

Preqin Forecasts Asia-Pacific Private Capital AUM to Reach \$2.25tn in 2026

Private equity and venture capital to drive growth, but near-term macro-economic headwinds pose a risk to the outlook

Today, [Preqin](#), the global leader in alternative assets data, tools, and insights, published its [2022 Alternatives in APAC](#) Report. The report shows some of the key investment opportunities that the region presents as well as some of the challenges faced in the market.

Global investors continue to look to APAC for a diversified source of returns

Global investors are continuing to look further afield for compelling investment opportunities and Asia-Pacific (APAC) continues to offer a range of opportunities that offer diversification away from home markets. The region has so far avoided many of the more severe inflationary impacts seen in the US and Europe, given the more measured policies from the authorities in response to the pandemic. While on-going COVID restrictions have remained in place in some markets, investment activity has continued to hold up relatively well. Almost 12k PEVC deals were completed in 2021 with an aggregate deal value of at least \$346bn, which marked a 61% increase on 2020.

Private capital funds in APAC continued to deliver attractive risk-adjusted returns. For fund vintages between 2012 and 2019, APAC private capital funds returned a median of 18.2% net internal rate of return (IRR) which is higher than Europe (15.9%) and North America (17.4%). However, the standard deviation of returns in APAC is also higher at 26.6% compared to 15.7% in Europe and 19.2% in North America. This is in part a reflection of the key role the PEVC plays in the overall asset mix of the region. PEVC returns have also comfortably outperformed emerging market public equities over the last decade.

Growing appetite from LPs in the region moving towards global private capital allocation

Investors in the region have a burgeoning amount of investment capital, a portion of which is being allocated to private capital managers in North America and Europe. This has proved an attractive opportunity for established private capital managers, but the outlook for first-time managers has been less positive.

ESG adoption gains traction across APAC but is nuanced in each market

Environmental, social, and governance (ESG) considerations continues to be an important trend across the global market. Within APAC, Australian investors have led the way in terms of adoption, but Preqin analysts expect further engagement from the rest of the region over the next few years.

One key driver has been the pressure on fund managers from investors making investments in Asia to have implemented ESG into their investment process. In fact, the AUM growth of investors with an active ESG commitment in Asia has been strong and even compared to their European peers.

Cameron Joyce, SVP, Deputy Head of Research Insights, at Preqin, says: “The APAC region continues to present a compelling long-term investment opportunity for asset allocators who are seeking diversified sources of return. However, the market continues to present its own set of unique challenges. We forecast strong growth for the region, especially in PEVC but nearer term headwinds may pose downside risks to our view. The venture capital industry look particularly susceptible to current economic conditions, which currently plays an outsized role in the private capital markets in the region.”

All \$ refer to USD unless otherwise stated.

*Our forecast excludes RMB denominated funds

Key highlights of the Preqin report include:

- **APAC private capital AUM** forecasted to reach \$2.25tn in 2026, representing a 15.0% CAGR from 2021.
- **Private equity and venture capital** is expected to continue to grow its share of the total private capital market. AUM is expected to reach \$1.9tn in 2026, or 83.0% of the total compared to an estimated 73.6% in 2021.
- **APAC aggregate deal value** reached record \$346bn in 2021 with the number of deals surging 29.1% in 2021 from the prior year, to reach 11,720.
- **Deal flow** across the region attracted fresh investor inflows, private capital fundraising increased from \$131bn in 2020 to \$155bn in 2021
- **APAC private capital funds** returned a median of 18.2% net IRR returns for fund vintages between 2012 and 2019, which is higher than Europe (15.9%) and North America (17.4%). However, the standard deviation of returns in APAC was higher at 26.6% compared to 15.7% in Europe and 19.2% in North America. However, returns remain attractive on a risk-adjusted basis.

ENDS

***Note to Editors:**

AUM calculation: Please note that September 2021 is the most recent calculation possible for VC AUM. Preqin's calculation of AUM in private capital has two components: dry powder and unrealized value. Dry powder is an up-to-date number calculated as the amount of capital that has been committed to funds minus the amount that has been called by the GP for investments, and unrealized value is a lagging indicator derived from GPs quarterly reports.

About Preqin

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