

Private markets in transition: From allocation to portfolio integration



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EXECUTIVE SUMMARY

Private markets in Asia Pacific (APAC) are entering a more disciplined phase of institutionalisation – defined less by rapid allocation growth and more by deliberate portfolio integration.

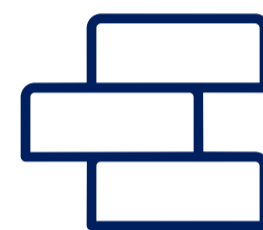
Findings from the AsianInvestor “APAC Private Markets Pulse 2026” – covering

83 asset owners from

65 institutions (75% insurers)

across **6 markets**

While 50% expect to increase allocations over the next year, most anticipate incremental changes of 5% or less. With 49% targeting net returns of 8% to 10%, demand is centred on income-oriented strategies such as infrastructure debt and private credit.



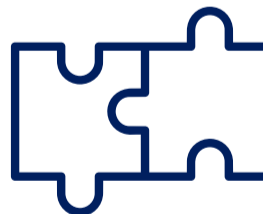
What has really changed?

Private markets are evolving from opportunistic exposures to core building blocks. The focus is now on integration over size, prioritising income and diversification within multi-asset portfolios.



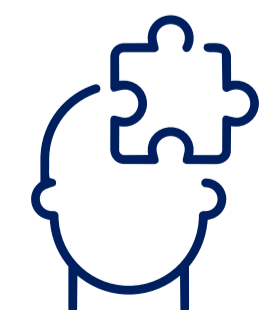
What are the new challenges?

Investors must balance return, capital efficiency against liquidity (the primary barrier). Stricter regulatory capital and governance demands are also raising the bar for transparency and execution.



What is “good” integration?

Integration is outcome-driven, embedding private assets alongside public ones from the outset to align with liabilities. Success is client-specific, focusing on resilience and scenario analysis.



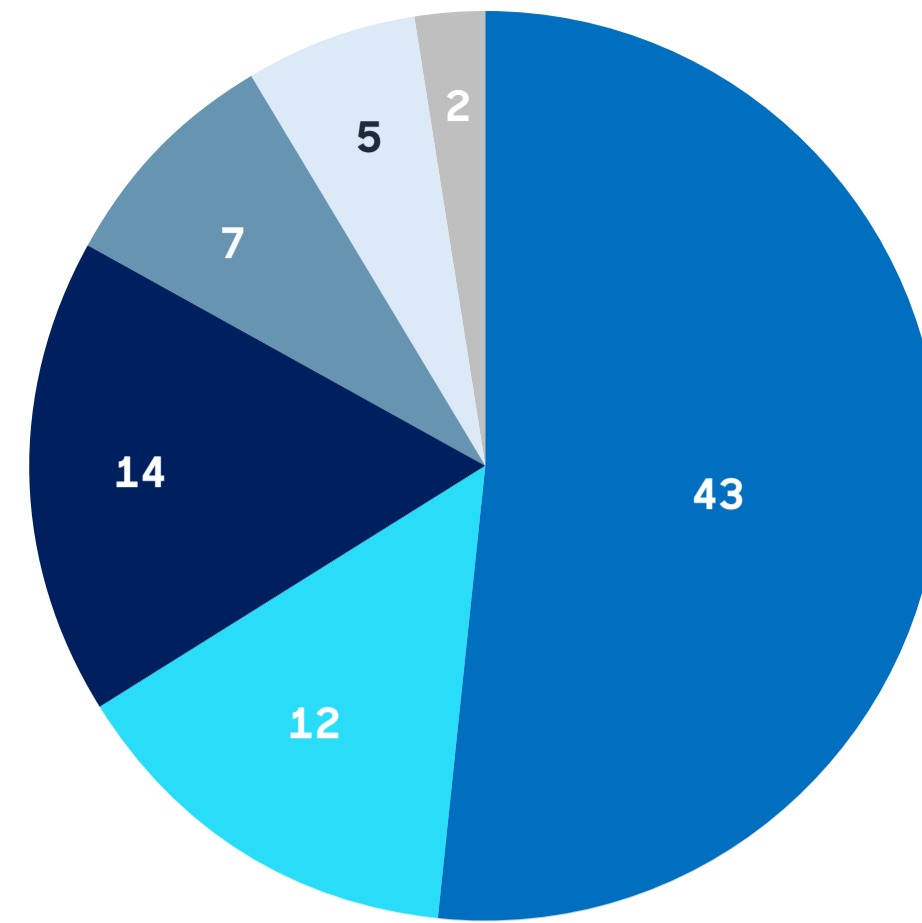
Why do insurers care so much?

