INSIGHTS

SUPPORTED BY: FIS

JUNE 2025



LP SPECIAL

UNDERSTANDING A NEW GENERATION OF PRIVATE MARKETS INVESTORS

EXECUTIVE SUMMARY

Who invests in private markets? What was a stomping ground for mega institutions in conventional financial centres is now attracting capital from a broad spectrum of wealth brackets and geographies.

But do they all have similar priorities?

Some appreciate the stability of private markets. Others see it as their avenue to the thrilling cutting edge. Outperformance appeals to institutions, while a new generation of family capital holders is enthralled by the social and environmental impact their investments can have. And there are many other points of divergence – all of which will be explored in this report, produced in partnership with FIS®.

Irrespective of why investors come, there are enough macro indicators to suggest private markets will remain a compelling investment proposition for decades ahead. Section one will dive deeper into these factors, with a breadth of perspectives from the wealth and institutional landscapes. Also included is a bonus information pack on the asset classes, sectors and regions most of interest.

In section two, we explore the structural shifts that have occurred in private markets as a result of what has been a challenging half-decade – characterised by deal logjams and liquidity droughts. The modern-day private markets investor approaches allocation decisions with a great degree of scrutiny, sophistication and granularity. The modern-day manager, as a result, needs to be equipped with a clear investment strategy and value creation plan.

A new generation of investors also favours a digitalised investment experience, a robust risk management protocol and real-time visibility over their performance in a volatile climate. In an environment that distinctly favours the incumbents – where many expect consolidation of the GP landscape – managers that evolve in tandem with the investor universe will likely win out.

AFTAB BOSE
HEAD OF PRIVATE MARKETS CONTENT

CONTENTS

KEY FINDINGS 3

SECTION 1 4
LP PRIORITIES

SECTION 2 12
LP-GP RELATIONSHIP

METHODOLOGY

The data presented in this report is based on a survey of 60+ LPs in private markets – across Endowments, Pension Funds, Insurance Companies, Sovereign Wealth Funds, Banks, Family Offices and Wealth Managers, among others. Survey data was collected over the course of Q2 2025 from senior leadership and C-suite respondents across North America, Europe, Asia-Pacific and other key geographies.

Survey analysis is complemented with qualitative interviews with a range of allocators, alongside knowledge and insight aggregated from media, news and research resources – including Bloomberg, Reuters and the Financial Times.

69% of LPs cite outperformance compared to public markets as the biggest growth driver for private market

68% of LPs cite illiquidity as the biggest challenge with their private markets investments, followed by valuation uncertainty for 56%

54% of LPs cite private credit as their top asset class in focus for 2025, beating out all other private markets asset classes

50% of LPs say portfolio monitoring is the biggest challenge they face with a GP's operational infrastructure

TODAY'S PRIVATE MARKETS PROPOSITION

Tracking the factors that make private markets a compelling investment proposition, and how different investors perceive the market

Peaks and troughs aside – and there have been many – the private markets opportunity set remains fundamentally rich. For one, they continue to outperform public markets – according to nearly 70% of respondents to Private Equity Wire's H1 2025 LP Survey (see Figure 1.1). They also contain a far bigger addressable universe than the listed market.

Richard Hickman, Managing Director of HarbourVest Global Private Equity (HVPE), quantifies this difference: "Current estimates for private markets AUM worldwide are in the ballpark of $5tn – varying based on definitions and what is included. This is dwarfed by global public equity markets. At the same time, we estimate there are roughly 25 times more private companies in our investable universe than there are public companies."

