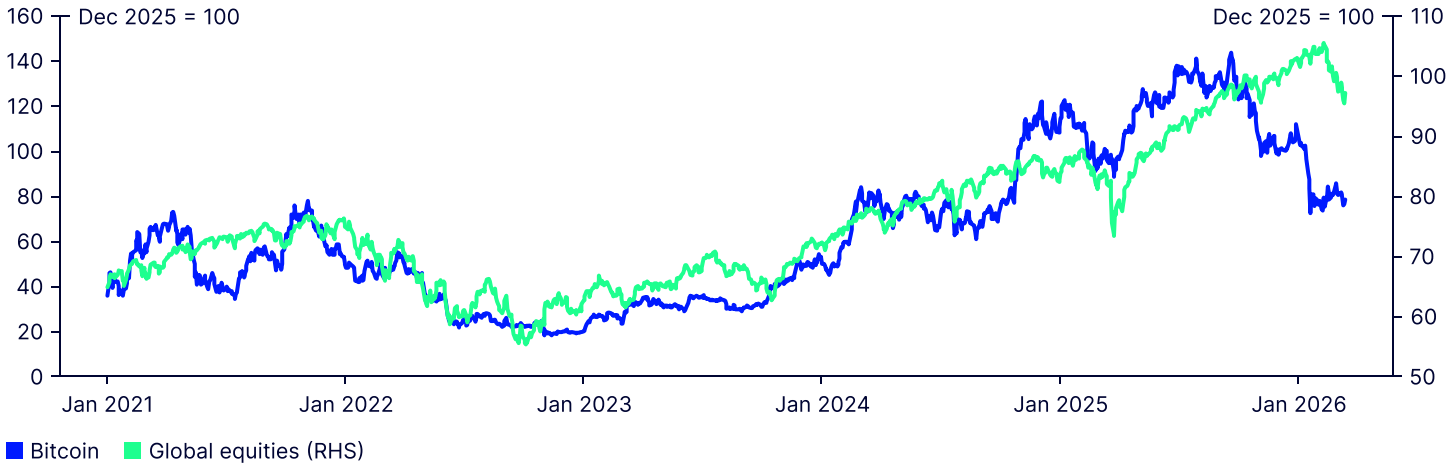
Source: CoinGecko, MSCI, Thomson Reuters, Bloomberg, World Gold Council, State Street Investment Management, as of March 31, 2026.
The performance data quoted represents past performance. Past performance does not guarantee future results. Investing involves risk including the risk of loss of principal.

This volatility links to Bitcoin's core valuation problem: unlike gold, it has no clear anchor. Mining costs are unstable, and adoption-based valuation arguments are in essence circular.

The next chart shows this weakness in market terms: Bitcoin decoupled from equities, selling off sharply despite stable macro conditions. With no clear fundamental catalyst beyond leverage unwinds, the move reinforces Bitcoin's speculative profile.

The ETF-flow chart points in the same direction: Bitcoin prices have moved closely with flows, and price declines tend to trigger outflows. That leaves the asset more exposed to sentiment and liquidity than fundamentals.

Figure 26: Bitcoin decoupled from equities since late 2025



Source: CoinGecko, MSCI, Thomson Reuters, Bloomberg, World Gold Council, State Street Investment Management, as of March 31, 2026.
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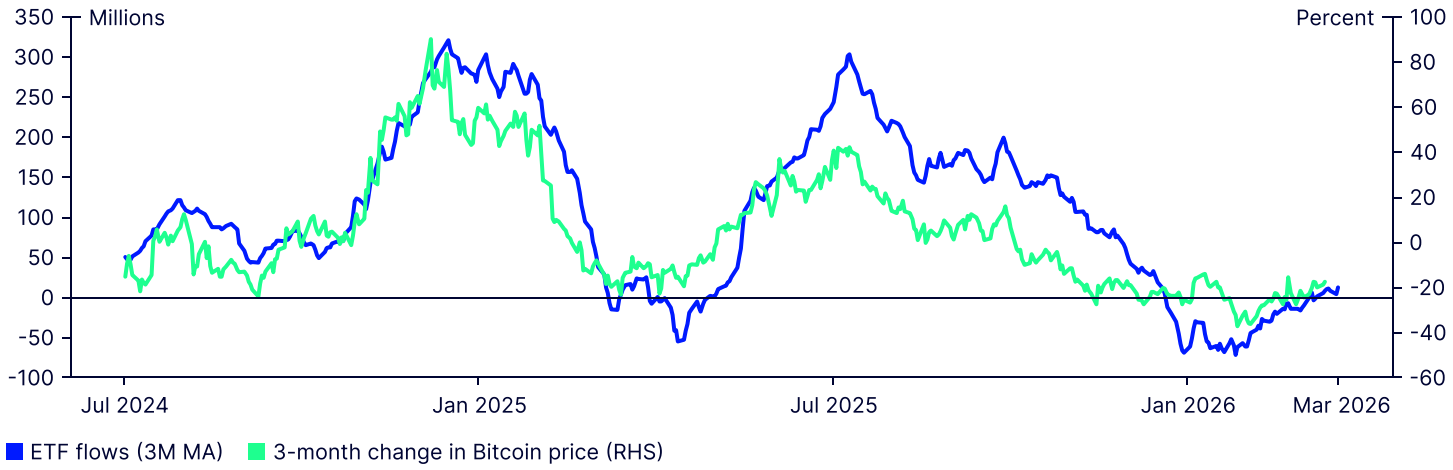
Figure 27: Bitcoin price decline triggered ETF outflows



Source: CoinGecko, MSCI, Thomson Reuters, Bloomberg, World Gold Council, State Street Investment Management, as of March 31, 2026.
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Bitcoin has not yet behaved like digital gold

During the post-pandemic inflation surge from 2022 through mid-2024, gold strengthened its role as an inflation hedge, while Bitcoin's link to inflation expectations stayed weak and its drawdowns remained sharp. Bitcoin has behaved more like a speculative asset than an inflation hedge.[8]

Scarcity is not enough to make Bitcoin a true rival to gold

Gold and Bitcoin both rely on scarcity and belief, but gold also benefits from jewelry demand, industrial use, monetary history and central-bank sponsorship. Bitcoin lacks those anchors: it has no aesthetic or industrial utility, remains inefficient as a payment medium and has limited reserve-asset adoption. Without durable utility beyond speculation, Bitcoin cannot yet rival gold as protection against currency erosion or government seizure.

ETFs improve access, not the underlying asset

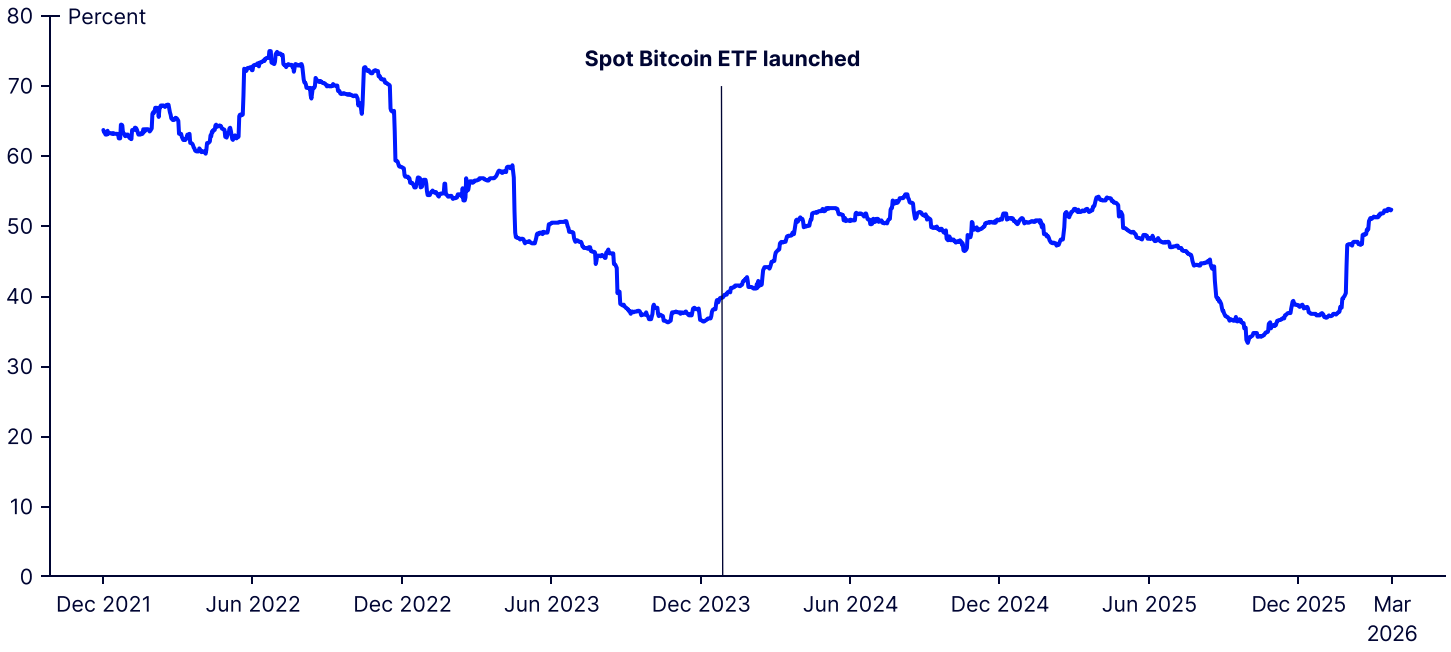
ETFs improve access and custody, but they do not solve suitability. They also introduce sponsor, counterparty, basis and tracking risks. Nor do ETFs change the underlying exposure: crypto remains non-cash-flowing and non-credit-quality. There is also limited evidence that ETF launches have reduced volatility.

