Private Equity Outlook 2025

Headwinds easing as private equity continues to innovate

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Executive summary

While challenges persist, opportunities remain in the private equity market. GPs will likely prioritize liquidity and fundraising in the coming year. The geopolitical landscape remains complex, with ongoing conflicts, trade disputes, and sanctions. Persistent inflation may lead to prolonged higher interest rates, according to central bankers and economists. Global economic uncertainty is compounded by rising government debt, potentially limiting policymakers' responses to future economic crises.

"There is a strong appetite to get markets moving"

Despite these concerns, the macroeconomic environment has improved somewhat, suggesting a more favorable climate for dealmaking, especially in the US under a hypothetical second Trump administration. Interest rates are declining in major economies, and a potential ceasefire in the Middle East could reduce global tensions. While industry participants will remain vigilant regarding geopolitical events and inflation, there is a...

Both Limited Partners (LPs) seeking distributions and General Partners (GPs) wanting portfolio realizations are eager to revitalize market activity. The secondaries market and Net Asset Value (NAV) lending will continue to support private equity managers, with the secondaries market providing LPs broad market exposure and vintage diversification. Increased liquidity could alleviate some operational pressures on GPs and give allocators more flexibility for new commitments. Fundraising in 2025 is expected to remain below peak levels and challenging for most GPs, as investors remain constrained by limited distributions and overweight private equity allocations. Allocators will likely continue to refine portfolios, focusing on preferred managers and top performers while carefully evaluating new opportunities. However, some opportunistic investors are increasing private market allocations, expanding their investment mandates, and refreshing their portfolios.

Five Tailwinds

- Increasing size of private market opportunities
- Exit environment showing signs of improvement
- Increasing interest from private wealth and other sources of new capital
- Technological innovation continues to drive disruption
- Secondaries fundraising remains strong

