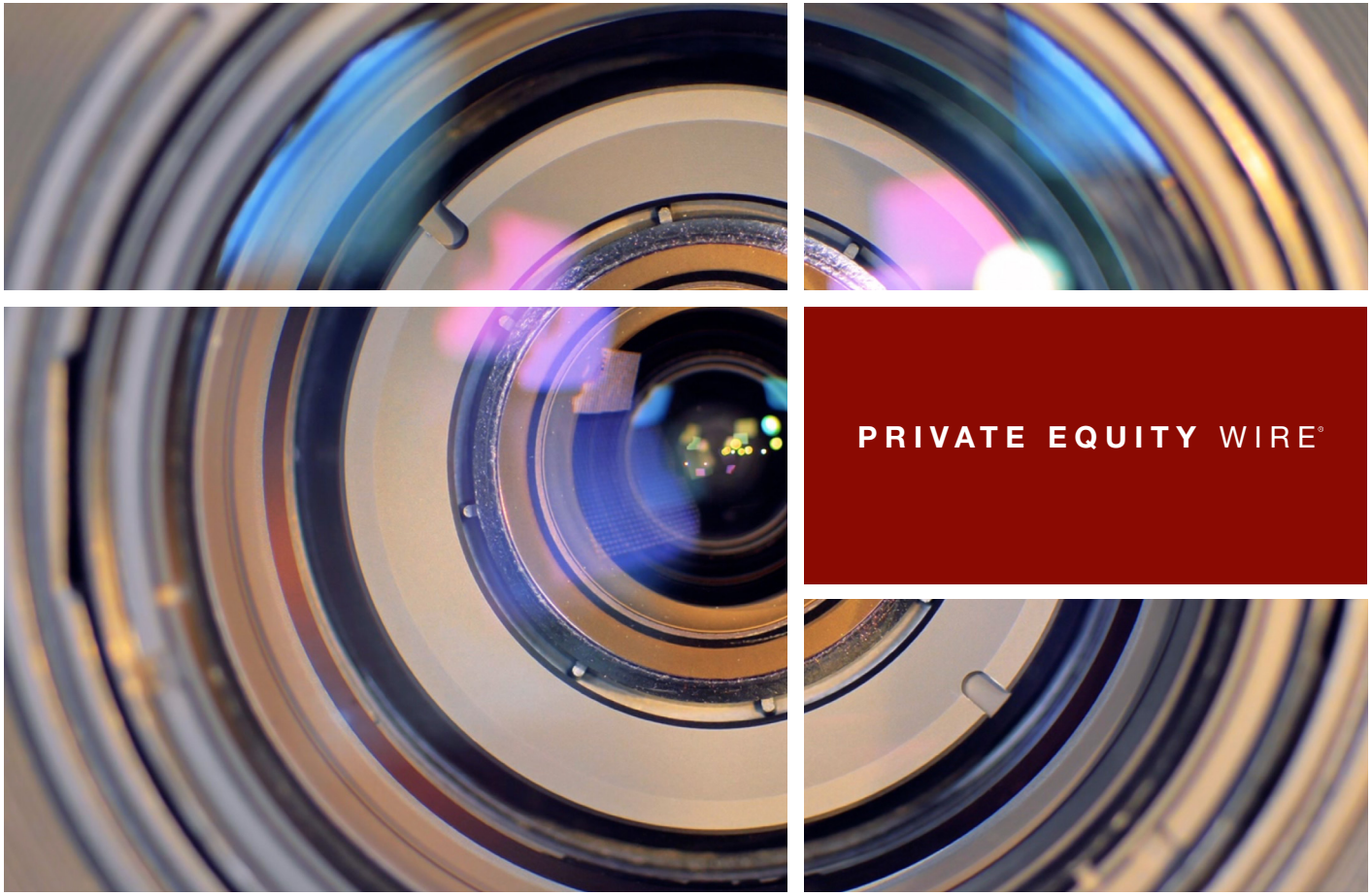
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JUNE 2026



PRIVATE EQUITY WIRE®

LP SPECIAL 2026

A TARGETED APPROACH TO PRIVATE MARKETS

EXECUTIVE SUMMARY

Each year brings new dimensions to the LP-GP relationship. What was historically a simple set of bilateral arrangements has now ballooned into a complex web of intertwined interests that interact varyingly with volatile geopolitical and macroeconomic forces.

The private markets investor still believes in the asset class – valuing the ability to access a universe of high-potential assets with the promise of better returns. For this, they are willing to withstand illiquidity and a host of other friction points across investment strategies, operations and risk management.

At the same time, with public indices reaching historical highs, the outperformance thesis of private markets isn't without its doubters – and if outperformance evaporates so too does LP appetite to cut their managers slack on a range of other factors.

The outcome of this conflation of factors is a far more involved and targeted approach from LPs, carefully selecting a market niche where return economics are fundamentally strong. Section one of this report examines the asset classes, sectors and regions in the spotlight.

Equally important is selectivity when it comes to managers, as investment discipline and value creation capabilities become sources of alpha. Increasingly, LPs value a manager's own operational and technological sophistication when allocating capital, scrutinising a range of factors that are explored in section two.

The private market investor base in itself is evolving, and as access widens, new levels of structural change will unfold, which will need to be monitored closely through ongoing research. Our sincerest gratitude to **FIS®** for partnering with us for this research.

AFTAB BOSE
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METHODOLOGY

This report is based on a survey of 50 private markets LPs, with a near even split between insitutional investors (pension funds, SWFs, insurance companies, endowments and FoFs) and wealth investors (family offices, wealth advisers and HNWIs). The report commentary is based on LP interviews and a range of other data and news platforms.

56% Of LPs say geopolitical volatility is their biggest concern when it comes to their private markets portfolios, followed by liquidity crunches (47%).

53% Of LPs say a GP's operational and technological infrastructure is among their top selection criteria, up from 33% last year.

50% Of LPs say the role played in global megatrends is the primary growth driver of private markets, followed by high-opportunity asset classes (39%).

