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Q4 2025

Capital Market Assumptions Survey Findings

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Key Takeaways

01 Survey **respondents hold optimistic long-term return expectations** in private capital, particularly in venture capital, buyout, real estate, and private credit. Non-U.S. equities are expected to outperform US equities over the long-term.

02 **Short-term return expectations are elevated relative to long-term return expectations** in private credit, equity-focused hedge funds, and EM equities. The opposite is true for buyout and real estate funds.

03 **The macroeconomic outlook is optimistic, but risks remain.** Volatility is expected to remain elevated or increase, with policy surprises, inflation, and geopolitical developments remaining top of mind.

Introduction

In Q4 2025, Addepar and the London School of Economics conducted a survey of family offices and wealth advisors serving high-net-worth investors. The survey explores risk and return expectations across various asset classes. This was the sixth round of the survey, providing valuable insights into the evolving perspectives of sophisticated private wealth investors.

The findings complement institutional surveys and capital market assumptions (CMA) by capturing expectations from experienced private wealth professionals. The survey focuses on both public market and alternative asset classes, covering short- and long-term return expectations, recession risk, macroeconomic fundamentals (e.g., GDP and inflation), and anticipated drawdowns during market downturns.

In this survey round, we focused on investment professionals in CIO positions and asked a series of questions about volatility, risk, and respondents' views on private markets. There were 37 respondents who completed the survey between September 18th and October 9th. This provides a unique snapshot of professional investors' views on the current market landscape, and the evolving balance of opportunities and risks. For more information, please email research@addepar.com.
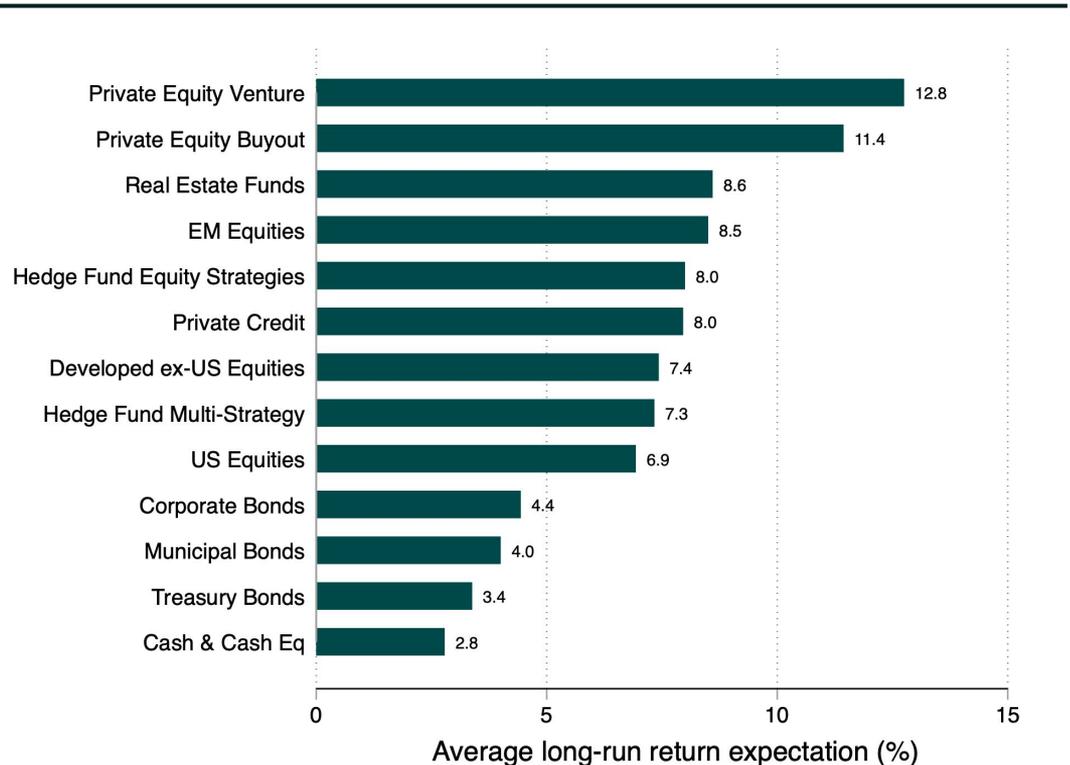
Investors show optimism for venture and buyout over the next decade

