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7 TRENDS THAT EXPLAIN PRIVATE EQUITY'S NEW REALITY

Tim Shea & Chris Chase

August 2026

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About this Presentation

- Private equity is getting a lot of airtime right now, and commentators are sending very mixed messages — often reaching opposite conclusions from the same data
- Volumes are down, volumes are up — how can both be true?
- This presentation highlights seven trends to help make sense of what is really changing in the private equity landscape

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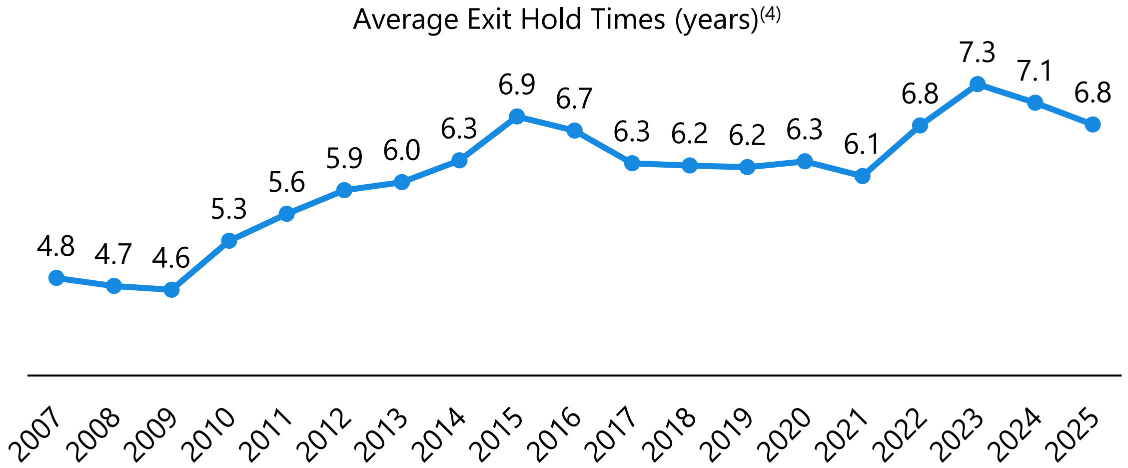
1 Private Equity Is Sitting on an Aging Portfolio

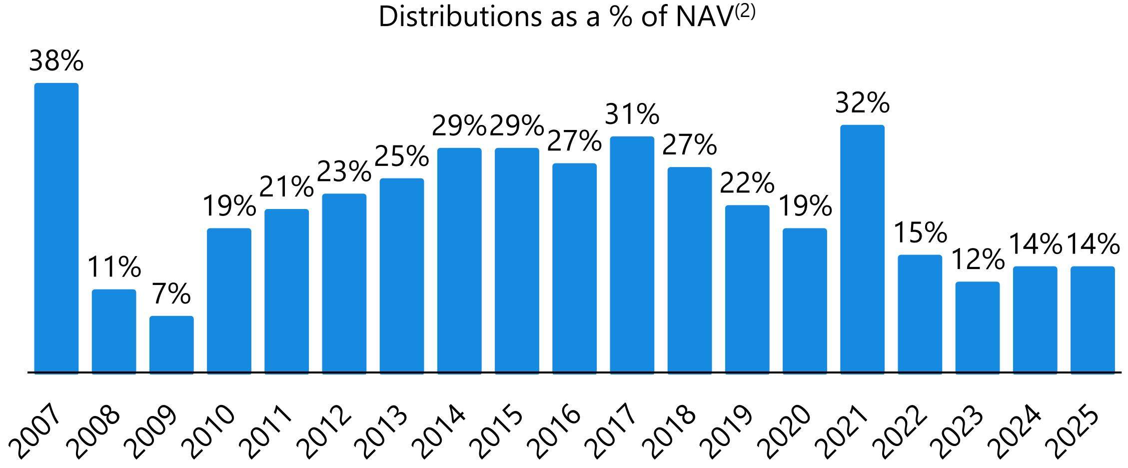
The traditional PE cycle has slowed considerably in recent years — portfolio company hold periods are stretching, and cash is returning to LPs at a slower pace

~7 Years

Average US holding period in 2025, up from ~6 years in 2021[1]

