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MSCI Wealth 



Private Markets for Wealth:

Insights from 11,000+ Funds

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Private Markets for Wealth: Insights from 11,000+ Funds

Over 80% of wealth managers across regions expect to increase allocations to private markets over the next three years to meet a growing client demand for these asset classes.¹ But before they do, they may want to consider the many ways in which private asset investing differs from that of public equities — and address any pre-conceived notions they have about these investments.

The two operate on a very different set of principles with different risk and return profiles, requiring distinct approaches to liquidity constraints, macro timing, cash flow management and return metrics. To explore these issues, we examine historical data sourced entirely from fund investors, or limited partners (LPs),² covering over 11,000 private asset funds.³

Clearly understanding the composition of this universe and how its investments have performed can help inform allocation decisions, client communication and investment planning, and is essential before changing exposures.

A look inside private markets

Insights from one of the largest private capital datasets — covering private equity, private credit and real assets

\$12.5 trillion+
Committed capital

Source: MSCI Private Capital Universe, as of June 22, 2025.

¹ “Emerging Trends in Wealth Management,” MSCI Wealth, January 2025.

² LPs provide data on the investments they own to general partners, who manage the investments, and, in return, LPs can often see anonymized and aggregated data on all funds in the dataset.

³ MSCI Private Capital Universe dataset; as of December 31, 2024. While the dataset covers over 14,500 private asset funds, our analysis focuses on data from the more than 11,000 private equity and private credit funds within that pool.

How public and private markets differ

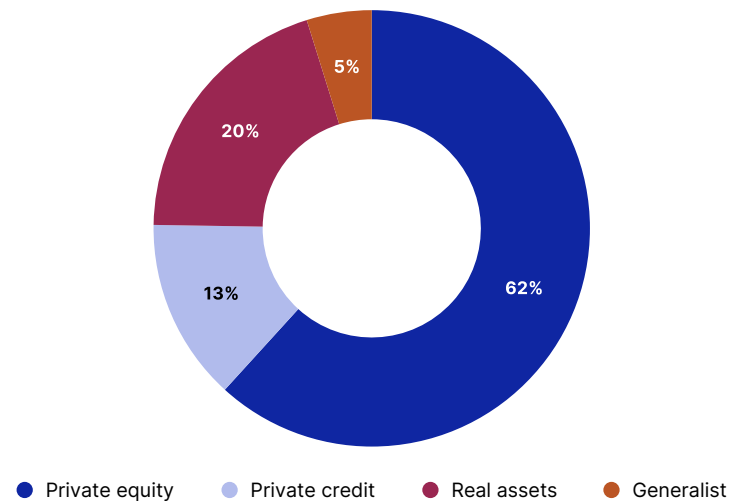
Feature	Public equities	Private markets
Access and liquidity	Daily liquidity; invest/exit anytime	Limited liquidity, with long lock-up periods. More flexible access offered through semi-liquid structures such as evergreen funds.
Capital deployment	Immediate, full investment upon purchase	Drawn down — from LPs, by general partners (GPs) — gradually over fund life
Return metrics	Compound annual growth rate (CAGR), price appreciation	Internal rate of return (IRR) and the return multiples: distributed to paid-in (DPI), residual value to paid-in (RVPI) and total value to paid-in (TVPI)
Time to build exposure	Instant	May take years to reach target allocation



Fund structures: Which vehicle is right for you?

Most investors tend to think of private assets as synonymous with ‘private equity,’ but they also include private credit, a smaller but growing segment, as well as real estate, infrastructure and natural resources — collectively known as real assets. Real estate is often a significant component of the portfolios of high-net-worth investors, who have typically already learned the basics of real estate investing through purchasing primary homes or vacation properties.

Exhibit 1: Private capital landscape by market cap



Source: MSCI Private Capital Universe, as of December 31, 2024.

For these reasons, we focus on private equity and private credit, which remain relatively unfamiliar to the end investor and sometimes even to the wealth management firms that serve them.

Most private equity and private credit funds operate through a structured partnership where LPs commit capital for the life of the fund and general partners (GPs) manage the fund and make investment decisions.

In this arrangement, LPs have limited liability, meaning their financial responsibility is limited to the amount of capital they commit to the fund. They are not involved in day-to-day operations or decision-making. Alternately, GPs manage the fund and hold fiduciary responsibility, assuming full liability for the fund’s operations, investment decisions and legal obligations.

As we’ll see, private assets have become more accessible and adaptable to different investor needs through a growing range of fund structures. While traditional closed-end funds remain the dominant model, newer structures — such as fund of funds, feeder funds, co-investments and evergreen, a type of open-end fund — offer alternative ways to access these markets.

The structures vary in terms of liquidity, fees, diversification and required commitment sizes. Understanding how each works is essential to designing portfolios that align with client objectives, timelines and risk profiles.



Private fund structures: A quick snapshot



Traditional closed-end fund

Most common, with capital committed upfront, invested over time and returned as distributions



Open-end fund (e.g. evergreen)

Offers periodic entry/exit, reducing reinvestment risk



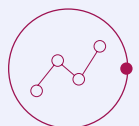
Fund of funds

Adds diversification and access to top GPs but with extra layer of fees



Co-investment

LPs invest directly in deals alongside the fund, often with lower fees



Feeder fund

Allows pooling capital to meet minimum capital requirements, common in retail platforms

Traditional closed-end funds: The classic structure

Traditional closed-end funds start with a 'fundraising window' of roughly six to 18 months, where GPs raise commitments from LPs. During the 'investment window,' GPs deploy capital to their portfolio companies. GPs set a target fund size — such as USD 500 million — and close the fundraising window once they have met or exceeded that target.