47% Of LPs say democratisation of private markets is challenging because of misalignment, while another 11% say it's unfavourable altogether.

ALLOCATION PRIORITIES

Dissecting the private markets thesis, and the assets, sectors and regions attracting the most attention

Access remains at the heart of the private markets appeal. Private companies exponentially outnumber the listed pool, which manifests in a wide range of benefits when investors tap into the former universe.

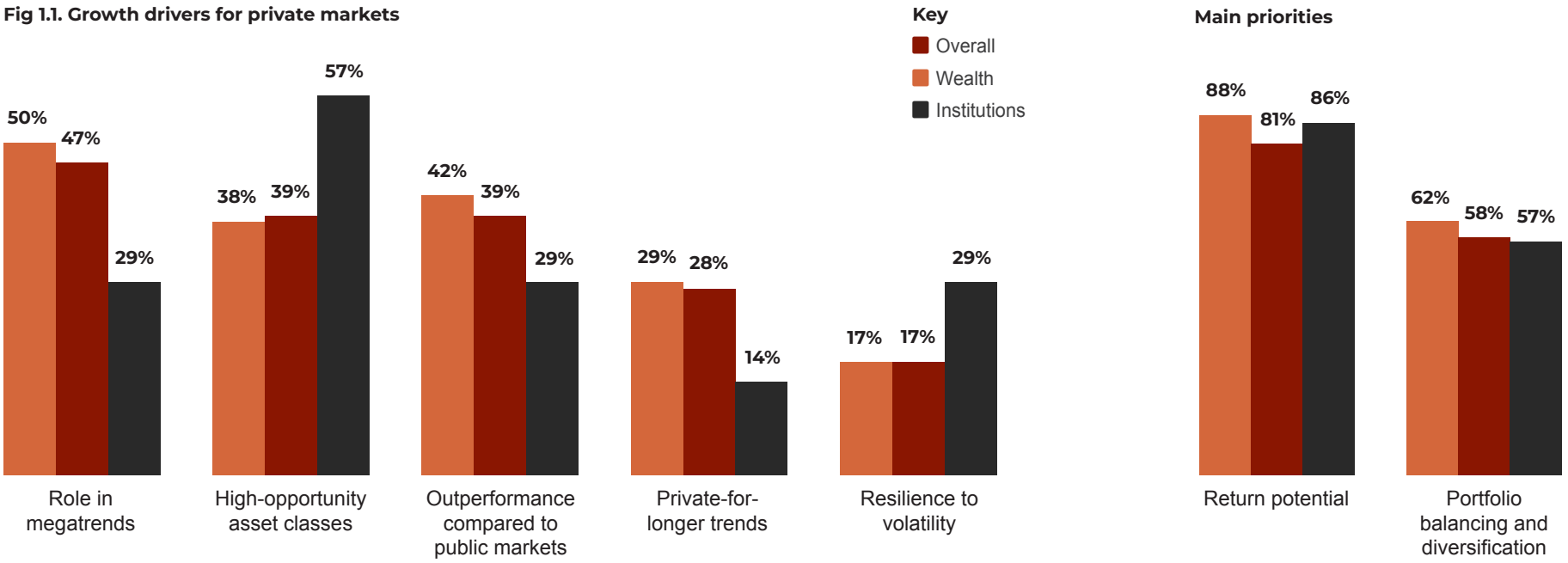
For starters, there is a clear ability to gain from irreversible global megatrends – cited by the biggest share of our LPs (47%) as the main driver of growth in the asset class (see Fig.1.1.). AI's rapid rise has unified many of the megatrends – from digital transformation and infrastructure to the energy transition.

The range of attractive private asset classes that surround AI, from infrastructure to private credit, are tremendously sought after – 39% of LPs citing this as a primary growth driver for private markets. The fact that these asset classes have historically outperformed public markets is an equally attractive proposition.

And finally, the fact that companies are preferring to stay private rather than exposing themselves to the volatility of the public sphere is also a key growth driver. In short access, combined with the return potential that comes with it, are supporting the upward trajectory of private markets.



Fig 1.1. Growth drivers for private markets



POINT OF ACCESS

Euan Finlay, Head of EMEA for Partners Capital, sums up his firm's views here – with returns, access and diversification playing key roles in allocation decisions. He says: "Some investment themes are very challenging to access in other formats.

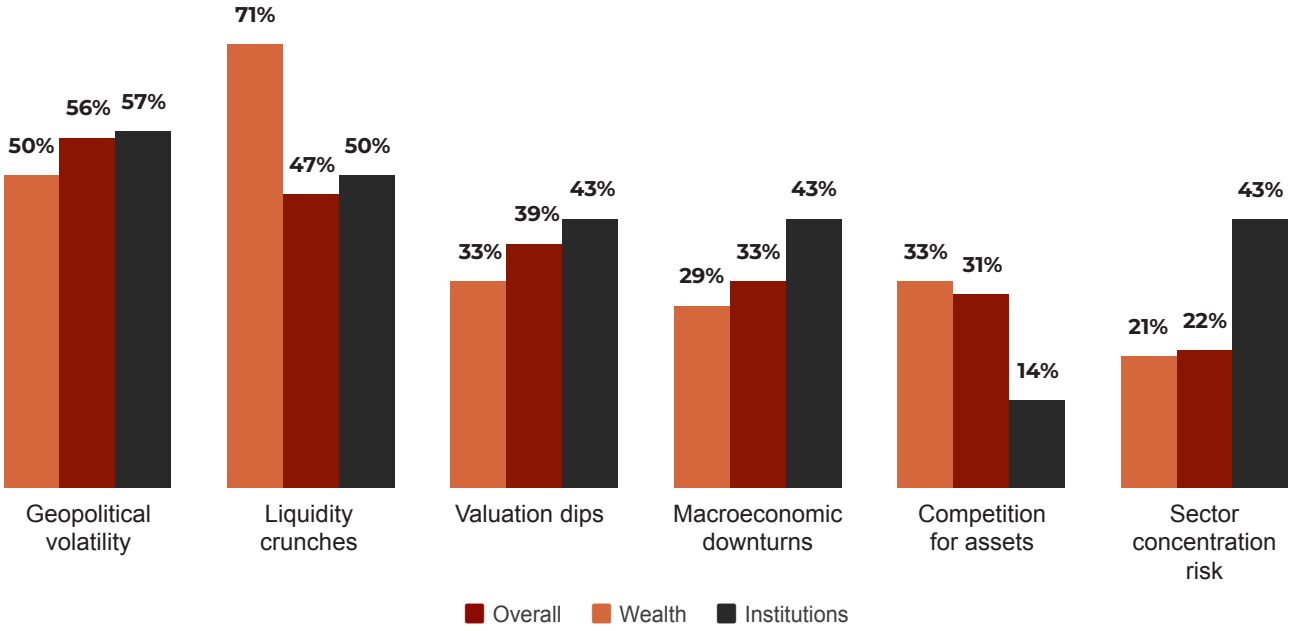
Take defence tech – we believe if your thesis is that the nature of warfare is changing and the legacy providers could face increasing competition from new entrants, then you need exposure to the new entrants, and that means, mainly, the private markets. It's very clear that companies are staying private for longer, and more of the value being created through innovation is happening in private markets. If you want to access it, you increasingly have to be in the private markets to do so."

