



APRIL 2025

5 Questions for Raluca Jochmann

Private Markets

How can private markets add value to a portfolio?

Over the last 10 years, private markets have become a strategic allocation in the portfolios of most institutional investors. Private markets can serve as a diversifier, a return driver and/or a risk mitigating factor in an institutional investor's overall portfolio. In contrast to equities and bonds, private markets can provide access to new sources of returns, the so-called illiquidity or complexity premiums, due to their illiquidity and barriers to market entry. In the past, private markets have outperformed listed equities both in times of market stress - be it during the great financial crisis in 2008 or during the interest rate reversal in 2022 - and in the long term¹. First and foremost, investors are interested in accessing the most attractive investments on the market - no longer as easy as it may have been during the low interest rate environment. In addition, investors are often looking for quick deployment of capital and a reduction of the so-called J-curve, i.e. the negative returns that tend to arise at the beginning of an investment period. In order to facilitate this, a great deal of expertise, experience, and extensive market access are therefore required to manage an attractive private markets portfolio.

Under the conditions above, private markets can play a strategic role in a diversified portfolio.

What role can private markets play for private investors, in addition to institutional investors?

We see a high need for private investments worldwide - in the area of infrastructure to enable the green and digital transformation, but also in the areas of private equity and private debt, where the markets continue to grow. Private capital, in the past primarily provided by institutional investors, will continue to gain importance next to listed markets. More and more solutions for private markets are also aimed at non-institutional clients, not least with the advent of the ELTIF 2.0 regulation in the EU, which has made private markets more accessible to private investors compared to before.



Raluca Jochmann, Head of Private Markets Solutions,
Allianz Global Investors

Just as for institutional investors, private markets can also make a valuable contribution to private clients' portfolios - whether for diversification, return enhancing or risk reducing reasons. Nevertheless, investors should be aware of typical characteristics, such as the long investment horizon, and risks associated with investing in private markets. They should therefore always seek advice to make an informed decision.

Which developments do you currently see in private markets and what opportunities and risks arise?

After a period of reduced investment activity and distributions, during which revaluations took place and many market participants scaled back their activities after the interest rate rise of two years ago, we are now witnessing an increase in market transactions.

Although the record volumes of the past decade have not yet been reached again, private markets continue to offer opportunities for generating long-term premiums above liquid markets. In our view, this remains true regardless of the recent environment. A key factor is the long-term capital commitment, which is the key factor driving the potential excess returns of these investments compared to listed markets. However, there are the same political, economic and market risks at the overall portfolio level as on the liquid markets, as well as specific risks related to individual companies, business models or projects.

Overall, we expect fundraising to rise in 2025 from the depressed values in 2023-2024, presenting attractive opportunities, even though we do not expect it to immediately revert to previous record levels.

In which areas of private markets do you see particular opportunities?

We generally consider diversification across multiple private market asset classes to be beneficial for investors. However, depending on opportunities, specific market areas can be emphasised.

As both a strategic and tactical portfolio construction tool, we place particular emphasis on secondaries—not only in private equity, where secondaries have long been an established part of the market, but increasingly in private debt and infrastructure as well. Secondaries, or secondary market transactions, are essentially “second-hand” stakes in funds or single investments and can offer interesting entry opportunities for investors depending on the investment's maturity, market environment, and seller's situation. These types of investments not only allow for accelerated capital deployment but also contribute to portfolio diversification. Additionally, their risk may be well below that of primary investments, as they include less or no blind-pool risk, allowing for the evaluation of the already made investments and the inclusion of this information in the pricing process. We expect the secondary market to continue to be very active in 2025.

Following the investment backlog of recent years, we expect an increase in distributions and M&A transactions for private equity buyouts. Historically, similar environments have often been attractive entry points for investments in primary funds. In the private debt segment, we continue to expect a positive environment in the senior corporate direct lending area, with interesting diversification potential coming from infrastructure debt.