Be careful with crypto

For investors who view crypto as part of their investable universe, a disciplined approach is key. Aligning allocations with a Global Market Portfolio that includes crypto would suggest a weight in the 1-1.5% range, broadly in line with current market capitalization. To mitigate coin-specific risk, exposure can be diversified across four or five of the largest cryptocurrencies, rather than concentrated in a single one.

For the broader and more traditional investor base, the strategic case remains unconvincing, despite Bitcoin's strong long-term returns. For these investors, the more prudent approach is either to avoid crypto altogether or to treat it as an opportunistic allocation. Those with the skill to exploit momentum and trends may consider deploying a defined tracking error budget toward crypto exposures. We can share our findings in that space for those interested in a tactical approach on crypto.

Figure 28: ETF access has not tamed Bitcoin volatility
6-month rolling volatility



Source: CoinGecko, MSCI, Thomson Reuters, Bloomberg, World Gold Council, State Street Investment Management, as of March 31, 2026.
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Capital transformation is expanding Gulf assets

The Middle East became part of the global investment opportunity in the 2010s when it was included in several global indexes. Since 2019, the region has become increasingly relevant to the GMP. As a result, it is now important to assess not only public assets, but also private equity and private credit across the region.

We also analyzed the size of sukuk markets across different countries, recognizing it as one of the region's fastest-growing segments. While the investable market size in the Gulf Cooperation Council (GCC) remains relatively low due to factors such as high ownership concentration and foreign investment restrictions, the region is undergoing significant economic transformation. These developments are steadily increasing its weight in the GMP and opening up new investment opportunities across sectors and countries.

The Gulf region is still underrepresented

Despite this progress, the region's investable market remains limited, especially within the Gulf Cooperation Council. The GCC has the lowest ratio of investable assets to total equity market capitalization at 25%. By comparison, the ratio is 32% for global emerging markets and 83% for developed markets.

Several factors contribute to high ownership concentration and limited foreign investment access in certain sectors categorized as strategic. For instance, Saudi Arabia has the largest total equity market capitalization in the region, valued at USD 2.6 trillion as of March 2026, with Aramco accounting for approximately two-thirds of this figure.

As illustrated in Figure 30, Saudi Arabia's investable market capitalization was USD 371 billion, or 14% of the total equity market capitalization of the Middle East as of March 2026.

Figure 29: Investable assets in Middle East are lowest among regions (USD billion)
As of Q1 2026

	Total equity market cap	Investable equity market cap	Ratio, investable vs. total (%)
Total ME	4,370	1,111	25
EM	36,798	11,946	32
DM	105,460	87,343	83
Global	142,258	99,290	70

Source: LSEG, Bloomberg, Thomson Reuters, Preqin, World Gold Council, FactSet, MSCI, J.P. Morgan, State Street Investment Management, as of March 31, 2026.

Figure 30: Saudi assets dominate the Middle East Portfolio (USD billion)
As of Q1 2026

	Total equity market cap	Investable equity market cap	Ratio, investable vs. total (%)
Bahrain	14	4	25
Egypt	31	11	34
Israel	561	381	68
Jordan	34	5	14
Kuwait	143	81	57
Morocco	96	21	22
Oman	35	12	34
Qatar	157	73	46
Saudi Arabia	2,620	371	14
UAE	679	154	23

Source: Thomson Reuters, Bloomberg, Preqin, World Gold Council, MSCI, J.P. Morgan, State Street Investment Management, as of March 2026.

Middle East portfolio now includes more non-traditional assets

As of March 2026, the combined investable market capitalization of equities, bonds, private equity, and private debt across Middle Eastern countries totaled USD 2.4 trillion, representing 1.1% of the GMP (Figure 31). That is a substantial increase from Q4 2019, when the same aggregate capital base stood at USD 677.0 billion.

Equity

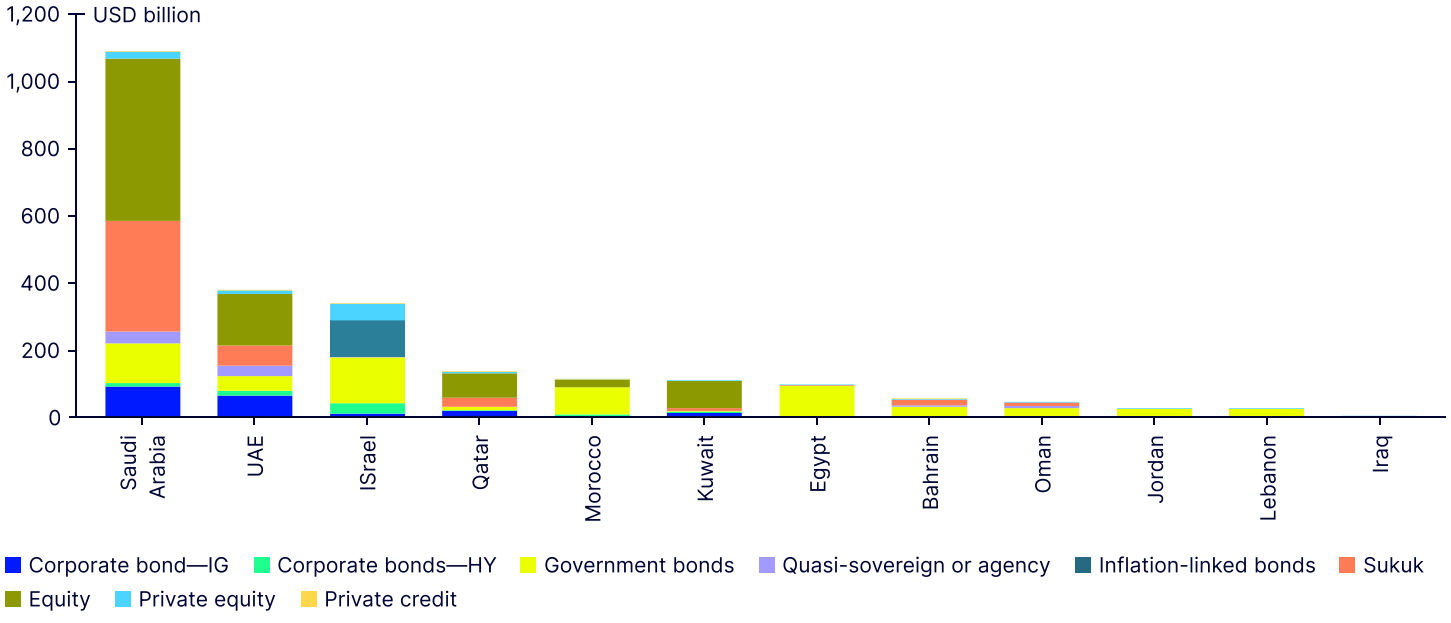
The Middle East represents 0.8% of the global equity market capitalization, down from 1.1% in Q1 2025 but up from 0.2% in Q4 2019.

