

# Investment trends among sovereign wealth funds

## Private markets regain appeal



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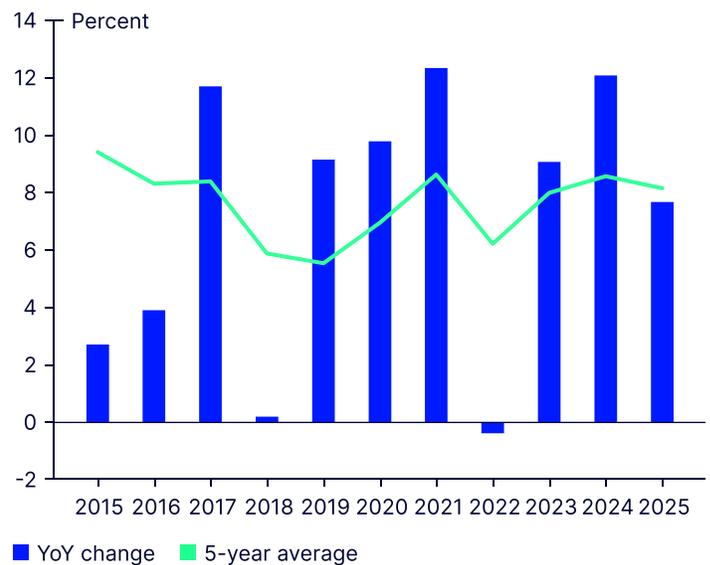
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This is our biennial update on the asset allocation trends of sovereign wealth funds (SWF).<sup>1</sup> Prevailing macro winds have created a challenging but lucrative environment for this group of strategic investors. Amid strong market performance and policy turbulence, SWFs have returned to private markets, while continuing to shed fixed income allocations—a continuation of a long-running trend, but with new drivers.

### Assets under management

Growth in assets under management (AUM) continued steadily, with total AUM reaching US\$12.2 trillion by year-end 2025 in our sample (Figure 1). Strong market performance was the main contributor during the past two years. Across 2024 and 2025, markets delivered an unusually strong run, with equities surging and investors consistently rewarded for staying long despite policy-driven turbulence.

**Figure 1: AUM growth rate**

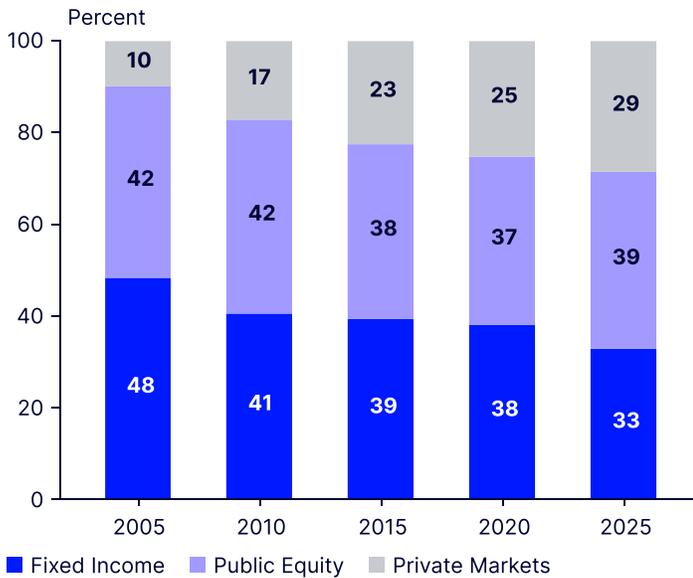


Source: Global SWF, State Street Investment Management, as of December 31, 2025.

### Strategic asset allocation

During our last review, we noted what appeared as the beginning of a steady-state allocation to private markets, but this turned out to be an interlude. Instead, the long-term advance of private market allocations has continued, supercharged by a surge in investments in digital infrastructure, data centres, and AI technologies, with allocations rising to 29% as of end-2025 from 25% as of end-2020 (Figure 2). As before, the advance came at the expense of fixed income and cash, with exposure to public equities remaining largely steady.