"Look at the makeup of the public equity markets – the proportion that's mega-cap tech, semiconductors and technology hardware. The public market is becoming concentrated in a smaller number of themes, and private markets are giving you a measure of diversification that's becoming increasingly useful. It's clearly a secondary consideration to performance, but it shouldn't be ignored."

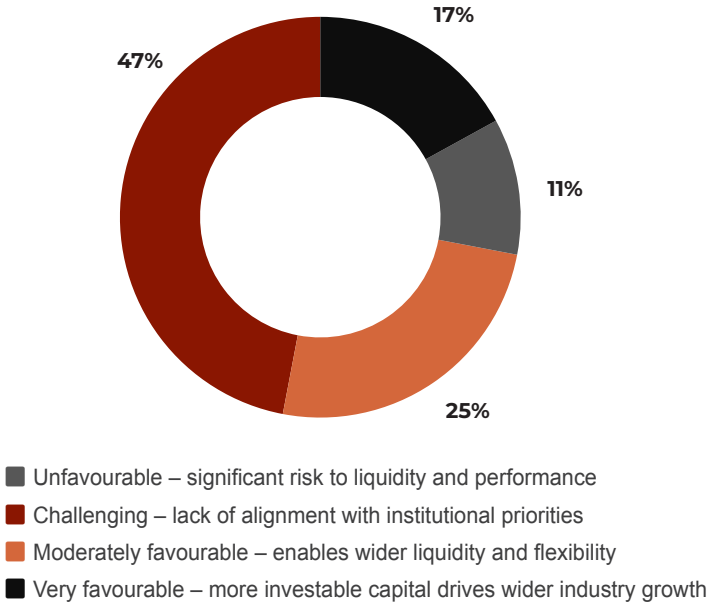
Still, the outperformance thesis for private markets isn't bulletproof. Tim Yates, President and CEO of Commonfund, says: "Public equities have delivered 20% plus for two or three years running, with the S&P 500's three-year return now in the 95th to 99th percentile of all three-year returns.Private equity simply isn't at that level. It's the flip of what we saw coming out of Covid, and once it runs into a third year, there's a legitimate question about whether private asset classes can outperform their public counterparts."

Wendy Craft, CEO of Elle Family Office, says families are also starting to question private markets a lot more than they used to, mainly owing to illiquidity. She says: "We cannot be in investments where there is no liquidity at all, and we do not even know if we are getting our money back."

1.2 Top concerns for private market portfolios



Views on democratisation



POINTS OF CONCERN

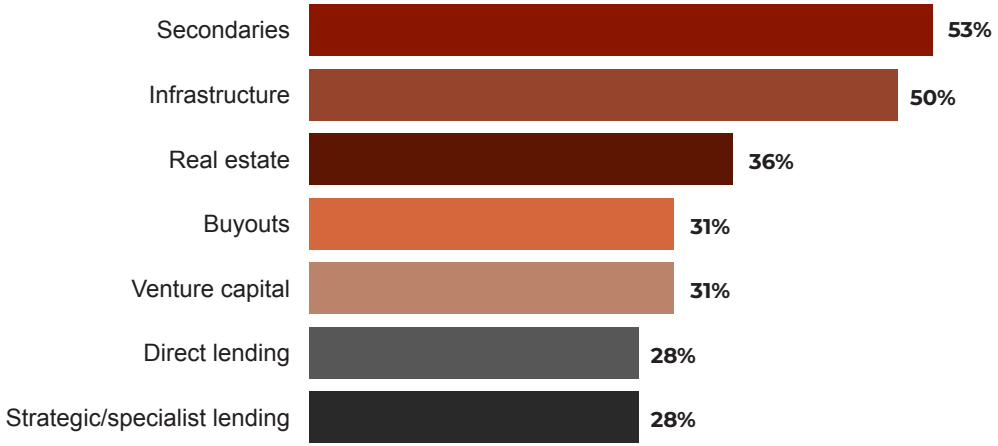
Yates points to the significant asset backlog that has created an infamous liquidity crunch in the industry – cited by 47% of LPs as their top challenges behind only geopolitical volatility, cited by 56% (see Fig.1.2.). Illiquidity was the top challenge in our research last year, but the escalation of key conflicts and the economic exposure therein has caused concern.

Finlay says: "Classically, geopolitical events give you a short, sharp sell-off and a relatively quick recovery – the exception being when the sell-off causes a recession, historically via the oil price. In a private markets portfolio, the impact of geopolitical events have historically been contained. It matters when it causes a recession impacting the operating performance of the portfolio companies or when it drives multi-year structural regime change impacting your future investment strategy."