Survey respondents continue to maintain robust long-term return expectations for private funds, particularly in venture capital and buyouts. Real estate and private credit funds are also expected to have high returns over the long-term.
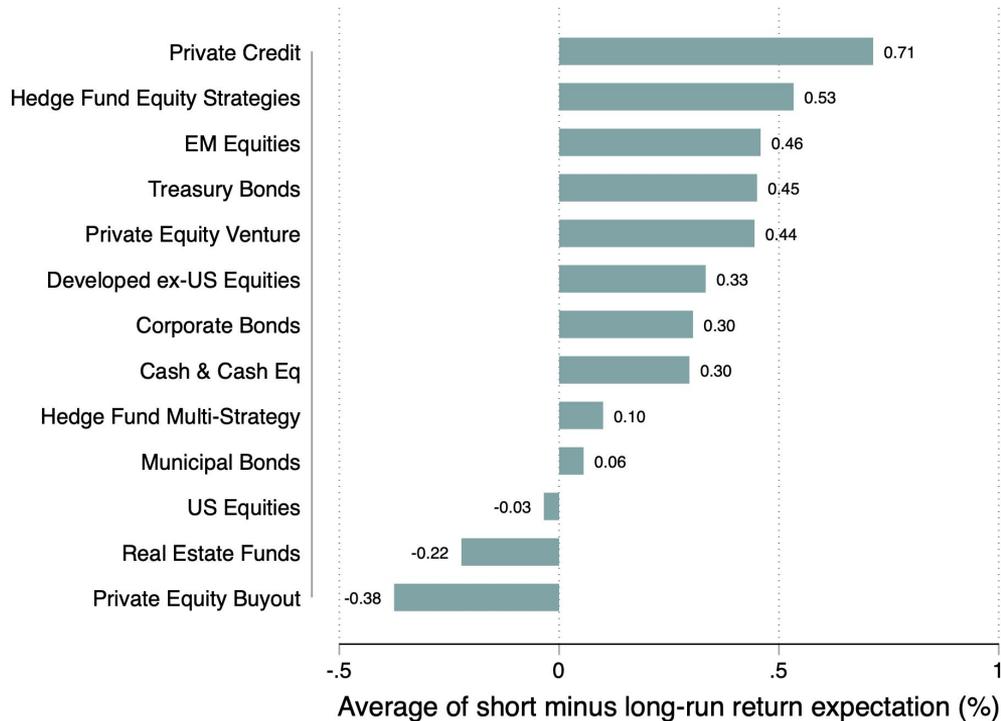
In equities, emerging markets are expected to outperform developed markets, and developed ex-US equities are expected to outperform US equities. This is in line with recent outperformance driven by AI optimism in China, and the strengthening of EM currencies against the USD.

Hedge fund returns are expected to be between 7 and 8 percent, on average. Fixed income returns are anticipated to remain in the low- to mid-single-digit range.

In previous summary reports, we documented the consistency of these long-run return expectations with consultants' expectations, and long-run historical returns.

Category	Average long-run return expectation (%)
Private Equity Venture	12.8
Private Equity Buyout	11.4
Real Estate Funds	8.6
EM Equities	8.5
Hedge Fund Equity Strategies	8.0
Private Credit	8.0
Developed ex-US Equities	7.4
Hedge Fund Multi-Strategy	7.3
US Equities	6.9
Corporate Bonds	4.4
Municipal Bonds	4.0
Treasury Bonds	3.4
Cash & Cash Eq	2.8

Average 10-year return expectation, Q4 2025

Private Credit — 0.71
Hedge Fund Equity Strategies — 0.53
EM Equities — 0.46
Treasury Bonds — 0.45
Private Equity Venture — 0.44
Developed ex-US Equities — 0.33
Corporate Bonds — 0.30
Cash & Cash Eq — 0.30
Hedge Fund Multi-Strategy — 0.10
Municipal Bonds — 0.06
US Equities — -0.03
Real Estate Funds — -0.22
Private Equity Buyout — -0.38

Average of short minus long-run return expectation (%)

Tactical views, Q4 2025 (1 year – 10 year expected returns)

Investors see near-term opportunities across several asset classes, in particular in private credit, equity-focused hedge funds, and EM equities.

Tactical views — defined as the difference between short- and long-term expectations — highlight areas where investors perceive potential market mispricing. These views play a role in driving asset class flows relative to the generally stable nature of long-term asset allocations.

While average expectations across both horizons are broadly similar, there is near-term optimism for most asset classes that are listed in the survey. Where it is positive, the average short-term return expectation is between 6 and 71 basis points higher than the average long-term return expectation.

Respondents on average expect less favorable short-term returns in buyout funds, real estate funds, and US equities. However, this short-term difference in the return expectation is quantitatively small.
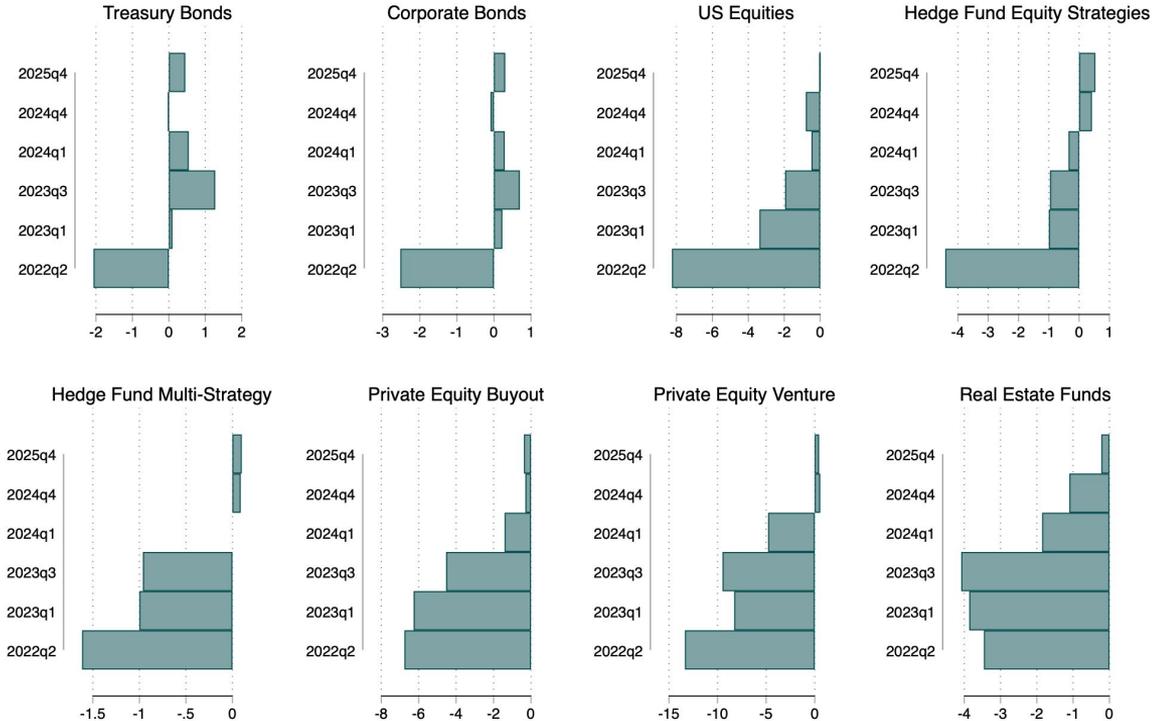
The current market outlook reflects the normalization of short-run relative to long-run expectations