There is typically a deadline for fundraising once the first close has been received, regardless of the amount of capital committed. While this deadline gives LPs a limited time to commit to a particular fund, it gives GPs time to focus on identifying investments and deploying capital. GPs may decide to close the fundraising window early if they feel they have gotten commitments from a strong base of strategic LPs.

Evergreen funds: Flexible access with long-term exposure

Recently, we've seen a rise in open-end structures such as evergreen funds, reflecting an industry trend toward making private equity more accessible through lower minimum investment requirements and regular, periodic liquidity windows. Their structure allows for regular opportunities to exit or enter investments and the ability to more frequently add and withdraw capital compared to traditional funds.

According to a 2025 market overview by Hamilton Lane, a U.S. investment manager providing private market solutions, newer evergreen funds that serve as an alternative to traditional closed-end funds accounted for roughly 5% of the overall private markets in 2024. The firm expects that number to grow to 20% about 10 years from now.

With no end date, these structures are designed to reduce the LP's risk around reinvesting capital once a fund winds down. Evergreen funds reinvest, or recommit, capital as funds exit from investments. Unlike closed-end funds, where the LP primarily bears the reinvestment risk, open-end funds allow the LP to remain invested without needing to reallocate capital externally — shifting the reinvestment risk to the GP, who continuously manages capital inflows and reinvests distributions within the fund.

Although evergreen funds are gaining traction, they remain an emerging structure within private markets. While they may offer improved liquidity and accessibility, they also introduce risks — particularly around valuation practices, liquidity management during periods of stress, and limited long-term performance data. As more fund track records become available, investors will gain better insight into how these structures compare to traditional closed-end funds.

FUND STRUCTURES: WHICH VEHICLE IS RIGHT FOR YOU?

Feeder funds: Expanded access for small investors

Feeder funds allow investors to pool capital to meet the minimum investment requirements for a traditional private asset fund. They are commonly offered through retail platforms or wealth managers and can potentially address many challenges with private equity investments.

Comparing key features of fund structures

Fund structure	Liquidity	Min. investment ⁴	Diversification	Fee layers
Closed-end fund	Illiquid (10 to 12 yrs)	High	Moderate (via GP)	Single
Evergreen fund	Periodic (quarterly/annual)	Moderate	Moderate	Single
Fund of funds	Illiquid (over 10 years)	Moderate to high	High (multi-fund)	Double
Co-investment	Illiquid (deal-based)	Very high	Low (deal specific)	Often reduced
Feeder fund	Limited exit options	Low (pooled access)	Mirrors underlying fund	Single

Fund of funds: Diversification with added fee layer

With fund-of-funds structures, a fund-of-funds manager selects and invests in a number of funds focusing on the same strategy. This structure allows LPs to diversify across strategies and regions and gain exposure to popular or high performing managers they are unable to invest with directly.

Manager selection can significantly impact the return of private asset funds and a fund-of-funds structure may be the only way for a newer investor to get exposure to the most popular managers. The structure, however, means an additional layer of fees from the fund-of-funds manager.

Co-investments: A more active role for investors

Some funds may allow for co-investments, where LPs can invest alongside the fund in specific deals. Co-investments may have lower fees but are typically limited to large or strategic LPs.

⁴ Typical range; may vary by platform and manager.



What to expect with evergreen funds

- **Easier entry** – Often more accessible for newer investors in private markets.
- **Some liquidity** – May allow periodic redemptions, usually with limits.
- **Ongoing investing** – Provide continuous exposure without managing multiple fund vintages.
- **Limited transparency** – Valuations may be updated less frequently than in public markets.
- **Redemption risk** – Access to liquidity can be restricted during market stress.
- **Performance variability** – Shorter track records than traditional closed-end funds.

Exploring the strategies that power private assets

Focusing on the traditional closed-end structure used by most of the private capital universe, we can see in Exhibit 2 below that private equity makes up the largest portion, both in terms of number of funds and market capitalization. While private credit is smaller, it has received increased attention recently.

Private equity strategies: Growth vs. control

Private equity is divided into two key strategies: **venture capital** and **buyout**.⁶ Venture capital strategies invest in early-stage and high-growth startups, while buyouts involve acquiring control of mature, cash-generating companies. Funds typically exit venture capital investments through an IPO or the sale of the company. Buyout targets are typically restructured for growth then sold.

The 'other' category includes expansion funds, designed to help companies grow or enter new markets, and a handful of funds where classification has not been designated.

Private credit: Senior, mezzanine and distressed explained

Private credit is divided into **senior**, **mezzanine** and **distressed** strategies. These strategies largely reflect those for public debt: Senior private debt has the highest priority of repayment in the company's capital structure; mezzanine debt is a mix of debt and equity; and distressed debt targets companies in or close to bankruptcy.

⁶ We ignore the expansion capital strategy, where funds invest in mid-size companies, because these funds are relatively small in number. 'Growth capital' is sometimes used to refer to either expansion capital or late-stage (closer to exit) venture capital investments.