**Figure 2: Unweighted average allocation across asset categories**

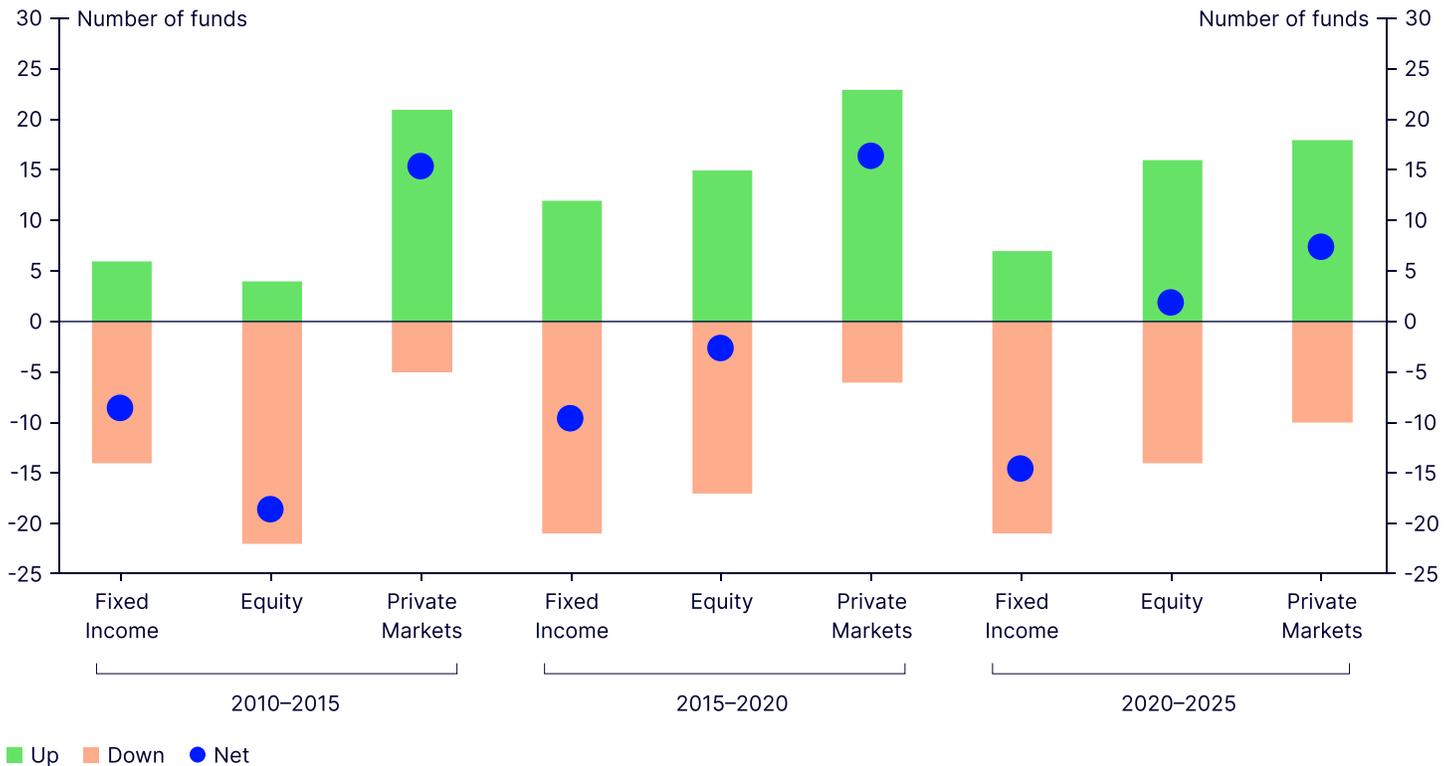


Beneath these aggregate shifts lay areas of disagreement among SWFs. While most funds that adjusted their portfolios agreed on reducing exposure to fixed income—reinforcing the decline noted above—there was far less consensus on where capital should be redeployed (Figure 3). The continued rise in private market allocations therefore reflects strong conviction among the subset of funds that chose to increase exposure, rather than a uniform reallocation across the entire investor base.