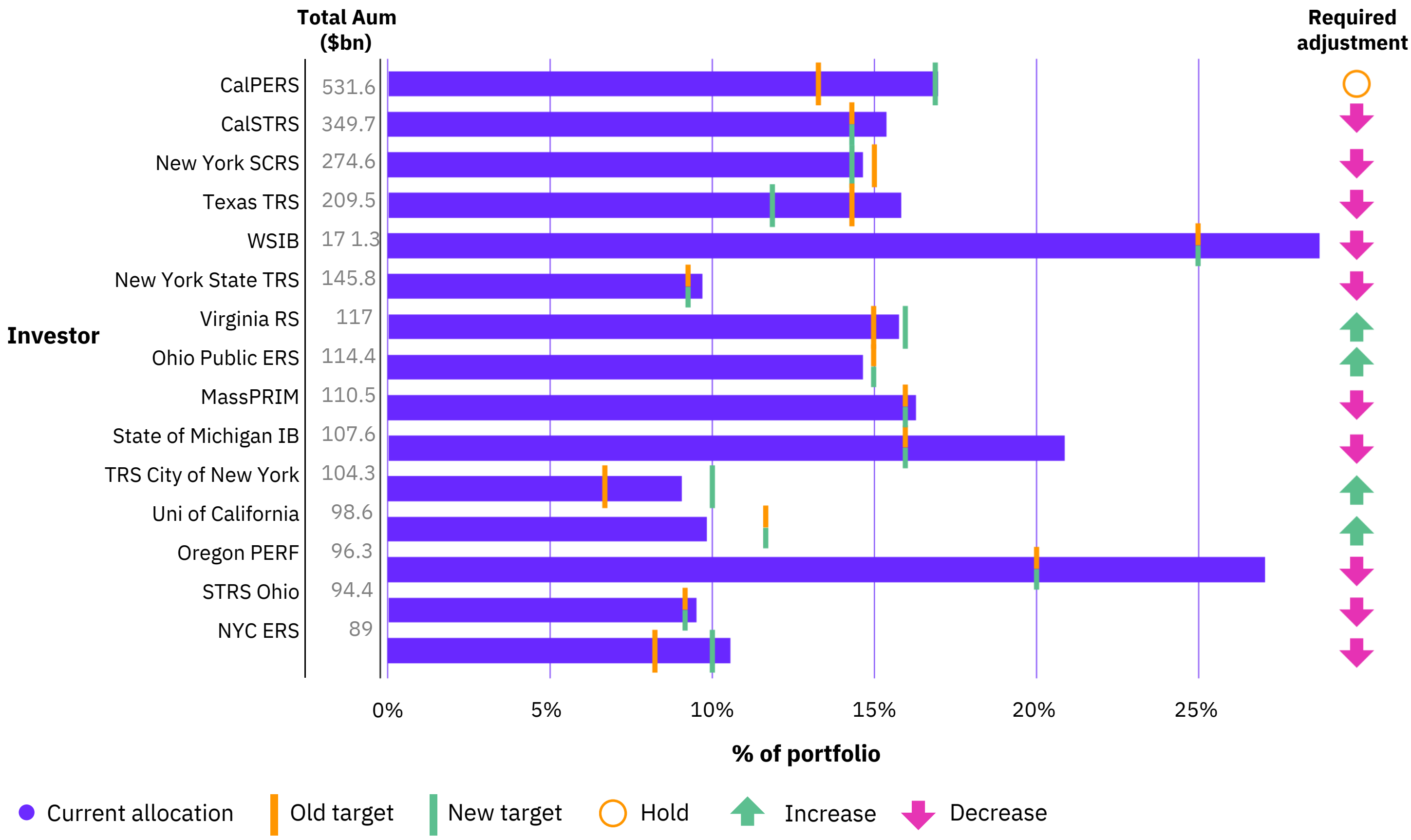
Five Headwinds

- Interest rates remain elevated increasing the cost of capital and putting pressure on valuations
- Geopolitical and economic uncertainty continue
- Longer times to close funds and difficulties hitting targets
- Many LPs still overweight to private equity
- Greater competition from more GPs and funds in market

Fundraising: Paradigm shift underway

Figure 1

Largest 15 US public pension fund PE portfolios



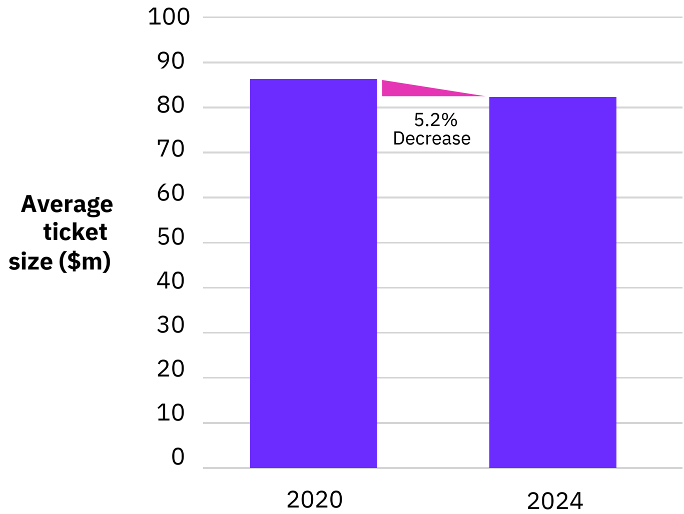
The private equity fundraising landscape has fundamentally changed. Traditional institutional investors are now limited in their ability to deploy new capital, and automatic re-ups are a thing of the past. In response, larger and more sophisticated General Partners (GPs) have proactively sought new investor types and expanded their business development teams into new geographic regions. To address fundraising challenges and access new capital sources, GPs have employed various strategies, including GP-led secondaries, Net Asset Value (NAV) lending, GP stakes sales, portfolio refinancings, third-party distribution, and strategic mergers and acquisitions.

> **“The era of guaranteed re-ups is over”**

Despite these short-term fundraising and financing challenges, overall investor sentiment remains generally positive. An analysis of the 15 largest US public pension funds illustrates the complexities of managing large LP private equity portfolios (see fig. 1).

Figure 2

Average PE ticket size from US Public pension funds

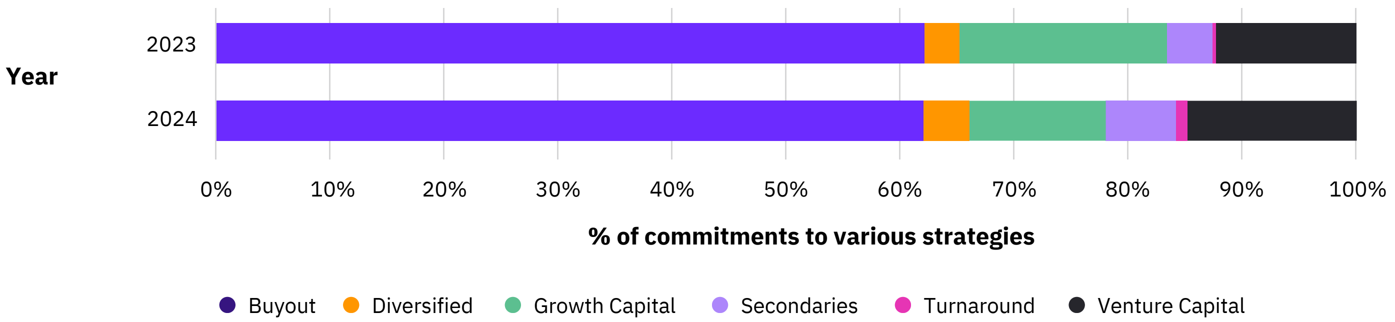


These pension funds generally hold a neutral to positive view of the private equity industry, as evidenced by their portfolio adjustments. On average, they increased their private equity allocations by approximately 1% in their most recent asset allocation reviews, adding a combined $20 billion in capacity. However, many remain overweight in the sector. Ten of the fifteen plans are currently attempting to reduce their private equity exposure, and collectively these institutions...