- There were 13,325 unsold US PE-backed companies as of March 2026, with ~33% having been held 7+ years[1]
- This slowdown is material for LPs as distributions have been stuck at or below 15% of NAV for four straight years — the 2022–2025 figures are approaching 2008–2009 levels[2]
- LPs have responded as many would expect — DPI is now the #1 performance metric cited by LPs (21% vs 8% three years ago), a clear signal that the return of cash supersedes the paper value of portfolios[3]





1. BlackRock: Global Credit Quarterly: 4Q2025 Still climbing the ‘wall of worry’, October 1, 2025
2. Bain: Global Private Equity Report 2026, February 22, 2026
3. Allianz: PE in transition: from distribution drought to selective recovery, February 20, 2026
4. PitchBook: 2025 Annual US PE Middle Market Report, March 13, 2026

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❷ Overall Exit Value Is Concentrated in $1B+ Deals

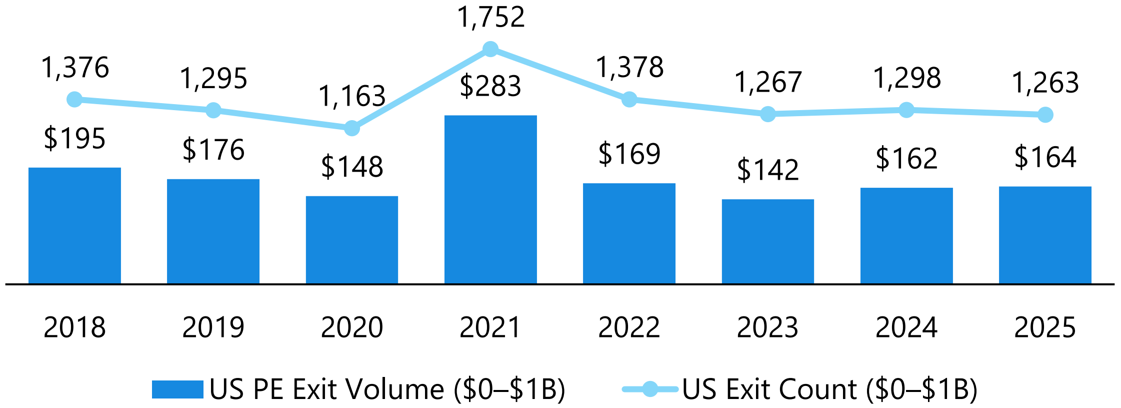
Exit value nearly doubled in 2025, but the recovery is concentrated in large deals — for the thousands of mid-market companies, the bottleneck persists

$645B

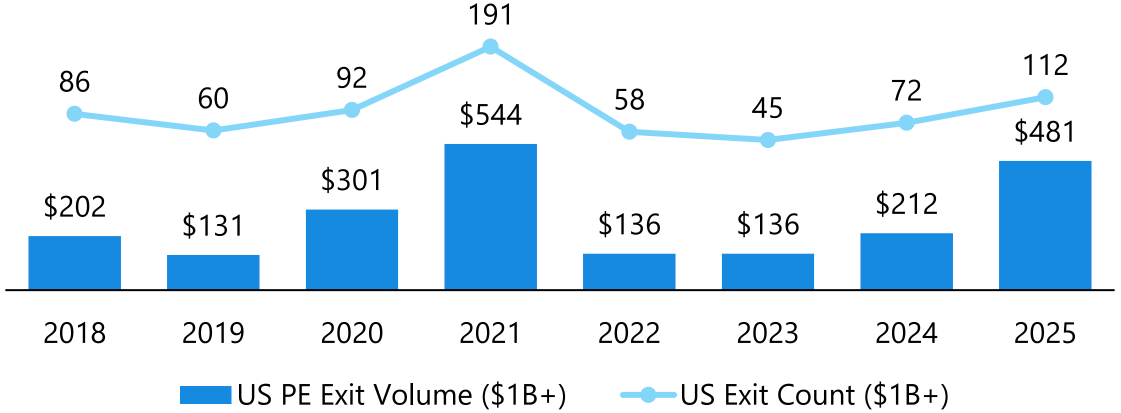
US PE exit value in 2025, +~73% YoY — second-highest on record[1]

- ~75% of 2025 exit value came from deals over $1B — the 2025 rebound is real but not felt evenly across the market as US exit count for companies below $1B of EV is down ~28% since 2021[1]
- ~3,800 US companies have been held for 5–12 years and are still awaiting exit, underscoring the depth of the backlog even as headline exit value recovers[2]

