

Private Markets Guide 2025:

Gaining momentum

Featuring:

- How the Mansion House Compact and Accord are driving UK pension schemes to increase their private market allocations
- The biggest opportunities investors are seeing in growth and venture debt as an asset class, and how pension schemes can take advantage
- Company profiles

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Going private: The asset class gathering pace

As the Mansion House Compact and Accord take hold, UK pension schemes are stepping up allocations to private markets. Sandra Haurant reports



Summary

- Private markets have been of increasing interest over recent years, with both the UK and US encouraging investment in private markets for DC pensions schemes.

- The UK's Mansion House Compact (in 2023),

and subsequent Mansion House Accord (in 2025), have both pushed pensions towards private markets, accelerating a journey that was already underway, with the Sterling 20 adding to this.

- Since the start of the compact, signatories have already doubled allocations to private equities.
- Key players like BlackRock have made significant commitments to private markets, with important acquisitions in the space over the past year, indicating a long-term interest in the space.
- However, illiquidity remains one of the most-cited areas of concern for investors.

Private markets have been under the spotlight over the past few years, on both sides of the Atlantic. In the UK, some of this attention has arrived as a result of the Mansion House Compact, a voluntary, non-binding agreement signed by 11 of the UK's largest pension providers in the DC space. Key to the Compact is the allocation of 5 per cent of assets in default funds to unlisted equities by 2030.

More recently, in May 2025, came the Mansion House Accord, a complement to, rather than a replacement for, the Compact. The Accord seeks commitment from pension providers for the investment of 10 per cent of default funds in private markets, and half of that should be within the UK. Some 17 providers,

making up 90 per cent of active savers in DC schemes, have signed up to the Accord. The Compact focuses on private, non-infrastructure, equities, or shares in companies that are not publicly listed. The Accord has a wider remit, opening out to more private markets, including infrastructure, real estate and debt.

And even more recently, the signatories to the Accord, alongside Rothesay, Pension Insurance Corporation and the Pension Protection Fund, have signed up to form the Sterling 20, an investor-led partnership intended to channel savings into key infrastructure and fast-growing businesses.

It's early days for the Accord and the Sterling 20, but the Compact is starting to see measurable results. The Association

of British Insurers (ABI) published its latest update on the Compact in October 2025 and revealed that allocations to private equities among signatories had doubled from £0.8 billion to £1.6 billion of total assets, a decent step along the way to the target 5 per cent.

Announcing the figures, ABI director of long-term savings, Yvonne Braun, said: "Signatories have taken important additional steps, including making necessary changes behind the scenes, to reach the Compact's goals. Changes to asset allocations take time, with many steps and approvals before capital can be deployed. Having made progress on the early stages in the first year of the Compact, we're seeing this gain momentum in the second year."

And in the US, private markets have made headlines too. In June this year, BlackRock's CFO Martin Small said in the company's *The Power of Public Markets* report: "With respect to US DC plans, there's a sea change happening, and I see a real pathway for private markets making their way into target date funds."

In August, one of the US administration's executive orders also directed the Department of Labor and Securities and Exchange Commission (SEC) to issue guidance on investment in private market assets for 401(k) pensions.

A helping hand

The government's hope with the move towards private markets is the creation of a virtuous circle that ensures the wheels of the country keep turning and DC savers can retire with a decent income.

As IFM Investors executive director of public affairs, EMEA, Gregg McClymont, puts it: "The private markets dimensions might have remained only a debating point something discussed with interest at pensions conferences without impacting on public policy – if it were not for the ongoing weakness of the UK economy, and the extent to which this is associated across the political

spectrum with too low levels of domestic capital investment.

“In a nation in which pension savings are the main form of domestic savings, politicians have few other levers to pull.”

Isio head of asset class and manager research, Ajith Nair, says: “The Mansion House Accord has acted as a catalyst... It has also helped remove friction by encouraging DC consolidation, clarifying regulatory pathways, and supporting the development of low-governance access vehicles such as LTAFs. These structures are particularly valuable for DC schemes, which require scalable, cost-effective routes into private markets.”

WTW global head of multi-asset solutions, Katie Sims agrees, but clarifies that “the shift toward private markets was already underway, driven by the search for diversification, long-term returns, and alignment with global pension trends”.

Liquidity challenges

While there has been a move towards private markets for pensions, there are valid reasons for the shift to be gradual.

“Historically, several barriers have constrained UK DC schemes from allocating to private markets,” says Sims. “Illiquidity concerns have been a major factor, as daily dealing requirements in DC schemes conflicted with the long-term nature of private assets.”