Liability-driven mandates and capital regime changes make private markets integral to yield generation and balance sheet optimisation. This prioritises discipline and ratings over rapid growth.

Top 10 survey highlights

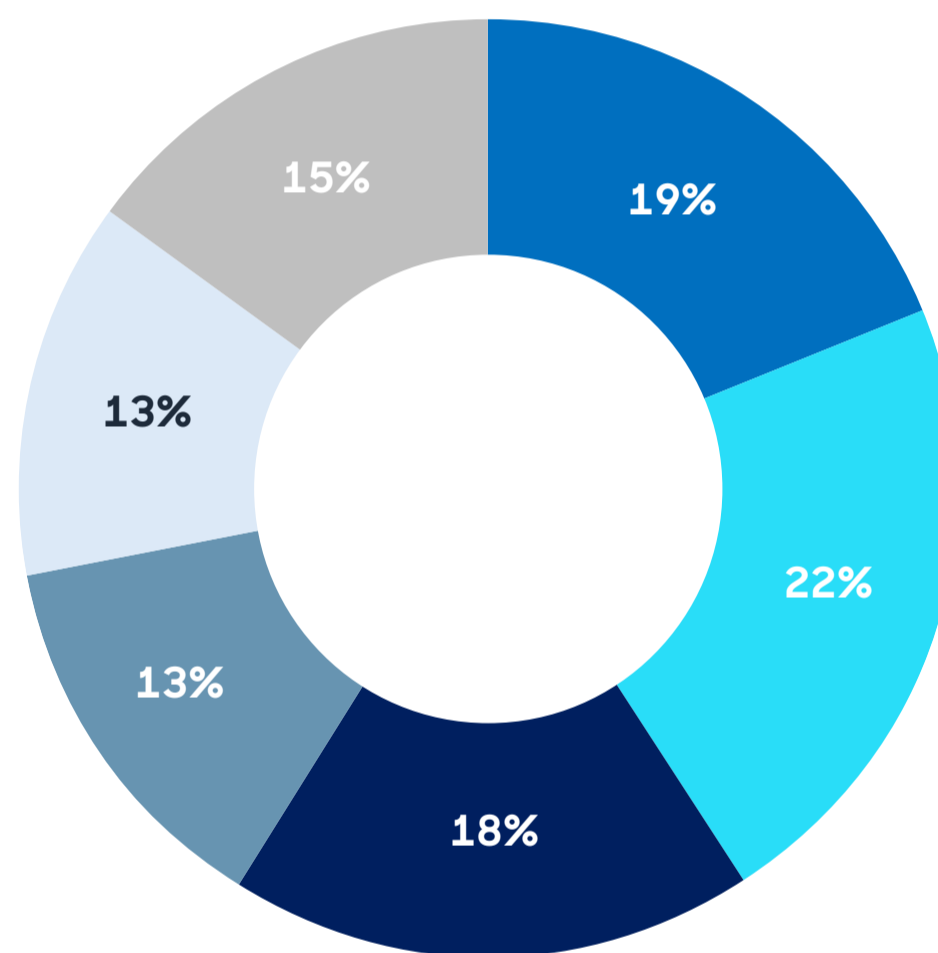
1. **50%** plan to increase allocations within a year.
2. **49%** target net returns of 8–10% over the next year.
3. **49%** with an allocation to private assets expect their organisation’s appetite for new private markets offerings to increase over the next year.
4. **58%** prefer segregated mandates, with Luxembourg and LP structures dominant for pooled vehicles.
5. **46%** prefer line-by-line external ratings for unrated assets.
6. **Most preferred asset classes:** Infrastructure debt and private equity, followed by direct lending
7. **Most dominant driver:** Risk-adjusted returns dominate allocation decisions.
8. **Biggest barrier:** Liquidity constraints represent the clear primary barrier.
9. **Most valued manager capability:** Access and origination.
10. **Most important selection criterion:** Track record across cycles when assessing third-party asset managers.

Geographic breakdown of respondents:



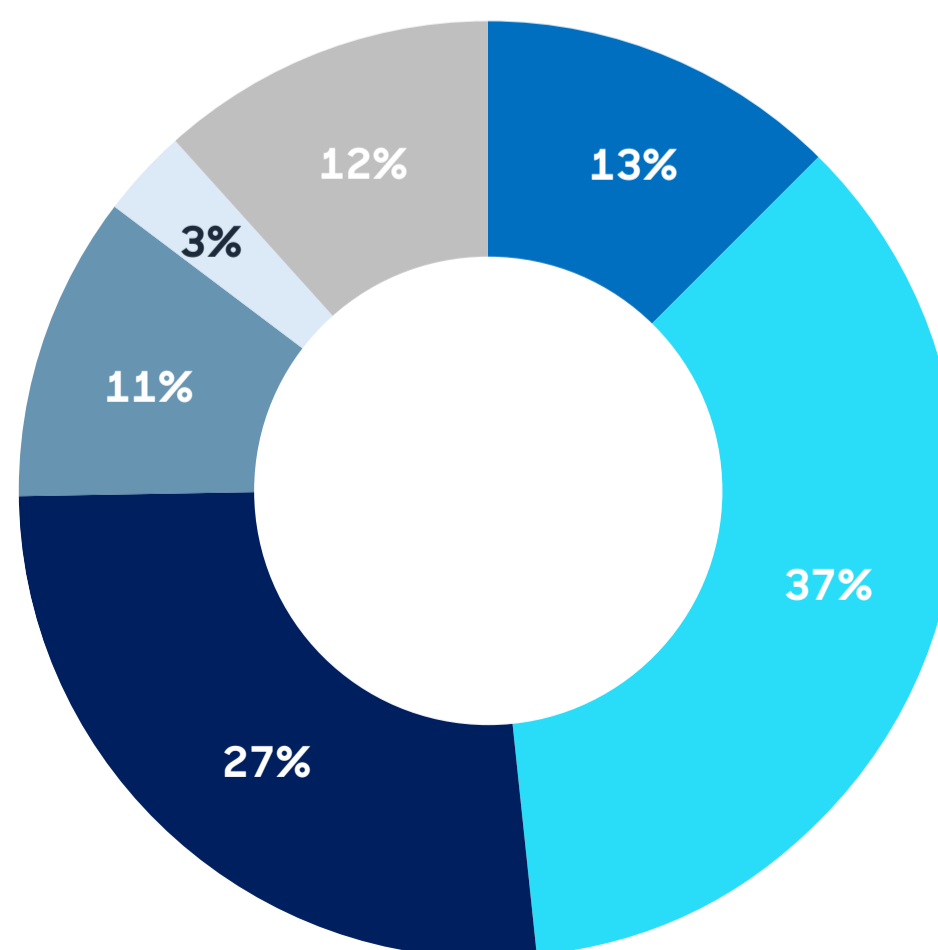
Hong Kong	Malaysia
Singapore	Japan
South Korea	Thailand

What proportion of your portfolio is currently allocated to private markets assets?



1 - 5%
6 - 10%
11 - 15%
16 - 20%
Above 20%
Not applicable / No current allocation

How do you expect your organisation’s allocation to private markets to change over the next year?



Increase significantly (by more than 5%)
Increase moderately (by 5% or less)
Remain about the same
Decrease moderately (by 5% or less)
Decrease significantly (by more than 5%)
Not applicable / No current allocation

