

# Building Better Portfolios for European Wealth

## Diversification, Exposure and Access

European private wealth investors face complex portfolio construction challenges. One way to address these challenges is to lean into private markets. Today's private markets can offer:

- **Diversification.** Europe's public markets opportunity set is shrinking with take-privates and more companies staying private longer.<sup>1</sup>
- **Exposure.** Private markets offer a unique way to tap into Europe and can provide direct access to megatrends shaping the region.
- **Access.** Regulatory developments such as ELTIFs and LTAFs in evergreen structures are making access to private markets simpler.

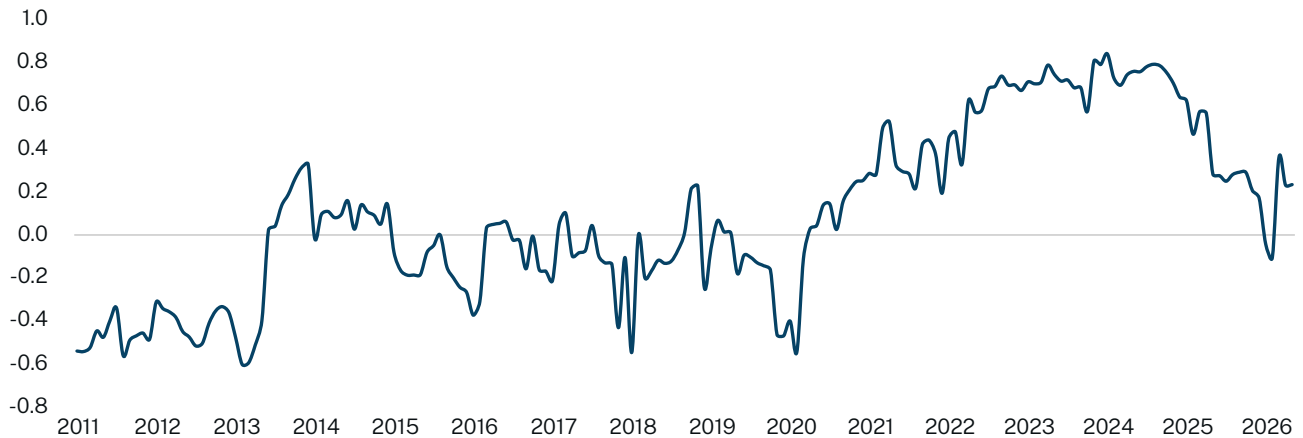
### Diversification is increasingly harder to find in public markets

Most European private wealth investors have been confined to public equities and fixed income as the dependable double act at the heart of a diversified portfolio. That formula, however, has looked less reassuring in recent years. Since COVID, inflation has reasserted itself, and stocks and bonds have more often moved in tandem, diluting the diversification benefit the pairing once offered.

Persistent fiscal pressures, trade tensions and geopolitics are driving higher defence spending and clouding the outlook for Treasuries. Less dependable foreign demand for US debt has added to that uncertainty. In short, this traditional portfolio shock absorber may no longer cushion quite as well as investors had grown used to.

## Stock-Bond Correlations Remain Unpredictable

Rolling 1Y Correlation of Public Equity and Bond Returns, USD



Source: Bloomberg (June 2026)

Note: Public Equities: S&P 500 Total Return USD, Public Bonds: Bloomberg US Agg Total Return USD, correlations calculated using monthly return stream. Past performance is not indicative of future results.

Meanwhile, public equity markets have become increasingly concentrated, with returns driven by a narrower group of companies and sectors. For European wealth investors, that is often compounded by another issue: a casual reliance on USD exposure. When the USD is rising, it can make returns look better for EUR or GBP-based investors. When it turns, however, it can quickly reveal just how much portfolio outcomes were leaning on currency moves rather than underlying asset appreciation.

That matters because many so-called “broad indices” are not so broad anymore.

For those seeking genuine diversification, a traditional 60/40 portfolio can fall short. Heavy exposure to one country, a narrow group of companies and sectors, and a largely single-currency system leaves this “diversified” portfolio with limited access to assets that behave differently from one another.