In the infrastructure equity sector, transaction volumes have increased as well, while valuations have recalibrated. This asset class has proven particularly stable in recent years, marked by the inflation rise of 2021-2023, and thus plays an important role in the portfolio context. We currently see interesting opportunities in the core+ segment, especially within investments in the energy transition, digitalisation and transport sectors. While the investment needs in the three “Ds” — decarbonisation, digitalisation, and demographic change — are urgent, government budgets are still under pressure. Private capital can help bridge these deficits, presenting opportunities for investors who can expect an attractive risk-return profile given recent revaluations of projects.

What role can multi-private-market portfolios play?

Multi-private-market portfolios are strategies that combine various asset classes, such as private equity, infrastructure and private debt, within a single portfolio. These strategies follow a unified long-term investment approach and can flexibly seize all market opportunities (see Figure 1). Multi-private-market portfolios can be particularly appealing to investors who seek a tailored investment strategy and a simultaneous reduction of operational complexity.

Key objectives of such portfolios are to achieve rapid initial build-up and to ensure reliable maintenance of target volume over the long term. This means that return drag due to underinvestment may be minimised or almost entirely avoided, not only in the initial investment phase but also in the long run. With a multi-private-market portfolio, investors can achieve flexibility, transparency and efficiency in their private markets investments.

Figure 1: A hypothetical multi-private-market portfolio



Source: Allianz Global Investors (risklab team), 2025. This is for guidance only.

¹ Since 2000, private markets have outperformed equities in 75% of all calendar years. During the same time, in years of negative equity market returns, private markets earned an average outperformance of 7 percentage points or more per year. Equities represented by the MSCI World Net Total Return Index. Private Markets represented by Private Equity, Private Debt and Infrastructure indices of MSCI Private Capital. Source: Bloomberg and MSCI Private Capital, in EUR, as of 30.09.2024.

The document is for use by qualified Institutional Investors (or Professional/Sophisticated/Qualified Investors as such term may apply in local jurisdictions).

This document or information contained or incorporated in this document have been prepared for informational purposes only without regard to the investment objectives, financial situation, or means of any particular person or entity. The details are not to be construed as a recommendation or an offer or invitation to trade any securities or collective investment schemes nor should any details form the basis of, or be relied upon in connection with, any contract or commitment on the part of any person to proceed with any transaction.

Any form of publication, duplication, extraction, transmission and passing on of the contents of this document is impermissible and unauthorised. No account has been taken of any person's investment objectives, financial situation or particular needs when preparing this content of this document. The content of this document does not constitute an offer to buy or sell, or a solicitation or incitement of offer to buy or sell, any particular security, strategy, investment product or services nor does this constitute investment advice or recommendation.

The views and opinions expressed in this document or information contained or incorporated in this document, which are subject to change without notice, are those of Allianz Global Investors at the time of publication. While we believe that the information is correct at the date of this material, no warranty of representation is given to this effect and no responsibility can be accepted by us to any intermediaries or end users for any action taken on the basis of this information. Some of the information contained herein including any expression of opinion or forecast has been obtained from or is based on sources believed by us to be reliable as at the date it is made, but is not guaranteed and we do not warrant nor do we accept liability as to adequacy, accuracy, reliability or completeness of such information. The information is given on the understanding that any person who acts upon it or otherwise changes his or her position in reliance thereon does so entirely at his or her own risk without liability on our part. There is no guarantee that any investment strategies and processes discussed herein will be effective under all market conditions and investors should evaluate their ability to invest for a long-term based on their individual risk profile especially during periods of downturn in the market.

Investment involves risks, in particular, risks associated with investment in emerging and less developed markets. Any past performance, prediction, projection or forecast is not indicative of future performance. Investors should not make any assumptions on the future on the basis of performance information in this document. The value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested.

Investing in fixed income instruments (if applicable) may expose investors to various risks, including but not limited to creditworthiness, interest rate, liquidity and restricted flexibility risks. Changes to the economic environment and market conditions may affect these risks, resulting in an adverse effect to the value of the investment. During periods of rising nominal interest rates, the values of fixed income instruments (including short positions with respect to fixed income instruments) are generally expected to decline. Conversely, during periods of declining interest rates, the values are generally expected to rise. Liquidity risk may possibly delay or prevent account withdrawals or redemptions.

April 2025