...need to reduce exposure by more than $30 billion over time. This helps explain the 5.2% decrease in the average buyout ticket size from US public pensions tracked between 2020 and 2024 (see fig. 2). Overall, mandate data indicates a consistent flow of capital into buyout strategies between 2023 and 2024 (see fig. 3). Secondaries and venture capital saw a relative increase in investment, while capital flowing to growth strategies was slightly lower than the previous year.

Figure 3

Breakdown of commitments by strategy: 2023 vs 2024



In other areas, many LPs are taking advantage of the situation. Some view the capital shortage as an opportunity to establish relationships with previously capacity-constrained managers or to develop new strategy/sector allocations to capitalize on favorable market conditions (see fig. 4). As traditional institutional capital pools approach or reach capacity, private equity managers will continue to develop internal expertise, invest in infrastructure, and leverage third...

...parties to attract new investor types. For example, larger GPs have significantly invested in business development and investor relations teams with specialized expertise in family offices, sovereign wealth funds, and insurance channels. Competition for talent with expertise in marketing products to private wealth channels across various regions has also been intense. The Gulf region, Latin

Figure 4

Opportunities to build new relationships

The New Jersey Police & Firemen's Retirement System, a $34 billion investor, completed its spinout from the NJDOI in April 2024 and is optimistic about private equity in 2025, expressing openness to new relationships and emerging managers. "We think that 2025 will be a great vintage," executive director Greg Petzold told With Intelligence in October. The investor plans to use larger ticket sizes to negotiate fees and terms.

The Kansas Public Employees' Retirement System, which recently increased its private equity target by 2%, has allocated $750 million for private equity investments in 2025. Kansas is receptive to new manager relationships and expects ticket sizes ranging from $90 million to $120 million—an increase from previous years.

The Colorado Public Employees' Retirement Association increased its private equity target by 1.5% last year, adding nearly $1 billion in capacity. The plan aims to reach this new target within the next one to three years. They believe the current slower fundraising market presents opportunities for seasoned primary investments and/or stronger leverage for early commitments. Colorado is open to new managers and unique co-investment opportunities.

The Americas and Asia will remain key regions for General Partners (GPs) seeking new capital. Further industry consolidation is expected, with larger traditional asset managers continuing to acquire private equity managers to capitalize on alternative investment opportunities and...

...broaden their fee revenue streams. Conversely, underperforming managers and those without clear succession plans will likely face fundraising challenges, potentially leading them to focus on existing portfolios or ultimately wind down their operations.

Evergreen: Shifting focus from development to distribution.

A significant fundraising trend has been the rise of evergreen private equity products designed for private wealth channels. Most leading private equity firms have now recognized the importance of creating "democratized" products for high-net-worth individuals. The focus is now shifting from simply launching these innovative products to determining which ones will thrive in a competitive market.

In the US, a wave of new products across various private market strategies emerged in 2024 (see fig. 5). These include semi-liquid vehicles offering broad private equity exposure, as well as more targeted sector- and sub-asset class-specific products. Fund-of-funds (FoFs) created by third-party distributors and well-connected consultants are also available. Many of these vehicles leverage the secondaries market to acquire initial portfolios.

Figure 5

US evergreen PE launches 2024

Firm	Fund	Launch Date	Strategy
Vista Equity Partners	VistaOne	Dec-24	**Direct, primary, secondaries, debt**
Hamilton Lane	Hamilton Lane Venture Capital and Growth Fund (HLVCG)	Dec-24	**Growth equity, venture capital**
Coatue Management	Coatue CTEK Fund	Nov-24	**Growth equity, structured capital**
Hamilton Lane	Hamilton Lane Private Secondary Fund (HLPSF)	Oct-24	**GP/LP led secondaries**
Ardian	Ardian Access (AA)	Oct-24	**Secondaries, direct co-investments, primaries**
EQT	EQT Private Equity Company (EQPE)	Oct-24	**Buyout, growth**
Morgan Stanley	North Haven Private Assets Fund	Jul-24	**PC and PE assets, secondaries, co-investments**
HarbourVest	HarbourVest Private Investments Fund	Jun-24	**Primaries, secondaries, co-investments**
ICG	ICG Core Private Equity	May-24	**Secondaries**
MidOcean Partners/Millennium Bridge	Midbridge Private Markets Fund	May-24	**Direct, secondaries, and primaries**
Privacore/Partners Capital	Privacore PCAAM Alternative Growth Fund (PAGF)	Apr-24	**Primaries, secondaries, direct co-investments**
Partners Group	Partners Group Growth	Mar-24	**Direct, primaries, secondaries, co-investments**
Coller Capital	Coller Secondaries Private Equity Opportunities Fund (C-SPEF)	Feb-24	**Secondaries**
Fairway Capital	Fairway Private Markets Fund (FPMF)	Feb-24	**Primaries, secondaries, direct**
Franklin Templeton / Lexington	Franklin Lexington Private Markets Fund	Feb-24	**Secondaries, primaries, co-investments**

> **“Private equity firms are now turning their attention to workplace retirement savings plans”**

Market participants will closely monitor these new vehicles to assess any performance trade-offs for increased liquidity. Given their relative novelty, General Partners (GPs) will continue to invest in investor education and demonstrate the operational sustainability of these funds, especially if fundraising is slow.