We continue to see material differences in asset allocation across funds of varied sizes as well. For example, large funds invest *more* in private markets (30% versus 23%) and *less* in fixed income (30% versus 38%) compared with small funds. However, size does not appear to be a factor in allocation to public equities.

Source: Global SWF, State Street Investment Management, as of December 31, 2025.

**Figure 3: Number of SWFs increasing or decreasing allocations<sup>2</sup>**



Source: Global SWF, State Street Investment Management, as of December 31, 2025.

This difference between large and small funds can be partially explained by the operational complexity in terms of governance, cost, and human resources that private market exposures require and that larger funds find easier to support. Larger funds are also able to support larger deals that would be out of reach for their smaller peers.

## Public markets

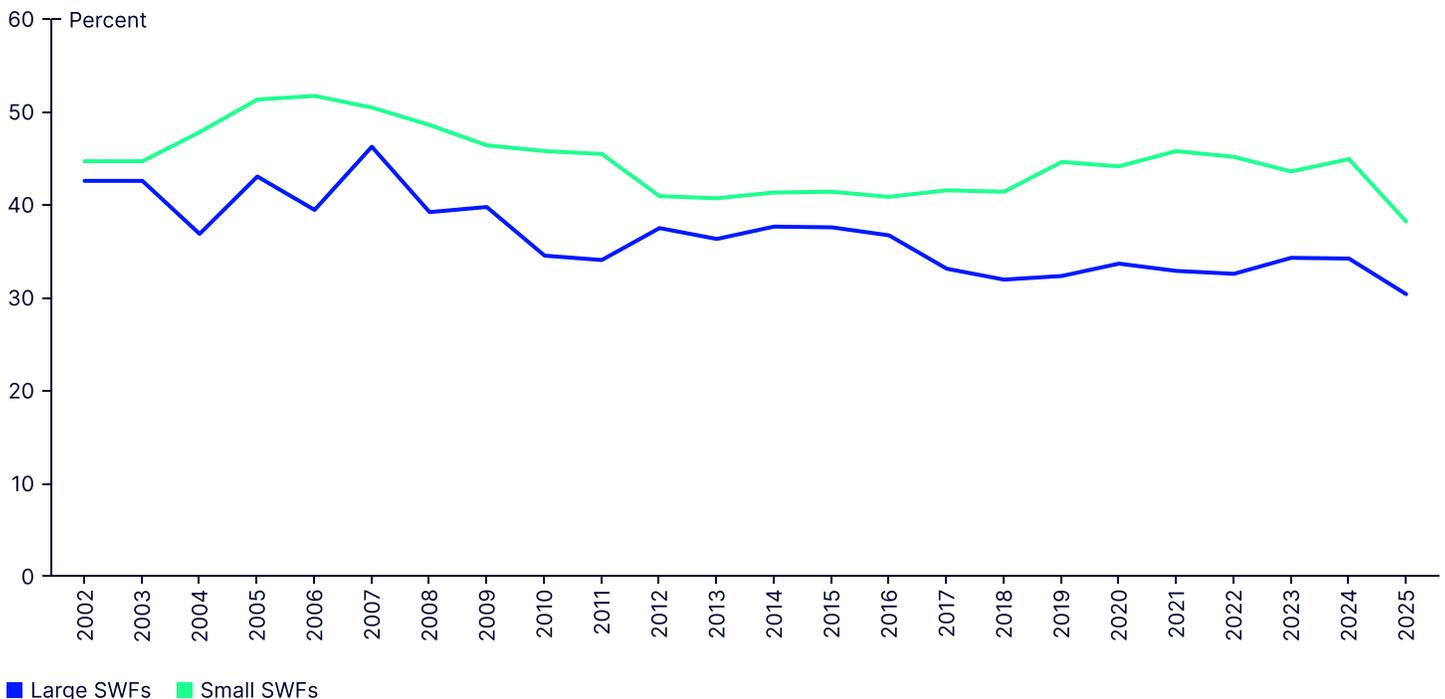
Allocations to public equities continue their decade-long steady-state allocation at around 38%, with no meaningful differences between regions, fund size, or fund nature. The slight pick-up in 2025 (to 39%) is unlikely to signal a new trend. At the fund level, most shifts were marginal, suggesting tactical drift in response to market performance. Stable allocations notwithstanding, as a group, SWFs are a material investor group in public equity markets. Based on the [recent estimate made in our global market portfolio](#), SWF investments account for about 6% of public equity market cap.