EXPLORING THE STRATEGIES THAT POWER PRIVATE ASSETS

Exhibit 2: Private equity dominates the private capital universe

	Funds	Fund of funds	Total	Market cap. (\$M) ⁵
Private capital	13,233	1,524	14,757	12,285,943
Generalist	527	179	706	587,090
Private equity	8,475	1,076	9,551	7,525,794
Generalist	1,054	468	1,522	1,188,233
Venture capital	4,048	307	4,355	1,404,547
Buyout	3,048	279	3,327	4,736,242
Other	325	22	347	196,772
Private credit	1,549	38	1,587	1,645,166
Generalist	336	11	347	390,789
Senior	248	-	248	331,133
Mezzanine	414	6	420	356,088
Distressed	357	18	375	473,774
Other	194	3	197	93,382
Real assets	2,514	159	2,673	2,428,857
Generalist	54	13	67	71,075
Real estate	1,631	102	1,733	1,226,217
Natural resources	415	26	441	244,958
Infrastructure	405	16	421	884,683
Other	9	2	11	1,924
Other	168	72	240	99,035

Source: MSCI Private Capital Universe; as of December 31, 2024.

⁵ Small fund-of-funds numbers for the 'other' category under both private equity and private credit mean that the market capitalization numbers do not sum exactly at the asset-class level.





Private equity vs. private credit: Key characteristics

Feature	Private equity	Private credit
Primary return source	Value creation through growth, exit	Interest income from lending
Risk/return dispersion	High	Moderate
Liquidity profile	Illiquid; capital called and returned typically over 8 to 12 years	Illiquid, but may have interest income
Capital deployment pace	Slower, deployed over time	Faster than equity
Holding period	Typically 8 to 12 years	Typically 5 to 7 years
Common exit mechanism	Sale, IPO	Loan repayment, restructuring
Performance sensitivity to manager selection	Very high	Moderate

Generalist strategies: Investing across the spectrum

'Generalist' strategies are a mix of these strategies. A generalist private equity fund, for example, may be invested in both venture capital and buyout strategies. Venture capital fund managers may decide they want to invest in a promising buyout opportunity. The classification is based on the capital deployed by the manager, reflecting the actual investments made by the fund. Some generalist funds invest in both private equity and private credit.

Investing in private assets: What to expect

Building an allocation in private equity or private credit is not as straightforward as it is with public markets, mainly due to the closed-end nature of most private funds. Investors must approach these funds with a long-term perspective and commit to a long holding period to realize the full value of their investments.

The timing and size of capital calls and distributions can vary widely, depending on the fund's strategy and structure. Capital is deployed gradually rather than all at once, and the unique, customized nature of each investment influences the speed at which that can happen. With cash flows varying over the life of the fund, investors need to account for these variants.

With public equity, investors can enter into their entire position at once then sell at their convenience. With private assets, capital is called over time and distributed back in lump sums as dividends or proceeds of an exit.

Private equity creates value through strategic, financial or operational improvements, and requires exiting through an IPO or a sale to generate returns for investors. Private credit, however, often involves negotiated terms and covenants that encourage long-term relationships between the lender and borrower. With private credit, returns are generated through interest payments.

For investors entering this space, understanding how these features affect cash flow, portfolio construction and long-term planning is

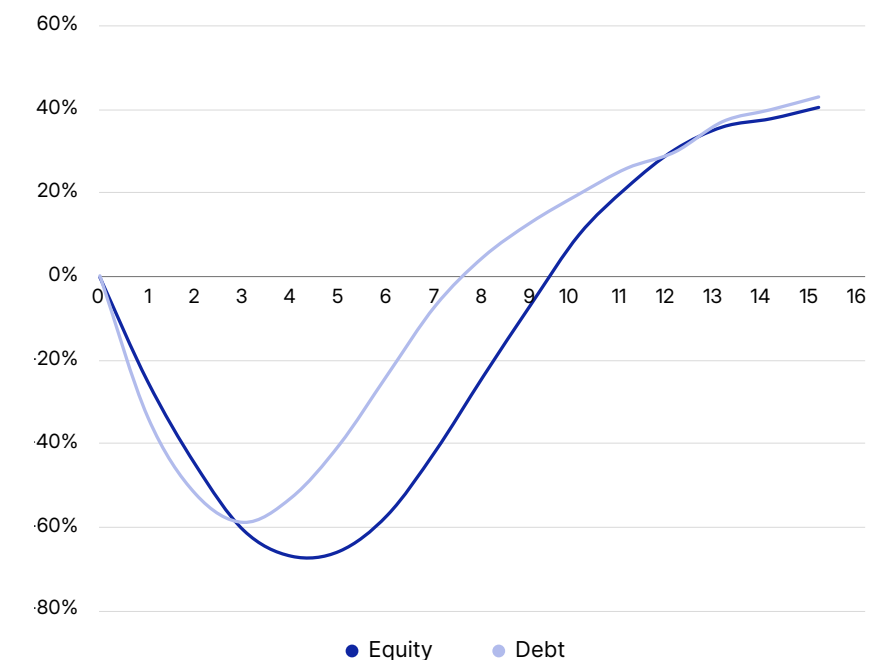
critical. While a variety of fund structures exist, we focus for the remainder of this report on closed-end funds, which make up the majority of funds today.⁸ Many of the aspects discussed below may be addressed by shifting to open-end funds that target the wealth channel, which would make the GP, rather than the LP, responsible for the pacing, reinvestment and liquidity challenges. However, understanding the benefits and impacts of closed-end funds is still helpful for investors looking to increase their exposure to private assets.