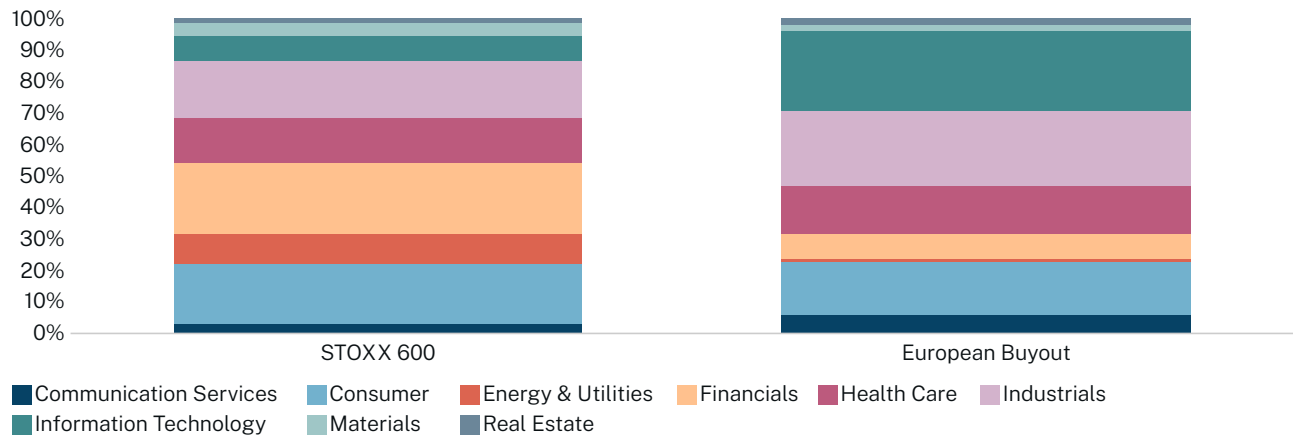
## Private markets offer exposure to the drivers of Europe’s future

European public equity markets may no longer be the best proxy for Europe’s next chapter of growth. Europe’s public universe has been shrinking, and companies are staying private for longer, with take-privates outnumbering IPOs. At the same time, those remaining companies in European indices are mature: the majority in the STOXX Europe 600 were founded before the year 2000<sup>2</sup>. So if an investor’s Europe allocation is expressed only through public markets, they may simply be investing in Europe’s past themes.

Private markets offer a different approach to investing in Europe. First, they provide more exposure to small- and mid-cap companies, including the kind of businesses often associated with the German Mittelstand and similar regional champions across the continent. Second, their sector exposure is different, with less weight in banks and more in industrials and what one may think of as “real economy” businesses. Third, while the US has outperformed European deals on a standalone basis<sup>5</sup>, European private markets have delivered greater excess returns over respective public benchmarks.

## Sector Diversification - STOXX 600 vs European Buyout

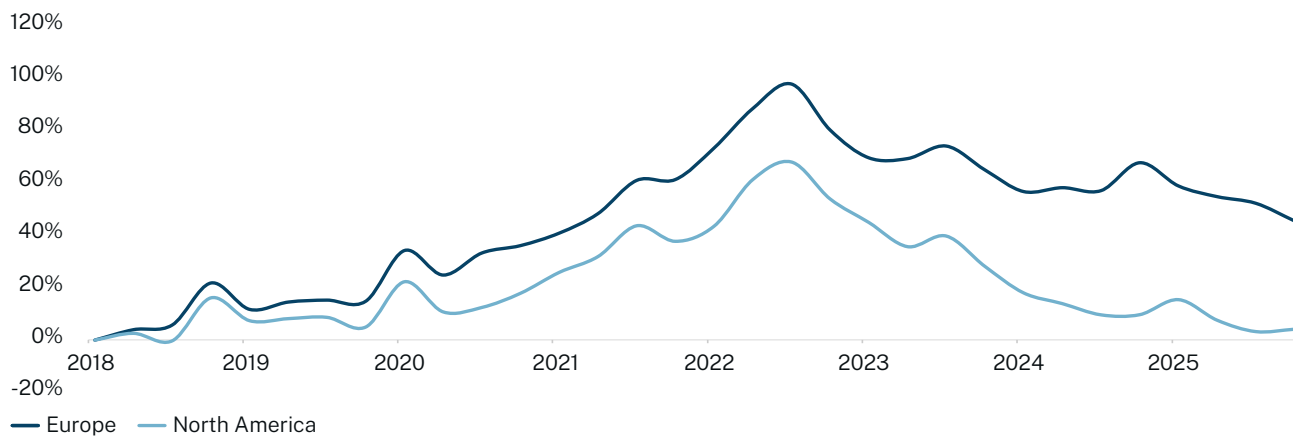
By Sector



Source: Hamilton Lane Data as of 30/09/2025, STOXX Data (April 2026)

## Cumulative Private Equity Outperformance

Regional private equity vs. respective public equity index



Source: Hamilton Lane Data as of 31/12/2025; Bloomberg Data (June 2026)

Note: Returns calculated in USD with vintages 2000-2025 from private equity (buyout, growth equity, and venture capital) primary fund data, S&P 500 and STOXX Europe 600 were used as indices for public markets

Importantly, many of Europe’s most powerful megatrends are taking shape in private rather than public markets. We can think of this as Europe being “rewired” through three broad forces: strategic autonomy and reshoring, the build-out of digital connectivity, and demographic change:

1. The “Europe for Europe” sentiment: Rebuilding capabilities in energy, semiconductors, batteries and critical industry closer to home;
2. “Connecting Europe together” through physical transport as well as digital infrastructure. This includes data centres, fibre, satellites and the power systems needed to support AI and greater digital sovereignty.
3. Demographic changes taking place in Europe. These are likely to increase investment opportunities in medtech, higher education and the focus on founder succession in ageing economies.