The gap between short- and long-term expectations has narrowed across all asset classes since the survey began in 2022. At that time, survey respondents' short-term return expectations were generally pessimistic.
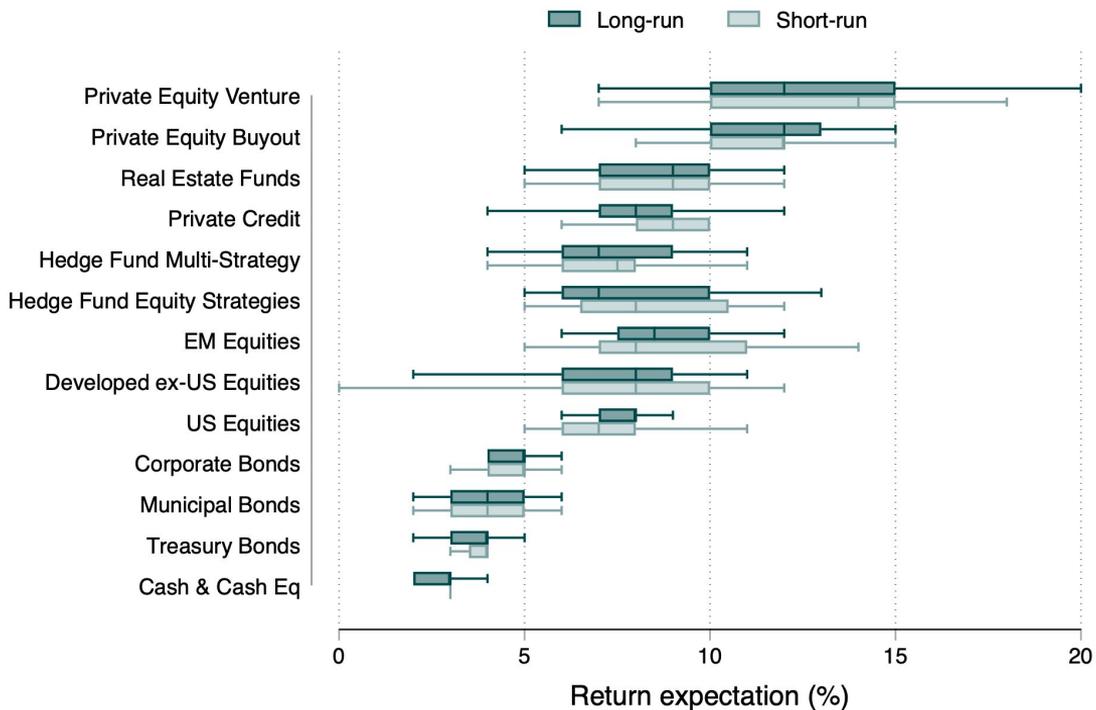
In equities and alternatives, this gap has continued to shrink over subsequent survey rounds. Respondents are optimistic about near-term hedge fund returns, for both equity focused and multi-strategy hedge funds.

For US equities, the average short-term return expectation among survey respondents remains lower than long-term expectations, reflecting caution regarding potential near-term drivers of equity performance. This is alongside lower average long-term return expectations for US equities in this round, relative to previous rounds.

The tactical view on bonds has shifted in response to inflation and policy rate expectations.