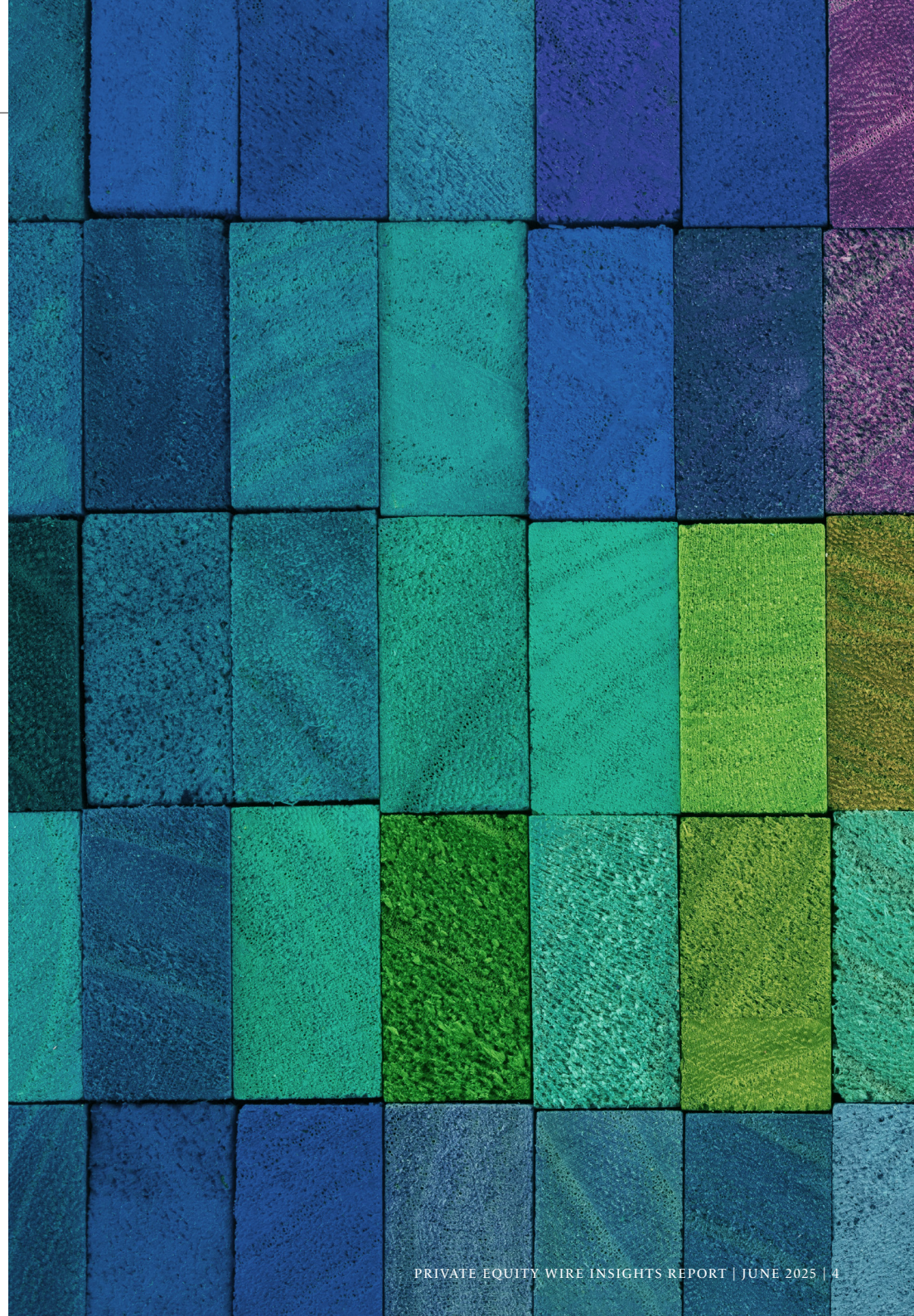
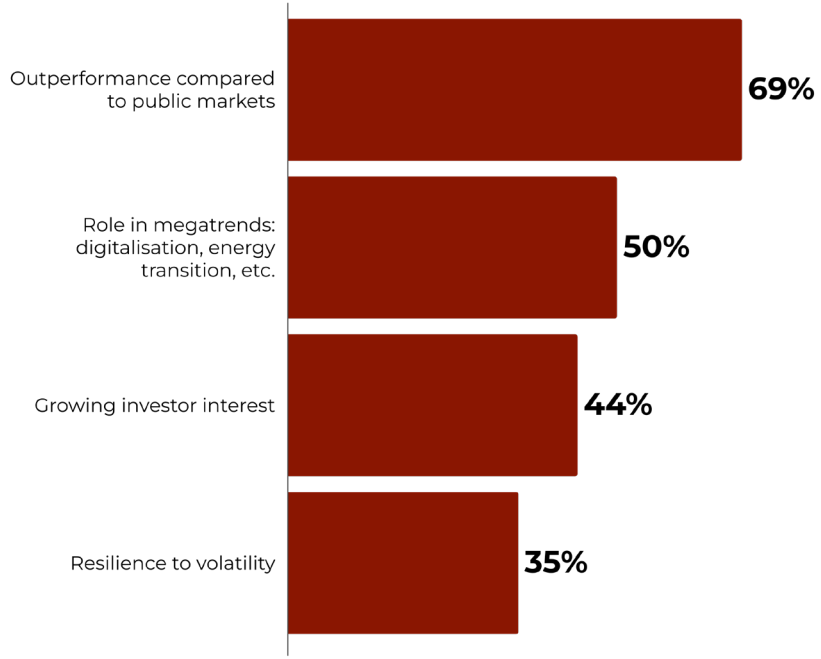


Figure 1.1 Main growth drivers of private markets



Source: Private Equity Wire LP Survey H1 2025

Another compelling growth driver includes the role played by private markets in global megatrends such as the advancement of AI and decarbonisation – cited by half of all our LP respondents as an appeal. Bruno Schneller, Managing Partner at Erlen Capital, says this role will ensure private markets "remain a vital portfolio component".