Managing your liquidity to meet capital calls

To illustrate how capital is deployed and returned over the life of a private fund, we show net cumulative cash flows, or distributions of invested capital, for funds in the MSCI Private Capital Universe database, plotted over the age of the fund. This 'J-curve,' named for the shape of the plot,⁹ helps explain several differences between private and public market investing.

In the early years of a private fund's life, capital is drawn down and invested, but distributions are typically minimal. Investments begin to mature after a few years: Companies are restructured, products are developed and launched or interest starts to be repaid. Net cash flow flattens out and the pace of distributions begins to overtake that of investments.

Exhibit 3: Plotting the 'J-curve' to show cumulative net cash flows



Source: . Calculated based on all private equity and private credit funds in the MSCI Private Capital Universe dataset; as of December 31, 2024.

⁸ We plan to publish a separate insight focusing on open-end fund structures at a future date.

⁹ This is technically the 'cash flow J-curve,' as opposed to the 'performance J-curve' LPs sometimes review.

INVESTING IN PRIVATE ASSETS: WHAT TO EXPECT

Finally, as distributions continue to grow, overall fund performance crosses into positive territory, hitting the 'breakeven point,' where the amount of distributions from a fund equals the contributions. In Exhibit 3 above, we see this has historically occurred around year nine for private equity funds and year seven for private credit funds.

Investors should be aware of these timeframes when planning allocations, as commitments made to private equity and private credit funds could be called at any time during the life of the fund. LPs then have to deliver the called capital to the GPs within about 10 to 15 business days, or as specified by their limited partnership agreement.

LPs unable to meet a capital call may face penalties such as a dilution or liquidation of their investment in the fund. GPs may give informal advance warning of upcoming capital calls before the official notice is communicated to give LPs more time to make the funds available. To avoid financial penalties and reputational harm, it is critical for LPs to effectively manage their liquidity and meet capital calls when made.

Understanding the private market ramp-up

The initial dip of the J-curve illustrates another characteristic of private markets — it can take several years to fully build an allocation. According to data from the MSCI Private Capital Universe dataset, the average equity fund has deployed only about 25% of committed capital after the first year and roughly 45% after the second year.

Private credit funds show slightly faster deployment but still follow a gradual ramp-up.¹⁰ To measure actual exposure, investors often rely on the **paid-in capital (PIC)** metric, which reflects the portion of

committed capital that has been called and invested. This slow pace of deployment means that achieving a target allocation — especially for first-time investors — requires careful planning and patience. It may take multiple years for committed capital to be fully invested and generate returns.

Beyond CAGR: Rethinking performance metrics

With publicly-traded securities that are priced daily, where investors can assume a consistent growth rate during the holding period, the return on an investment can be calculated using the **compound annual growth rate (CAGR)**.

For private asset classes, where capital is both invested then returned over time at irregular intervals, however, CAGR is not appropriate. In these cases, investors use the **internal rate of return (IRR)**, which can account for these situations and does not require daily pricing. It is calculated by finding the discount rate that makes the **net present value (NPV)** of all projected cash flows equal to zero. In essence, it's the annualized rate of return the LP is expected to earn from the fund over its lifetime.

In addition to IRR, investors use various return multiples to get the full picture of fund performance. Although these return multiples ignore the timing of cash flows and the holding period, the ease of calculation and ability to distinguish between the realized distributions and unrealized portfolio make them popular with LPs. Multiples capture the realized and unrealized aspects of the return, both of which are important for the investors to understand.

¹⁰ The actual percentage of committed capital is likely to be higher since there probably will have been some small distributions from the fund.

Private asset performance metrics include:



Distributed to paid-in (DPI)

Represents LP's realized return; calculated as the ratio of cumulative distributions to LPs to the total capital invested.



Residual value to paid-in (RVPI)

Represents LP's unrealized return, or the net asset value (NAV) of the fund as a proportion of the total invested capital. As GPs update fund valuations, they are reflected here first.



Total value to paid-in (TVPI)

Represents overall investment return; given by the sum of the unrealized and realized returns. Reflects both cumulative distributions received and the NAV of fund.

The 'vintage year' effect: Diversifying across economic cycles

Because these funds are illiquid and take a long time to return capital, they are very dependent on the macroeconomic environment. While 'vintage year' has multiple meanings, we define it here as the year of a fund's first capital flow. That year, and the subsequent economic environment, can have a material impact on the fund's performance. Spreading commitments across different vintage years can help diversify across economic cycles.