Other barriers include governance and scale limitations, which have meant “smaller schemes often lacked the resources and expertise needed to assess and manage private market investments effectively,” Sims adds. “Cost sensitivity has played a role, with a strong focus on low fees discouraging investment in private assets, which typically carry higher management costs. Regulatory and operational hurdles meant that until recently, the UK lacked fund structures such as LTAFs that facilitate access to illiquid assets within DC schemes.”

Preqin, a research company specialising in private markets, has found confirmation in its research that illiquidity

remains a concern for investors. The firm reported in its June Global Investor Survey that 80 per cent of investors said lack of exit represented one of the “main challenges to return generation in the next 12 months,” while around 40 per cent cited the geopolitical landscape.

Illiquidity, then, is a significant concern. Indefi chair, Nick Ring, says: “Given the overall level of assets most pension funds hold, and their level of allocation to less liquid strategies, generally illiquidity risk should be small, in that for the most part pension funds should not need to be ‘forced sellers’ of their illiquid holdings because the large majority of their assets are held in very liquid assets.”

The importance of balancing liquid and illiquid, Ring says, is highlighted most in those rare circumstances of significant market stress, as was seen with Liz Truss’s mini-Budget in 2022.

And a lack of exit strategy is also a crucial consideration when it comes to environmental, social and governance (ESG) and sustainability considerations, says Sims. “With private markets you are a long-term owner of an asset or business. Therefore, ESG and sustainability is very important, especially as it may not be easy to sell those investments should an issue arise - whereas with public markets it is much easier to vote with your feet,” she says.

“As a result, it is imperative that the managers and the investments they make are assessed from a sustainability perspective prior to investing. In some sectors there are opportunities to invest in assets that have a positive impact on society or the environment, while offering attractive risk and return characteristics, for example renewable energy infrastructure.”

The future outlook

As the ABI’s Mansion House report shows, a move towards private markets is already underway in the pensions market and the march towards 2030 is on. In

BlackRock acquisition

As a brief but relevant digression, Preqin was recently acquired by BlackRock, and the acquisition itself is an indication of a growing enthusiasm for the private markets field; the firm has spent reported \$28 billion on the purchase of Preqin, Global Infrastructure Partners and HPS Investment Partners, underpinning its ambitions in the space.

pension fund years, half a decade is not a long time, but perhaps it is enough time for lasting changes to take hold.

“Over the next five years, we expect it will lead to an increased allocation to private market assets, which obviously the UK government hopes will stimulate growth through increased availability of capital to fund infrastructure and corporate growth,” Ring says.

Sims agrees, suggesting that, by 2030, the Mansion House Compact is expected to drive continued consolidation among pension schemes, largely due to increasing scale requirements. “Investment in UK infrastructure, housing, and innovation is likely to increase, supported by enhanced governance and capability-building across pension providers,” she continued. “Additionally, asset managers are anticipated to introduce innovations that enable more cost-effective access to private investments.”

Nonetheless, McClymont says that “how far these measures, as a whole, transform the size of UK allocations to private markets and how quickly is a reasonable question”.

“The UK is moving towards Australian-style superfunds, but this will not happen overnight, with the scale test biting in 2030,” he says. “Future allocations require major supply side reform: will there be enough projects with a risk adjusted return profile that fits with pension funds risk management strategies? This is perhaps the greatest unknown now.”

Written by Sandra Haurant

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Ross Ahlgren, Managing Director, BlackRock Growth Debt



Marten Vading, Managing Director, BlackRock Growth Debt

the opportunity set in growth and venture debt is that companies are staying private for longer. As a result, they need flexible financing that won't dilute existing equity. These larger private companies are seeking lenders to help fund acquisitions or to invest in increasing their EBITDA profitability, rather than chasing growth at all costs.

At the same time, there has been a slowdown in growth equity capital raises for more mature private companies. In many cases, this is because these companies raised growth-equity rounds at elevated valuations, so that taking further equity financing comes at the cost of accepting a lower overall valuation. This makes debt more appealing as these companies try to finance growth and cover financing gaps that arise when liquidity events are delayed by market volatility.

Against this backdrop, equity sponsors continue to raise and deploy capital into growth and venture companies, adding to the resiliency of potential borrowers. This benefits lenders who have transaction experience through multiple cycles, and established sponsor relationships.

The rates paid by borrowers have risen as the market changes. And many borrowers have been able to manage through inflationary pressures, especially software businesses that rely very little on raw materials or supply-chain logistics. Among these companies, we have seen a shift from 'growth at all costs' to a focus on maintaining growth efficiently, which we like to see as a lender.