PRIMED FOR RESILIENCE

A wide and increasingly diverse pool of investors find themselves drawn to this opportunity set – with the move beyond institutions to private wealth being widely documented. According to Wendy Craft, CEO at Elle Family Office, the resilience that private markets offer with respect to volatility – cited by 35% of LPs as a growth driver – is another big draw. The current macro-economic paradigm makes this more compelling than ever.

She says: "For a family office, it's critical to find a private markets manager that elicits trust and demonstrates care. Once this is established, we're happy to park our capital with this manager – as we would in any other 'safe-haven' asset – with the faith that performance will turn around even if we see a few challenging quarters."

Michael Oliver Weinberg, Adjunct Professor of Finance and Economics at Columbia Business School and Special Advisor at the Tokyo University of Science Endowment, unpacks the resilience thesis, saying: "This may be driving allocation to privates but is a bit of a mirage as it's largely a function of the illiquidity, periodicity, and infrequency of marks – including marking to model and not necessarily to market.

"In small size, the marks are not inaccurate, but in large size significant haircuts to marks would be needed to clear or sell positions. Moreover, CIOs and boards love the fact that privates provide lower downside and volatility than publics – particularly in choppy or bear markets."

There is a patience in private markets, which does lend an air of safety to these investments. Jeffrey Diehl, Managing Partner and Head of Investments at Adams Street, says: "The governance model in private markets has simply proven superior to public companies. Having spent years working on direct investments – two of which have gone public – I've witnessed how challenging it is to remain focused on fundamental value drivers once a company goes public. These companies are pushed into a short-termist approach, narrowly focusing on the next quarterly earnings targets and the current stock price. Privates, on the other hand, tend to have seasoned, industry-specialised investment professionals steering the ship – with management incentive structures aligned with long-term value creation."

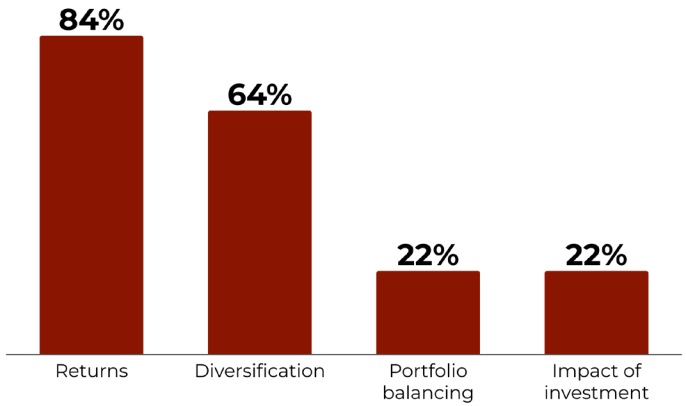
The dichotomy will only grow starker, with the widely acknowledged move away from multiple expansion – fuelled by cheap leverage – towards concrete operational value creation bolstering the robustness of private investments. The critical caveat here is discipline in manager selection, which we'll explore in section two.

“

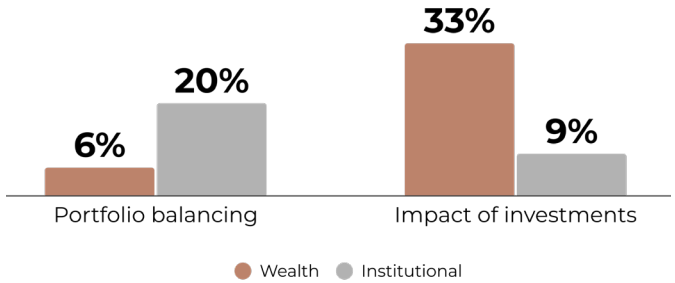
We estimate there are roughly 25 times more private companies in our investable universe than there are public companies.