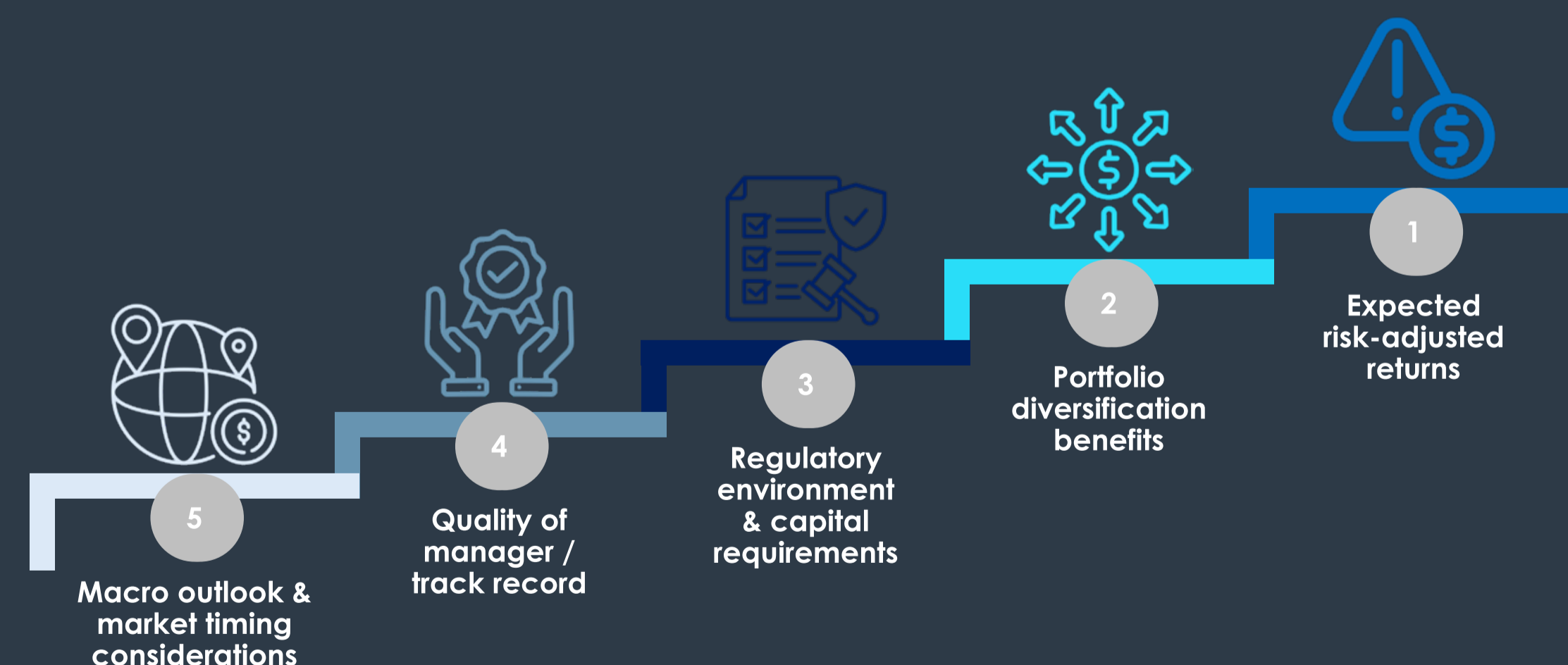
POSITIONING PRIVATE MARKETS IN APAC PORTFOLIOS

From adoption to optimisation

Private market adoption across Asia Pacific is broad but remains far from saturated. Most allocations sit between 1% and 15%, trailing top-tier US investors who often allocate 20%¹ or more.

This gap highlights significant structural growth potential for the region. As capital regimes mature and access improves, APAC allocations are expected to converge with global levels. The regional focus is now shifting from early adoption to mature integration—prioritising deliberate, outcome-oriented resilience over rapid expansion.

What are the main factors influencing your private markets allocation decisions this year? (Ranked top 3 selections by all respondents)



More broadly across all survey respondents, three key themes stand out as shaping private markets allocations and strategies among Asia-based asset owners: **measured growth, trade-offs, and implementation.**

¹ https://www.preqin.com/insights/research/reports/institutional-allocation-study-2024?utm_source=chatgpt.com

An insurance allocation lens

For the distinct subset of 65 respondents from 50 different insurers across APAC, the survey highlights some important differences in how these liability-driven investors are approaching private markets.

While return expectations, asset class preferences, perceived barriers and manager selection priorities are similar, findings suggest that insurers are:

- More committed to increasing allocations.
- More measured in how they scale.
- More demanding on risk transparency and ratings.
- More open to pooled / structured implementation.

At-a-glance:

How insurers are using private markets in portfolios



1. Stronger conviction – but measured execution

With 55% of insurers planning higher allocations – private markets are increasingly viewed as strategic, long-term holdings rather than tactical plays.



2. More demanding on risk and transparency

52% now demand external ratings to ensure assets fit within strict solvency, risk, and regulatory frameworks.



3. Greater openness to structured implementation

48% favour pooled vehicles to achieve operational simplicity, better diversification, and cost efficiencies



4. Shift from allocation to implementation

Insurers are moving towards outcome-driven frameworks – prioritising balance sheet efficiency, liquidity alignment and seamless portfolio integration.