IPO activity in the GCC has surged over the past 25 years, helping establish the region as an important investment hub. In 2024, the GCC recorded a record USD 12.9 billion in IPO proceeds, underscoring strong investor confidence and continued momentum in local stock exchanges. Although the number of IPOs declined modestly in 2025, largely because there were fewer large-cap offerings and a greater tilt toward small- and mid-cap deals, especially in the second half, total funds raised also came in below the prior year. Even so, the region remained resilient despite a sluggish global market backdrop.

Saudi Arabia led GCC IPO activity in 2025, raising USD 4.2 billion across 36 IPOs and accounting for 72% of the region's total proceeds. Across the GCC as a whole, issuers raised USD 5.8 billion through 41 IPOs, a 55% decline from 2024, as countries continued to deepen their capital markets in an effort to diversify away from oil dependence. The UAE ranked second, raising USD 1.1 billion from three IPOs. Oman raised USD 333 million through Asyad Shipping Co., while Kuwait raised USD 180 million through Action Energy Co.'s IPO.

By sector, industrials led 2025 IPO proceeds with 34% of the total, driven largely by Flynas (USD 1.1 billion). Real estate ranked second with 19.2% from seven IPOs, including Umm Al Qura and Dar Al Majed. Healthcare contributed 7.8% through three IPOs—SMC Hospitals on Tadawul, Basma Adeem, and Wajd Life Trading on Nomu. Consumer non-cyclicals accounted for 7.6%, consumer cyclicals for 4.6%, and financial services for 12%. Energy represented 7.9%, while technology contributed 2.8%.

Figure 31: GCC asset allocation, Q1 2026
(Asset allocation by country, Q1 2026)



Source: LSEG, Thomson Reuters, Bloomberg, Preqin, World Gold Council, MSCI, J.P. Morgan, State Street Investment Management, as of March 31, 2026.

Bonds

The Middle East bond market continued to grow robustly in 2026, with Saudi Arabia leading the region in bond issuance. As of March 2026, the bond market reached USD 1.5 trillion, with 30.1% of Middle East countries' bond market capitalization in sukuk, up from 19.2% in Q1 2025 and the rest in traditional bonds. Saudi Arabia accounted for almost 72.7% of the sukuk in the region (up from 67% in Q1 2025), followed by UAE with 13.2% (down from 19.8% in the same period last year), while other countries accounted for the remaining 14.1%.

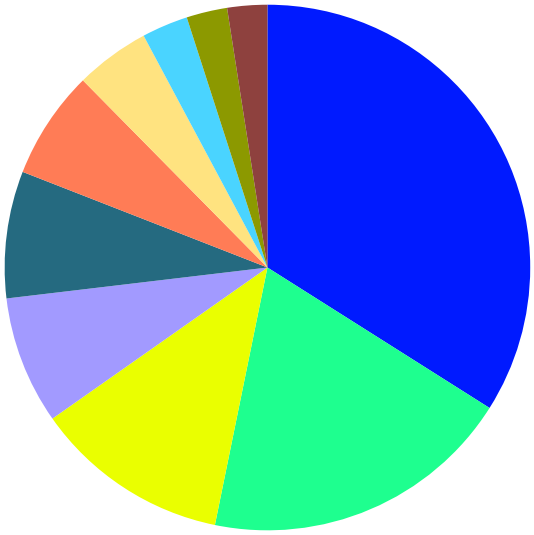
Government bonds make up the largest share of the Middle East market portfolio, corporate investment grade (hard currency). Quasi-sovereign, inflation-linked, and high-yield bonds comprise smaller portions of the total market value (Figure 34).

Among individual countries, Saudi Arabia commands the largest share of Middle East bonds at 39%, followed by Israel (19.3%) and the United Arab Emirates at 14.2%.

Alternatives

Alternative investments remain tiny in absolute terms. Private equity in the region has generally grown since 2019, with assets under management rising from USD 36.0 billion in Q4 2019 to USD 85.6 billion by Q1 2026 for our selected countries. This growth was fueled by

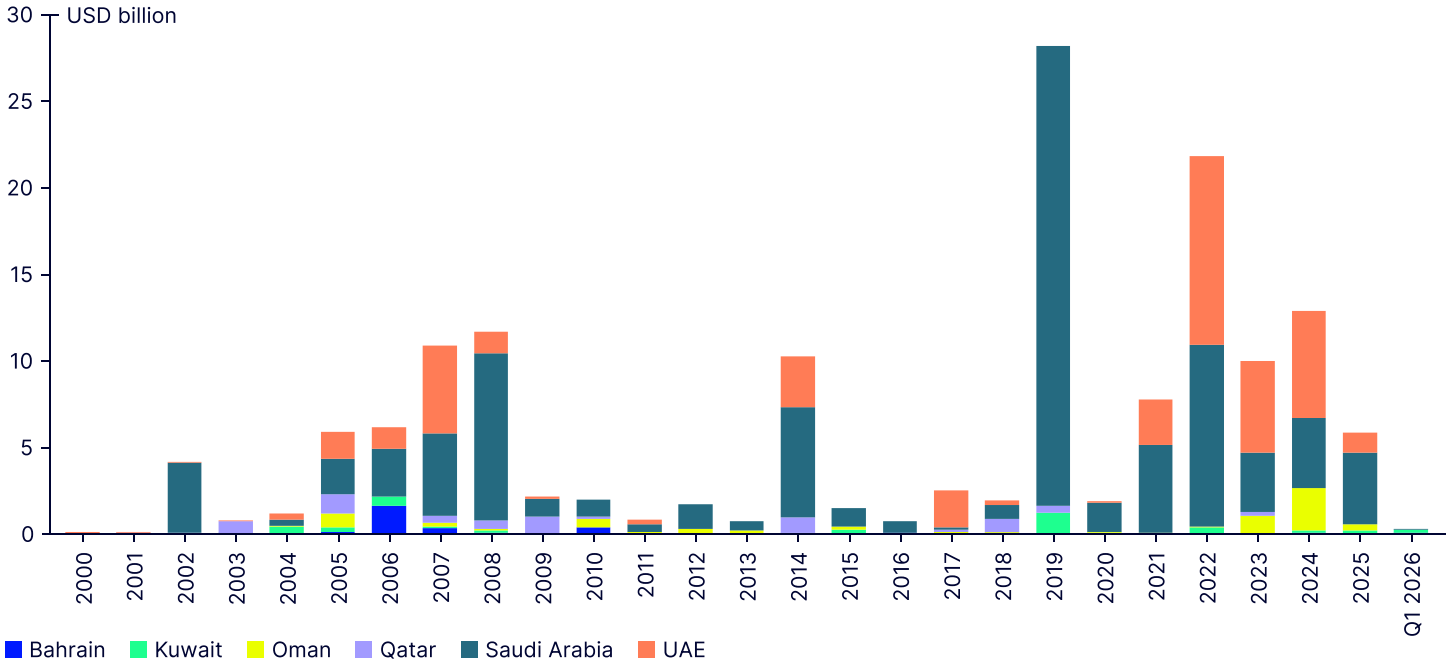
Figure 33: 2025 IPOs by sector in the Middle East



- **Industrials** 34.0%
- **Real estate** 19.2%
- **Financials** 12.0%
- **Energy** 7.9%
- **Healthcare** 7.8%
- **Consumer non-cyclicals** 6.7%
- **Consumer cyclicals** 4.6%
- **Technology** 2.8%
- **Academic & educational services** 2.5%
- **Basic materials** 2.5%

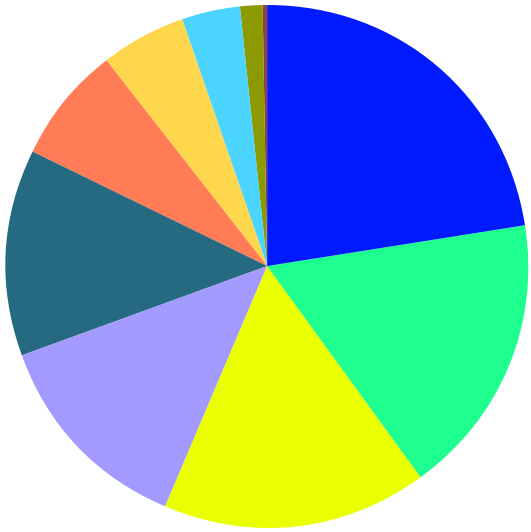
Source: LSEG, State Street Investment Management, as of March 31, 2026.

Figure 32: A growing IPO market in the GCC has supported the region's market cap expansion



Source: LSEG, State Street Investment Management, as of March 31, 2026.