Richard Hickman
Managing Director, HVPE

Figure 1.2 LP priorities with their private markets investments



Private markets priorities:
Key points of divergence between private wealth and institutional LPs



Analyst note: Multiple Choice Question

Source: Private Equity Wire LP Survey H1 2025

SOMETHING FOR EVERYONE

And as the investment set grows stronger, LPs will continue to see private markets as an instrument for outsized returns – cited as their top priority by 84% of respondents (see Figure 1.2). Given the size of the investable universe, there is a sizeable opportunity for diversification, too.

"Private markets offer access to markets that might not be accessible from the listed point of view. This includes smaller cap companies, or certain thematic propositions," says David Rolfo, a Product Specialist for Private Assets at Mirabaud Asset Management.

Still, institutional and wealth investors diverge on key points when it comes to their private markets investments. Notably, institutions with their fiduciary responsibilities, denomination stipulations, and large, complex allocations, appreciate the use of private markets to balance their portfolios far more than their wealth counterparts. On the flipside, the suite of wealth investors shows greater consideration for the impact of their investments.

Craft cites the "shifting trillions" from one generation of family wealth to the next as an explanation here. She says: "The younger generation is not satisfied with cutting a cheque to a generic charitable organisation. They want to drill down and be assured their investment was used to generate a concrete, positive impact. Institutions, meanwhile, are primarily concerned with preserving wealth – as is their responsibility – particularly in the current volatile climate."

THE BACKLOG

It's no surprise that diversification and portfolio construction are in focus for investors. Compelling as it may be, the private markets investment proposition has been tainted in the public eye over the past few years – a product of valuation chasms, exit freezes and consequent liquidity droughts. Per our survey, illiquidity (cited by 68%) and valuation uncertainty (56%) are, by far, the biggest challenges LPs face when it comes to their private markets investments (see Figure 1.3).

KEY FINDINGS

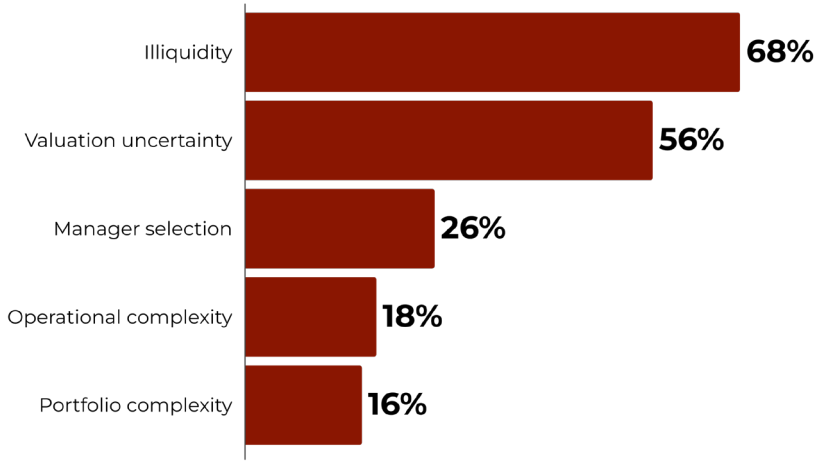
Platform for reconstruction

2/3 LPs come to private markets with diversification in mind

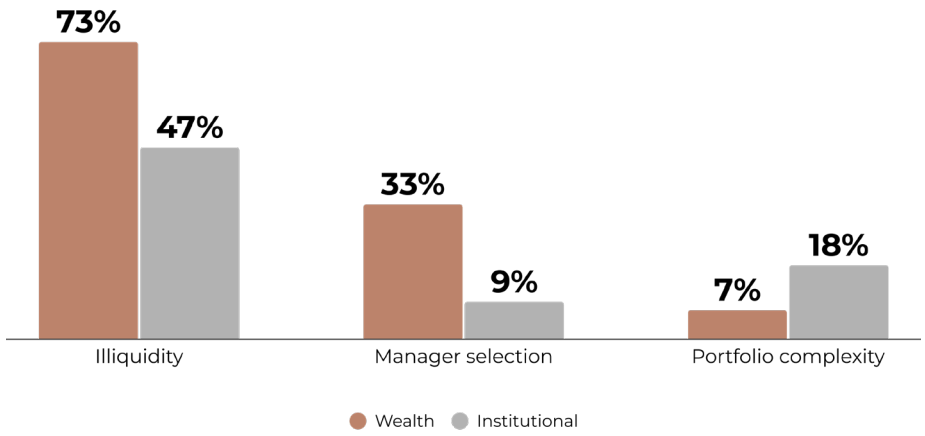


INSIGHTS

Figure 1.3 Biggest LP challenges when it comes to private markets



Private markets challenges:
Key points of divergence between private wealth and institutional LPs