US PE ($0–$1B) Exit Count and Volume ($B)[1]



US PE ($1B+) Exit Count and Volume ($B)[1]



1. PitchBook: Q2 2026: US PE Breakdown, June 30, 2026
2. PitchBook: Q1 2025: US PE Breakdown, March 31, 2025

❸ LPs Are Being Increasingly Selective and Favoring Larger Firms

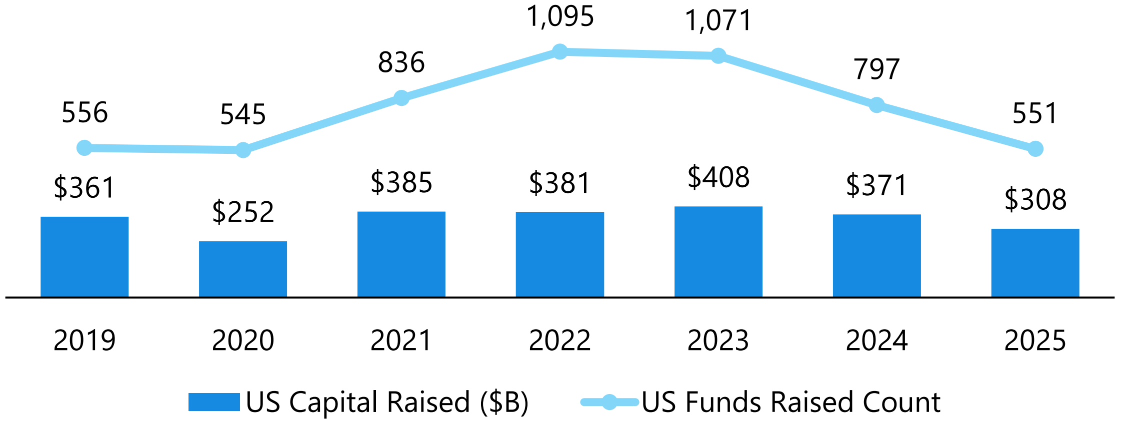
Global PE and US fundraising has slowed, and the decline is not hitting evenly — capital is consolidating into the largest funds as LPs, eager for distributions, narrow their commitments to proven managers

37% → 48%

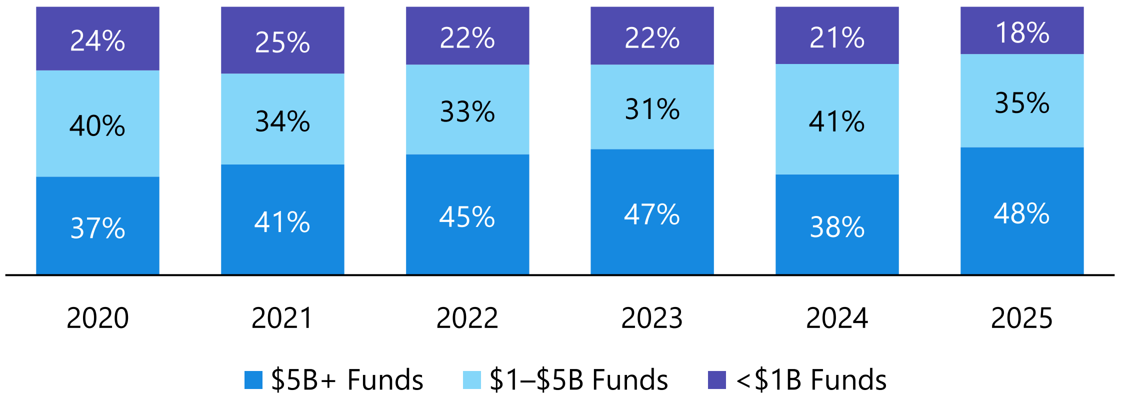
Mega-funds' (>$5B) share of US PE fundraising, 2020 to 2025[(1)]

- The number of US funds raised each year has decreased dramatically (~50%) since the 2022 peak, and dollars raised are down ~20% showing that capital committed is consolidating to larger players[(2)]
- Funds greater than $5B have increased their share of US PE fundraising 11% since 2020 while, funds between $1B and $5B and funds less than $1B have respectively lost 5% and 6% of the fundraising share
- Global fundraising trends mirror the US but are more pronounced with fundraising falling nearly 40% from the peak in 2021 to 2025[(3)]