Figure 34: Sovereign bonds dominate the Middle East bond market



- **Government bonds (LC)** 22.8%
- **Sukuk (LC)** 17.3%
- **Government bonds (HC)** 16.4%
- **Corporate IG-HC** 13.1%
- **Sukuk (HC)** 12.8%
- **Inflation-linked bonds** 7.4%
- **Quasi-sovereign or agency (HC)** 5.1%
- **Corporate HY-HC** 3.6%
- **Corporate-LC** 1.5%
- **Quasi-sovereign or agency (LC)** 0.1%

Source: LSEG, Thomson Reuters, Bloomberg, Preqin, J.P. Morgan, State Street Investment Management, as of March 31, 2026.

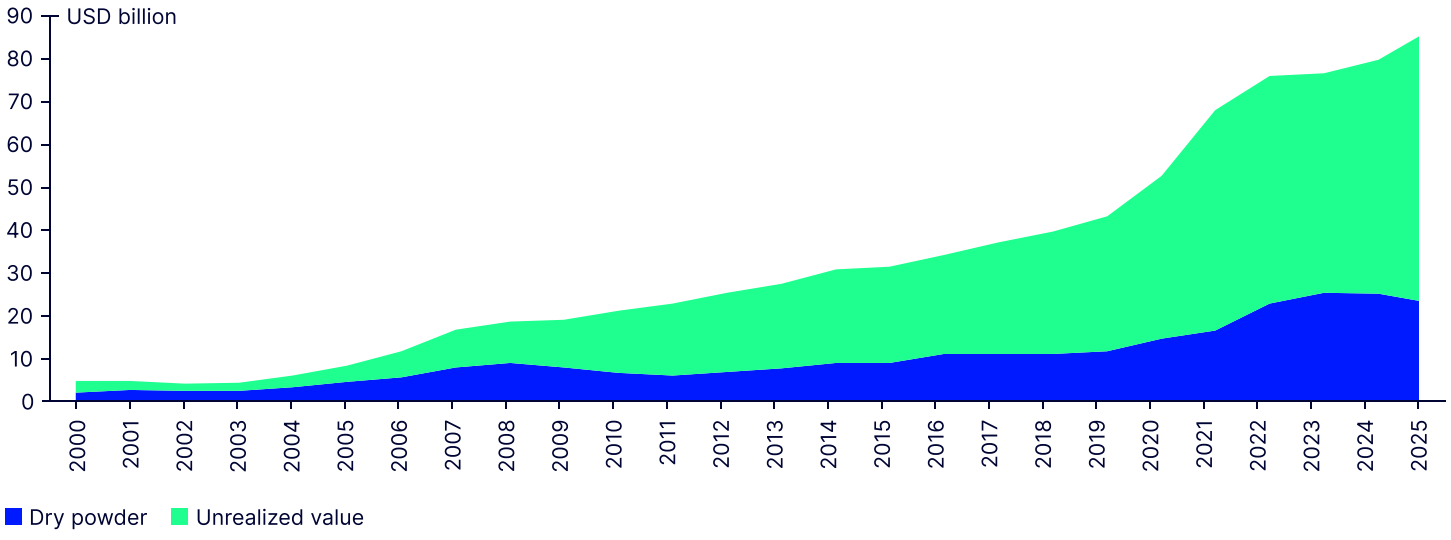
both local and international investors, especially in the infrastructure and technology sectors.

The private credit market is harder to quantify due to limited data, but companies increasingly use private debt for financing. By Q1 2026, the private debt market reached an estimated USD 2.4 billion, more than double its 2019 size, driven mainly by sovereign wealth funds and family offices.

The GCC Investment Proposition

The Middle East has emerged as a formidable force in global investment markets, demonstrating remarkable advancement across multiple sectors. The region delivered robust IPO activity and accelerated the growth of bond and alternative investment markets. Despite enduring challenges such as limited market float and regulatory hurdles, the relentless pursuit of economic reforms and visionary strategic initiatives are driving transformational change and unlocking unprecedented opportunities. For investors, the Middle East stands as a dynamic powerhouse with immense long-term potential, offering a rapidly evolving landscape that demands attention and promises significant rewards for those who engage with its trajectory.

Figure 35: Middle East private equity assets have expanded consistently



Source: Preqin, State Street Investment Management, as of March 31, 2026.

Europe’s private capital edge

European private markets deserve closer attention because they bring together two powerful GMP themes: the steady expansion of private assets and investors’ search for differentiated returns and diversification beyond listed equities and bonds. While they remain a modest share of the GMP, they offer access to parts of the economy that public markets do not fully capture.

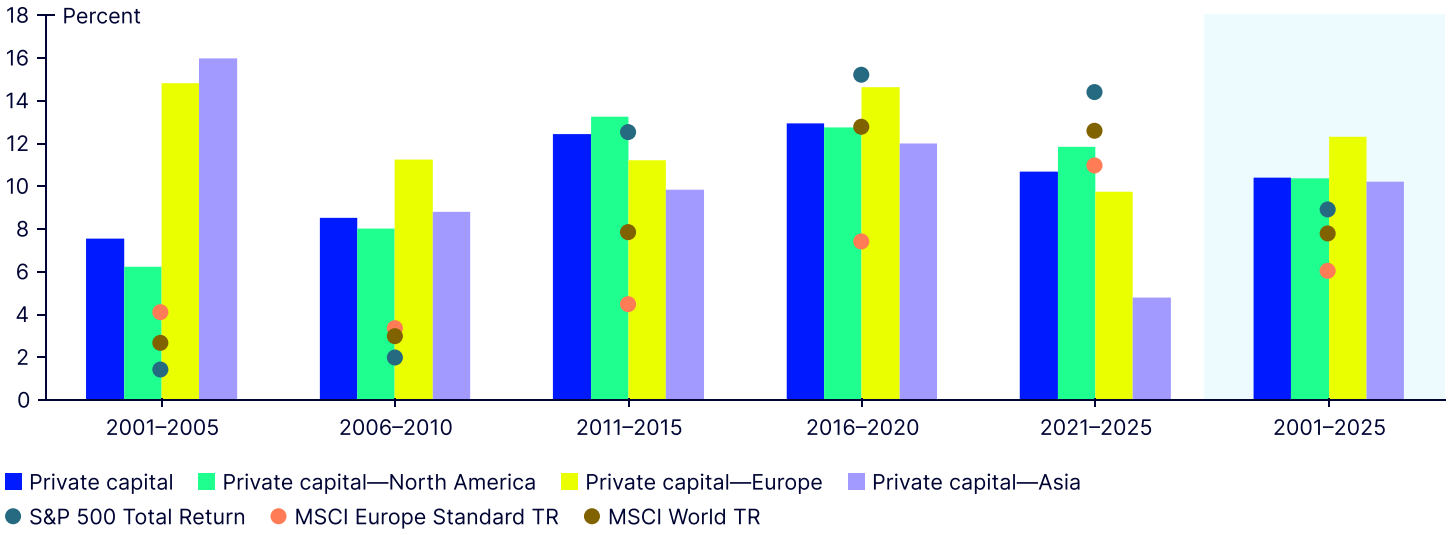
ELTIF 2.0 adds further momentum by making private-market access more scalable across Europe: lowering barriers for retail investors, broadening eligible assets, easing portfolio restrictions and giving managers greater flexibility to build semi-liquid or long-term vehicles. Together with the UK’s LTAF and Luxembourg’s UCI Part II framework, this should help direct more capital towards infrastructure, SMEs, the green transition and the real economy. The opportunity is not simply broader access, but the deepening and improvement of the investor base for European private markets. That said, complexity, uneven harmonization, investor education and AML/KYC requirements mean adoption is likely to build gradually rather than immediately.

Long-term returns and strategic relevance

Private capital’s long-term appeal is clearest when set against public equities. Over the past 25 years, the total return of global private capital, net of fees, was 10.4% annually, ahead of both MSCI World and the S&P 500, with the latter returning 8.9%. Over the past five years, from 2021 to 2025, MSCI World’s annualized return of 12.7% exceeded private capital’s 10.7%. However, private capital continues to offer a higher long-term return profile than broad listed equity markets.

The regional picture also supports the case for Europe. European private capital delivered 12.3% annualized returns over 2001–2025, ahead of North America and Asia and well above MSCI Europe’s 6.0%, highlighting a durable private-market premium over listed European equities. This advantage was strongest in 2001–2005 and 2016–2020, when returns reached 14.8% and 14.7%, respectively.