Analyst note: Multiple Choice Question

Source: Private Equity Wire LP Survey H1 2025

According to Hickman, the current circumstances are temporary: "Fluctuations are normal – we've witnessed periods where liquidity was higher than 30% of NAV, and periods where it fell below 10%. Granted, this has been an unusually long period of stress, but if we look at public markets – indices are close to all-time highs, and seem to have shrugged off the panic cycles in the news. The valuation divergence between the public and private markets will, no doubt, encourage IPO activity – so I'd be surprised if liquidity stress persists."

Diehl similarly notes a valuation correction. "Periods like these are normal after a market dislocation. In this case, a jump in rates caused a drop in valuations, but we seem to be normalising again. Public market valuations always move faster than those in private markets – but as of Q4 2024, PE books appeared to be marked quite appropriately.

"We came into 2025 with optimism around President Trump's proposed regulatory and tax reforms, which have gotten overshadowed by tariff talk. But as tariff talk settles down and regulatory and tax reform take hold, liquidity will likely pick up in coming months."

KEY TAKEAWAY

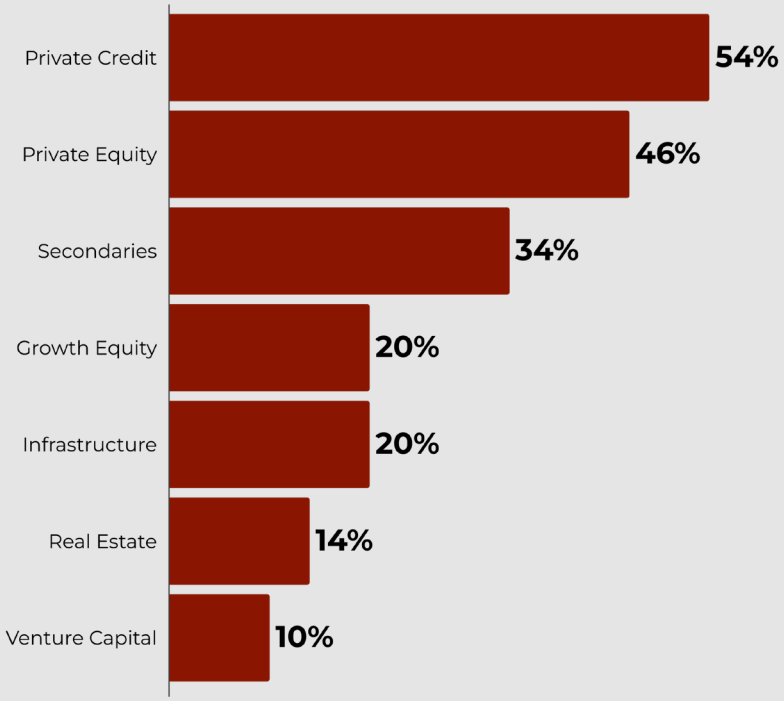
The size of the investable universe, alignment with global megatrends, and return to value creation principles will keep private markets in the allocation book, and a normalisation may be on the horizon for the current liquidity drought.

WHERE THE CAPITAL FLOWS

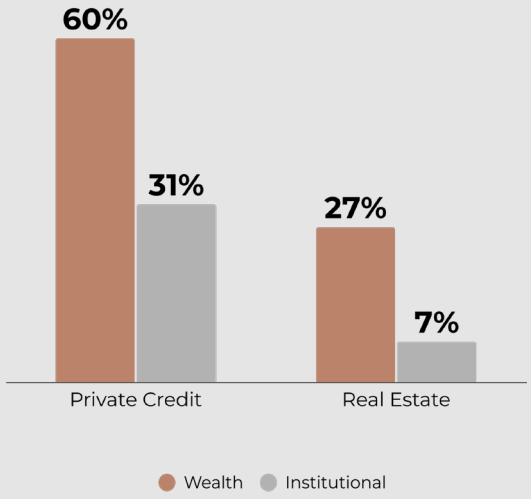
It's clear that private markets continue to lure capital, but the asset classes, sectors, regions and funds that benefit from inflows will vary considerably from one LP to the next.

Private credit remains a hot favourite, cited as the asset class in focus by 54% of LPs, followed by private equity (46%) and secondaries (34%) – the latter spurred on, as discussed in the previous section, by the unprecedented liquidity drought.