US PE Funds Raised Count and Capital Raised ($B)[(1)]



Share of US PE Capital Raised by Fund Sizes[(1)]



1. PitchBook: Q2 2026: US PE Breakdown, June 30, 2026
2. HSBC: US alternative asset manager: 2026 outlook – a mixed bag, January 28, 2026
3. RBC: Entering an Alternative Universe: US Alternative Asset Manager Initiation, February 23, 2026

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4 A Growing Number of Managers May Not Make it Back to Market

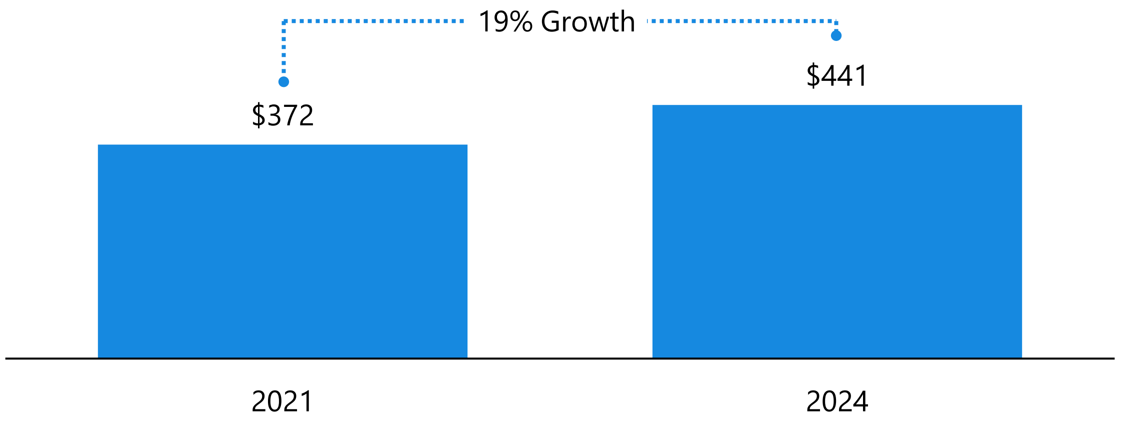
A growing cohort of managers have not raised a new flagship since ~2020 and, with track records weighed down by low DPI, may not get the chance to

$441B

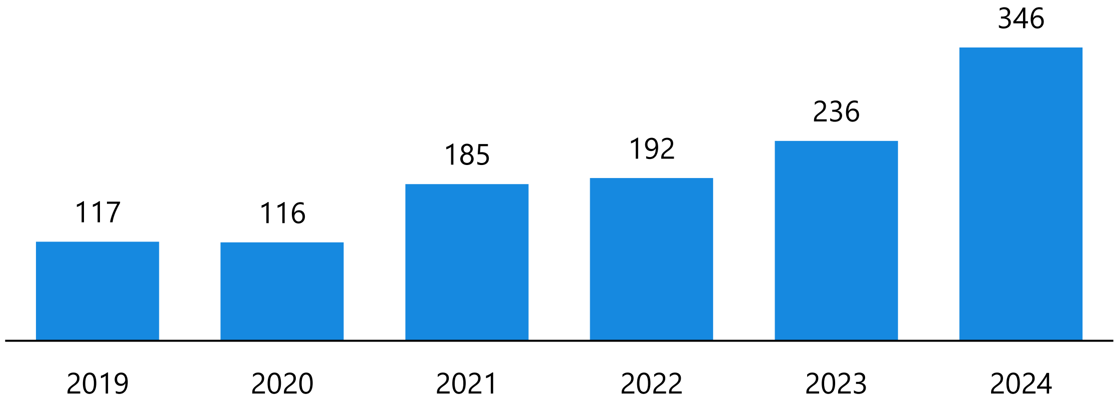
Estimated unrealized asset value held in North American zombie funds (10+ years old) in 2024 — up from $372B in 2021[1]