Beyond high-net-worth individuals, private equity firms are now exploring workplace retirement savings plans as a new target market. In the US, managers aim to capitalize on a 2020 Department of Labor letter that permitted defined contribution plans to include private equity exposure within diversified funds, allowing for limited allocation in target-date funds. General Partners (GPs) will continue to collaborate with regulators to gain clarity on implementation and expansion, working with major 401(k) providers who control a substantial portion of retirement savings. Managers are expected to be cautiously optimistic about progress in this area, while remaining aware of the potential for negative publicity and the legal complexities of expanding into the retirement market.

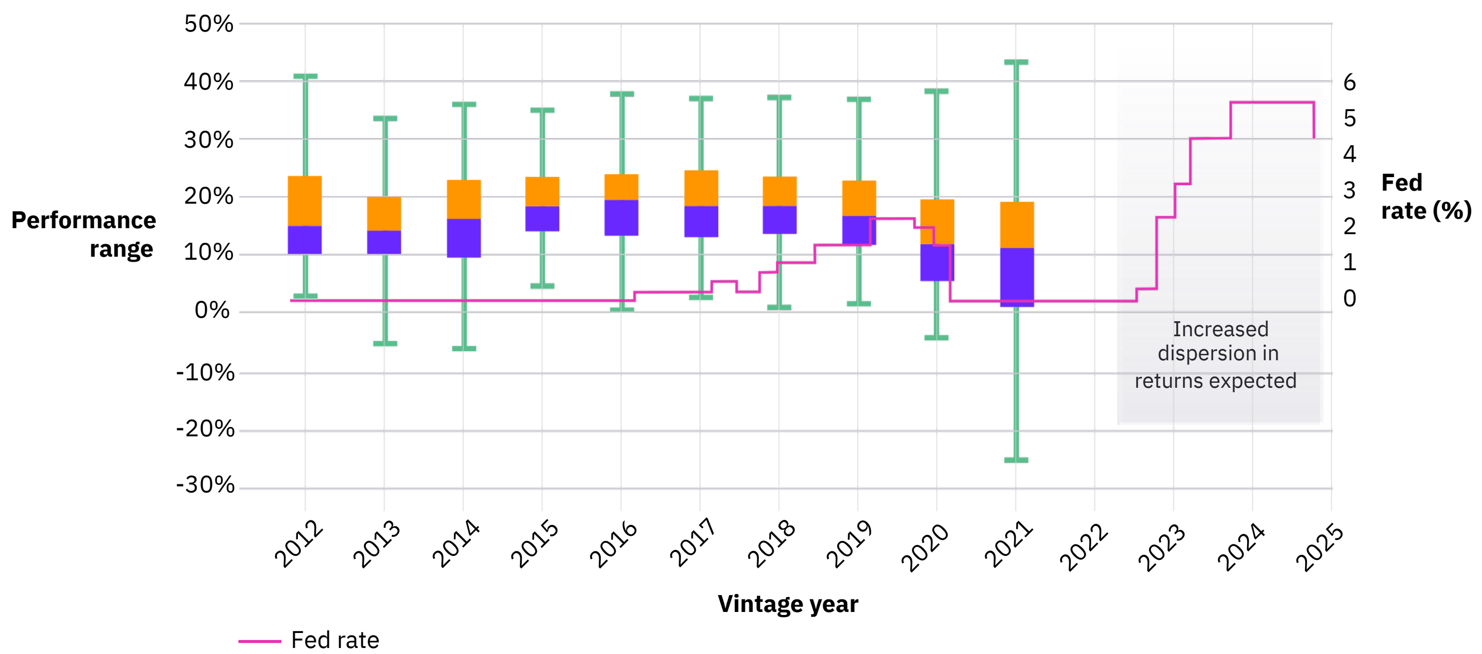
Returns: Will private equity continue to outperform public markets over the long term?

The potential for lower private equity returns has become a topic of discussion, with some questioning the industry's ability to consistently outperform other asset classes. Performance expectations will likely remain a key concern for investors throughout 2025. While trending down, interest rates remain elevated and are unlikely to return to pre-global financial crisis or pre-pandemic levels in the near future. Over the long term, this could limit the amount of leverage private equity...

...managers can utilize, leading to lower valuations and reduced overall investment activity. In this environment, Limited Partners (LPs) seek reassurance that their managers are prepared to navigate macroeconomic challenges. With the change in interest rate environment, General Partners (GPs) are prioritizing operational improvements, add-on acquisitions, and strategic changes within their portfolio companies to mitigate cash flow issues. Our data indicates that top-quartile managers can generate...