The staying power of private credit remains contested, with some arguing the asset class has reached its peak, while many say conditions continue to favour it. Michael Oliver Weinberg says: "It is the 'beta' from excess spread in private markets to the premium that investors pay for liquid credit. For example, inherently, if one has a pool of the same assets, collateral, loan-to-value and about all other attributes, the publicly traded version – particularly if rated, but even if not – will trade at a multiple hundred basis point tighter spread than the identical private loans. Then, ideally there is also alpha from value add by the manager, for a further spread. So worst case, a private market beta pickup, and best case a private market alpha pickup.



Priority asset classes:
Key points of divergence between private wealth and institutional LPs



"This will continue to make private credit a compelling proposition. As to where we are in the rate cycle, we are likely in line with the Fed's view, which seems to be higher inflation, lower growth and increased unemployment, driven by tariffs, with a net impact that rates can't come down for some time."

And while venture and growth appear lower down the pecking order, Richard Hickman of HVPE says there are significant opportunities in this space. "There were a couple of years of drag here, as valuations were down and funding rounds were negative, but there is more enthusiasm among investors now – particularly driven by exciting developments in technology, AI and robotics. Many are still shying away, but we're quite bullish here.

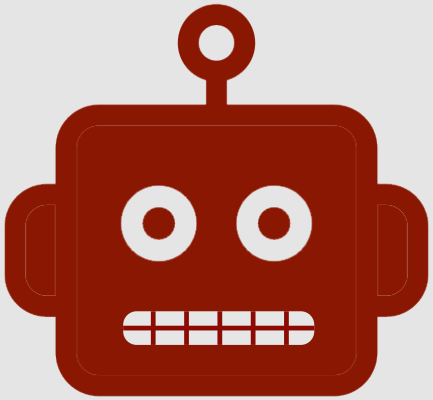
"We also decided 18 months ago to increase our weighting to infrastructure and credit, with a target upper limit allocation of 15% – now only at 8%. We already started this shift in 2018, and those investments have really borne out through volatile market conditions.

"The small and mid-market buyouts space is particularly exciting – as there are more options to exit. For large-caps, the options tend to be restricted to either an IPO or a sale to a trade giant, whereas for small cap there are a range of sale avenues across the corporate world."

A key point of divergence between wealth and institutional investors appears to be real estate – seen as a priority by 27% of the former, compared to just 7% of the latter. Craft says: "Real state is very interesting for us, particularly the distressed real estate space. There is also a notable convergence between infrastructure and real estate – an example being the use of commercial buildings for data centres. Even green technology has moved gradually into the real estate paradigm."

TECH IN FOCUS

Sectors such as technology and healthcare that Jeffrey Diehl of Adams Street describes as going through "growth and change" and have scope for "value creation and top-line growth", are widely seen as high-opportunity areas.



Richard Hickman of HVPE says: "By virtue of our allocation to venture and growth assets, we're quite overweight on technology. AI-related investments have had very positive funding rounds recently, with some full exits also on the horizon. We also buy into the old story that Software-as-a-Service propositions provide predictable cashflow and revenue. As a result, while it may look like we're overweight in technology – the underlying companies are actually spread across the entire economy."

Technology investments have been in the spotlight across private markets of late – with the 2021 valuation boom and bust famously hitting a breadth of portfolios. According to Hickman, valuations are in a positive place now:

"If we look at our own portfolio, technology valuations are currently at an average of 15 times EBITDA, as compared to 25 times in the S&P 500. There will likely be a convergence from either or both sides at some stage, and it's likely there will be growth on the private side."

Tech appears to be an exciting proposition among wealth investors, too. Wendy Craft of Elle Family Office says: "Institutions tend to seek conventional, safe portfolio constructions – as they have the fiduciary responsibility to their stakeholders. Families have a bigger risk appetite – they want to find the next Apple or Amazon, and will really examine the AI space closely as a result."