Evolution of tactical views (average short run minus long run expectations, %)
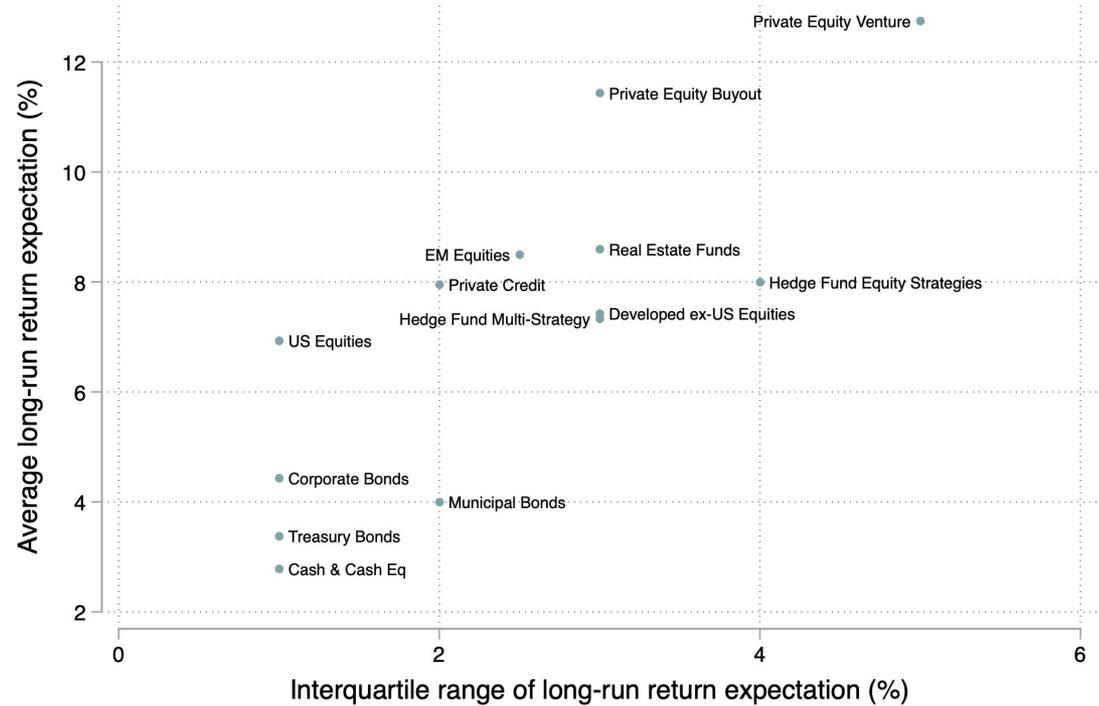
Range of return expectations, Q4 2025

The figure illustrates the median, interquartile range (IQR), and whiskers extending to data points within 1.5 times the IQR from the nearest quartile.

There is considerable dispersion in the return expectation in each asset class

Despite the optimism reflected in average return expectations across asset classes, survey respondents show significant disagreement about the returns they expect within each class, both in the short-term and long-term.

Notably, there is **considerable dispersion in short-term return expectations for venture capital, EM equities, developed ex-US equities, and equity-focused hedge funds.** Long-term return expectations are also particularly dispersed in venture capital and equity-focused hedge funds, highlighting the range of investors' views on those sectors.

Average return expectations are higher for assets where disagreement is greater
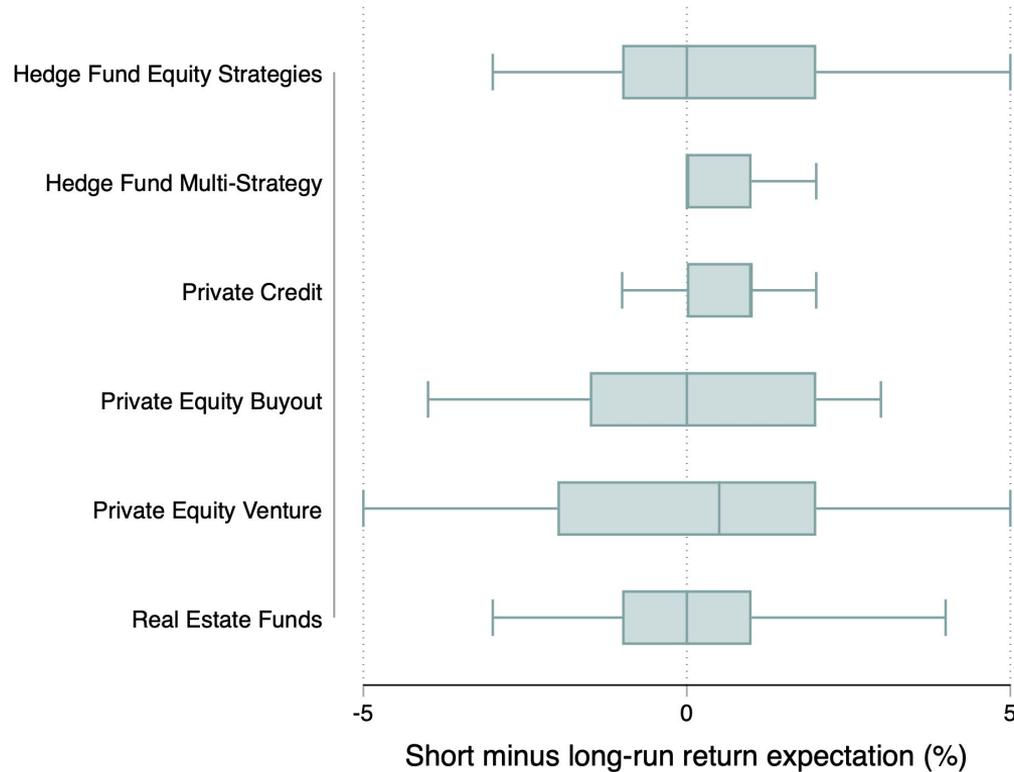
One way to interpret the range of return expectations shown on the previous page is as a measure of risk.

The figure here plots average long-term return expectations against the interquartile range (IQR) of those expectations, revealing a clear risk-return relationship. Asset classes with the greatest disagreement in return expectations tend to be those with the highest average expected return.

The relationship between average return expectations and the dispersion of those expectations aligns with typical realized risk-return dynamics for these asset classes.

Average return expectation versus range of return expectations, Q4 2025

Box plot — Short minus long-run return expectation (%), by asset class:
- Hedge Fund Equity Strategies
- Hedge Fund Multi-Strategy
- Private Credit
- Private Equity Buyout
- Private Equity Venture
- Real Estate Funds

X-axis: Short minus long-run return expectation (%), ranging from -5 to 5.