- Zombie funds are funds that are at least 10 years old and still hold unrealized portfolio investments that have not been exited and distributed to investors[1]
- Zombie managers are defined as GPs who have not raised a new fund in 7+ years — the number of managers who meet this criterion each year has been rising steadily since 2020[2]
- Roughly 26% of buyout firms that raised a fund between 2002 and 2008 never raised another after 2009 — a sharper cull than the ~21% that went dark following the tech bubble[3]
  - With distributions now at or below 15% of NAV for four consecutive years, the same pressure on capital formation is building again

North American Zombie-Fund AUM ($B)[1]



Annual Number of New Zombie Managers[2]



1. Center for Economic and Policy Research: Private Equity: In the Doldrums and Out of Favor with Some Institutional Investors, January 7, 2026
2. Arctos: Chart of the Week #76: Zombies on the Rise, August 21, 2025
3. Bain: Global Private Equity Report 2016, February 22, 2016

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5 Dry Powder Is at Record Levels — and Aging

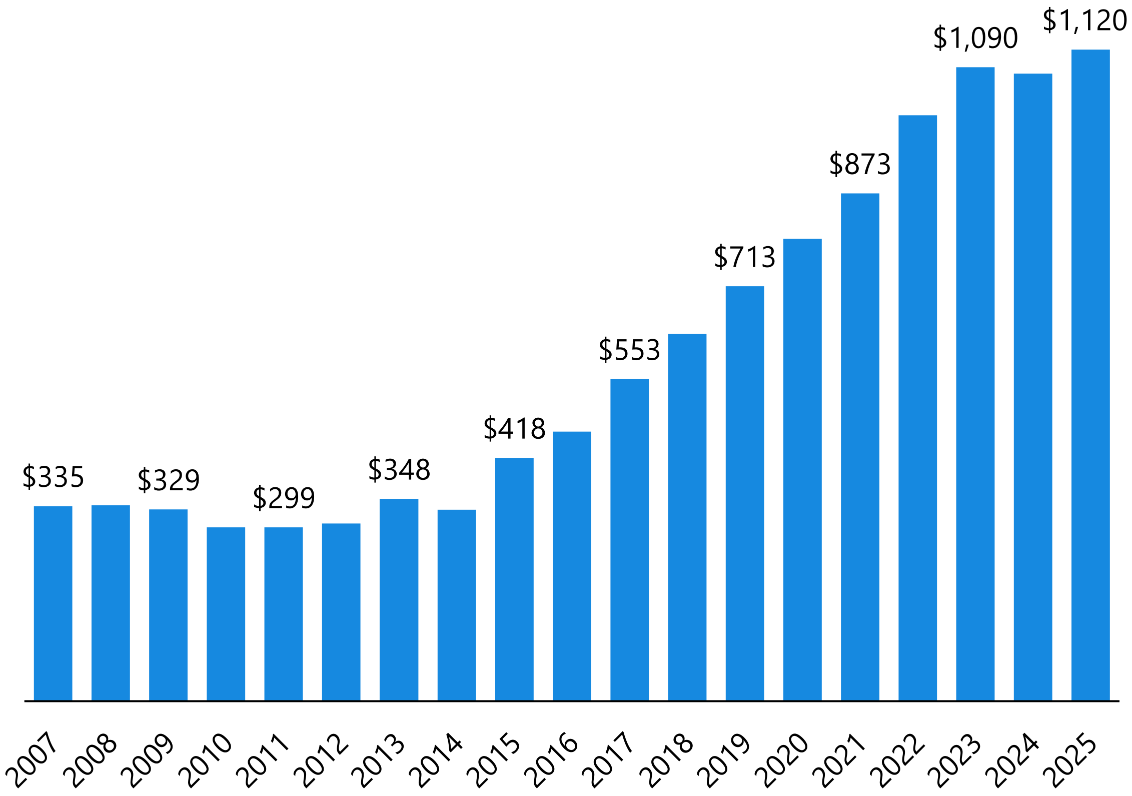
Record uninvested capital is no longer an unambiguous bullish signal — much of it is aging in recent vintages and facing increasing pressure to be deployed

~$1.1T

US PE dry powder at the end of 2025[1]

- The majority of today's $1.1T in US PE dry powder was raised in 2022–2023 vintages, now entering years three and four of a five-year investment window
- Analysts estimate the exit backlog will take nine years to clear — making it challenging to deploy available dry powder[2]
- Record dry powder alone is no longer a sufficient indicator of deal activity, as much of the industry's capital remains tied up behind an unprecedented exit backlog