Figure 36: European private capital outperformed from 2001–2025
Private capital—annualized returns



Source: Preqin, S&P 500, MSCI, Bloomberg, State Street Investment Management, as of March 31, 2026. S&P 500, MSCI World, MSCI European Standard are based on gross total return in USD. Private Capital Indexes are based on total returns net-of-fees in USD.

More recently, for the period 2021–2025, MSCI Europe outperformed European private capital as listed markets recovered faster, while European private capital faced pressure from higher rates, valuation resets and slower exits. For the same period, the US led across both public and private markets, supported by stronger technology exposure, deeper capital markets and more scalable growth opportunities. For investors, the implication is selective allocation: Europe's long-term private-market record remains compelling, but recent dispersion and exit constraints make manager, sector and strategy selection more important than broad regional exposure.

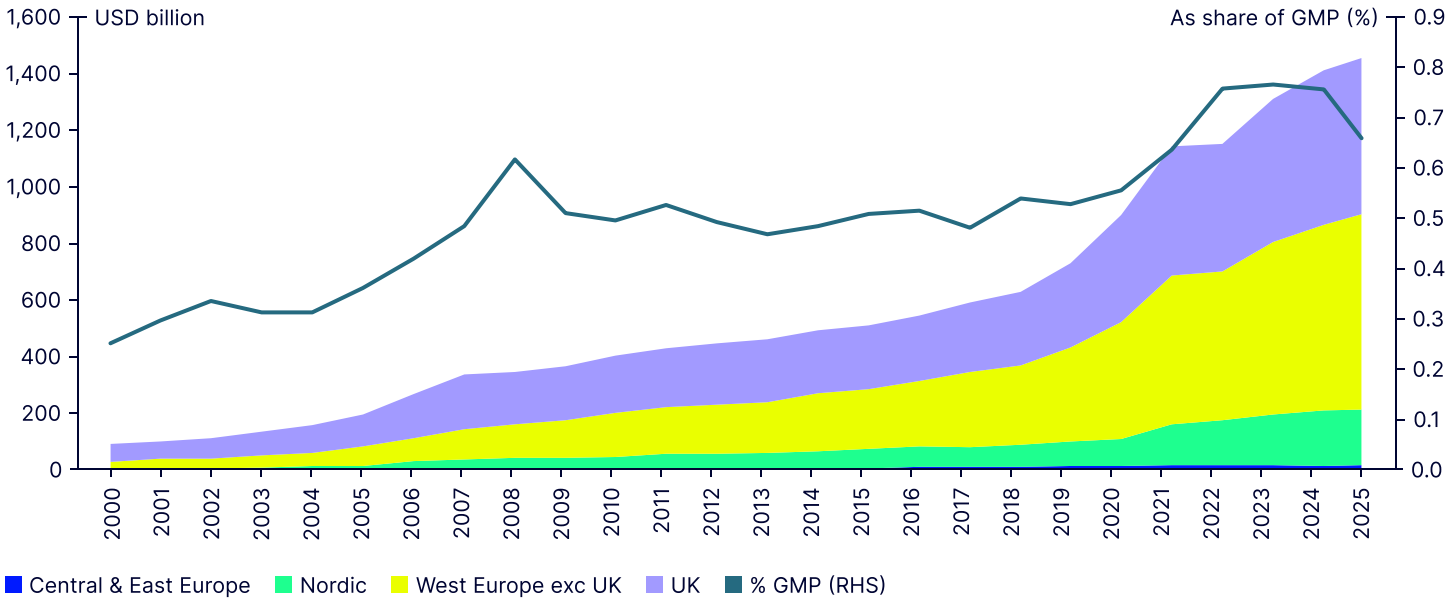
Europe's private markets demonstrated resilience

Europe-focused private equity is estimated at USD 1.6 trillion, or 15.6% of global private equity. Most of this exposure is managed by European-based firms: Europe-managed funds with a European focus are estimated at almost USD 1.5 trillion as of September 2025, equivalent to around 0.7% of the GMP, slightly below the 0.8% average in 2022–2024 but above the pre-COVID level of 0.5% (December 2019).

European private equity has grown in importance, but not as quickly as the wider investment universe. Its share of the GMP has slipped slightly, which means investors are interested, but allocations remain measured. The case for exposure is still improving, supported by diversification benefits, lower relative valuations and long-term themes such as energy transition, digital infrastructure and technology resilience. Put simply, European private equity is best used as a targeted allocation, not as a broad substitute for public equities. It remains small in overall portfolios, but it gives investors access to opportunities that listed markets may miss, including mid-market companies, consolidation plays and sectors such as digitalization, AI, healthcare and defence.

The return profile reinforces this selective allocation case. In core private equity excluding venture capital, Europe led regional performance over 2001–2025, with annualized returns of 13.62% versus 12.61% in North America. Returns were especially strong in 2001–2005 and 2016–2020, and although they moderated to 10.73% in 2021–2025, Europe still compared favorably with Asia's 5.28%.

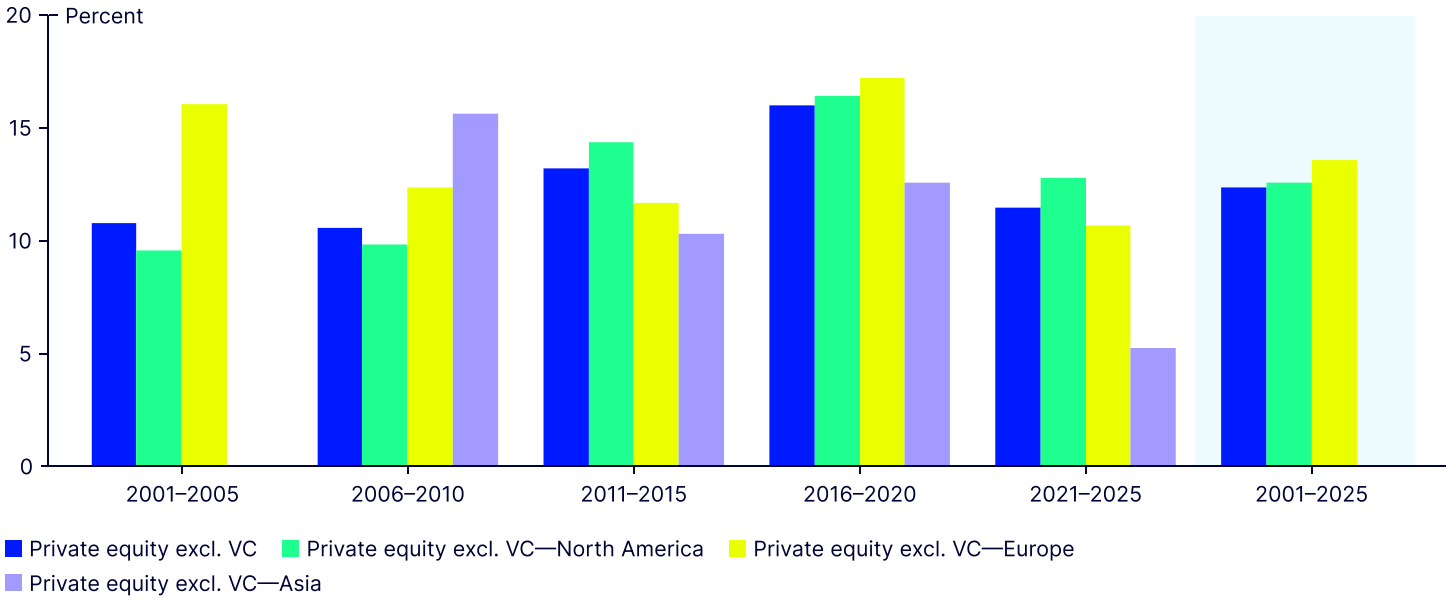
Figure 37: Private equity in Europe is growing
European private equity AUM, relative to GMP



Source: Preqin, Thomson Reuters, Bloomberg, J.P. Morgan, MSCI, World Gold Council, State Street Investment Management, as of March 2026. **Past performance does not guarantee future results. Investing involves risk including the risk of loss of principal**. Data is based on Europe-focused and Europe-based firms.