Vivian Tang

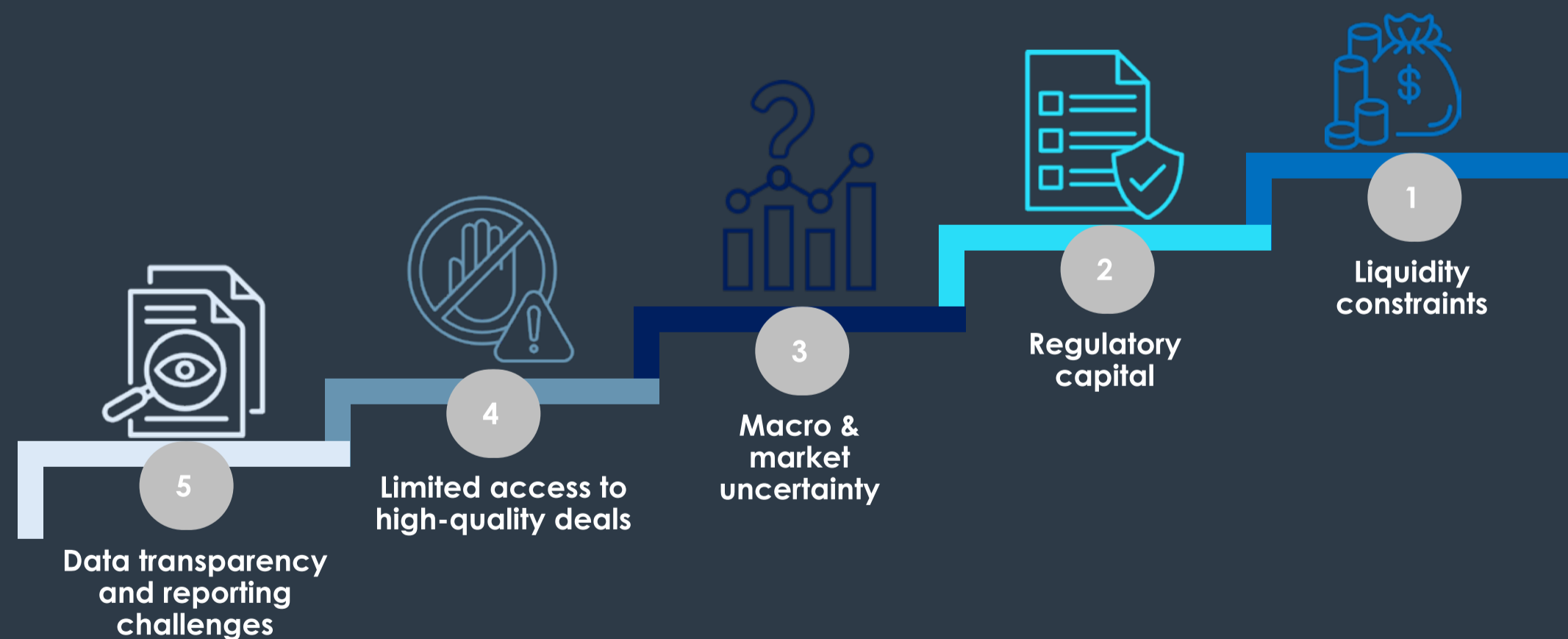
Head of Client Group APAC and Head of Hong Kong
Aberdeen Investments

Private markets in APAC are expanding, but the "land-grab" phase has ended.

Most allocations remain between 1% and 15%, with growth limited by three structural hurdles:

- Liquidity – still the dominant concern, particularly after recent market dislocations.
- Regulatory capital frameworks, especially for insurers, can distort allocation decisions, often pushing investors toward higher-return, higher-risk strategies.
- Governance requirements are driving more robust risk analysis, reporting and approval processes.

What are the main barriers to increasing your private markets allocations? (Ranked top 3 selections by all respondents)



The focus has shifted from simply "getting exposure" to strategic, portfolio-based integration.



Two or three years ago, a lot of institutions were just looking to get some exposure, subscribing to large fund launches. But now they are questioning what role private markets actually play in the overall portfolio. It's now an area that requires more thoughtful consideration than before as they integrate and scale their private allocations.

Vivian Tang, Head of Client Group APAC and Head of Hong Kong at Aberdeen

Constraints shape more deliberate path

This evolution is increasing complexity and slowing decision-making. Increasingly, allocators are reframing private markets:

- From standalone allocations to portfolio building blocks.
- From product-led decisions to portfolio construction frameworks.
- From return enhancement to multi-objective outcomes, including income, diversification and resilience.

A more balanced, outcome-driven approach

While APAC allocations often skew toward high-risk strategies due to capital regimes, Tang advocates for a balanced approach that treats private markets as an extension of public portfolios within an outcome-driven strategic asset allocation (SAA), emphasizing quality and liability alignment.

A more mature APAC market, but still evolving

Regional investors are mostly in early-to-mid stages of adoption, marked by incremental increases and a shift toward sophisticated construction.



Private markets are effectively an extension of a public portfolio. There's still a lot of value in the higher quality area.

Vivian Tang, Head of Client Group APAC and Head of Hong Kong at Aberdeen

Aberdeen aims to help investors through client-specific, transparent, capital-aware, and operationally manageable integration. "It's a much more customised approach, not one size fits all," she added.