US PE Dry Powder ($B)[1]



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1. PitchBook: 2025 Annual US PE Middle Market Report, March 13, 2026
2. The Wall Street Journal: Private-Equity Firms Are Sitting on a Nine-Year Backlog, July 7, 2026

❻ Multiples Are Still High Enough to Make Underwriting Difficult

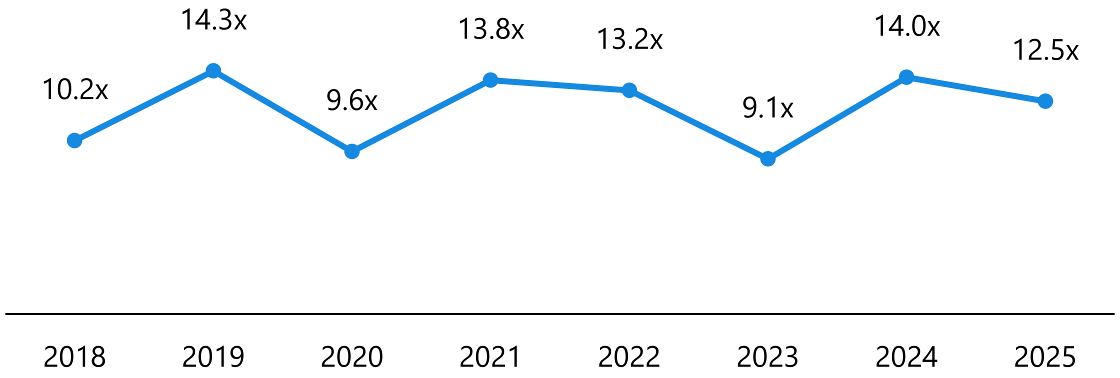
Entry multiples eased but remain elevated — with higher rates and less leverage, more of the return must come from operations rather than financial engineering

~12.5x

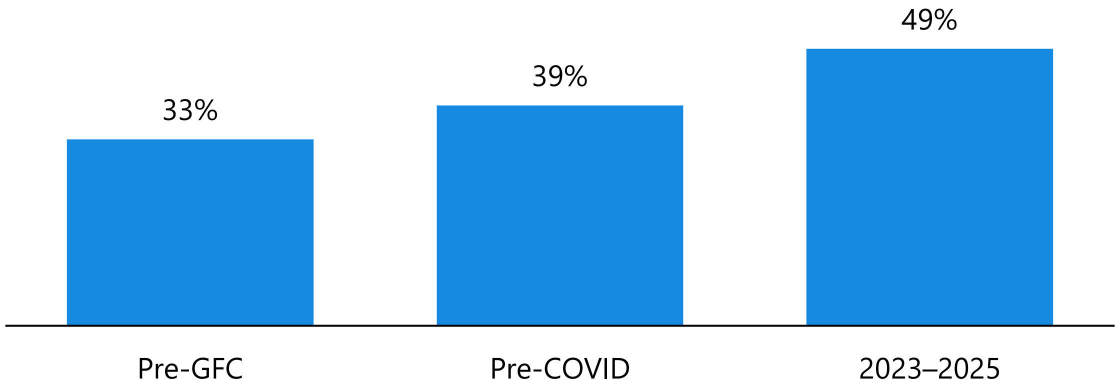
Median US middle-market buyout EV/EBITDA[1]

- ~80% of GPs expect purchase multiples to stay flat in the coming year, and the #1 reason deals failed to close in 2025 was inflated seller expectations[2]
- LBO leverage has fallen from peak levels, with average Debt/EBITDA declining from ~5.9x in 2018–2022 to 5.0x in 2025[3]
- Equity checks are continuing to represent a larger portion of the enterprise value for LBOs (moving from 33% pre-GFC to 49% from 2023–2025 on average) mitigating the share of returns that can purely be driven by debt paydown[4]

US Middle Market ($25M–$1B) Median EV/EBITDA Buyout Multiples[1]



Average LBO Equity Contribution as a % of EV[4]



1. PitchBook: 2025 Annual US PE Middle Market Report, March 13, 2026
2. Bain: Global Private Equity Report 2026, February 22, 2026
3. Raymond James: 4Q2025 Debt Market Update, February 18, 2026
4. Partners Group: Private Markets Chartbook – Q2 2026: The Transformation Era, June 8, 2026