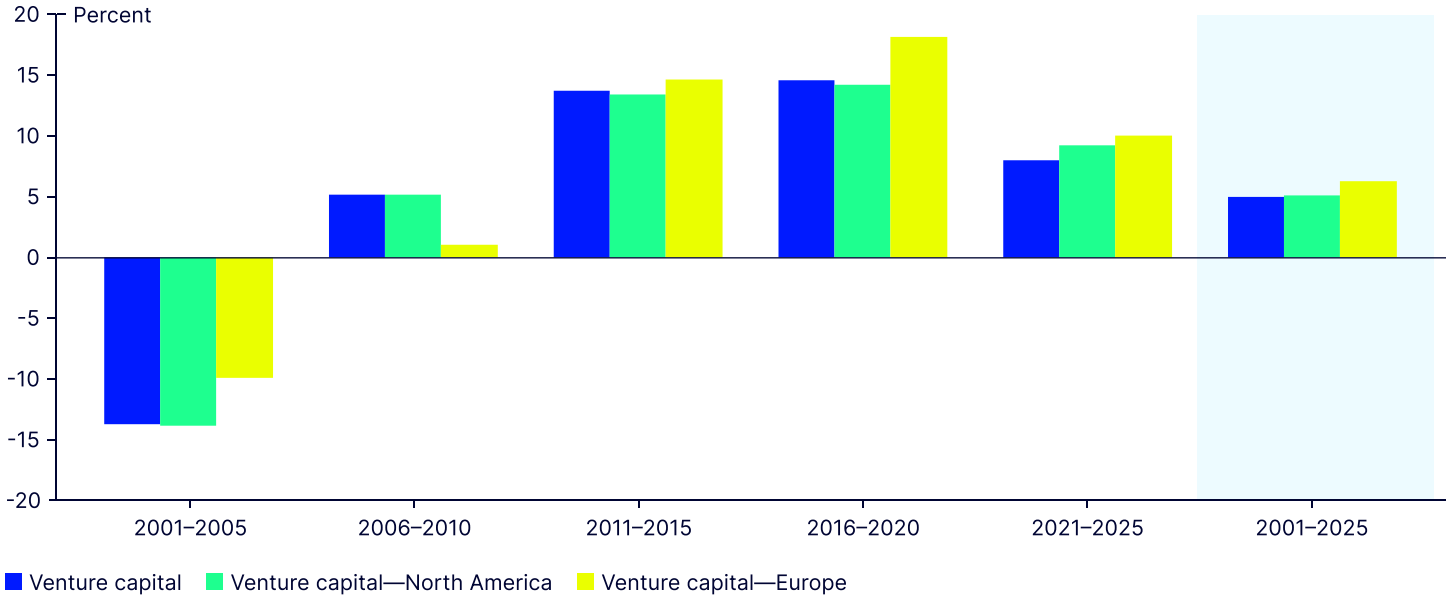
Venture capital adds a more cyclical but increasingly supportive layer to this story. After the early-2000s downturn, European VC has delivered sustained positive performance since 2006 and recorded the strongest regional long-term returns, at 6.36% annually over 2001–2025. Europe also outperformed North America and the overall VC market in four of the five periods, suggesting that the innovation ecosystem is becoming a more meaningful part of Europe's private equity opportunity set.

Figure 38: Europe led regional performance in core private equity
Core private equity—annualized returns



Source: Preqin, S&P 500, MSCI, Bloomberg, State Street Investment Management. Data for Asia starts from 2006, as of March 31, 2026.
Past performance does not guarantee future results. Investing involves risk including the risk of loss of principal.

Figure 39: Europe outperformed in the venture capital segment
Venture capital—annualized returns



Source: Preqin, S&P 500, MSCI, Bloomberg, State Street Investment Management. Data for Asia starts from 2006, as of March 31, 2026. Preqin Venture Capital Indexes are based on total returns net-of-fees in USD. **Past performance does not guarantee future results. Investing involves risk including the risk of loss of principal.**

European private markets are broadening

Beyond performance, Europe's private equity market has also become more geographically diversified. West Europe excluding the UK has become the dominant allocation, with its share rising from 24.6% to 47.2% since December 2000, a gain of 22.6 percentage points.

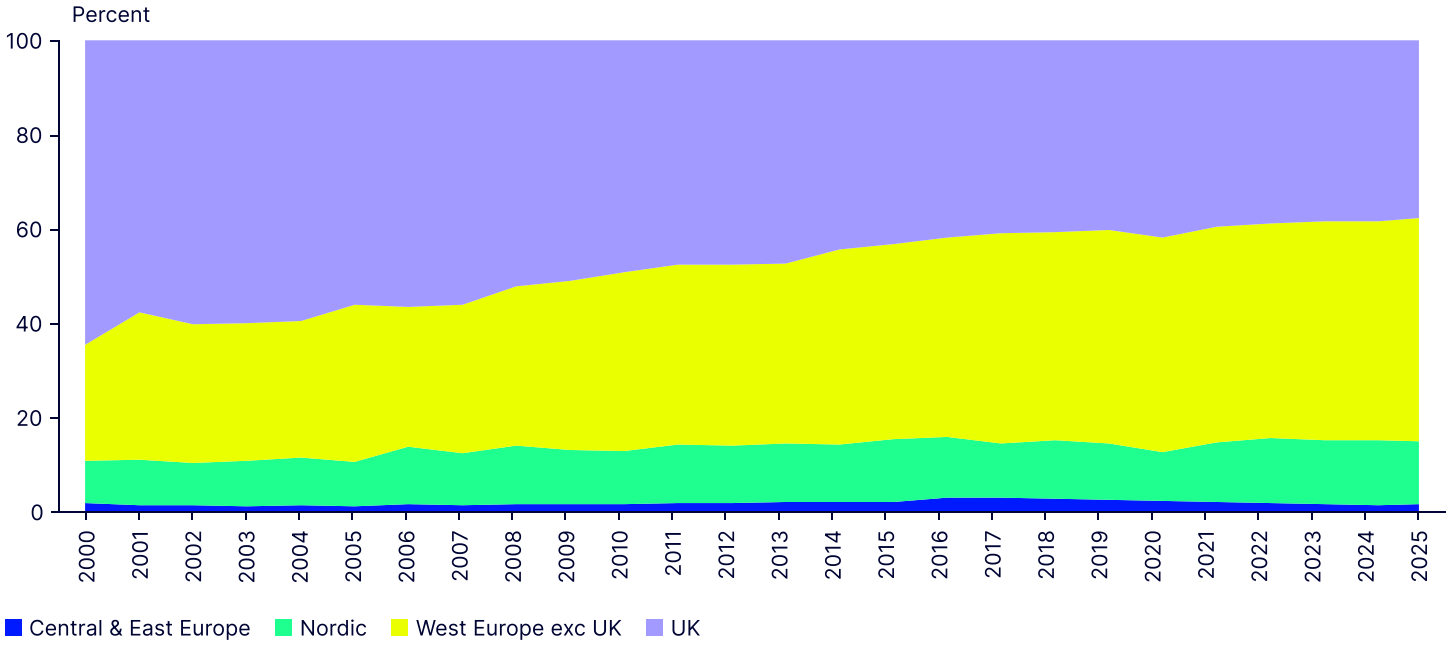
The UK has moved in the opposite direction, with its share falling from 64.7% to 37.8%, a decline of 26.9 percentage points. Together, these shifts point to a market moving away from its historically UK-centric base towards a broader continental opportunity set.

Other regions have changed more modestly. The Nordic region has gained share, reaching 13.5%, supported by technology, healthcare and sustainability-linked themes, while Central and East Europe remains small at 1.5% and has weakened slightly over the longer term.

Fundraising confirms the structural broadening, although the cycle is now normalising. European-focused private equity funds managed from Europe raised a record USD 200 billion in 2024, before falling 8.6% in 2025, with West Europe excluding the UK driving much of the strength while the UK and Nordic region declined sharply.