Public funding alone will not be enough. These multi-year, patient, innovation-led themes are where private markets excel and may not come neatly packaged in the listed equity markets anytime soon.

Ultimately, perhaps public and private markets in Europe should not be seen as substitutes but rather as complements. Public equities still matter. But for investors seeking a fuller expression of Europe, private assets can significantly broaden the investment universe.

## The UK is a particularly interesting case study

Lower public market valuations have helped make take-private transactions a source of UK private equity deal flow, while London's IPO market has remained subdued. Together, those trends reinforce the idea that part of the UK's opportunity set is increasingly being accessed through private rather than public markets.

For investors using listed equities as a proxy for the UK economy, it is also worth remembering that FTSE Russell says FTSE 100 companies currently derive approximately 86% of their revenues from outside the United Kingdom<sup>3,5</sup>. In practice, that means UK listed equities, particularly large caps, offers more global exposure than their domicile implies. For investors seeking more targeted exposure to domestic businesses, UK private markets may therefore merit consideration alongside listed equities. Notably, accessing UK private capital through a diverse range of managers and deal sizes, such as the lower mid-market, can provide broader exposure across the UK rather than solely on companies in London and South East.

## Access is improving, but simplicity still requires structure

Traditionally, private markets have had high minimums, long lock-ups, capital calls and operational complexities which have meant the asset class was attractive in theory for wealth investors but often impractical in reality. That is now changing, with the rise of ELTIFs in the EU and LTAFs in the UK, private markets are more investable with lower minimums, simpler administration and more flexible access points.

In the UK, LTAF assets have grown to c. £7bn, up 40% from last year<sup>4</sup>. Most of that still sits in DC pension schemes, but the direction of travel is clear. From April 2026, LTAFs became eligible for Stocks & Shares ISAs, widening the toolkit available to wealth investors. That is a positive development for investors: the goal is not to force private markets into every portfolio, but to give investors and discretionary portfolio managers the choice to make the decision themselves.

That matters not only because access is improving, but also because, in a world where public market beta is low cost and liquid, any alpha and cost budget in wealth portfolios may be better spent in private markets. Public markets still play an essential role, but private markets can sit alongside them in a more deliberate financial planning framework. Private equity can support long-term growth, while private credit and infrastructure can support income and inflation protection. As access broadens, investor education will become critical, particularly around the mechanics of evergreen funds.

## Easier access does not mean easy to manage

Building and managing evergreen LTAFs and ELTIFs is complex. The manager absorbs that complexity so the investor experience is simpler. Private markets will never be truly simple: sourcing opportunities, completing diligence on assets and managing liquidity in an evergreen structure all require dedicated expertise.

It is also worth addressing the recent negative sentiment around U.S. BDCs head on. BDCs are a U.S.-specific structure, while ELTIFs operate under a separate European regulatory framework with strict rules around eligible assets, diversification and liquidity management. In other words, readers should not assume that the issues associated with one structure necessarily apply to the other.

## Conclusion

The broader message for UK and European private wealth investors is straightforward. Diversification is harder to find in traditional portfolios. Access to Europe's future is increasingly happening in private markets. And the vehicles for implementing that view are becoming simpler and more investable.

Europe's private markets appear to offer a distinct mix of company size, sector composition, domestic revenue exposure, long-term thematic access and higher returns than European public markets. For CIOs and DPMs, that may justify a different public-to-private ratio in Europe than in other regions in their whole portfolios.

Private markets are not a cure-all. But investors now have more choice; those looking to diversify away from concentrated public exposures, broaden their opportunity set and access Europe's structural transformation in a more practical format may find the case for privates increasingly clear.

### ENDNOTES

<sup>1</sup> EY, 2025 Global IPO market key highlights and 2026 outlook, December 2025.

<sup>2</sup> Source: Bloomberg Data, April 2026.

<sup>3</sup> FTSE Russell, FTSE UK Index Series – FAQ, Fast Entry Thresholds & Sterling Requirement, v1.2, April 2026.

<sup>4</sup> Citywire, LTAF assets hit £7bn, but wealth adoption is nascent at best, April 2026.

<sup>5</sup> Past performance is not indicative of future results.

### DISCLOSURES

This article is for informational purposes only and does not constitute investment, legal or tax advice. It should not be construed as an offer or solicitation to buy or sell any investment.

Investments in private markets are speculative, involve a high degree of risk, are typically illiquid and may result in the loss of capital.