Allocations to fixed income continue to shrink though. Since the pandemic, fixed income assets have arguably become more appealing due to their returns and diversification advantages. Nonetheless, they are still relatively less preferred compared to other options.

This can be partly attributable to slower-than-expected monetary loosening and persistently high long-term yields, which have weighed on appetite for duration. Also, the fixed income category mechanically includes cash, so reduction in allocations also reflects greater risk appetite by way of lower cash balances. Demand for bonds among SWFs is also material at the aggregate level—by our estimate, bond holdings by SWFs account for about 4% of publicly traded bonds.

As noted earlier, smaller funds allocate differently from larger funds, with a notably greater share of allocation towards fixed income. This trend has narrowed recently, with smaller funds aggressively reducing their fixed income allocations (Figure 4). This shift is mirrored by more aggressive allocations towards private markets among the smaller funds.

**Figure 4: Unweighted average of fixed income AUM for small and large SWFs**



Note: Large funds are designated as those with an AUM of more than US\$50 billion. Source: Global SWF, State Street Investment Management, as of December 31, 2025.

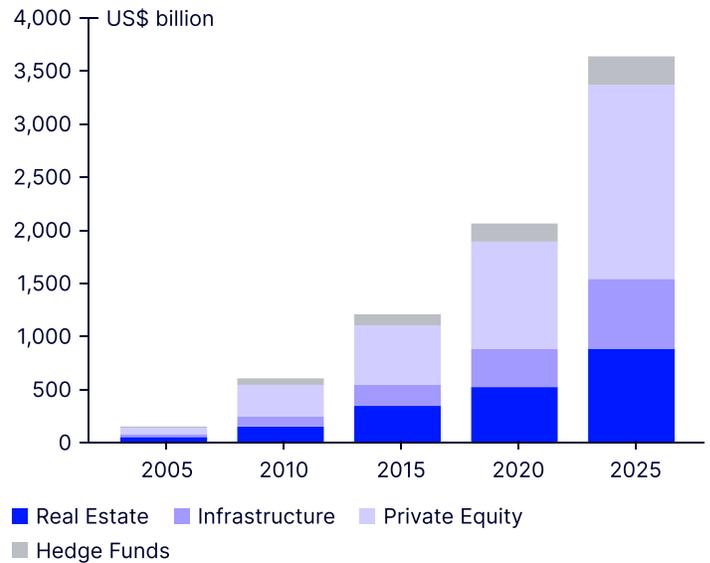
## Private markets

SWFs' investments in private markets have continued to grow in nominal terms. Investments reached US\$3.5 trillion in our sample at end-2025, reflecting fruitful deal-making trends in 2024 and 2025 (Figure 5). SWFs by their nature are well-suited for private markets—in our estimate, SWFs' share in the market cap of investable private market is about 14%.<sup>3</sup>

Regionally, investment funds from MENA have a particularly strong tilt towards private markets, particularly in private equity—total private allocation in MENA is consistently about 25% higher than elsewhere.