ALTERNATIVE CENTRES

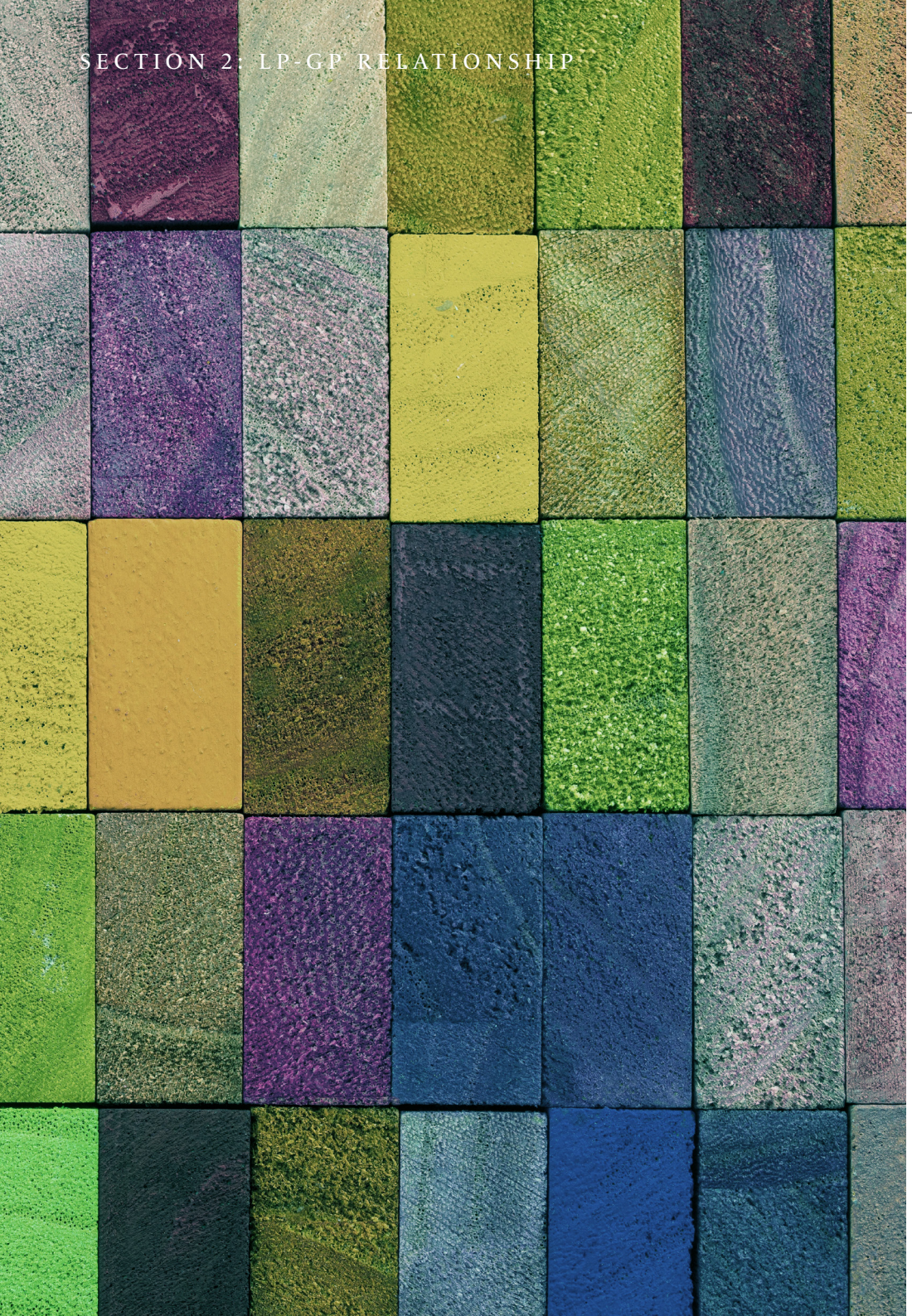
One regional economy to watch, according to Diehl, is Japan. With new regulations putting pressure on listed capital to deliver returns, there are several opportunities for PE-backed carveouts on the market.



He says: "Japan has an educated population, an interesting innovation landscape and robust industries, which makes the lack of PE penetration in the market baffling. But this is changing – with cultural acceptance for the PE investment model spreading."

China is interesting for similar innovation reasons, he says, though its involvement in global geopolitical dynamics leaves many LPs wary, at least those outside of the country. LPs already invested within the market remain bullish. And while the US is similarly entrenched in geopolitical tensions, the country's democratic framework enable things to evolve and improve every four years. Diehl says the US remains a robust market for investment, and Adams Street's primary focus.

According to Hickman, Asia as a whole remains a high-growth market – with South Korea, India, and to a lesser extent Japan, driving robust returns for HVPE in the region.