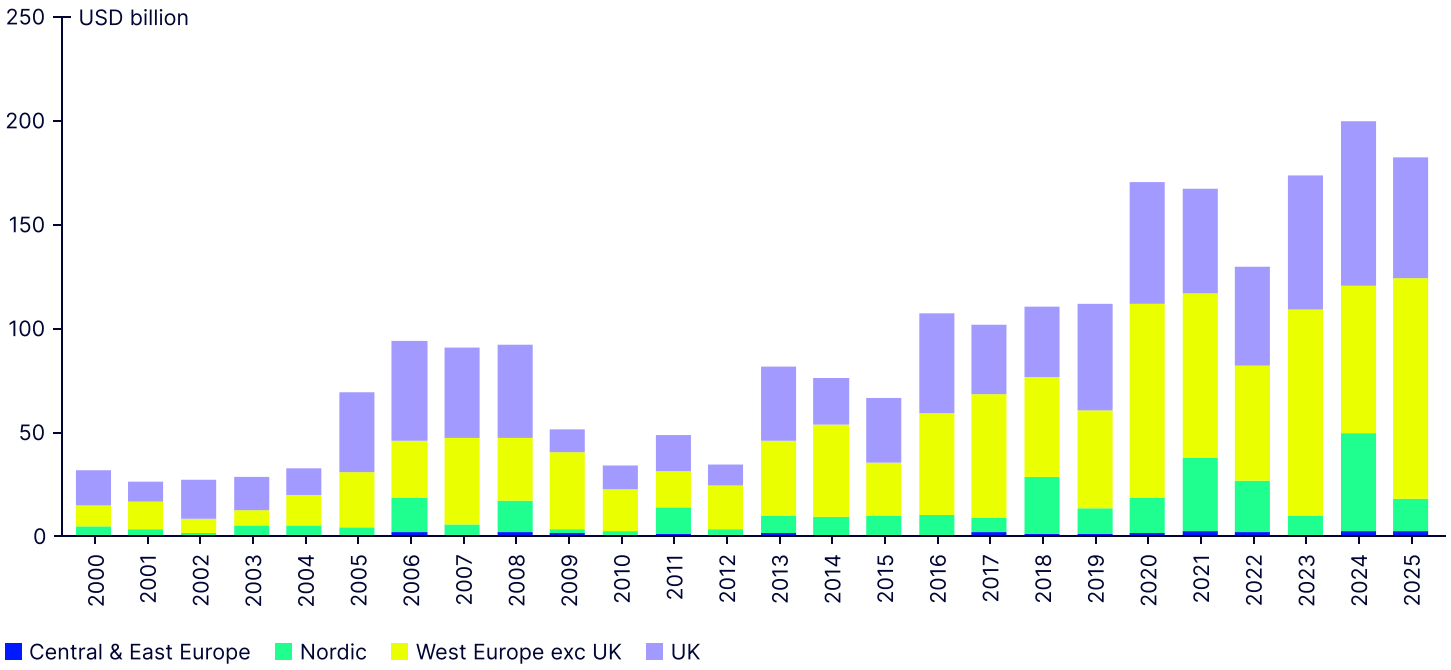
Even after this pullback, aggregate capital raised reached USD 182.9 billion in 2025, up USD 150.9 billion since 2000. West Europe excluding the UK is now the main fundraising region, accounting for USD 106.6 billion, or 58% of 2025 capital raised. The market is therefore structurally much larger and more continental than in the early 2000s, even as activity cools after an exceptionally strong cycle.

Figure 40: Market breadth for private equity is increasing in Europe
Share of European PE AUM by sub-region



Source: Preqin, State Street Investment Management, as of March 2026. **Past performance does not guarantee future results. Investing involves risk including the risk of loss of principal.**

Figure 41: Aggregate capital raised in private equity



Source: Preqin, State Street Investment Management, as of March 2026.

Private debt: Europe's resilient income opportunity?

European private debt remains a small GMP allocation, representing less than 0.2% at end-2025 and roughly 20% of global private debt exposure. The market is highly concentrated, with UK-based, Europe-focused firms accounting for more than 65% of regional AUM and averaging 65% of capital raised over the past 10 years. Lower valuations are supporting deal activity and lending opportunities, while the UK's strong debt-contract framework reinforces its leadership and makes a near-term shift in position unlikely.

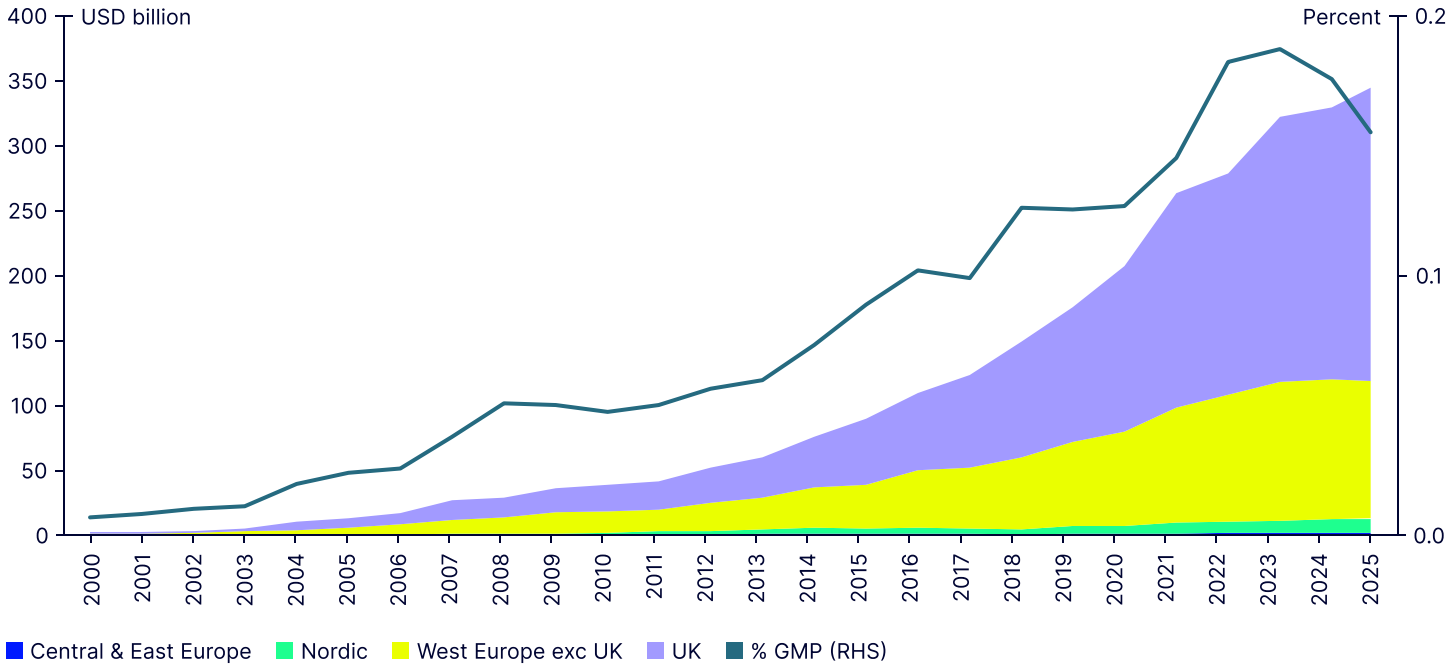
Private debt has delivered stable annualized returns of around 7.5–10.5%, reinforcing its defensive role within private markets. Europe has been a steadier but lower-returning segment, typically generating 7.55–8.41% and trailing North America by around 1.5 percentage points over the long term (2011–2025). The gap narrowed in 2016–2020, when Europe returned 8.41% versus 7.54% for North America, but widened again in 2021–2025 as rising rates lifted overall private debt returns to 9.59% and North America to 10.34%. Even so, Europe's consistent return profile highlights the role of private debt as a resilient income-oriented allocation, albeit with less upside than the region's private equity and venture capital markets.

Recent deal activity adds another perspective: Europe's private debt market is broad by deal count but concentrated by value in a small number of large public-to-private transactions. In 2025, public-to-private deals totalled USD 8.8 billion, far ahead of add-ons at USD 1.4 billion and buyouts at USD 0.4 billion, despite only three transactions. By count, buyouts led with 52 deals, just ahead of add-ons at 51, followed by growth capital at 14 and corporate investment at one.[9] For investors, the key is to balance access to large public-to-private deals with diversification across smaller buyouts and add-ons.

Overall, European private debt remains a niche allocation in macro-portfolio terms, but its strategic relevance is rising as the asset class fills financing gaps left by more constrained bank lending, offers investors exposure to senior, income-generating and often floating-rate credit, and provides a differentiated source of portfolio diversification. Europe-focused private debt has increased from 33.2% of the total AUM in 2020 (the sum of European HY, levered loan, private debt) to 41.3% in 2025.