Figure 6

PE performance



> **“There are signs that 2025 could be a strong vintage”**

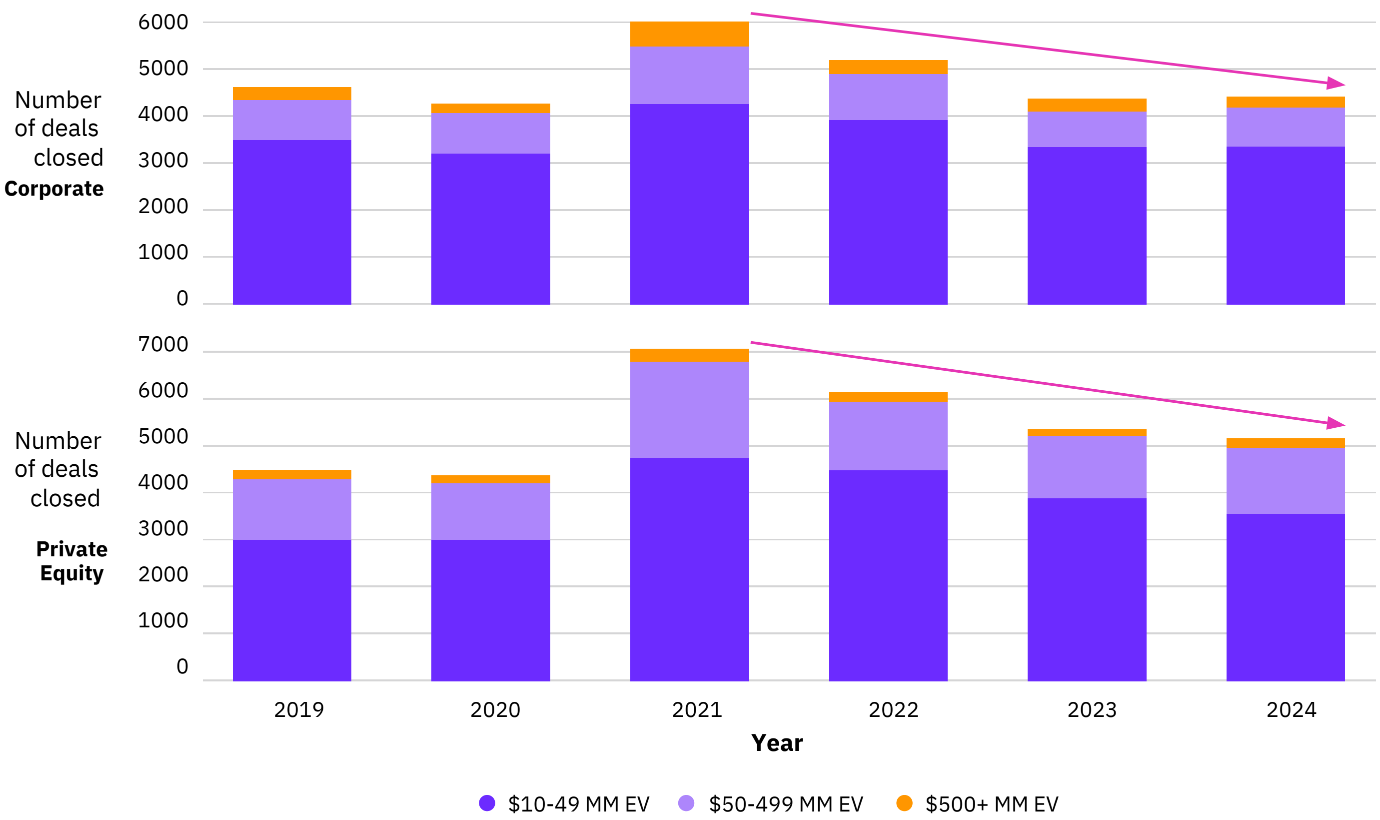
...strong returns despite higher interest rates and periods of illiquidity. However, these disruptions can increase the dispersion of returns, making manager selection even more critical. We anticipate a wider range of returns from vintages in the current rate environment compared to those observed in the lower interest rate environment following the Global Financial Crisis (see fig. 6).

There are indications that 2025 could be a strong vintage, with asset prices lower than the 2021 peak, increasing stressed and distressed opportunities, and a (slow and uneven) global economic recovery potentially on the horizon. Efforts to refine how managers generate returns will continue. Managers will need to demonstrate "alpha" generation—outperformance beyond simply benefiting from rising multiples—to differentiate themselves and attract capital. Demand for data and analytics in this area will continue to grow.

Deal activity: Cautious optimism despite valuation adjustments and macroeconomic uncertainty.

Figure 7

Deal Activity by buyer type & deal size



We anticipate a positive trend in deal activity throughout 2025, driven by decreasing interest rates, a rebounding IPO market, accumulated dry powder, and a growing desire among both Limited Partners (LPs) and General Partners (GPs) to increase activity. Some estimates suggest that the decline in exit activity (illustrated in fig. 7) has led to reduced distributions to investors...