Private market views highlight both opportunities and risks, particularly with liquidity

A new qualitative question introduced was "What are your views on the opportunities and risks in private markets at this time, and what is shaping these views?"

Investor sentiment reflects cautious optimism. Liquidity risk emerged as a prevailing theme.

"Risks in private markets are at an all time high. There is no more illiquidity premium. DPIs are nonexistent for 2018+ vintages. LPs are getting increasingly concerned on path to exit."

Perspectives diverge on relative value across asset classes, sectors and managers.

"Opportunities in quality GPs, with single strategy" vs. "...focus on smaller niche managers that are raising their second or third funds."

AI as a sector also had contrasting views.

"There is a lot of excitement in private markets, especially areas with high AI use cases, tech focus, etc." vs. "AI activity too high, want DPI instead."

Asset Class Views: Risks & Opportunities in Private Markets

Summarized responses to: "What are your views on the opportunities and risks in private markets at this time, and what is shaping these views?" continued

|	Private Credit	Private Equity	Private Real Assets
Opportunities	**Investors highlight an attractive risk/return profile in asset-backed lending** *"Attractive private debt space, spreads give a better risk reward profile"*	**Positive outlook on co-investments, lower middle market buyouts, targeted secondaries** *"I believe private markets are an important return driver and I'm adding to PE"*	**Investors are focused on multifamily and senior living as well as infrastructure** *"There are opportunities in real estate equity given the drop in valuations since 2022, but it's harder to convince people to take that risk now"*
Risks	**Concerns about increased investor interest and the risk of worsening valuations and terms** *"[We] are becoming more cautious given the rush of money into the space"*	**Fear that high historical returns will not continue** *"Private equity liquidity remains evasive, straining new commitments"*	**Concerns over liquidity amid potentially volatile markets** *"Don't like to tie up our liquidity when we are in turbulent markets"*

Since 2022, investors have held a more optimistic macroeconomic outlook for the year ahead

Since the survey was first conducted in 2022, respondents have consistently raised their expectations of nominal GDP growth over the following year, reflecting a reduction in downside risk. Relative to last year, investors now perceive the possibility that one-year nominal GDP growth may be slightly higher, signaling a slightly more optimistic view over time.

Short-term inflation expectations are now firmly anchored at 3%, while long-term inflation expectations range between 2% and 3%.
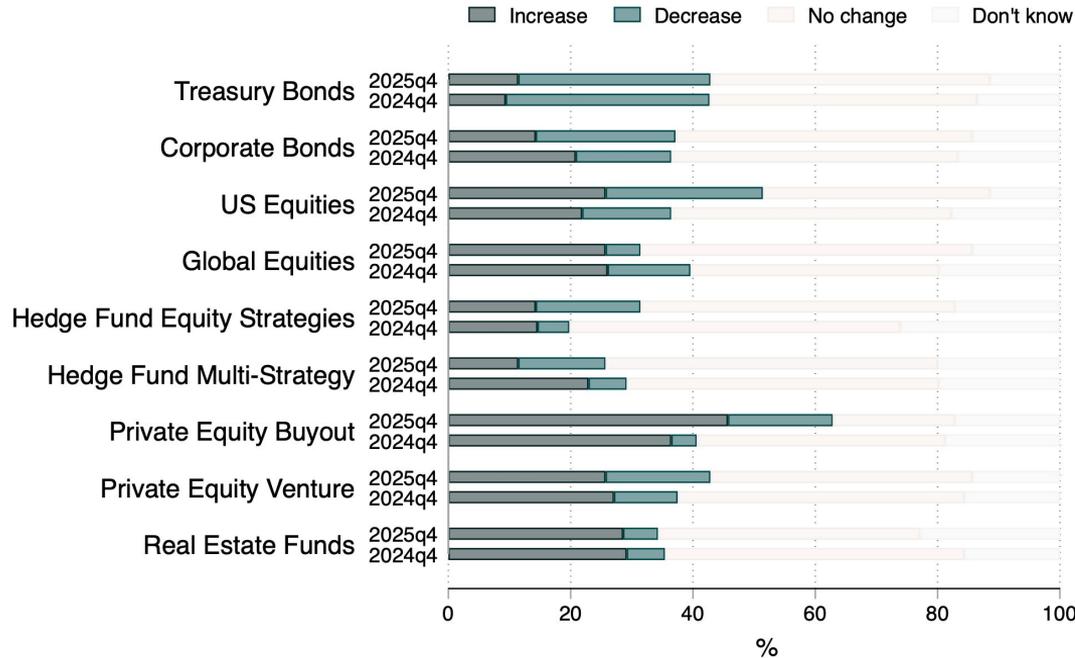
Additionally, the perceived likelihood of a recession occurring within the next year continues to decline.
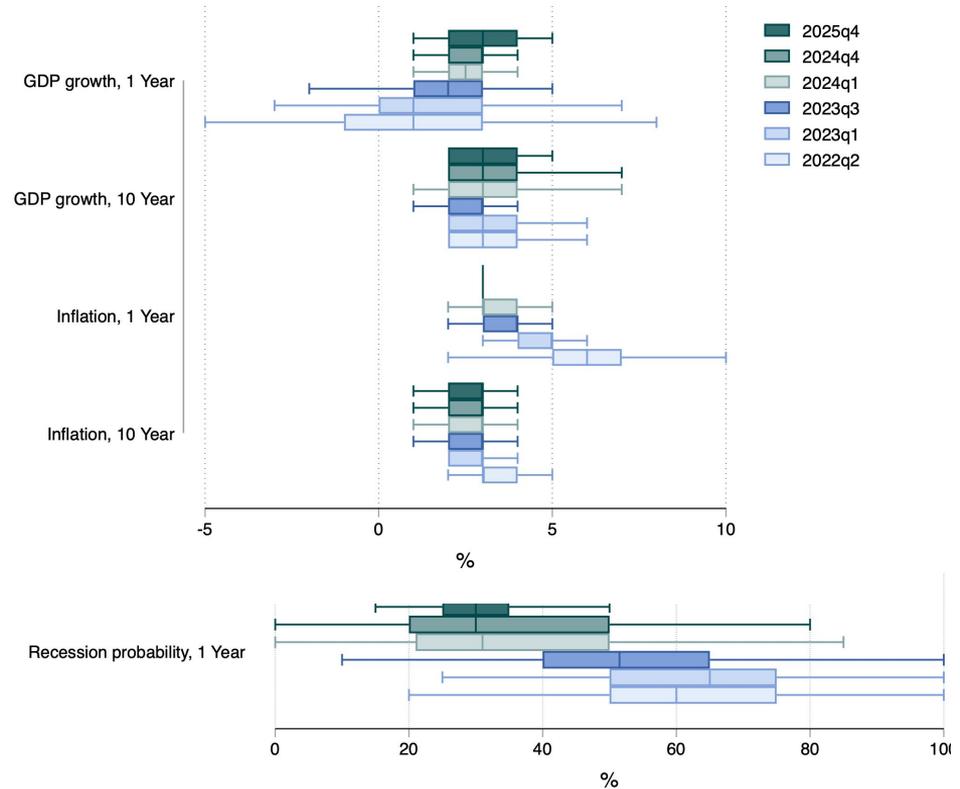
Macroeconomic expectations