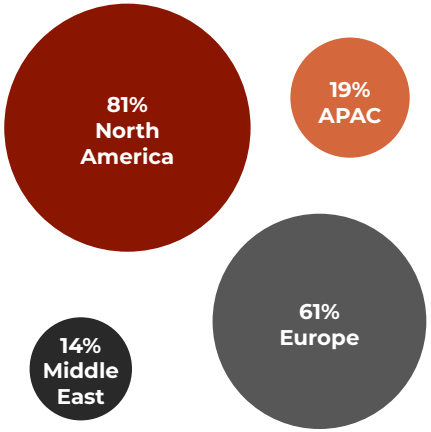
Whether the latter scenarios will play out remains to be seen, but concerns are certainly building as headlines mount and the longer-term impacts of economic stress start to manifest. Another key source of headlines in private markets this year has been the mass redemption cycle on semi-liquid funds – a direct pitfall of the democratisation of the asset class through the targeting of retail investors. Nearly half (47%) of our LPs say democratisation is challenging due to a lack of alignment of investor priorities, while another 11% say it's a significant risk for liquidity and performance (see Fig.1.2.). Others see the merits of wider AUM growth and the in-built liquidity benefits.

Yates says: "The notion of giving retail access to private markets is a noble one — companies like Stripe and OpenAI are staying private longer and growing larger as private companies, and the returns are accruing to private investors, not retail. But this current wave of direct investment through interval and evergreen structures is the most ambitious and structurally complex yet. These are asset classes designed for long-term patient capital that can live through illiquidity. We've always had a problem with the liability mismatch – when a fund offers liquidity provisions its underlying assets can't support, there's bound to be a problem at some point. You shouldn't be in a private market investment if you might need liquidity in two quarters." Finlay adds: "Evergreen vehicles have a raison

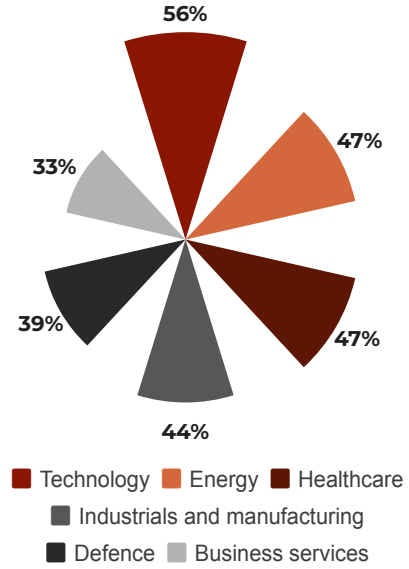
1.3. Allocation increase intentions: Next 12 months



Regions



Sectors



d'être – the flexibility to add and redeem capital, the operational ease of one vehicle with minimal cash flows, and for individuals, potential tax efficiencies from compounding inside the structure. The most notable downside is that your performance can be impacted by what other investors decide to do."

Institutions aren't the primary target audience for evergreens in any case. Still, even wealth investors have their concerns here. Craft says: "If you are a family office, you may be able to hold through a major valuation reset. A retail investor may not have that luxury. The other concern is that democratisation can change market structure. It can affect pricing, liquidity and the mechanics of how assets trade. Evergreen structures can sound attractive, but in practice, families want to know how they get out. Quarterly withdrawal language also needs to be viewed carefully, mainly whether they are conditional on fund liquidity."

Finaly adds: "Our worry is that the parts of the market we find comparatively less attractive are precisely the parts that overwhelmingly reside in these evergreen vehicles. Said differently, we think the larger consideration should be the quality of manager and the type of underlying exposure rather than the nature of the vehicle itself."

POINTS OF ATTRACTION

What he refers to here is the large-cap buyout space, which tends to be the flagship proposition at the type and scale of manager that offers mass retail-focused products. For Finlay, lower rungs of the market offer more compelling mathematics when it comes to investment prospects. "In the lower middle market, the multiples paid and the earnings growth we've seen and expect still point toward return potential in the teens, and what we believe could represent a premium over public markets over the next ten years."

"Run that same maths on larger deals given the entry multiples being paid, the cost of debt, the potential earnings growth – and it's much harder to pencil out. But, what we are really looking for is operational improvement from the owner, and we have found that is more likely to be found in the lower mid-market, where there's more you can do with the underlying business."

Buyouts as a whole rank fourth when it comes to intentions to increase allocations, with 31% of LPs citing declaring such intention, behind secondaries (53%), infrastructure (50%) and real estate (36%) (see Fig.1.3.).

Of particular interest to Commonfund, alongside many other asset classes, is venture. Yates says: “Over 35 years investing in venture, the data is stark. The top 15 companies in any given vintage – not managers, companies – are less than one or two percent of our cost basis, yet on average they’ve generated nearly 40% of the value. Ten percent of companies generate ninety percent of the returns, and only a handful of managers can access them.”

Lending – across direct and specialist – is set to see an increase from around 28% of respondents, a far lower share than last year’s 54% that planned an increase in this space, presumably owing to the concerns mounting around the industry.

Regionally, North America and Europe remain the bread and butter for private market investments, with APAC lagging at 19% while a healthy 14% of LPs plan to invest in the Middle East despite the region’s recent geopolitical instability.

Finlay sums up Partners Capital’s focus areas: “We’re very big fans of Japan as a buyout strategy, and we’ve been investing more in Europe over the last 18 months, partly on valuation and partly on manager quality. But the US will continue to dominate our programme. In emerging markets, our belief is that we’re not yet convinced we are adequately compensated for the risks we take.”

Craft says: “Family offices are looking to the GCC both as investment partners and as a place to invest. That is a meaningful shift from twenty years ago, when the region may have been viewed mainly through the lens of oil and gas. Today, the conversation is much broader: infrastructure, capital formation, energy transition, AI, real estate, entrepreneurship and the East-West corridor.

A common thread is that in an industry where discipline and value creation are now drivers of alpha, investment strategy is important, but manager selection is critical, too. The next section explores what LPs expect from their private markets GPs.

POINTS OF DIVERGENCE

There is a clear bifurcation forming in the private markets investor base, between the traditional institutional investor base and the newer channels of wealth capital.