...to levels not seen since 2008. This has made LPs eager to generate cash flow to meet their own obligations, free up capital for new investments, and alleviate liquidity concerns. Simultaneously, the accumulation of assets on private equity fund balance sheets (see figs. 8 and 9) is motivating GPs to increase deal activity.

"Private equity firms will carry on finding dynamic ways to keep capital flowing"

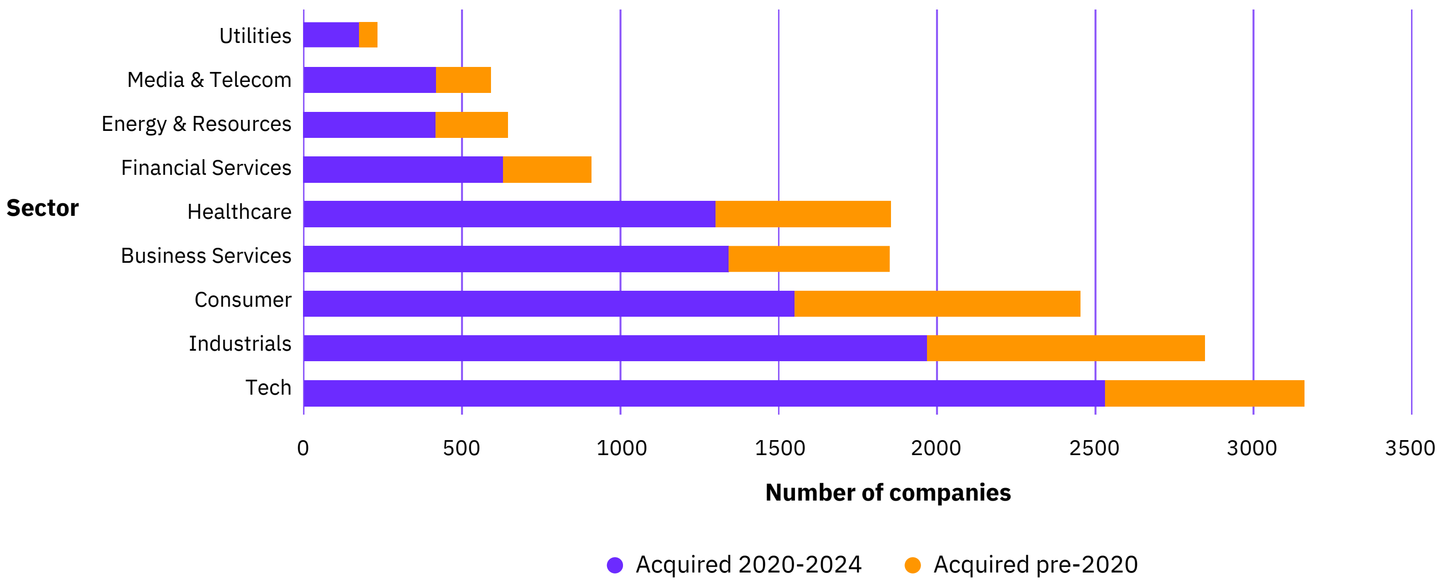
While GPs' capacity to hold assets for extended periods shouldn't be discounted, the motivation to transact is growing. Beyond traditional exit strategies, private equity firms will continue to explore innovative methods for maintaining capital flow, including GP-led secondaries, dividend recaps, and the developing concept of private IPOs. In the near term, LPs will likely prioritize Distributions to Paid-In Capital (DPI) as a key metric for evaluating current and potential managers. LPs are increasingly focusing on DPI as a...

Figure 8

Holding period by exit year

Figure 9

Companies held for more than four years: by sector



metric for de-risking their portfolios. Managers who can demonstrate value realization on investments ahead of their peers may be viewed favorably when fundraising for new funds. However, over the long term, Internal Rate of Return (IRR) will remain the ultimate measure of a manager's success.

"Internal Rate of Return (IRR) will remain the ultimate benchmark of a manager's success"

Secondaries: Unlocking liquidity and opportunity

Strong fundraising in the secondaries sector suggests another record year for deal volume in 2025. The secondaries market continues to benefit from increased liquidity needs, the growing acceptance of the asset class as a portfolio management tool, and strong historical returns. Furthermore, rising private wealth interest in private markets is driving sector growth as evergreen funds use secondaries as an entry point to mitigate

Private equity secondaries offer diversification across sectors and vintage years, as illustrated by the J-curve effect. In 2024, general partners (GPs) secured over $115 billion in new capital commitments, including substantial fundraisings by major firms like Blackstone, HarbourVest, and Lexington Partners (see fig. 10). This momentum continued into 2025 with Ardian's record-breaking $30 billion raise for their newest flagship fund, Ardian Secondaries Fund IX, in January.