The figure illustrates the median, interquartile range (IQR), and whiskers extending to data points within 1.5 times the IQR from the nearest quartile.

Planned portfolio changes, Q4 2025

Positioning over the year ahead

Relative to respondents last year, a larger fraction of respondents this year are planning to actively increase or decrease their allocations to public and private equities.

In response to questions about reasons for increasing equities allocations, investors cited earnings growth, capex, and decreased recession risk. Those planning to decrease their allocations to equities cited **"valuations are too steep"** and the **"need to rebalance"**.

Many respondents are not planning to change their allocations to Treasuries, or don't know what they will do, citing uncertainty about inflation and employment, current allocations being at target, or preferences for money market funds and investment grade bonds over Treasuries. Some investors however see **"attractive yields and safety during turbulent equity markets"** and are increasing their Treasuries allocations.

Near-term return expectations reflect resilience, but acknowledge that volatility remains a risk

Most investors **expect stock market returns to be in the middle range**, which is consistent with the average return expectation for US equities of 6.9% in both the short and long run

However, respondents are assigning **slightly higher probabilities to returns below -10%** than in the last survey round.

Majority of investors expect *"continued above-average price gains and price losses from earnings announcements, given high valuations"* while a few others expect *"a normal volatility environment punctuated by swings around 'tweets'"*