The data presented in this report provides both perspectives – here is the pick of the main differences to highlight.

Nearly twice as many wealth investors (50%) as institutional investors value the role private markets play in global megatrends as a key growth driver, while a far greater share of institutions (57%) than wealth investors (38%) value the opportunistic side of the market. Without generalising, passion and pragmatism have long been used to differentiate the two investor bases.

Far more wealth investors (71%) than institutional investors (50%) also find the liquidity crunches in private markets to be challenging, with the former profile being more susceptible to liquidity needs owing to life events and other changes.

As presented in section two, wealth investors are more mindful (56%) than institutions (43%) of a GP’s risk management practices when making an allocation decision, while a sizeable share of institutions (71%) compared to wealth investors (42%) examine a GP’s sector focus when allocating.

The difference is widely noted, with wealth investors flocking to more operationally sound, flexible and secure propositions, while institutions run detailed due diligence processes to find specialised, alpha-generating strategies. Whether this difference holds will have a significant bearing on how private markets evolve in years to come.

“

Classically, geopolitical events give you a short, sharp sell-off and a relatively quick recovery – the exception being when the sell-off causes a recession, historically via the oil price.

Euan Finlay
Partner, Head of EMEA
Partners Capital

KEY FINDINGS

Top asset class

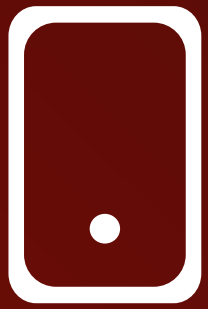
Secondaries



53%

Top sector

Technology



56%

Top region

North America



81%



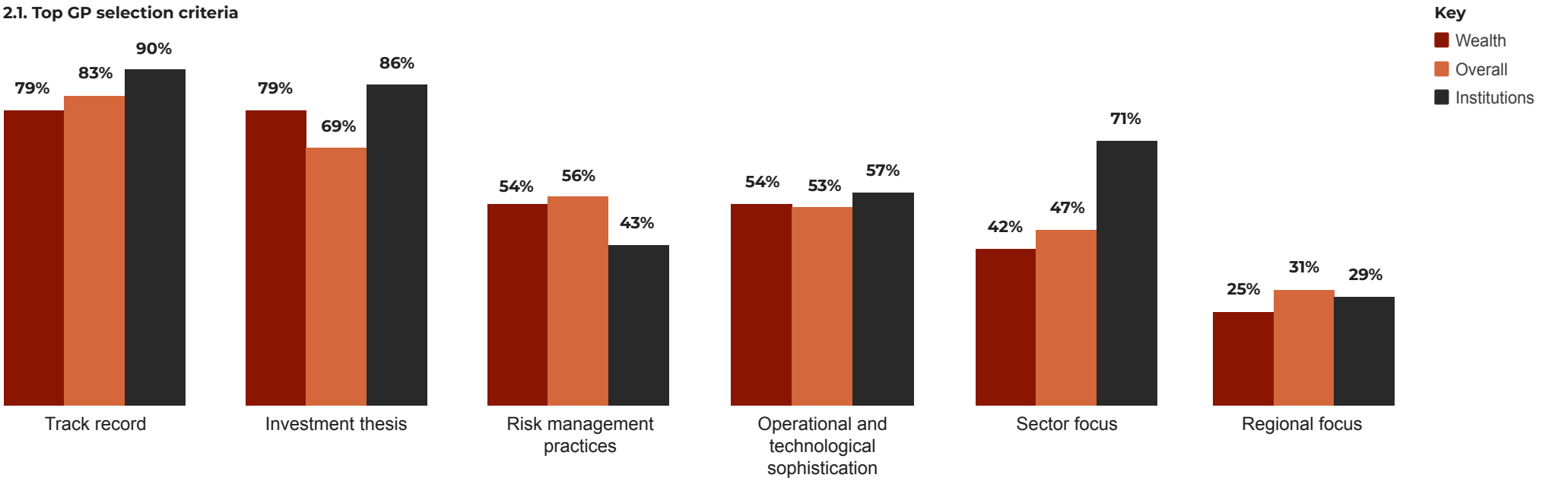
MANAGER SELECTION

Boxes that need ticking to win allocations in 2026, and what goes the distance outside of the list

Track record and investment thesis have always been the first ports of call when selecting a manager, and this year is no different (see Fig.2.1.). Also high on the list of priorities for two years now has been a GP's risk management prowess – no doubt of heightened importance in the ongoing disruptive environment. With those boxes checked, LPs now look to a GP's operational and technological sophistication, with the number citing this as a key factor rising from 33% last year to 53% this year. Euan Finlay of Partners Capital explains how critical operational sophistication is to win a mandate. "Given we invest in many small and emerging asset managers, regularly as an anchor investor in Fund I, we do a huge amount of operational due diligence and have a strict view of what good looks like. Where a manager doesn't meet the bar, we either don't invest, or help them make adjustments, using side letters to ensure they are executed. The checklist runs from governance structures to background checks and controls around wiring capital – and the quality of the CFO and legal teams. The recent regional banking crisis was a good stress test highlighting important."

Wendy Craft of Elle Family Office says: "Five years ago, strong performance could carry a lot of the conversation. Today, LPs are asking harder questions about liquidity, valuations, exits, concentration, cybersecurity, succession, and reporting."

2.1. Top GP selection criteria



POINTS OF FRICTION

A range of factors has gone into putting operational sophistication much higher up the list than last year – mainly relating to liquidity management, transparency and the reporting and communications paradigm between LPs and GPs. This is apparent in the survey data – with 58% of LP's citing fund reporting as their biggest pain point, followed by 53% that say portfolio monitoring (see Fig.2.2.). The running theme of this research has been greater scrutiny and discipline from LPs, which isn't limited to the due diligence and manager selection phase – LPs want to be involved throughout the process. Concerns around valuations are warranted for the most part. Current AI valuations are echoing the 2021 boom, and investors want to ensure their own portfolios are safe from either overinflation or heavy disruption. Add to this the exuberant lending that has characterised private credit growth in recent years, which has made LPs mindful that lending portfolios might have stress building up in them – as economic conditions grow tougher.