Figure 10

Top 10 largest secondaries fund closes 2024

Fund	Manager	Manager Location	AuM ($ bn)
Lexington Capital Partners X	Lexington Partners	North America	**22.7**
Blackstone Strategic Partners IX	Blackstone	North America	**22.2**
HarbourVest Dover Street XI	HarbourVest Partners	North America	**15.1**
SSOF V	StepStone	North America	**7.4**
LGT Crown Global Secondaries VI	LGT Capital Partners	Europe Europe	**7.0**
ICG Strategic Equity Fund V	ICG	North America	**6.3**
Hamilton Lane Secondary Fund VI	Hamilton Lane	North America	**5**
Secondary Overglow Fund V	HarbourVest Partners	North America	**5.6**
Stepstone VC Secondaries Fund VI	StepStone	Europe	**3.4**
Crown Secondaries Special Opportunities III	LGT Capital Partners		**3.3**
			3.0

The $115 billion raised in 2024 was heavily concentrated, with five firms attracting nearly 75% of the total capital (see fig. 11). While established giants dominate the fundraising landscape, the sector's growth is attracting new participants through mergers and acquisitions, as well as the launch of new firms. Notable examples of recent entrants include Clipway, a spinout from Ardian, and SQ Capital, founded by Mustafa Siddiqui, formerly head of GP stakes at Blackstone.

An additional $120 billion is being sought by 56 funds currently fundraising, suggesting that fundraising activity will likely remain strong. Transaction volume has exceeded $100 billion annually for the last four years, reaching $160 billion in 2024, as reported by Evercore. At this pace, current industry capital would be depleted in just over two years, indicating the need for increased and larger fundraisings.

Figure 11

Secondaries fundraising concentration

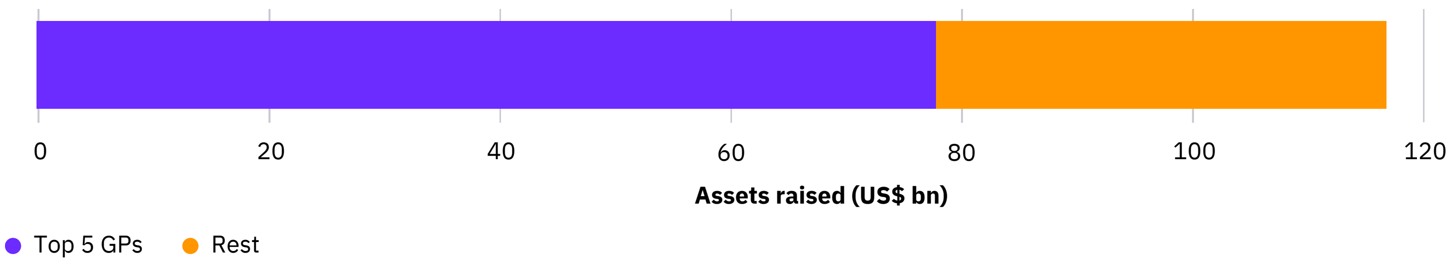


Figure 12

Dedicated GP-led secondary funds in market

Fund NB Strategic Capital II Blue	Manager	Target ($m)
Owl Strategic Capital GP-led	Neuberger Berman	2500
Secondaries Fund I GP-led	Blue Owl Capital	2000
Secondaries Fund I Ashbridge	Leonard Green & Partners	1500
Annex Fund I Kline Hill Partners	Lexington Partners	1500
Solutions Fund II Solvo Capital	Morgan Stanley	600
Secondaries Fund Mesirow Private	Kline Hill Partners	500
Equity Secondary I Tail End	Solvo Capital	440
Strategic Equity II	Mesirow	250
	Tail End Capital Partners	250

Since their emergence in the 1990s, limited partner (LP)-led secondaries have become a key portfolio rebalancing tool. Investors are also attracted to secondary funds due to their strong performance, outperforming traditional buyouts by an average of 340 basis points from 2004 to 2023, based on our analysis. General partner (GP)-led secondaries have also become increasingly significant, accounting for approximately 50% of total secondaries volume over the past four years, according to Jefferies research. This trend is expected to continue as both sponsors and LPs gain more experience with these products and as more data becomes available for performance analysis.

The growing prevalence of GP-led secondaries is evident in the number of prominent managers establishing dedicated funds for sponsor-led transactions. Currently, approximately $10 billion is being targeted by funds specifically focused on GP-led secondaries (see fig. 12).

“LP-led secondaries have become an integral tool used to rebalance portfolios”

GP Stakes: Driving Growth and Aligning Interests

Although still a relatively small part of the broader market, GP stakes investing will be a key factor in determining which managers thrive during this period of limited liquidity. Managers open to selling a portion of their GP economics can utilize the proceeds for strategic mergers and acquisitions, developing new strategies, expanding into new regions, facilitating succession planning, or strengthening their existing platform. This trend is also likely to fuel further expansion of evergreen products, as managers seek access to annualized fee revenue streams that are more likely to command higher valuations from potential investors.