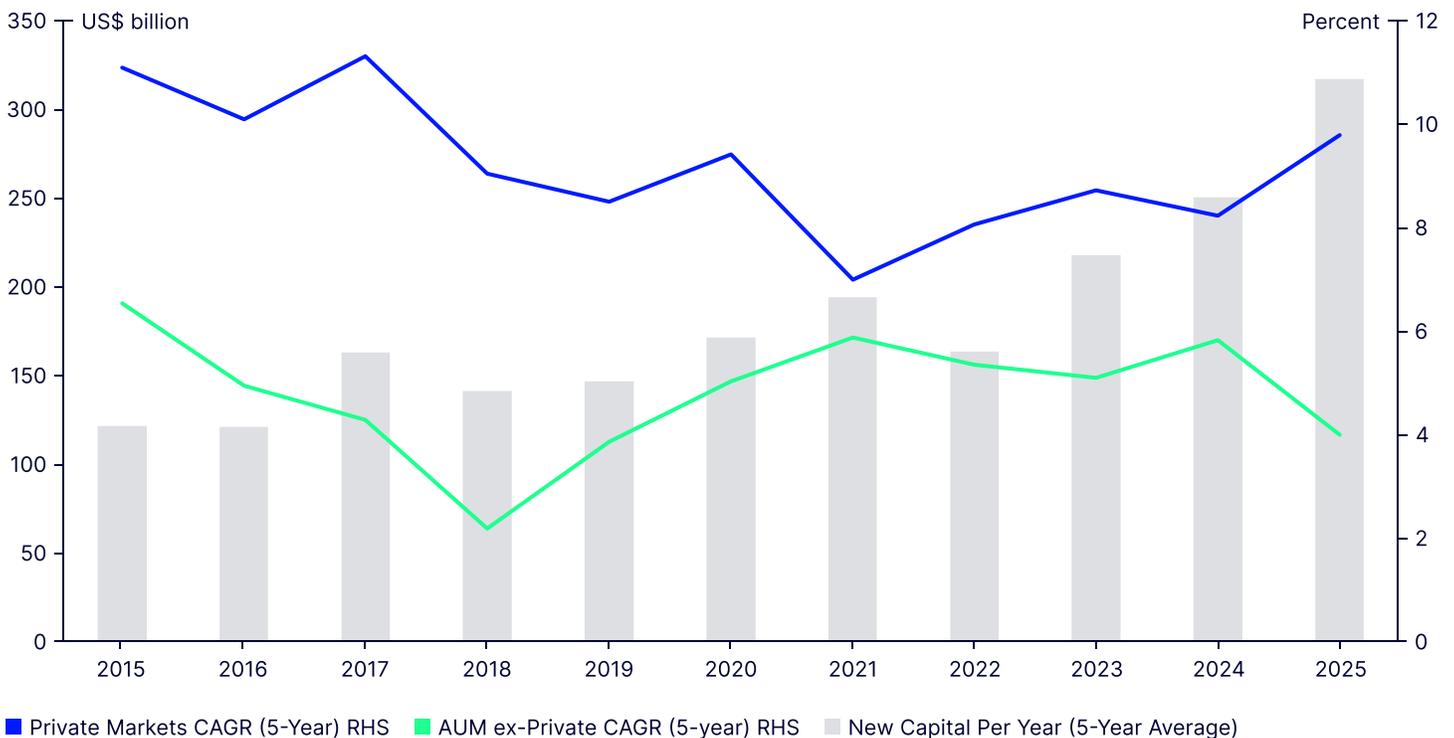
The rate of annual growth in private market investments has notably increased as well. This shift reflects the extent to which private markets found new growth drivers in the post-pandemic world (Figure 6).

**Figure 5: SWF assets invested in private markets**



Source: Global SWF, State Street Investment Management, as of December 31, 2025.

