



# A FIRST-PERSON ACCOUNT: ASIA, AN OPPORTUNITY FOR PRIVATE MARKET INVESTORS

By Andrew Pettersen, Senior Investment Director, Private Equity

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Private markets in Asia present a near-term opportunity for limited partners willing to accept the geopolitical and macro risks, and volatility that come with investing in the region.

I visited Hong Kong during one of the busiest weeks for private equity investors as the city hosted a conference of the Asian Venture Capital Journal (AVCJ) and a lineup of annual general meetings of general partners, ranging from large-cap global managers to early-stage venture strategies. I came away with optimism around private market opportunities in Asia as we remain committed to sourcing investments across the world. At NEPC, our goal is to build globally diversified portfolios that can stand the test of multiple economic cycles and market environments.

My travel gave me an opportunity to dive deep into the different investment opportunities in Asian private markets and survey current trends. The key takeaways: Private equity and venture capital in China are rebounding, while India and Japan are of significant interest to investors as their markets evolve.

## CHINA: A TALE OF SHIFTING SENTIMENT

The recovery in public markets after a period of underperformance is emboldening general partners to come to market to raise funds in an attractive valuation environment. Based on our market coverage, we expect USD fundraising from Chinese GPs to increase in the coming year, indicating US and European LP appetite for Chinese investments is returning.

We witnessed a similar sequence of events in the U.S. and Europe on the heels of the market jubilation of 2020-21, which was followed by a harsh winter for fundraising in private equity and investment activity as public markets crashed in 2022. In many ways, China had a head start when its public markets crashed midway through 2021, as a result of the crackdown by the Chinese government on the after-school education and internet sectors. The resulting risk aversion towards China saw global equities outperform Chinese stocks by an annualized 18.4% from the second quarter of 2021 to the fourth quarter of 2024. Last year saw a reversal, with Chinese equities gaining 31.2%, soundly beating the U.S. where stocks returned 17.9% and global equities which were up 22.3%.<sup>1</sup>

- AI was a big topic of discussion, particularly as it relates to the competition between the U.S. and China. The lead enjoyed by the United States has significantly narrowed, as performance of leading Chinese foundation models is largely in line with leading U.S. models. In addition, Chinese firms are able to generate similar performance with fewer resources due to constraints around accessing chips. Chinese AI companies have focused on open-source models, leading to lower costs for consumers and businesses building applications on the technology.

<sup>1</sup> Source: eVestment, 2025 Index Performance, (MSCI China, S&P 500, and MSCI ACWI indices).

- Fund managers' understanding of the Outbound Investment Rule. A factor that was discouraging U.S. institutions from investing in China was the U.S. Treasury's Outbound Investment Rule—proposed in 2023 and finalized in early 2025—which prohibits U.S. entities from investing in certain types of Chinese investments, for instance, particular AI systems, quantum computing, and semiconductors. It appears the dust is settling on the rule as limited partners and investment managers around the globe understand its implications and compliance procedures.
- Perception of geopolitical tensions appear more sanguine than in the U.S. While there is no doubt that the relations between the U.S. and China have become frostier over the last few years, perceptions from Hong Kong appeared softer than in the U.S. While this is admittedly an anecdotal and personal observation, the attitudes of Chinese and Asian investors appear more sanguine around the potential for economic cooperation and deal-making, the probability of a conflict with Taiwan, and the competition in AI.

## INDIA AND JAPAN: LAND OF REAL OPPORTUNITY

Over the past few years, India and Japan have garnered significant interest from investors amid a robust performance of their public equity markets. As a result, private market activity has ramped up.<sup>2</sup>

- India has become the fastest growing large economy.<sup>3</sup> It has the underpinnings of a stable domestic political environment, an administration pushing business-friendly reforms, a young and growing population, high levels of digital penetration, a unified digital payments system, and one of the world's deepest talent pools for technology. The private equity market has matured over the past decade, with a robust ecosystem of local country-focused investors and larger global and pan-Asia managers. Historically, Indian private equity and venture returns have been challenged, with a dearth of distributions to LPs. However, within the last one-to-two years, the public markets have become a lucrative exit option with a deeper group of institutional buyers and buoyant equity market. Still, risks remain as the Indian market commands higher valuations than other Asian and global markets.
- Japan is expected to generate modest economic growth. While it doesn't benefit from the same demographic trends as India, Japan is expected to generate modest economic growth after over three decades of stagnation. A wave of business successions driven by an aging population, corporate reforms, and a higher level of acceptance of private equity investments have contributed to a fertile environment for private equity investment opportunities. The market has seen significant interest from large global firms, with a crop of established local managers and emerging spinouts populating the ecosystem.<sup>4</sup>

At NEPC, we remain committed to sourcing best-in-class investments in Asia and the rest of the world. We welcome your questions on opportunities within private markets in Asia. Please reach out to your NEPC consultant to learn more.

<sup>2</sup> "2026 Asia Pacific Private Equity Almanac" (March 2, 2026). Deloitte.

<https://www.deloitte.com/ap/en/perspectives/2026-asia-pacific-private-equity-almanac.html>.

<sup>3</sup> "Real GDP growth". International Monetary Fund.

[https://www.imf.org/external/datamapper/NGDP\\_RPCH@WEO/IND?zoom=IND&highlight=IND](https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/IND?zoom=IND&highlight=IND)

<sup>4</sup> "Japan Economic Snapshot". OECD.

<https://www.oecd.org/en/topics/sub-issues/economic-surveys/Japan-economic-snapshot.html>

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