Other pain points include benchmarking and investor portals (33%), cashflow forecasting (31%) and investor onboarding (25%). Tim Yates of Commonfund says. "One of the big operational strains right now is the spread between gross and net returns. Headline fees have come down, but the complexity – transaction fees and everything around them – has made that gap harder to see through. That's a genuine challenge for LPs."

He points again to the slower investment lifecycle and the asset backlog prevalent in private markets. "With this much unrealised value sitting in portfolios, transparency into those companies becomes critical – and private equity has never been the most transparent asset class. When partnerships are also running longer than expected, the need to see into what you actually own only grows. The best managers are using AI to improve due diligence, deal sourcing and some of the operational support for their companies. It's a competitive advantage in sourcing and value creation that I think will continue to compound over time – and it's becoming a real differentiator in how we assess a GP."

Craft adds: "LPs don't just expect timely, consistent, and useful information, they need it. Too often, reports are either too thin to be helpful or too dense to be practical. A family office may be tracking trusts, entities, tax planning, capital calls, distributions, liquidity, family reporting, and governance at the same time. Extended timelines and poor data create real work and risk.

“

The best managers are using AI to improve due diligence, deal sourcing and some of the operational support for their companies.

Tim Yates
President and CEO
Commonfund

"When notice for a capital call is short or communication is unclear, it puts a strain on the LP-GP relationship. An LP can show excellent gains on paper, but if a GP cannot convert those gains into cash, the LP's operational reality doesn't improve. LPs understand that private markets require capital commitments. They still need enough visibility to manage liquidity responsibly."

Still, AI can be a double-edged sword. Craft says: "Family offices have serious privacy and security obligations. We are dealing with sensitive financial, legal, and personal information. AI tools need controls around data access, retention, cybersecurity, confidentiality, and legal review. Convenience cannot come at the cost of protecting the family.

I also think AI will raise expectations. If technology can produce clearer reporting and faster answers, LPs will ask why they are still receiving inconsistent PDFs and delayed data. The human relationship remains central, but the administrative burden should come down over time.

PROCESS OPTIMISATION

According to Alessandro Deplano, Operational Due Diligence specialist at Aon, the ODD process in itself can throw up significant friction points. He says: "A key operational strain arises during the fundraising phase, when GPs are required to commit significant time and resources to due diligence processes alongside active capital raising.

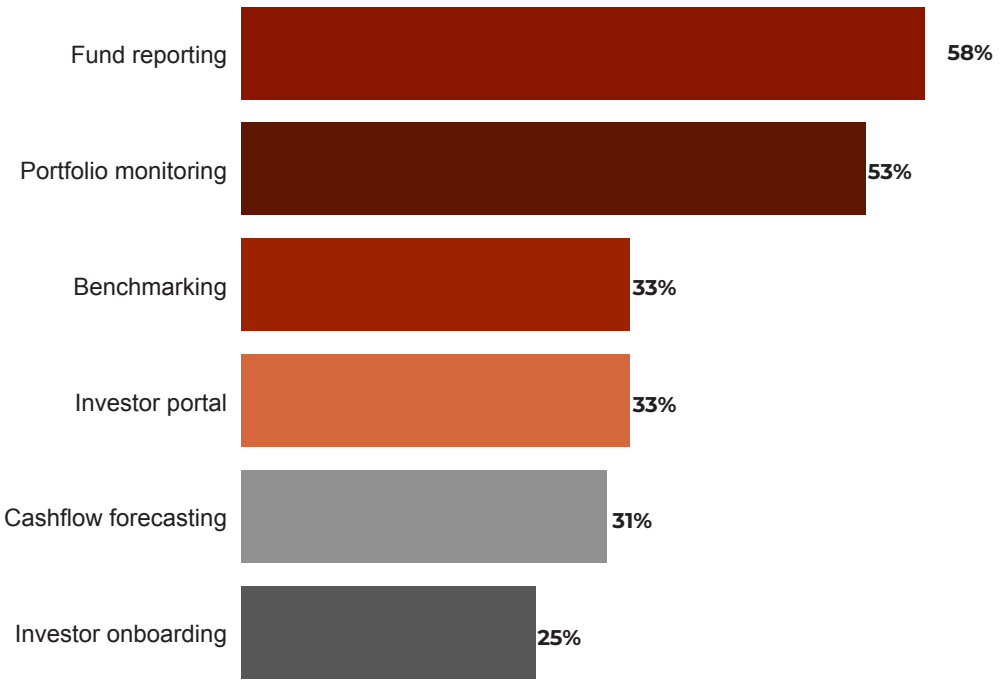
"This includes responding to detailed DDQs, providing extensive documentation, and making senior personnel available for interviews and on-site reviews.

"As ODD mostly coincides with one of the busiest periods for a GP, capacity constraints can become a challenge. In practice, this may result in delays, incomplete responses, or inconsistencies in the information provided, particularly where firms lack dedicated infrastructure or prior experience with institutional ODD requirements.

"This dynamic can create friction in the LP-GP relationship, as LPs require timely, accurate, and sufficiently detailed information to assess operational risk. Where GPs are unable to meet these expectations due to bandwidth limitations, it may ultimately impact the efficiency and outcome of the due diligence process."

There is an expectation that the LP experience will grow more digitally sophisticated – a trend that is intensified by the masses of retail capital that is flowing into private markets, bringing with it expectations of the investor experience

2.2. Top pain points in the LP-GP operational relationship





FERHAT ANSARI
Global Head of Private Markets, FIS®

DOUBLING DOWN ON DATA

The LP-GP relationship is being reshaped by rising expectations for transparency, timeliness and control, says Ferhat Ansari, Global Head of Private Markets, FIS.

From continuation vehicles to semi-liquid fund structures with weekly or even daily NAVs – an array of forces have combined to transform the LP-GP relationship and make it markedly different, and significantly more operationally demanding, than even a few years ago.