Summarized responses to: "How do you expect volatility to evolve over the next year, and what actions are you taking in response?"
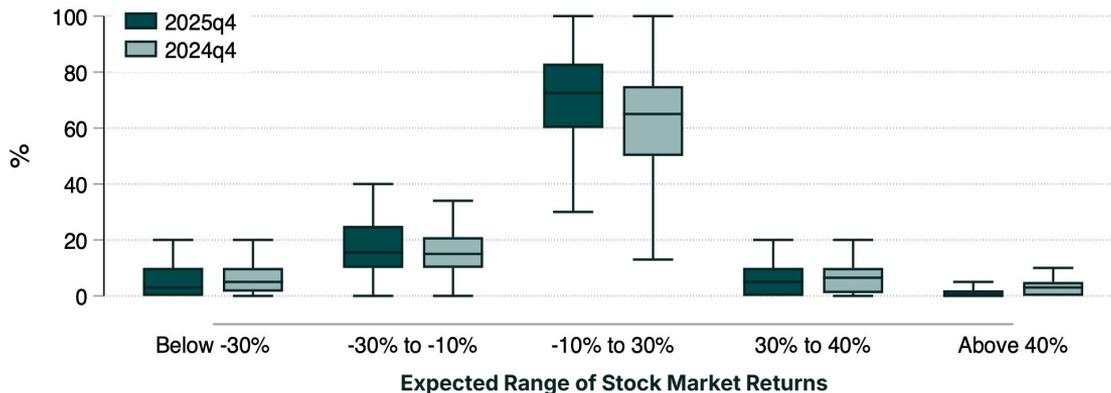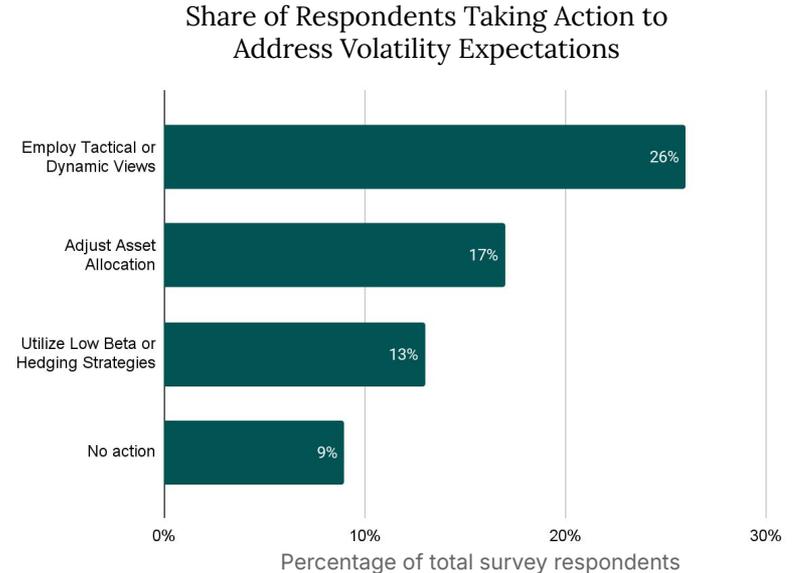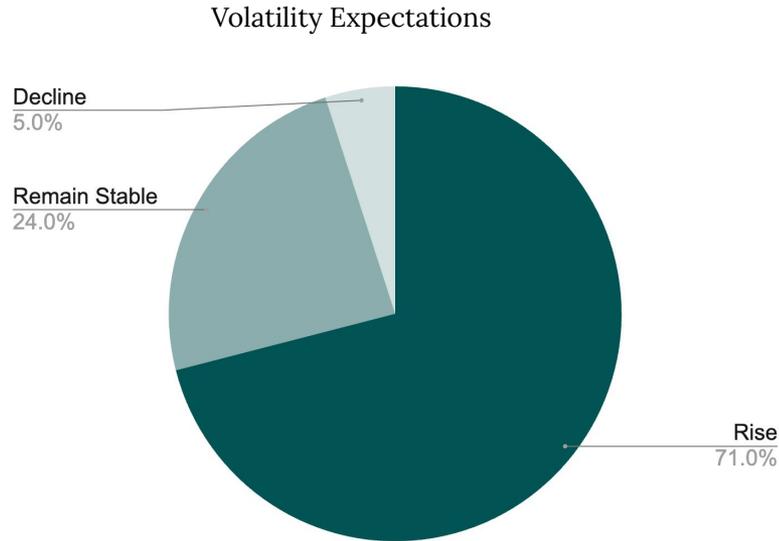

*Probability That US Stock Markets Returns Are In The Given Ranges*

The y-axis indicates the range of responses given for the probability that stock market returns fall inside each range. The figure illustrates the median, interquartile range (IQR), and whiskers extending to data points within 1.5 times the IQR from the nearest quartile.

Volatility Expectations & Actions

Summarized responses to: "How do you expect volatility to evolve over the next year, and what actions are you taking in response?" continued

Volatility Expectations

- Decline 5.0%
- Remain Stable 24.0%
- Rise 71.0%

Share of Respondents Taking Action to Address Volatility Expectations

- Employ Tactical or Dynamic Views: 26%
- Adjust Asset Allocation: 17%
- Utilize Low Beta or Hedging Strategies: 13%
- No action: 9%

Percentage of total survey respondents

Potential volatility spikes don't drive immediate portfolio changes for many respondents, though some who are expecting rising volatility are positioning defensively by introducing low beta investments and hedging strategies, or increasing diversification and cash.

Rank of factors contributing to market volatility, Q4 2025

The figure illustrates the median, interquartile range (IQR), and whiskers extending to data points within 1.5 times the IQR from the nearest quartile.

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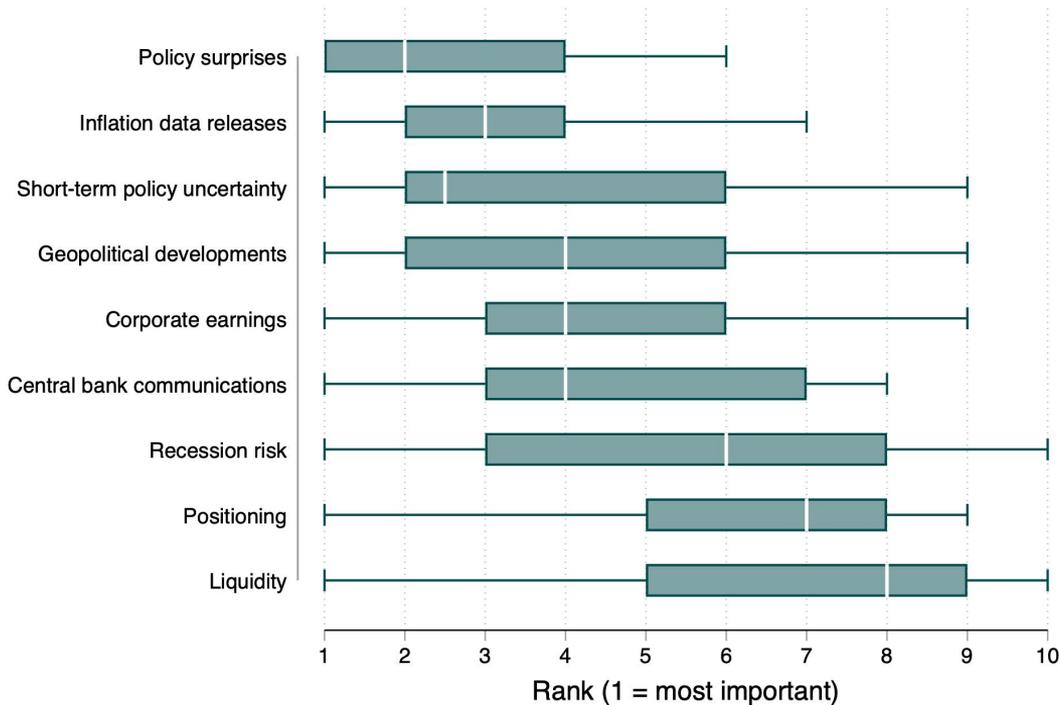
Investors see risks to volatility in policy surprises, inflation data releases, and short-term policy uncertainty.