**Figure 6: Private market AUM growth for SWFs**

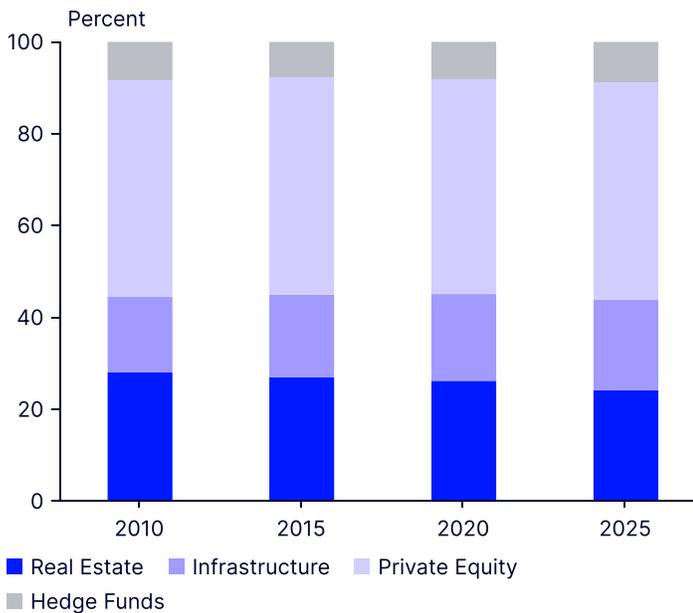


Source: Global SWF, State Street Investment Management, as of December 31, 2025.

Rapid growth following the global financial crisis was driven by ultra-low interest rates and the subsequent search for yield. SWFs were particularly well-suited for this due to their long-term mandates and low liquidity needs. Today, interest rates are structurally higher, creating headwinds, which are palpable especially in real estate. However, other factors have become much more prominent—among them AI and underlying infrastructure, the global decarbonisation agenda, and geopolitically motivated reshaping of global supply chains. These continue to drive private market investments forward.

Comparing sub-asset class choices, private equity is by far the preferred choice comprising 47% of all private market assets (Figure 7). Admittedly, private equity is a catch-all category for a variety of investment forms, ranging from private credit to direct investments to co-investments and club deals, which partly explains its dominance. The split has remained broadly stable over the past two decades, with the notable exception of real estate, where allocations have declined—and appear to be doing so at an accelerating pace—likely reflecting structurally higher interest rates.

**Figure 7: Private market exposure for SWFs by sub-asset class**

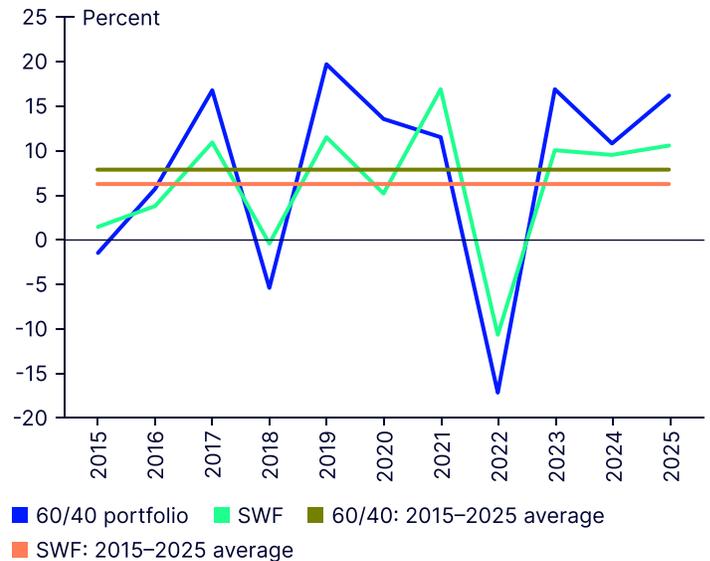


Source: Global SWF, State Street Investment Management, as of December 31, 2025.

## SWF returns

Returns for SWFs have been volatile since 2020, with exceptional gains in 2021 followed by a downturn and subsequent recovery in 2022–23. Strong performance continued through 2024 and 2025, reflecting market resilience, despite policy-driven turbulence. The average 10-year return (2015–2025) for SWFs was 6.3% versus 7.9% for a classic 60/40 portfolio (Figure 8).