“There will be increased options for GPs at all stages of their growth journey”

However, general partners (GPs) must ensure that their limited partners (LPs) are comfortable with these arrangements. Investors will want to be certain that senior management retains a significant financial stake in the firm and are not overly diverted by new growth opportunities. The sector is also attracting investors who view it as a way to gain broad exposure to the alternative asset industry's growth. This is evidenced by eight new firms raising their first GP stakes funds in 2024 (see fig. 13). Currently, over $20 billion is being targeted for GP stakes funds, although Blue Owl's $13 billion Dyal Capital Partners VI represents a substantial portion of that total. Furthermore, investors outside of dedicated commingled funds are increasingly active in the GP stakes market. For instance, Affiliated Managers Group, one...

Figure 13

New GP Stakes entrants

Firm	Fund	Location	Target ($m)
AlTI Global	AlTi Select Fund	**New York**	**500**
Armen	Armen GP Stakes Fund I	**Paris**	**450**
AXA IM Prime	AXA IM Prime GP Stakes Fund	**Paris**	**420***
Azimut Alternative Capital Partners	Azimut GP Stakes Fund I	**New York**	**500-1000**
New Catalyst Strategic Partners	New Catalyst Strategic Partners Fund I	**Los Angeles**	**750**
PACT Capital	Pact Capital Partners I	**New York**	**TBC**
Scarcity Partners	Scarcity Partners GP Access Fund	**Sydney**	**186***
Thema	TBC	**London**	**TBC**

* values have been converted to $US for comparability

one of the largest and most established GP stakes firms, has recently increased its investments in private markets managers. KKR and General Atlantic have also acquired minority stakes in Catalio Capital Management and Clipway, respectively. Additionally, family offices, insurance companies, and other institutional investors continue to be active participants in the GP stakes market.

The emergence of new firms and funds will provide GPs with a wider range of options throughout their growth cycle.

Emerging managers: Navigating opportunity amid fundraising hurdles

The current environment is exceptionally difficult for emerging private equity firms, presenting challenges in both fundraising and operations. However, opportunities do exist for founders seeking to establish their own firms. While most large investors currently prefer allocating capital to established managers, Fund I closings have decreased significantly from previous highs. Nevertheless, founders with exceptional track records from prominent institutions are successfully raising Fund I capital in this climate. Success requires a combination of investment expertise, a distinct strategy, and specialized sector knowledge. This is illustrated by the top 10 Fund I closings of 2024 (see fig. 14), where the most successful fundraisers were startups founded by individuals with over a decade of investment experience at well-known firms such as Warburg Pincus, Platinum Equity, and Golden Gate Capital. Collectively, these 10 funds secured just under $6 billion in total commitments, although none individually exceeded $1 billion.

During 2024, we observed 189 new firm launches, indicating that some investors remain confident in their fundraising abilities. Pension funds with emerging manager programs, including plans in California, Illinois, New York, and Texas, have been actively participating. Seed investors are also playing a growing role in the emerging manager landscape. Given the challenges faced by new firms, some founders have become more willing to relinquish general partner (GP) equity in return for the crucial capital, operational support, and prestige associated with partnering with established platforms.

“Seeders are also playing an increasingly important role in the emerging manager landscape”

TPG, GCM, and Wafra are all limited partners (LPs) in prominent new firm launches in 2024. Goldman Sachs Asset Management's (GSAM) Petershill Partners is also raising a new $1 billion seeding vehicle. Family offices, high-net-worth individuals (HNWIs), and fund of funds (FoFs) continue to be significant supporters of emerging managers.

Highly experienced investors with a well-defined vision may see this as an opportune time to launch new ventures, and we anticipate a significant number of high-quality spin-outs and new firm launches in the coming years.

Figure 14

Top 10 first time fund closes 2024

Firm	Fund	Final Close ($m)	Date closed	Strategy	Sector
Coalesce Capital	Coalesce Capital Fund I	**900**	**February**	**Buyout**	**Human capital, technology-enabled ser vices**
Truelink Capital Management	Truelink Capital I	**875**	**July**	**Buyout**	**Technology-enabled services, industrials**
Lone View Capital	Lone View Capital Fund I	**850**	**April**	**Growth equity**	**Software, information services, technology-enabled businesses**
Valeas Capital Partners	VCP Fund I	**600**	**December**	**Growth**	**Healthcare, financial services, data & technology**
Good Springs Capital	Good Springs Capital Fund I	**554**	**June**	**Buyout**	**Industrial services**
L2 Point Management	L2 Point Opportunities Fund I	**460**	**October**	**Growth capital**	**Technology, consumer, healthcare, media**
Forward Consumer Partners	Forward Fund I	**425**	**January**	**Buyout**	**Consumer**
Two Roads Partners	Two Roads Partners Fund I	**400**	**July**	**Buyout**	**Services, specialty distribution & transportation, assembly & manufacturing**
Agellus Capital	Agellus Private Equity Fund I	**400**	**July**	**Buyout**	**B2B, consumer, supply chain, infrastructure services**
3 Boomerang Capital	3 Boomerang Capital I	**375**	**February**	**Buyout**	**Healthcare, life sciences**

Source: *With Intelligence*

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