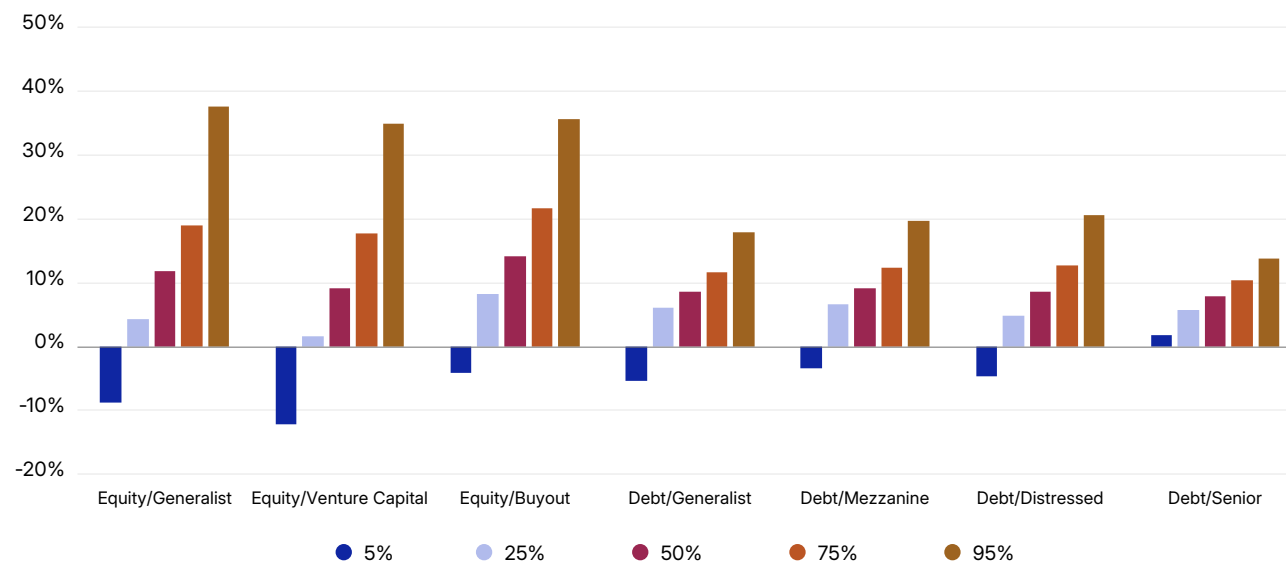
The J-curve also shows why investors in private capital should consider funds with a range of vintage years, given the long holding periods with irregular capital calls and distributions. An LP invested in a range of vintage years, at any point in time, will be invested in funds at different points along the J-curve, with some funds drawing down commitments and other returning capital. By investing in a range of vintage years, investors can potentially experience smoother cash flows and more consistent capital deployment.



Relearning return profiles

To better understand the return profile of these funds and potential allocations, we can use the MSCI Private Capital Universe dataset to get an overview of the distribution of returns across all major private asset class categories. Here, we plot a distribution of IRR¹¹ (5th, 25th, 50th, 75th and 95th percentiles) for all funds in our dataset:

Exhibit 4: Distributions of IRR by fund strategy



Source: MSCI Private Capital Universe; as of December 31, 2024. Data for funds with vintage year 2010 to 2019; vintage year limited to 2010 onward to focus on more recent periods.

The chart shows the distribution of IRR over the lifetime of the entire fund. We show a range of IRR percentiles to illustrate both the typical return as well as the return distribution.

One key observation is that median IRRs — represented by the 50th percentile (in gray) — are relatively close across asset types: around 12% for equity strategies and 9% for credit strategies. However, the return dispersion is much wider for private equity than for private credit. The 95th percentile IRR exceeds 35% for private equity but is closer to 20% for private credit, highlighting the greater potential for outsized returns in private equity strategies as well as the increased risk of outsized losses.

Conversely, the 5th percentile return for the private equity strategies across the spectrum is -8%, but only -3% for credit. Notably, senior debt still shows a small positive return at the 5th percentile at 1.7%, reflecting its more defensive profile.

This distribution highlights the importance of manager selection — the best performing managers can potentially significantly outperform the average. It's also true that the poorest performers can potentially deliver much lower returns than the median performers.

The private equity venture capital and buyout strategies have similar return distributions, as do the three credit fund strategies of senior, mezzanine and distressed. This suggests that for investors looking to increase their exposure, the broader choice of private equity or private credit could be more impactful than choosing a strategy within each group.

Additionally, the 'generalist' category for both private equity and private credit tends to fall in the middle of its respective range, particularly median IRR. This is consistent with the generalist category being made up of a mix of all fund strategies within that asset class. Generalist funds have a multi-function focus, offering investors a blended exposure to private equity or private credit, based on their needs.

