Private Market Benchmarking: The Next Frontier for Wealth Advisors

August 2025

What You'll Learn

- How benchmarks are foundational in public markets and available in private markets for institutions, but remain underdeveloped for financial advisors
- How the absence of benchmarks can create "alpha without beta," which may complicate performance measurement
- Why business development companies (BDCs) may provide a practical case study for benchmarking private credit
- What benchmarking aims to provide in terms of transparency and comparability

Why Benchmarks Matter

Benchmarks are one way to distinguish investment skill from market exposure and to scale strategies across investor types. In public markets, they are considered the scaffolding of modern investing. This structure is so ingrained that it's easy to forget how foundational it is. Indices like the S&P 500 and MSCI World give investors a way to measure performance, evaluate managers, and allocate capital with discipline. More than $30 trillion in public assets are benchmarked to just these two indices alone.[1]

Private markets have scaled dramatically, with global AUM surpassing $13 trillion in 2024[2], but the benchmarking infrastructure has not kept pace. While institutional investors have long relied on pooled internal rate of return (IRR) data or property indices, most private market benchmarks are either subscription-based or designed for institutional reporting, making them unavailable or less applicable to advisors in the wealth channel. For many of the private strategies available to RIAs and independent broker-dealers, there is still no widely recognized performance measurement system.

This creates what we call the risk of "alpha without beta." In public markets, investors can separate performance into *beta* (i.e., market exposure) and *alpha* (i.e., manager-driven excess return). In private markets, without a baseline, performance get treated as alpha. Was a 9% return from a credit vehicle driven by skill or simply a rising tide across the asset class? Was underperformance the result of manager choices or broader market conditions? Without a baseline, advisors—and their clients—are often left guessing whether their manager is delivering value or simply delivering the market.

A Brief History of Benchmarking

The difference becomes clearer when you look at the timeline of benchmark development and proliferation across both public and private indices in the last century.

Public Markets: Mature and Embedded

Public indices have a long history. The S&P 500 (1957),[3] MSCI World (1969),[4] and Bloomberg US Aggregate Bond Index (1973)[5] gave investors reliable equity and fixed income references, later expanded by FTSE Nareit for listed real estate (2006).[6] These indices not only enabled performance measurement; they laid the foundation for index funds, ETFs, and passive investing. Over time, public benchmarks have become increasingly nuanced, and there are now indices designed to capture specific exposures, live value, quality, or momentum, as well as thematic segments like ESG and specific sectors. Today, they often serve as the basis for custom portfolios and ETF launches.

Private Markets for Institutions: Exist but Limited

Private benchmarks came later and were built for institutions. NCREIF launched its property index in 1978;[7] Cambridge Associates introduced pooled PE and venture IRR data in the 1980s–90s.[8] A more recent addition includes DHECinfra's private infrastructure indices (2019).[9] These tools were developed for institutional investors and based on data from large, private funds and reflect delayed reporting cycles typical of private market valuations. As a result, they don't align with the registered vehicles wealth advisors often allocate to.

Private Markets for Wealth: Just Beginning

Advisor-focused private market benchmarks are even newer. Until recently, there were no indices designed specifically for perpetual or semi-liquid private market vehicles. The launch of a perpetual BDC benchmark in August 2025 marked the first step toward a rules-based index, independently calculated and designed to represent vehicles accessible to wealth investors.

Case Study: Perpetual Non-Traded BDCs Indexing

With this context in mind, let's consider how perpetual non-traded BDCs illustrate how benchmarks can work.

Characteristics of BDCs

BDCs share several structural and regulatory features:

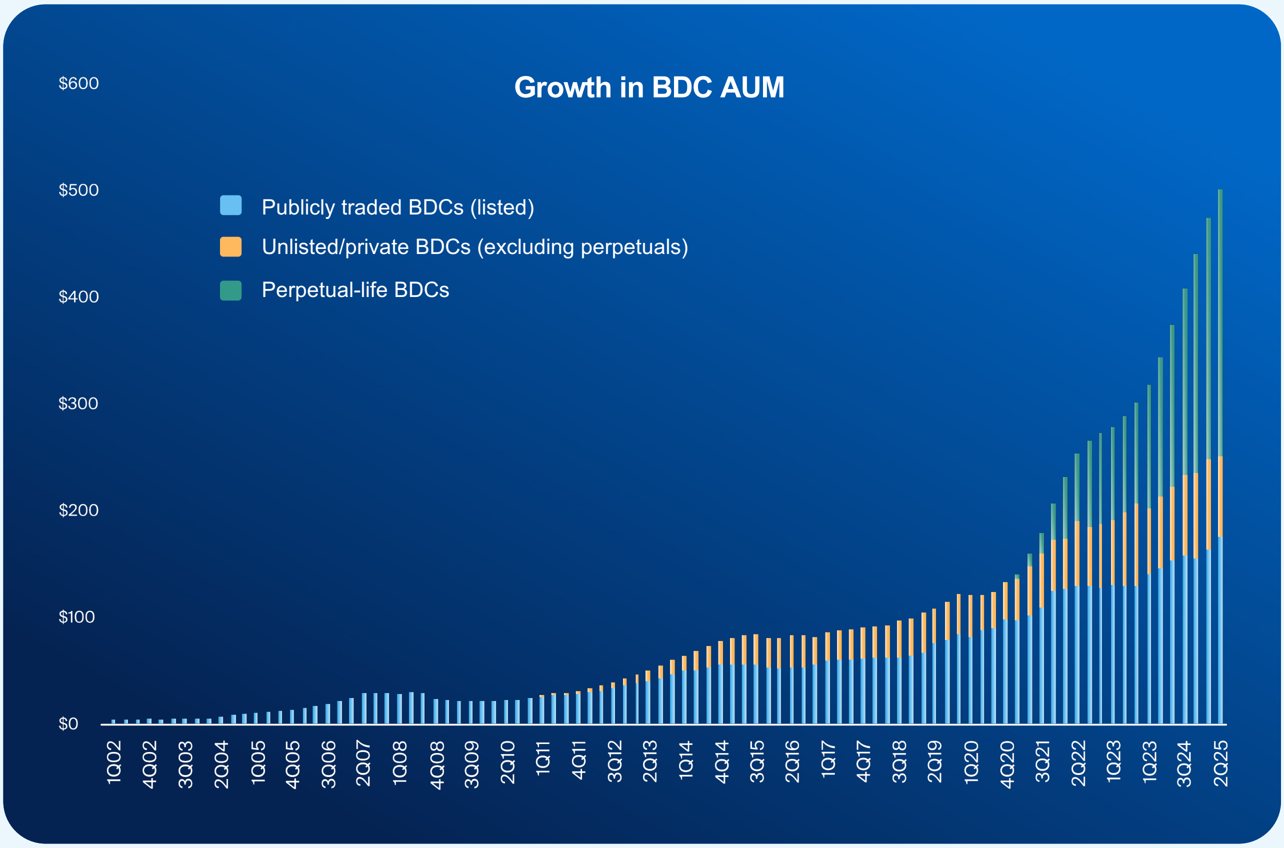
- **Regulated Framework:** BDCs are closed-end investment companies that elect to be regulated under the Investment Company Act of 1940 ('40 Act) and file periodic reports with the SEC.
- **Investment Focus:** They invest primarily in US private debt and equity, often emphasizing middle-market lending.
- **Transparency and Reporting:** BDCs report net asset value (NAV), leverage, and portfolio composition on a recurring basis and provide 1099 tax reporting rather than K-1s.
- **Diversification:** Portfolios commonly include thousands of small and mid-sized businesses across sectors.
- **Income Structure:** As pass-through entities, BDCs distribute most income to shareholders, enhancing comparability across funds.

Market Scale and Variability

The BDC universe has expanded to more than $500 billion in assets under management (AUM) as of Q2 2025, but the real growth engine is in the perpetual-life, non-traded segment.[10] These vehicles now account for $250 billion in AUM across 43 funds, representing about 26% of the total BDC market. The segment grew 65% year-over-year.[11]

Performance among perpetual BDCs has varied considerably across managers, according to data from the Solactive CAIS Private Credit BDC Index ("CAISCRED").[12] As of June 2025, within the CAISCRED index, the trailing 12-month average total return for the top-performing quartile was 11.54%, compared to 7.21% for the bottom quartile, representing a 432 basis point active return differential. The range of individual manager performance underscores why a benchmark can be useful for establishing context.

BDCs across vehicle types have seen significant growth in the past five years (Exhibit 1)



Toward Rules-Based Indices

Recent efforts have shown that it is possible to construct a rules-based benchmark for perpetual BDCs.[13] Independent calculation, transparent eligibility rules, and systematic rebalancing can produce a measure that reflects the fund-level performance wealth investors characteristically experience. For advisors, such a benchmark can provide a clearer backdrop for portfolio construction, manager evaluation, and client reporting.

Why This Matters

Benchmarks based on perpetual BDCs aim to provide a common baseline for market-wide returns, yields, and volatility. They can help contextualize manager dispersion and improve comparability across strategies. For allocators, they can support due diligence and portfolio construction. For platforms, they can provide a clearer backdrop for reporting. And for the industry, they signal that a portion of private credit can be measured with the same discipline long applied in public markets. It's worth noting they do not replace manager diligence, but they can provide a clearer backdrop against which to conduct it.

Expanding Wealth-Focused Benchmarks Beyond BDCs

BDC benchmarks are a proof point, but the need extends across asset classes.