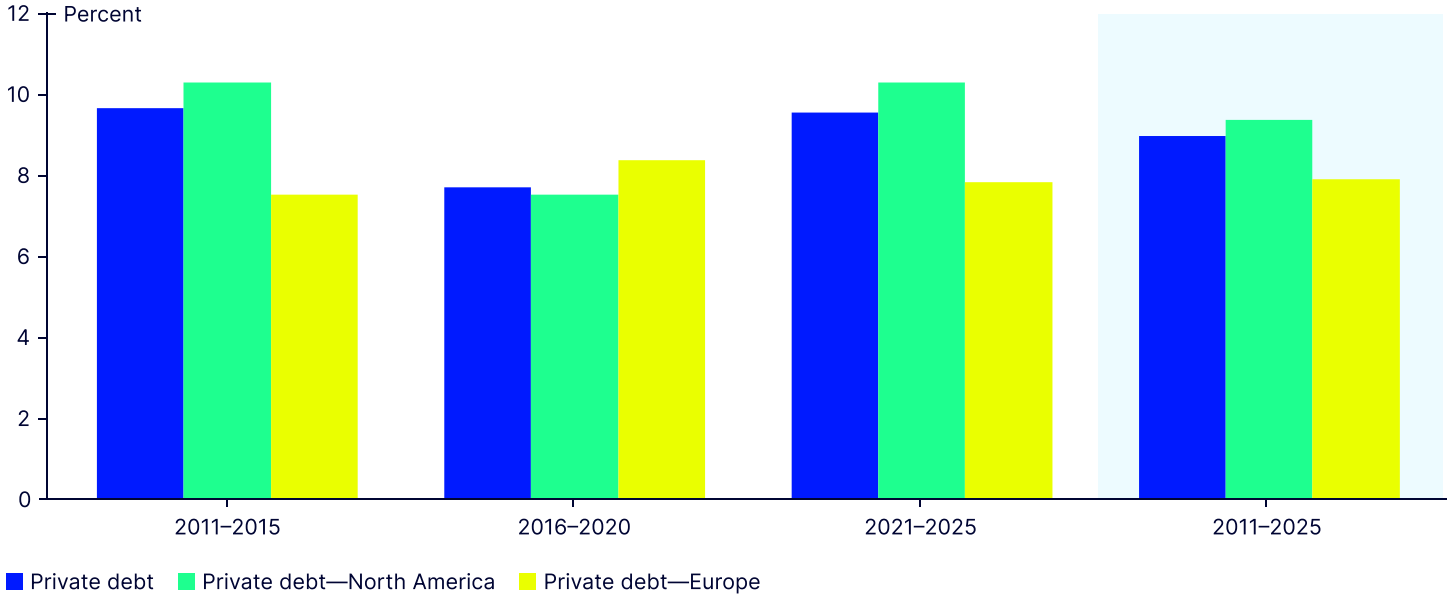
The UK's depth, stronger debt-contract framework and concentration in senior lending give the market a clear institutional anchor, while selective larger transactions, especially public-to-private deals, offer targeted access to private-credit opportunities that are difficult to capture in public markets.

Figure 42: European private debt is highly concentrated in the UK



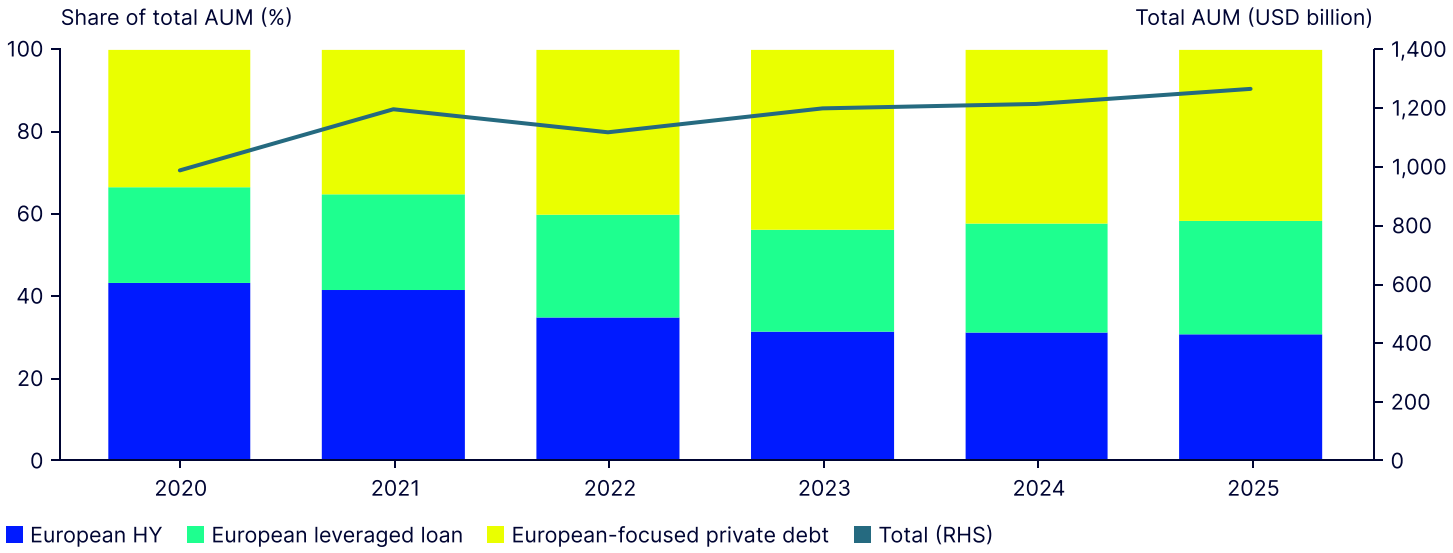
Source: Source: Thomson Reuters, Bloomberg, Preqin, World Gold Council, J.P. Morgan, MSCI, State Street Investment Management, as of March 31, 2026. Private debt data refers to Europe-based firms with focus on Europe.

Figure 43: European private debt returns lagged other major regions



Source: Preqin, S&P 500, MSCI, Bloomberg, State Street Investment Management, as of March 31, 2026. Preqin Private Debt Indexes are based on total returns net-of-fees in USD.

Figure 44: European-focused private debt is rising steadily



Source: Preqin, S&P 500, State Street Investment Management, as of March 2026.

The European Investment Proposition

Europe's private-market proposition rests on a clear but selective opportunity: access to parts of the economy that listed markets only partly capture, supported by long-term structural themes, regulatory innovation and a broadening investor base. Private assets remain a modest share of the GMP, but they sit at the intersection of two important portfolio needs: differentiated return sources and diversification beyond public equities and bonds. ELTIF 2.0, alongside the UK's LTAF and Luxembourg's UCI Part II framework, should help make private-market access more scalable across Europe and channel more capital into infrastructure, SMEs and the green transition, although adoption is likely to build gradually given implementation complexity, uneven harmonization and investor education needs. The case is strongest where exposure is targeted: European private capital has delivered a durable long-term premium over listed European equities, Europe has led regional performance in core private equity over 2001–2025, and the market has become more continental, with West Europe excluding the UK now the dominant allocation and fundraising region. At the same time, recent dispersion, valuation resets and slower exits argue against broad regional beta. Private debt adds a steadier income-oriented profile, supported by senior lending and the UK's deep debt-contract framework, but it remains a niche GMP allocation with lower upside than private equity and venture capital. For investors, Europe's proposition is therefore not simply more access to private markets; it is disciplined exposure to managers, sectors and strategies that can capture regional breadth, structural growth and regulatory change while managing liquidity, implementation and market-fragmentation risks.

Endnotes

1 Doeswijk, Ronald, Trevin Lam and Laurens Swinkels. 2014. "The global multi-asset market portfolio, 1959–2012." Financial Analysts Journal 70, no. 2: 26–41. https://doi.org/10.2469/faj.v70.n2.1.

2 World Gold Council. 2025. Gold demand trends: Full year 2025. The World Gold Council estimated that approximately 219,891 tonnes of gold had been mined by the end of 2025.

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4 Preqin. 2026. Private equity Q1 2026: Preqin quarterly update.

5 Preqin. 2026. Private Credit Q1 2026: Preqin quarterly update.

6 Artigas, Juan Carlos, Ray Jia and Taylor Burnette. 2026. "You asked, we answered: Has gold's performance structurally changed?" World Gold Council, April 16, 2026.

7 IMF, Crypto Assets Monitor Highlight: Q1 2026.

8 Oxford Economics. 2026. The crypto question for allocators. January 2026.

9 Preqin. 2025. European private markets, Q4 2025.

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Bonds generally present less short-term risk and volatility than stocks, but contain interest rate risk (as interest rates rise, bond prices usually fall); issuer default risk; issuer credit risk; liquidity risk; and inflation risk. These effects are usually pronounced for longer-term securities. Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss.

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