According to Ansari, data can be the foundation that helps both sides stay aligned. “The bar for trust has risen materially. LPs increasingly expect GPs to prove upfront that the data they report is timely and accurate. That is changing the operating model for GPs, who now need to reconcile, validate and stand behind every figure much faster than in the past.”

Investor expectations have evolved rapidly, as has their sophistication. “LP portfolio monitoring platforms used to be document repositories. Now they’ve become decision-making repositories. LPs no longer want months of stale data in Excel and PDFs. They want it fed straight into their systems, as fast and as clean as the GP receives it, so they can verify it and act.

“The GPs that differentiate themselves are the ones that can show full stewardship of the data and full stewardship of the investment patterns. That’s what proves to the LP that you’re on top of it. Covenants matter more than ever, and LPs now want to understand a GP’s operational flows, governance and KPI tracking before they invest,” Ansari adds.

This is reflected in our data. A GP’s risk management practices are top of mind for LPs when selecting their partner of choice, behind only the most fundamental factors such as track record and investment thesis. Also high on the list are operational and technological sophistication.

TRANSPARENCY AT SPEED

As for the main operational friction points in the relationship, fund reporting and portfolio monitoring are unsurprisingly right on top of the list. The valuation paradigm is evolving rapidly, and GPs need to keep pace.

Ansari says: “In a more volatile environment, a single social media post can move things by one basis point or a hundred within days. So, if you’re handing an LP a three-month old mark, it simply isn’t reflecting the reality of the fund or the market. That’s what’s driving the move to more rapid valuation cycles in certain structures.”

Much of the market remains unprepared for a more rapid cycle, with Ansari noting that most GPs still run on spreadsheets, email, pdfs and inconsistent templates across funds. But if these structures are cleaned up, technology has tremendous value to add.

“Where reconciliation once took weeks, AI and automation can now bring it down to minutes. Technology is the enabler that lets GPs and administrators compress those timeframes.

“For this, standardisation has to happen at the system of record. The fund administration platform should serve as the single source of truth, rather than relying on a patchwork of spreadsheets feeding the reporting tools. Once that’s set, how you send the data out to meet each LP’s needs is where the customisation lives.”

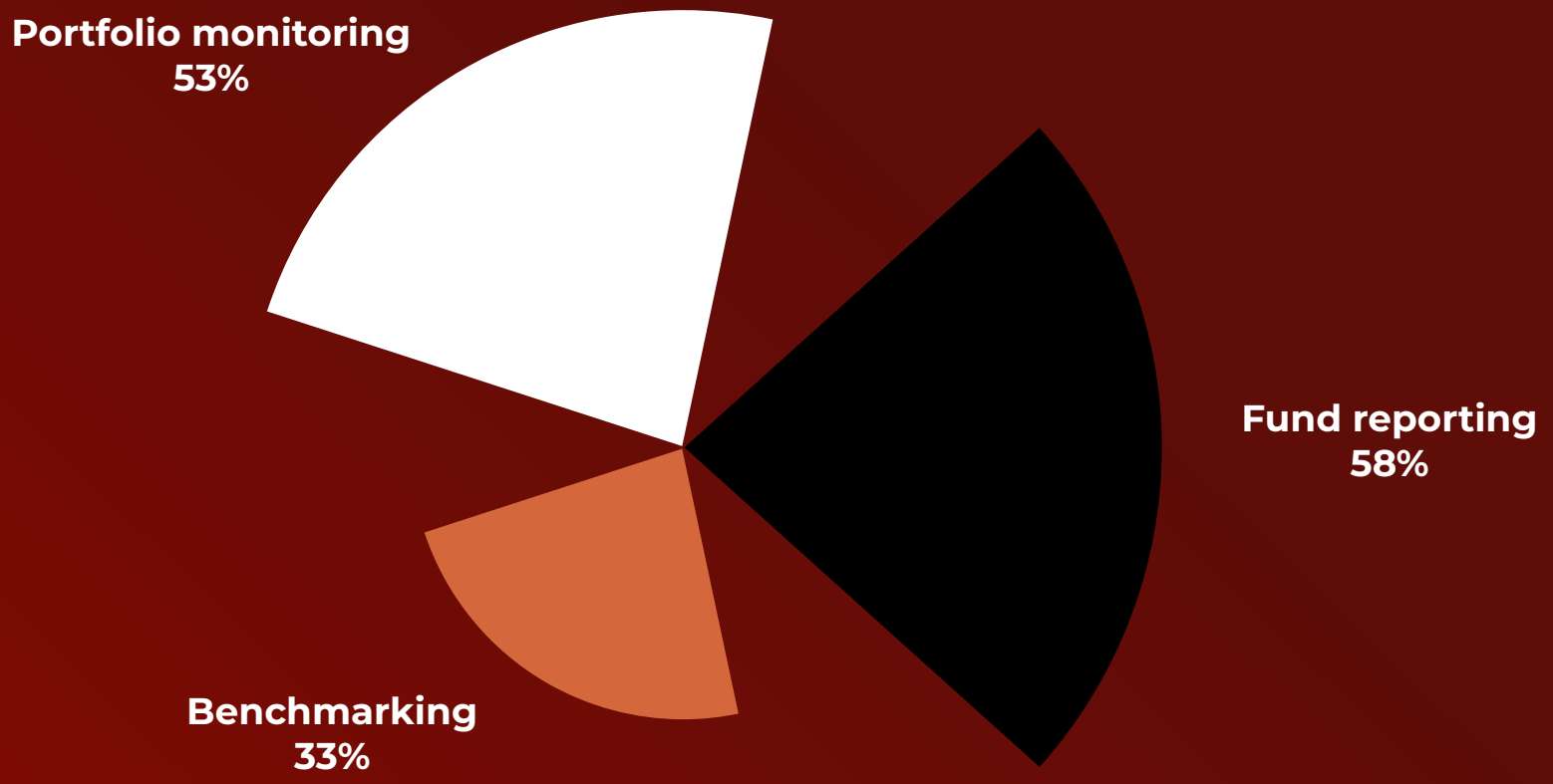
New LPs will certainly benefit from a better overall experience as GP infrastructure evolves. “Australia’s superannuation funds and the new Singapore structures have a real advantage: they aren’t duct-taping existing infrastructure. They can build on new infrastructure and get to monthly cycles from the start, rather than retrofitting the old machinery.”