Jonathan Mondillo

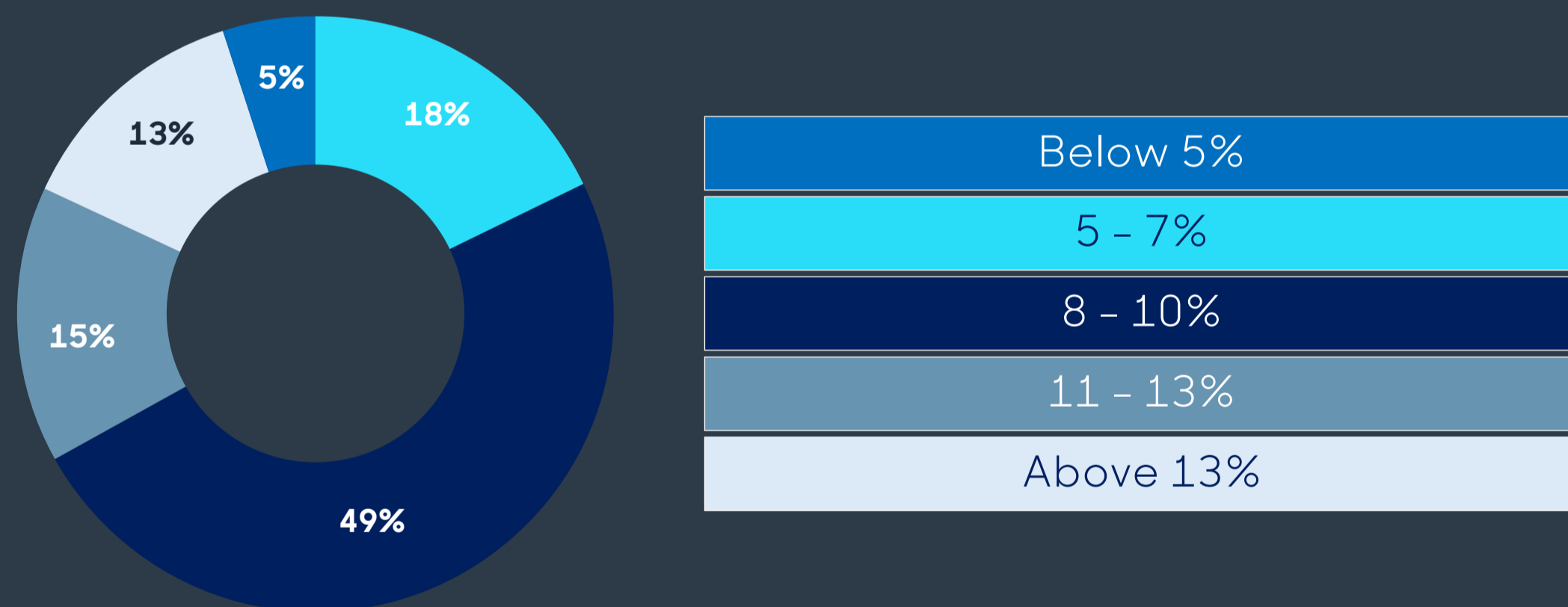
Global Head of Fixed Income
Aberdeen Investments

With nearly half of respondents targeting 8% to 10% net returns, focus has shifted to income-oriented strategies like infrastructure debt and direct lending. Success requires managing three interlinked constraints:

- Return hurdles,
- Liquidity needs,
- Capital efficiency.

The challenge is capturing illiquid premia without compromising solvency.

What is your targeted average net return from private markets investment over the next year?



Engineering liquidity at the portfolio level

Liquidity is now actively designed rather than treated as binary.

“ **There are different ways we try to manage investor liquidity – through investment vehicles, laddered portfolios, and the mix of public and private assets.**

Jonathan Mondillo, Global Head of Fixed Income at Aberdeen

By using evergreen structures and laddering maturities, investors create buffers for reinvestment.

Ensuring there is a certain percentage of those private credit loans coming due at any point in time provides a liquidity buffer and allows reinvestment into better opportunities.

Instead of avoiding illiquidity, portfolios are designed to absorb it by aligning cashflows with investor requirements.

Balancing transparency and alpha

A key tension remains between investor demands for transparency and the need to preserve alpha. According to Mondillo, the solution lies in disciplined, controlled transparency:

- Portfolio-level visibility.
- Strong underwriting discipline.
- Preservation of deal-level edge.

Maintaining this balance – delivering transparency without eroding inefficiencies – is central to sustaining returns in private markets.

A dispersion story – not systemic mispricing

There is little evidence of systemic mispricing of liquidity risk; instead, the market is defined by dispersion. While crowded segments see tighter spreads, niche areas still offer strong compensation for complexity.

Private credit: a selective era, not a golden one

This is an era of selectivity, not a broad boom. There are several implications:

- Alpha comes from portfolio construction and selection.
- Diversification across strategies is critical.
- Investment grade (IG) private credit is gaining relevance.

According to Mondillo, investors are increasingly recognising that concentration in any single strategy – such as direct lending or infrastructure – introduces risk.