What opportunities are you seeing in the space? What risks?

Marten Vading: The opportunity set for growth and venture debt investors is expanding, according to Pitchbook. But it's worth noting that the unique characteristics of this market mean that success will still vary widely, based on several factors.

Growth and venture debt

A new landscape for opportunity in private credit portfolios

It's an exciting time for growth and venture debt investors, with a wider range of high-quality opportunities emerging in recent years. Companies are staying private for longer¹, while venture capital and growth equity funds continue to invest capital, all of which creates more appetite among borrowers.

In the U.S., there were roughly \$35 billion worth of deals in the space in 2024², according to Pitchbook. It estimates the combined growth and venture debt markets in Europe at around €17 billion, a growth of more than 25 per cent from the year before, with the average deal size rising to €1.7 million in 2024.

Growth and venture debt can offer exposure to innovative companies in the tech and healthcare spaces, without many of the risks of venture capital and growth private equity. As

specialised forms of lending, they require experience measuring risk through complex lending performance indicators, and expertise in structuring loans with downside protection.

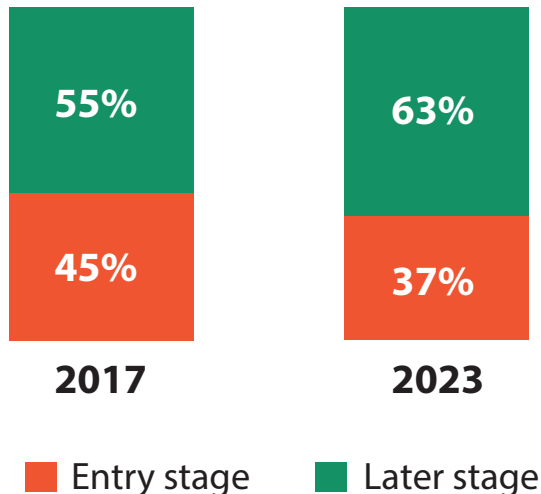
Until the 2023 disruption of the regional banking sector, a single lender controlled a significant portion of the venture debt market in the U.S. In its wake, established private debt managers have taken the lead in sourcing opportunities and receiving beneficial terms from borrowers. We spoke to a couple of our investors about growth and venture debt as an asset class, what they're watching in the space today, and where they see the biggest opportunities.

What macroeconomic forces do you see driving the expansion of growth and venture debt opportunities?

Ross Ahlgren: The first of the many structural forces driving and expanding

Shifting opportunities

European growth debt is increasingly moving to more mature companies



Source: Latest available Pitchbook Data as of Q3 2023

One is a manager's transaction experience and local presence across multiple jurisdictions, simply because companies prefer to work with lenders who can navigate the complexities of a given region. The market is also highly relationship-driven with very little intermediation and few auction processes. Relationships are vital in deal sourcing, where a high percentage of transactions come directly from

can translate to higher potential returns than traditional direct lending strategies, while maintaining comparable loss rates.

Growth and venture debt is also a way for an investor to gain exposure to the long-term trends of technology and innovation in private companies, but without the same concentrated equity risks. These investments also allow investors to participate in many different sponsor portfolios without

equity sponsors. Those relationships take a long time to develop, and they are a clear differentiator in determining success.

How should investors think about growth and venture debt as part of a private debt portfolio?

Ross Ahlgren: Within a private debt portfolio, growth and venture debt can help investors diversify away from corporate credit, towards an asset class with different characteristics and correlations. And as a specialist asset class with limited competition, the higher pricing of these loans

having to invest in their respective funds. And unlike equity, growth and venture debt can give investors the downside protection offered by senior-security, amortisation and long cash runways.

In a portfolio, the structure of growth and venture loans can provide predictable return of capital or reinvestment. Compared with other forms of private debt, they rely less on early terminations and refinancings, while their equity upside adds the potential for returns on top of interest payments.

What is the final message you'd leave investors with about growth and venture debt?

Ross Ahlgren: We believe this is a major moment for the growth and venture debt space. There's an abundance of high-quality companies actively in search of debt financing. They're turning to a relatively small pool of qualified lenders who understand the intricacies of structuring these loans. And more investors are coming to appreciate the higher spreads, stronger downside protections, and the ability to participate in the upside growth of the borrowers.

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¹ Source: Morningstar, January 21, 2025.

² Source: Pitchbook - NVCA Venture Monitor Q3 2024

³ Source: Pitchbook - 'Venture debt hits all-time high as startups diverge from VC expectations', February 18, 2025.

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Source: BlackRock as of 21 March 2025

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