7 Secondaries and Continuation Vehicles: Liquidity and Controversy

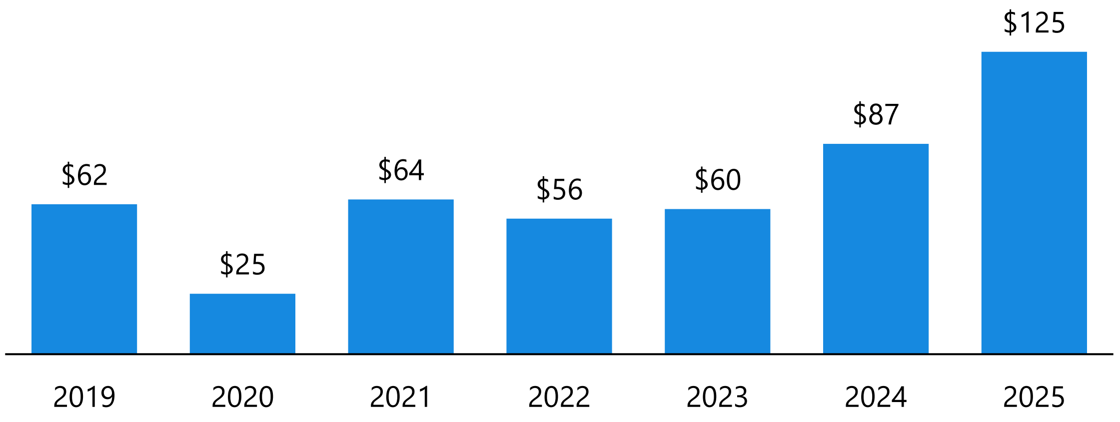
As traditional exits slow, secondaries and continuation vehicles have shifted to a core liquidity tool — though governance concerns persist when the same GP prices and controls the new vehicle

$240B

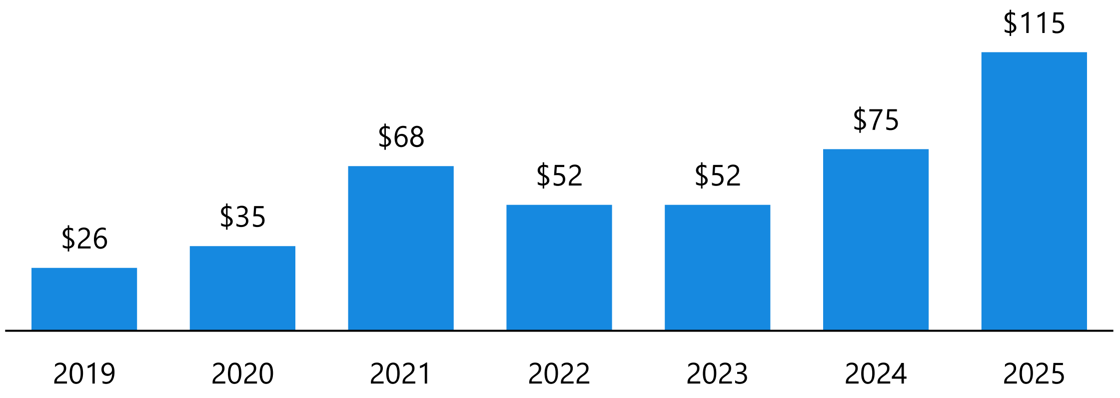
Global secondary volume in 2025, +48% YoY — roughly 4x the 2020 low[1]

- NAV pricing has fully recovered from the 2022 rate-shock trough (~87% to ~94%) today, indicating secondaries are functioning as a cemented liquidity channel rather than a distressed exit route[1]
- At ~1.6% of PE AUM, secondaries have become a core liquidity channel poised to grow to ~5% of PE AUM by 2030[2]
- 53% of GP-led volume is single-asset CVs — GPs are increasingly holding assets in which they have the highest conviction, rather than exiting, a practice that brings pricing and incentive alignment into question[1]

Global Secondary LP-Led Volume ($B)[1]



Global Secondary GP-Led Volume ($B)[1]



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1. Jefferies: Global Secondary Market Review, July 21, 2026
2. Evercore ISI: Courtside View From Our 3rd Annual Private Markets Forum, May 18, 2026

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