Not all of private credit allocation should be to infrastructure or direct lending.

He notes that IG private credit is increasingly used to balance risk:

“Relative value in private credit is increasingly driven by structural trends and specific portfolio goals.”
Jonathan Mondillo, Global Head of Fixed Income at Aberdeen



Matching strategies to portfolio objectives

Relative value in private credit is increasingly driven by structural trends and specific portfolio goals. Different segments serve distinct roles:

- Direct lending – core exposure, but increasingly crowded.
- Infrastructure debt – stable, long-duration income aligned with liabilities.
- Private placements / niche credit – higher alpha potential.

“Infrastructure lending tends to insulate investors to things like inflation and offers an illiquidity premium associated with those projects.”
Jonathan Mondillo, Global Head of Fixed Income at Aberdeen

Conversely, shorter-duration strategies like fund finance offer the liquidity and flexibility needed for balanced portfolio construction.

Why invest with Aberdeen in Infrastructure

Infrastructure is a resilient, long-term asset class that has the potential to deliver consistent returns. Aberdeen Investments’ global platform with US\$17bn invested², a 25-year track record and 70+ infrastructure professionals, provides access across equity and debt, public and private markets, focusing on critical sectors including energy, transport, utilities, digital, social and environmental infrastructure – the bedrock of modern economies.

² Aberdeen Investments, 31 December 2025



Echo Yang

Senior Solutions Director, Strategic Insurance Group
Aberdeen Investments

The challenge has shifted from gaining access to mastering execution. Investors now prioritise how private assets integrate with balance sheets and liability frameworks.

“**Today, the focus has shifted toward how private assets fit within the overall portfolio, balance sheet and liability profile.**

Echo Yang, Senior Solutions Director in Aberdeen's Strategic Insurance Group

Designing private markets for portfolios

This trend requires private markets to be embedded into portfolio construction from the outset, with four core objectives to achieve “good” integration:

- Outcome-driven strategic asset allocation.
- Alignment with liabilities.
- Blending public and private assets.
- Scenario analysis and risk modelling.

For insurers, for example, this begins with defining return, income, liquidity and capital objectives – then allocating to private assets where they add value.

An insurer might use liquid public bonds to manage short-term liquidity needs alongside allocation to private credit within its fixed income bucket to boost yield, thereby achieving a blended, efficient portfolio yield.

Integration in practice: aligning assets and liabilities

Effective integration requires robust ALM and scenario analysis, ensuring private asset cashflows, risk behaviour and capital impact are understood across cycles.

“**When it's done well, private and public assets are optimised together, so insurers improve portfolio outcomes without compromising liquidity or solvency.**

Echo Yang, Senior Solutions Director in Aberdeen's Strategic Insurance Group



Alan Koay

Senior Solutions Director, Strategic Insurance Group
Aberdeen Investments

Institutionalisation driving transparency and control

Private markets are adopting “public-like” governance as they become core to outcome-driven SAA. Key survey trends include:

- Greater demand for external ratings.
- Preference for segregated mandates.
- Increased transparency and reporting.

“**Regulation has been a major catalyst in private markets becoming more institutionalised and mainstream in Asia.**

Alan Koay, Senior Solutions Director in Aberdeen's Strategic Insurance Group

Koay notes that rising scrutiny means private assets “need to be analysed, monitored and governed with the same rigour as public market assets.”