In response to the question of what factors respondents believe are currently contributing the most to volatility, respondents most frequently ranked policy surprises, inflation data, and short term policy uncertainty.

Volatility drivers that some respondents found important were corporate earnings, geopolitical developments, and central bank communications.

Less important seem to be near-term recession risk, positioning, and liquidity. Two respondents cited other factors that are contributing to volatility as employment, and disruptive market actors.

Top Risks to Outlooks Over the Coming Year

Share of respondents mentioning each risk area in response to: "What do you see as the biggest risks to your outlook for asset returns over the next year?"

32% — Policy Uncertainty

Geopolitical tensions and domestic legislative changes are seen as potential market disruptors. Concerns center on policy surprises could trigger sharp asset repricing, ***"especially around disclosure of economic data"***

16% — Macro-Economic Uncertainty

Respondents fear inflation could accelerate due to tariffs, forcing higher policy rates and raising the specter of stagflation or threats to Fed independence. Some respondents continue to convey recession fears

13% — High Valuations

"A melt up produced by lower rates and AI euphoria" are top of mind for some investors while other respondents note: ***"Elevated valuations, low visibility of AI absorption and productivity increase"*** contribute to their key risks

13% — Public Market Uncertainty

Market breadth and timing rallies and sell-offs were among the concerns identified with respondents noting they would ***"like to add [public equities] over the longer term but markets are concentrated and expensive"***

8% — Structural Risks in Private Markets

Delays to private equity distributions and associated underperformance remain a concern for some with respondents specifically calling out: ***"continued lack of M&A velocity in the private equity markets"***
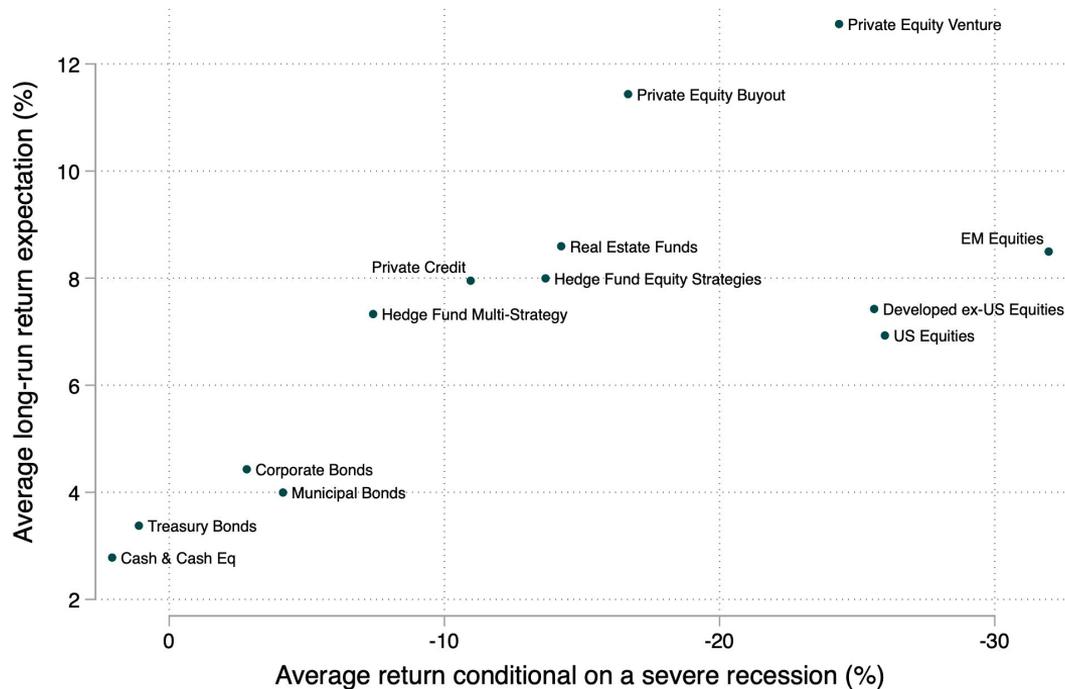
Average return expectation versus return expectations conditional on a severe recession

Average long-run return expectations are higher on average for assets where investors expect larger drawdowns in a severe recession

Survey respondents indicate their expected return for each asset class in the event of a severe recession. The asset-class average of these responses can be interpreted as the likely drawdown during an economic downturn (note: x-axis values are reversed).

This metric serves as another indicator of risk, specifically downside risk. It is also positively correlated with the average expected long-term return for each asset class, further reinforcing the risk-return dynamics reflected in respondents' expectations.

Equities are a slight outlier, with respondents indicating that they anticipate stocks will be significantly more affected by a severe recession, despite maintaining relatively modest long-term return expectations.

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