Understanding the impact of vintage year

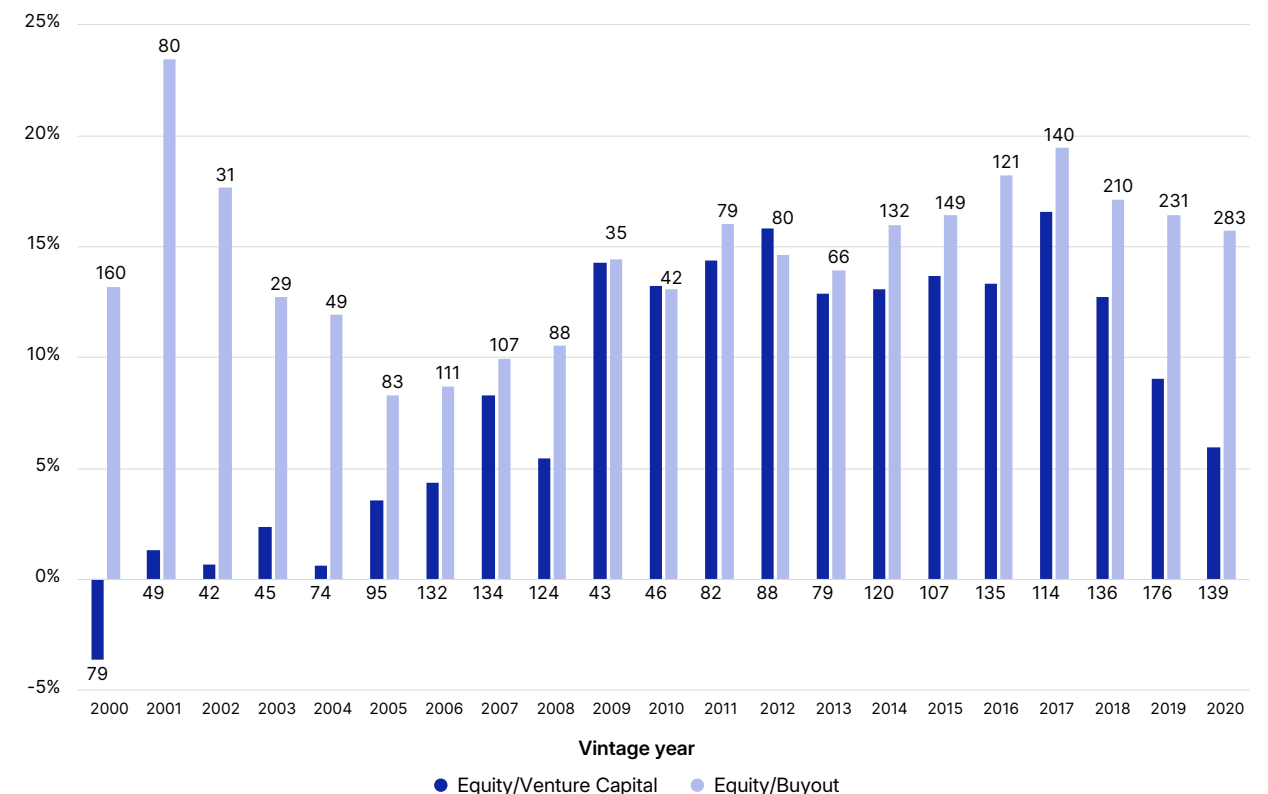
Vintage year — the year a fund first draws capital — can have a significant impact on long-term performance. It is important for investors to diversify across vintage years when allocating to private asset classes. Using the MSCI Private Capital Universe dataset, we can examine the average IRR shown above to see how it varies by the fund vintage year.

Instead of IRR for the entire life of the fund, we use the IRR since inception as shown in Exhibit 5, measuring the performance of each fund 10 years after its initial drawdown. From the J-curve in Exhibit 3, we can see that by 10 years, funds are typically past their initial investment stage and beginning to generate returns for investors, making this metric good for comparison across vintage years.

Breaking out the IRR by vintage year allows us to see how economic cycles impact fund performance. The chart also includes the number of funds in each vintage year, shown above each bar. We can see the impact of the Global Financial Crisis (GFC) in both the return of the venture capital strategies in 2007 and 2008, as well as the number of funds.

During the GFC, those managers who exited had to accept reduced valuations, as illustrated by the IRR for those years. In 2009, after the GFC, we can also see a significant drop in the number of venture capital funds. Regardless of investment focus, private equity investors can clearly see the need to diversify across vintage years.