Insurers are also seeking more control over structure and cashflows to

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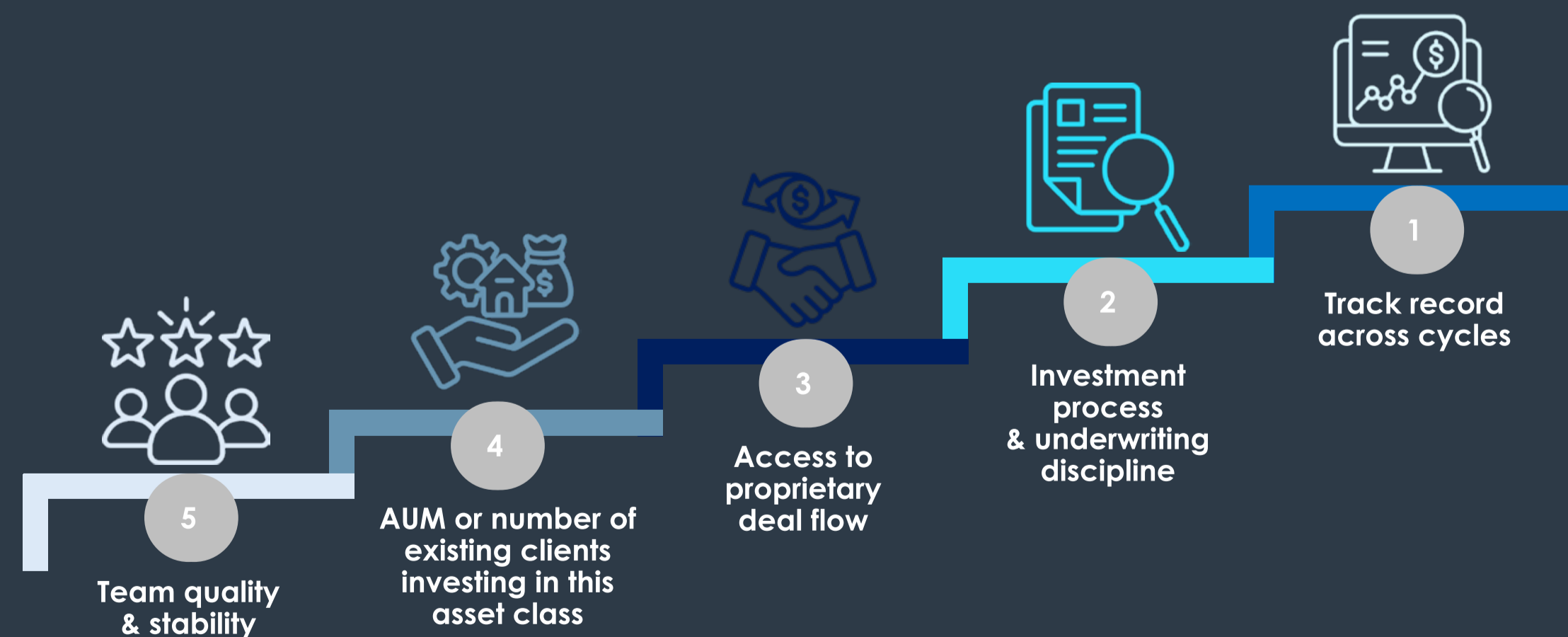
In our view, this is not only expected but in due course to be a hygiene factor when allocating to private assets given the illiquidity and their importance in insurers' SAA.

Echo Yang, Senior Solutions Director in Aberdeen's Strategic Insurance Group

What capabilities or services from third-party asset managers would most support your private market ambitions?



When selecting a third-party asset manager for private market investments, which attributes are most important to you?



Bridging the regional allocation gap: APAC's private credit evolution

North America dominates private credit with roughly \$1 trillion in AUM³, while APAC currently represents only about 10% (near \$100 billion)⁴. Complexity in APAC is higher due to diverse legal frameworks and concentrated portfolios.

“

APAC today accounts for around 45% of global GDP, so the allocation to this asset is expected to grow to support the region's funding gap.

Alan Koay, Senior Solutions Director in Aberdeen's Strategic Insurance Group

However, growth prospects are significant. APAC private credit offers vital diversification across geographies and cycles, increasingly serving as complementary building blocks for more resilient portfolios.

From asset selection to partnership

Implementation now demands deep collaboration between investors and managers, moving beyond asset selection to risk articulation, financial reporting, and capital optimisation. This reflects a shift toward institutional-grade standards:

- Segregated mandates for control.
- Luxembourg and LP structures for pooled vehicles.
- External ratings for capital optimisation.

In APAC, "suitability" remains a challenge due to varying regulations and hedging needs.

“

Suitability refers to the asset's risk-return profile, including currency and hedging considerations that can be material across many APAC markets. Adding to that is the structure or vehicle that insurers can access.

Echo Yang, Senior Solutions Director in Aberdeen's Strategic Insurance Group

This underscores the complexity of catering to regional insurance requirements.

³ https://www.preqin.com/news/keep-a-close-eye-on-private-credit-dechert?utm_source=chatgpt.com

⁴ <https://www.bloomberg.com/news/articles/2025-10-30/apac-private-credit-to-reach-92-billion-in-2027-on-wealth-boom>

From allocation to advantage

Private markets in APAC are no longer defined by access or expansion – but by implementation.

Allocations are rising, but selectively. Investors are no longer chasing exposure, but building portfolios that balance return, liquidity and capital with greater precision.

The implication is clear: successful portfolio outcomes will depend less on how much is allocated, and more on how effectively those allocations are integrated.

For asset managers like Aberdeen, this raises the bar – from providing access to delivering integrated solutions. This includes structuring portfolios with built-in liquidity, aligning private assets with liabilities, and supporting capital-efficient implementation through transparency, risk analytics and tailored portfolio construction.

The next phase of private markets in APAC will not be led by those who scale fastest—but by those who integrate best.

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