Private Equity: Cambridge indices remain institutional in focus and reflect the delayed reporting cycles typical of private market data; evergreen PE funds in the wealth channel have no standardized benchmark.

Private Real Estate: NCREIF NPI tracks core institutional funds, not interval funds or non-traded REITs common in wealth portfolios.

Private Real Infrastructure: EDHECinfra provides institutional indices, but wealth-accessible infrastructure funds lack comparable references.

Each of these asset classes faces a similar challenge: without standardized benchmarks, performance measurement remains dependent on manager-defined reporting. Developments in benchmarking, with BDCs as an example, show how this gap can begin to narrow.

Risks and Considerations

Private market benchmarks are still developing and come with considerations for advisors.

Data Quality and Timeliness

Private market benchmarks rely heavily on fund filings and other disclosures, which are typically quarterly and often lagged. This limits immediacy compared to public market indices and may affect how quickly private market benchmarks can reflect changing conditions.

Methodological Choices

How a benchmark is constructed—its eligibility rules, weighting method, and treatment of fees and leverage—can meaningfully influence results. Different methodologies may produce materially different outcomes, underscoring the importance of transparency in index design.

Representation Limits

No single benchmark can fully capture the diversity in private markets. Strategies vary significantly by sector focus, leverage levels, and portfolio composition, and most benchmarks cover only a portion of the investable universe. Benchmarks can provide a useful baseline but will always involve simplification to a certain extent.

Back-Tested Data

Some private market benchmarks extend their histories using back-tested or simulated results. These figures are illustrative only and may not reflect actual performance. They should be interpreted with caution and never as a predictor of future outcomes.

Comparability to Public Markets

Private market benchmarks are not directly comparable to public equity or bond indices. Differences in liquidity, valuation frequency, and fund structure mean that benchmarks should be used to provide context within private markets, rather than as one-to-one comparisons with public market measures.

Looking Ahead

The history of benchmarks suggests a clear trajectory. Public indices in equities and bonds transformed how investors allocate, evaluate, and scale portfolios. Institutional private benchmarks brought similar discipline, though mostly for pensions and endowments.
For advisors, the journey may just be beginning. Perpetual BDC benchmarks may show that with the right elements—scale and transparency—indices can be built for the private market vehicles advisors are adopting.

As allocations to alternatives continue to draw interest, benchmarks could become important infrastructure. They may bring clarity to reporting, comparability to manager selection, and accountability to the broader market.

1. MSCI, "Annual Report 2024," Dec. 31. 2024; S&P Dow Jones Indices, "S&P Dow Jones Indices Annual Survey of Assets," Dec. 31, 2024
2. Alternative Investments, "Interval Fund," as of Mar. 31, 2025
3. S&P Dow Jones Indices, "S&P U.S. Indices Methodology," August 2025
4. MSCI, "Global Indexes: Delivering the Modern Index Strategy." Note: The MSCI World itself was launched in 1986 with history dating back to 1969 through its predecessor Capital International index, offered the first widely used global equity reference.
5. Bloomberg, "Bloomberg Fixed Income Index Methodology," Oct. 15, 2024. Note: The Bloomberg U.S. Aggregate Bond Index was formally launched in 1976, but Bloomberg traces its history to 1973, when Lehman Brothers created the first total return bond index that later evolved into the Aggregate.
6. NAREIT, "FTSE NAREIT US Real Estate Index Series Frequently Asked Questions," Mar. 6, 2006
7. NCREIF, "About NCREIF"
8. Cambridge Associates, "US Private Equity Index and Selected Benchmark Statistics," Jun. 30, 2024
9. Scientific Infra & Private Assets, "Private Infrastructure Indices Factsheet," July 2025
10. LSTA, "BDC Quarterly Wrap: 2Q25," Sep. 3, 2025
11. Ibid.
12. CAIS Advisors, aggregation of information reported by each index constituent to the SEC, Mar. 31, 2025
13. CAIS, "CAIS Partners with Solactive to Launch First-of-Its-Kind Private Credit BDC Index," Aug. 7, 2025

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The Solactive CAIS Private Credit BDC Index aims to track the performance of non-traded private credit funds (BDCs) with a modified market-cap weighting. Detailed information about the Solactive CAIS Private Credit BDC Index, including the factsheet and rulebook, is available at https://www.solactive.com/indices/ and searching for "Solactive CAIS Private Credit BDC Index". References to indices, benchmarks, or other measures of relative market performance are provided for informational purposes only. Indices are unmanaged, do not incur management fees, costs, or expenses, and cannot be directly invested in. The performance of an index does not represent the performance of any specific investment, and the composition of an index may not reflect the manner in which a client's portfolio is constructed.

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For further information regarding the calculation of performance and a description of the Solactive CAIS Private Credit BDC Index, please contact CAIS Advisors at 212-300-9355.

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