Exhibit 5: IRR since inception for private equity funds by strategy and vintage

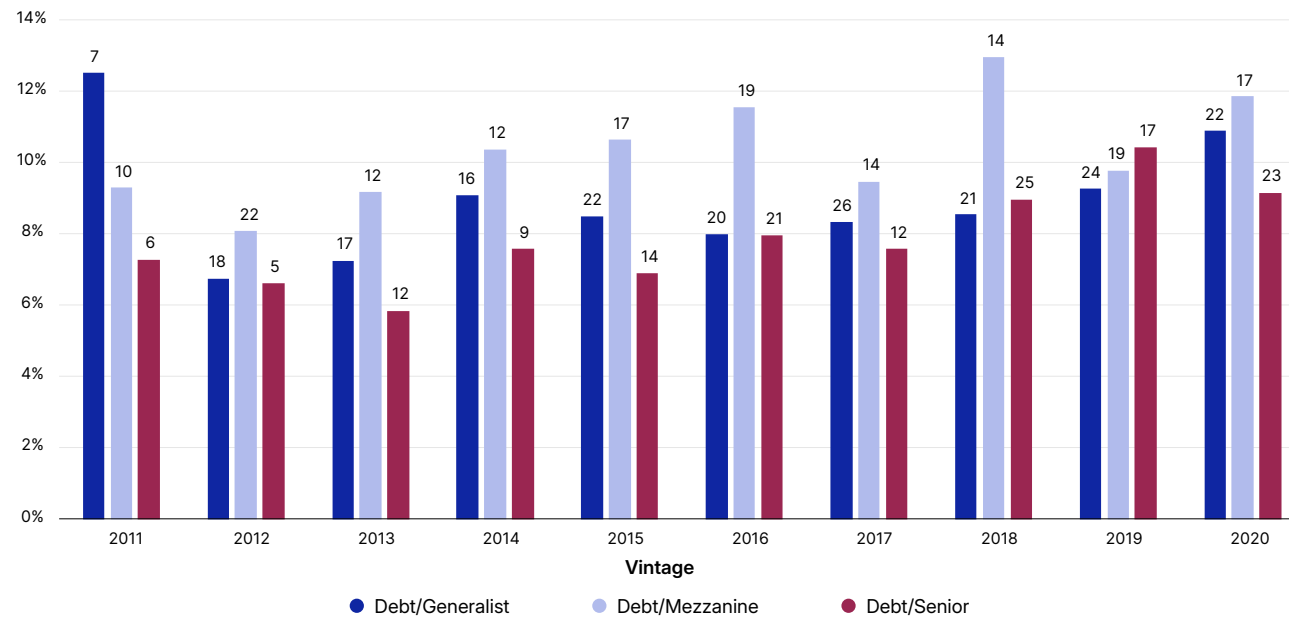


Source: MSCI Private Capital Universe; as of December 31, 2024.

UNDERSTANDING THE IMPACT OF VINTAGE YEAR

If we examine returns for private credit through the same lens, we can see the need for diversification there as well, as shown by Exhibit 6 below.

Exhibit 6: IRR since inception for private credit funds by strategy



Source: MSCI Private Capital Universe; as of December 31, 2024.

When looking at private credit, we see less variation in IRR across vintage year, consistent with the lower dispersion we saw in Exhibit 4. We can easily compare the growth in the number of private credit funds in the last decade to that before the GFC by looking at the number of funds in our data.



BUILDING AN ALLOCATION:
EXPECT SLOW START

Building an allocation: Expect slow start

Unlike with public equity, building an allocation to private assets can take some time due to the ramp-up time for funding. Investors can drill into historical data to get a better sense of how long it takes for capital to be deployed for certain vintage years and fund types. This is important as investors must carefully monitor liquidity to ensure cash is available when it's needed.

The size of an allocation can be measured using the paid-in capital metric, which shows the amount of called capital (or capital delivered to the GP and deployed) as a percentage of the total committed capital.¹² It allows investors to see how much of their capital has been deployed and how much is still unused.¹³

Exhibit 7 shows the paid-in capital for all funds in the universe, broken out by fund category, giving us a sense of how long it takes for committed capital to be fully deployed. We can see it takes about eight years for a private equity fund to call all the committed capital and about five years for a private credit fund. The chart shows that an investor with USD 10 million of committed capital will only have an allocation of about USD 4 million in private credit after one year, or about USD 3 million in private equity, based on the rate of drawdown.

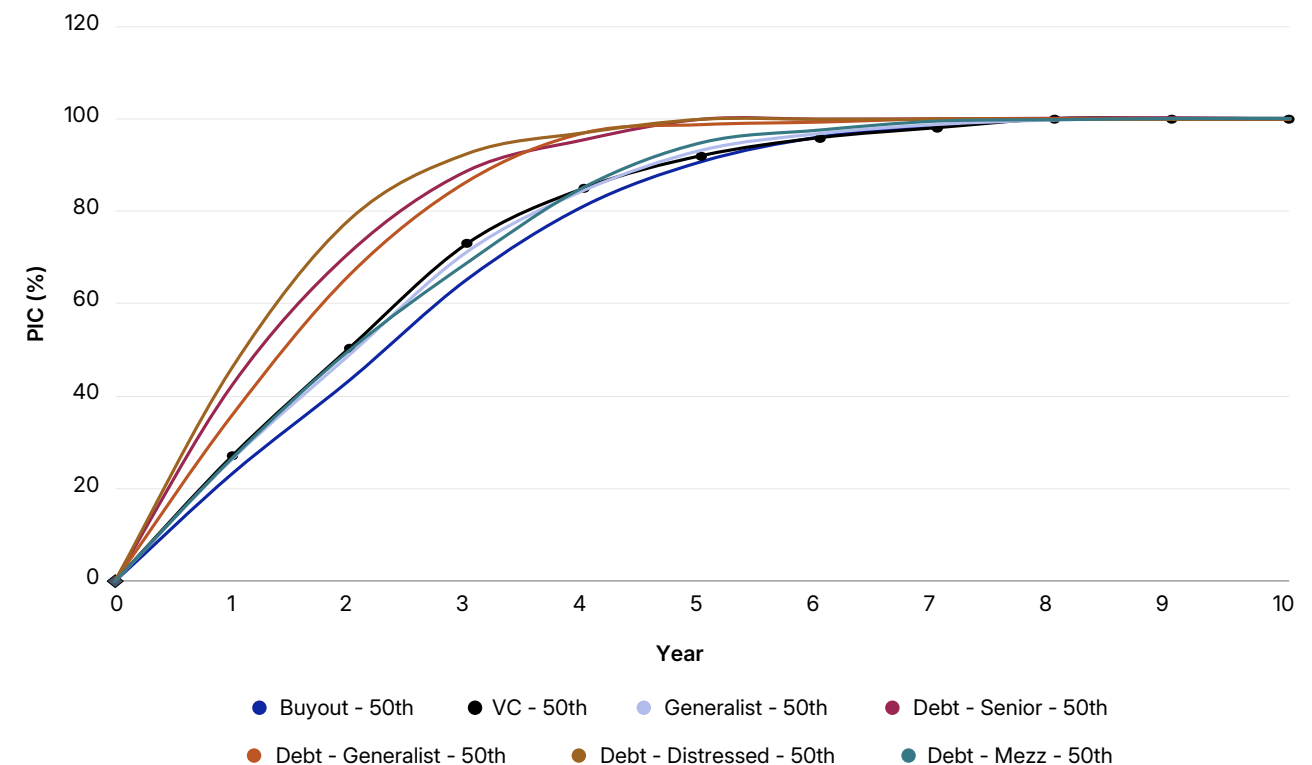
Conversely, the chart could also help investors assess how much capital they might need to commit to achieve a given level of allocation within a certain time frame. To achieve an exposure of USD 1 million to private equity within one year, for example, a commitment of USD 5 million might be required, given that paid-in capital is about 20% for private equity funds after a year.