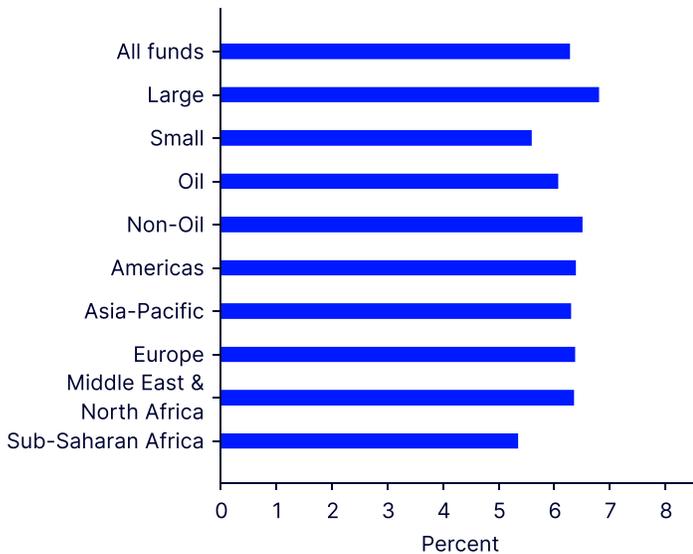
**Figure 8: Historical returns for SWFs<sup>4</sup>**



**Note: The performance data quoted represents past performance. Past performance does not guarantee future results.**

Source: Global SWF, FactSet, State Street Investment Management, as of December 31, 2025.

**Figure 9: Ten-year weighted average returns for SWFs (2015–2025)**



The performance data quoted represents past performance. Past performance does not guarantee future results. Source: Global SWF, State Street Investment Management, as of December 31, 2025.

Figure 9 illustrates the ten-year average return for different SWFs in our sample. Regionally, Sub-Saharan Africa (SSA) has been a notable laggard, while non-oil SWFs and large SWFs have tended to outperform.

## Conclusion

SWF asset allocation continues to favor private markets at the expense of fixed income, with portfolios converging toward an approximate **30–40–30** split (fixed income, equities, private markets) as of end 2025. The scope for private market investment remains a function of each fund’s capacity to absorb illiquidity. That said, heterogeneity across SWFs continues to increase, as differences in mandates and fund size drive divergent tactical and strategic asset allocation choices.

## Endnotes

- SWFs come in various forms. Our focus is on international capital allocation. We therefore focus narrowly on those SWFs that are unencumbered by explicit liabilities (as for example pension funds would be) and are unconstrained by domestic allocation (as for example development funds are). Our data comes from Global SWF, which tracks SWF and public pension fund activity globally. From the database of about 200 names, we have taken a sub-set of 33 that meet our narrow criteria. Our sub-group remains representative of the broader group—the combined AUM of the funds in our sub-set was US\$12.2 trillion as of end-2025, representing an overwhelming majority (85%) of SWF assets globally.
- We compare percentage allocation at the end of the period with that at the beginning for each fund and then count the number of funds that increased or decreased allocation. For example, compared with 2010, 6 funds had greater percentage allocation to fixed income versus fourteen funds that had lower allocation as of end-2015, for a net result of -8.
- Some of the investments made by SWFs, for instance, infrastructure or holdings of illiquid real estate (part of real estate AUM) fall outside the scope of our estimate of the global portfolio due to their highly illiquid/unique nature. The percentage shares of the global portfolio are therefore best treated as an upper bound.
- 60% equity as proxied by the MSCI World Index Total return index and 40% bonds as proxied by the Bloomberg Global Aggregate Total Return Index. Rebalanced annually.

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\* This figure is presented as of December 31, 2025 and includes ETF AUM of \$1,950.80 billion USD of which approximately \$173.02 billion USD in gold assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Investment Management are affiliated. Please note all AUM is unaudited.

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