It depends on the fund structure though. Frequent valuations add little value in a closed-end private equity fund, but in open-ended private credit vehicles they are increasingly of the essence. Intermediaries for the latter fund structures such as wealth platforms add a whole new layer of complexity, as funds move from hundreds of allocations to hundreds of thousands – each with their own AML and KYC checks and onboarding practices.

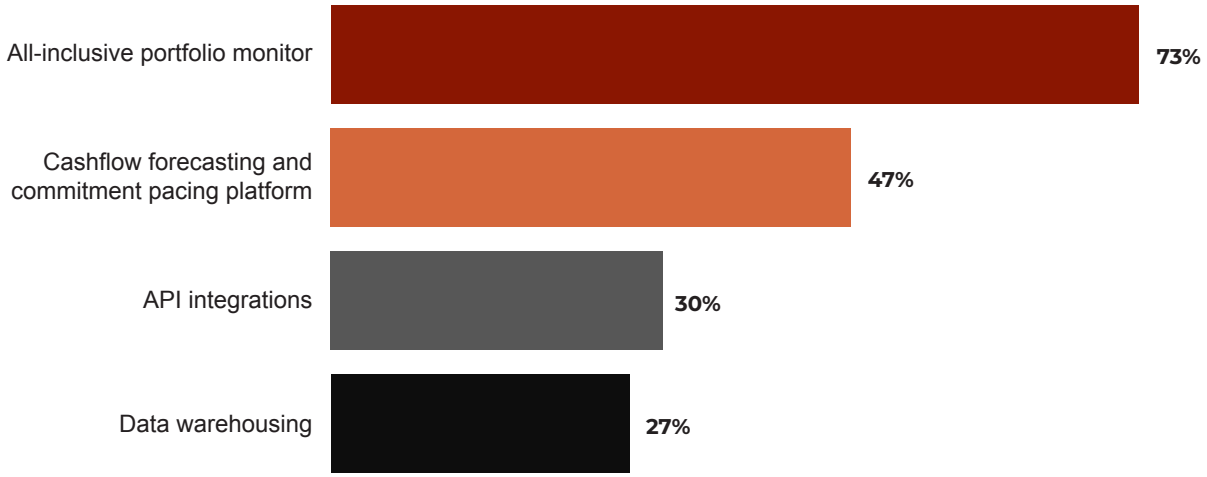
As private markets ecosystems become more interconnected and more complex, data governance will be the glue that holds an increasingly fragmented ecosystem together.

KEY FINDINGS

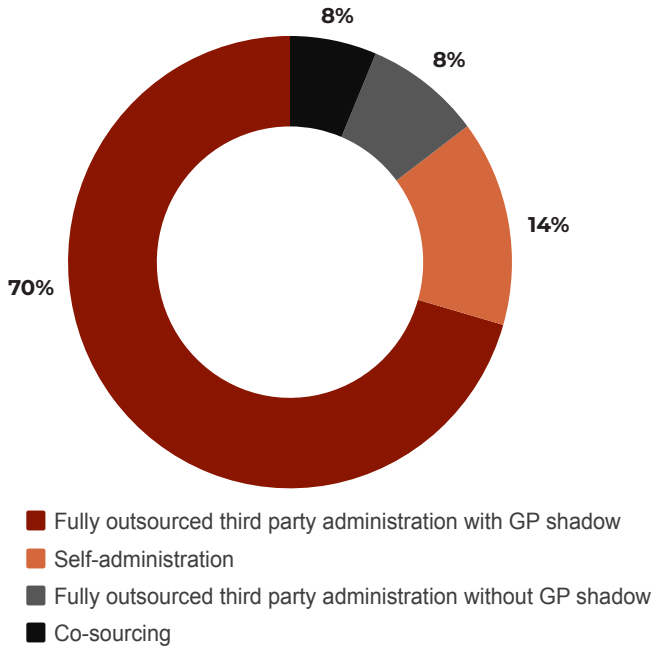
Friction points in the LP-GP relationship



2.3. Software-driven approaches to liquidity, risk and performance management



Preferred sotware operating model from GPs



as it is in the traditional assets and publicly listed space. For their own part, LPs are certainly growing more sophisticated.

Yates adds: “We’re using AI to synthesise unstructured data – ingesting LP agreement terms, quarterly letters and portfolio updates into formats we can analyse with far more accuracy, and to build better liquidity models. It’s helping at the margin, turning large volumes of documents into something we can actually interrogate.”

The growing sophistication is reflected in the fact that a decisive majority of LPs (73%) currently leverage an all-inclusive portfolio monitor to manage their liquidity, risk and performance across private and public asset classes, while other popular models are cashflow forecasting and commitment pacing platforms (47%), API integrations (30%) and data warehousing (27%) (see Fig.2.3.).

As for their view on GPs’ operating model – with data management and cybersecurity as a backdrop – more than two-thirds (70%) prefer that managers fully outsource this to third-party administrators or GP shadows.

Deplano says all of these considerations factor in strongly when selecting a GP. “A good GP today is defined by the robustness and suitability of its operational infrastructure. This includes a strong governance framework, a well-defined control environment with appropriate segregation of duties, and the engagement of credible third-party service providers. While control frameworks may vary between emerging and more established managers, there are certain elements that are increasingly viewed as non-negotiable, regardless of size, particularly around valuation oversight, and key service providers.

“Over the past five years, ODD expectations have evolved materially across several areas. One of the most notable developments is cybersecurity, where institutional investors now expect a control environment capable of withstanding the rapidly evolving nature of cyber threats.”

The bottom line is that LPs are growing more sophisticated, and in an era of scrutiny and discipline, GP’s need a robust operational ecosystem to meet the demands of the modern private markets proposition.

PRIVATE EQUITY WIRE®

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