Achieving an allocation of USD 1 million to private credit within a year, however, might only require a commitment of USD 2.5 million since the paid-in capital for private credit is closer to 40% after a year.

¹² Paid-in capital also includes other items such as management fees and partnership expenses.

¹³ "Unused" capital, also known as "dry powder," or capital that has been committed by investors but not yet called or deployed.

Exhibit 7: How capital is deployed over time



Source: MSCI Private Capital Universe; as of December 31, 2024.

A different mindset for private assets

For wealth managers accustomed to public equities, allocating to private assets inevitably requires more time — and a shift in thinking.

LPs must account for the long-term nature of investments, which both deploy and eventually return capital over irregular timelines. This structure not only affects liquidity, but also the performance metrics LPs must rely on — requiring them to set aside CAGR and daily pricing for IRR and return multiples.

Investments should be diversified across the fund vintage year to reduce exposure to the economic environment and to smooth out cash flows. Learning how similar funds have performed in the past can help LPs make decisions on the timing and size of allocations with more confidence.

By understanding how private equity and private credit differ from public investments — especially in liquidity, deployment timelines and risk dispersion — wealth managers can help investors seeking to build more resilient, long-term portfolios.

The private assets checklist

- ✓ Learn fund structures and return metrics
- ✓ Plan for long-term, staggered capital deployment
- ✓ Manage liquidity to meet unpredictable cash flow needs
- ✓ Diversify across managers and vintage years

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Appendix A: A short guide to private market fund structures

Traditional closed-end fund

- Most common structure
- LPs commit capital during fundraising window
- GPs invest capital over fixed fund life
- Capital called over time and returned via distributions
- No early redemption options

Open-end fund (e.g. evergreen)

- Newer structure; semi-liquid and no fixed end date
- Capital continuously reinvested as assets are exited
- Built to reduce LP reinvestment risk
- More flexible entry/exits compared to closed-end funds

Fund of funds

- Pooled investment vehicle; allocates capital to underlying funds
- Built-in diversification across managers, strategies or regions
- Useful for accessing in-demand GPs but adds layer of fees

Co-investment

- Allows LPs to invest directly in specific deals alongside a fund
- Typically offered to large or strategic LPs
- May feature lower fees
- Limited access; often requires additional due diligence

Feeder fund

- Pools multiple smaller investors to meet minimum capital requirement of a traditional private fund
- Commonly offered via retail or wealth management platforms
- Provides broader access to private investments

Appendix B: Glossary of private asset terms

Compound annual growth rate (CAGR) — annualized rate of return of investment over specified time period, assuming investment grows at steady rate and profits are reinvested each year.

Closed-end fund — Fund structure with a fixed life span, in which limited partners (LPs) commit capital upfront and general partners (GPs) invest and return capital usually over 8 to 12 years.

Co-investment — An arrangement where LPs invest directly in a specific deal alongside a fund, rather than in the fund itself, typically with lower fees and limited access.

Distributed to paid-in (DPI) — Measures realized portion of a fund's return.

Evergreen fund — Open-end fund structure that reinvests capital and allows periodic entry and exit without fixed end date.

Feeder fund — Structure that allows smaller investors to pool capital to meet minimum investment thresholds, often offered via wealth platforms.

Fund of funds — Pooled vehicle that invests in a diversified portfolio of underlying private funds, offering access and diversification but with extra layer of fees.

General partner (GP) — Entity responsible for managing private fund, making investment decisions and overseeing operations.

Internal rate of return (IRR) — Performance measure that estimates annualized rate of return over life of private fund, accounting for timing of cash flows.

J-curve — Chart that shows typical cash flow pattern of private funds — negative in early years, turning positive later as distributions are made.

Limited partner (LP) — Investors (generally institutional investors such as pensions, sovereign wealth funds or endowments) in a private fund who commit capital and rely on GPs to manage and deploy that capital.

Net present value (NPV) — Present value of all expected future cash flows from an investment, to help assess whether a fund is likely to meet its return targets.

Paid-in capital (PIC) — Amount of capital that has actually been called and invested by fund, expressed as percentage of total committed capital.

Private credit — Private lending where investors provide debt capital to companies, earning returns through interest payments. Includes senior, mezzanine and distressed strategies.

Private equity (PE) — Investment strategy focused on acquiring ownership in private companies, with value created through operational, strategic or financial improvements and exits via IPO or sale. Key strategies include venture capital and buyout.

Residual value to paid-in (RVPI) — Reflects unrealized portion of fund's return.

Total value to paid-in (TVPI) — Ratio that combines both realized and unrealized returns.

Vintage year — Year private fund begins investing capital; often used to assess performance relative to macroeconomic cycles.

About MSCI

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 50 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process.

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