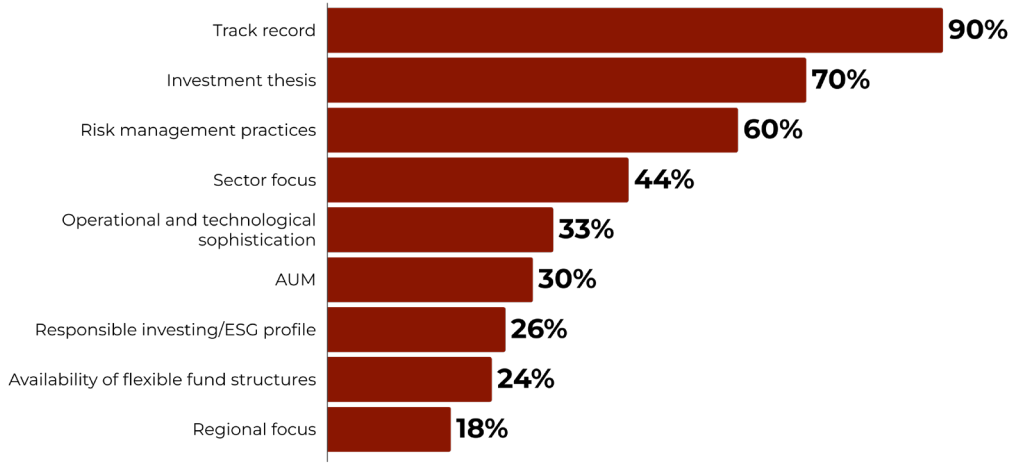
POINTS OF CONVERGENCE

A closer look at what today's private markets investor expects from their money manager, and how these differ across LP types

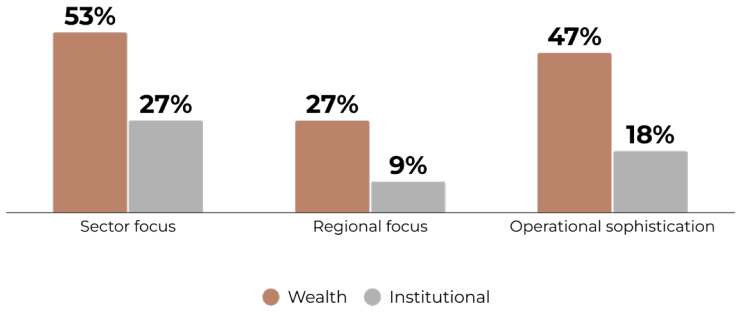
A byproduct of sustained stress in private markets has been a rapid proliferation of liquidity-friendly instruments. In 2025, Private Equity Wire has extensively covered the rise of secondaries, and how the growing sophistication of continuation vehicles and LP-led transaction capabilities has cemented the secondary market as an instrument for liquidity and portfolio reconstruction. The endowment exodus from private markets in the US, driven in part by Trump's crackdown on funding for higher education institutions, is a prominent example.

Secondaries are an example of how an emergency liquidity option has evolved into a longer term solution. And there are other options, across time horizons. Bruno Schneller of Erlen Capital says: "In the short term, enhancing transparency through standardised reporting can address valuation concerns, while continuation funds offer liquidity. Medium-

Figure 2.1 Biggest LP priorities during GP selection



GP selection:
Key points of divergence between private wealth and institutional LPs



Analyst note: Multiple Choice Question

Source: Private Equity Wire LP Survey H1 2025

term, co-investment structures and secondary markets can unlock capital, reducing illiquidity pressures. Long-term, broader adoption of evergreen funds could align investor horizons with asset lifecycles."

While evergreen and other hybrid fund structures are increasingly popular in the investment landscape, the primary concern – across the board – appears to be the manner in which these funds are being marketed.

David Rolfo of Mirabaud says: "Many GPs will put liquidity forward as a primary talking point when pitching these fund structures, which may mislead investors on how much liquidity they will actually receive. LPs should come to private markets prepared for a degree of illiquidity, and for GPs – the best way to deliver more liquidity is to ensure they generate enough returns. It's possible to construct a portfolio that's conducive to liquidity, with cash and financing, for instance, but the question for LPs is – are they paying fees for returns or portfolio management?"

Still, for the wealth bracket of investors, a more liquid fund structure might be a non-negotiable. Wendy Craft of Elle Family Office says: "It's difficult for a family office to lock up their capital for years on end. Multi-generation offices might have legacy operating companies that feed into liquidity, but first-generation families need to be able to access their capital.

"Another contingency to consider is the death of a principal, which is a real concern for a number of family offices that are yet to undergo the generation shift. The liquidity in the portfolio should, at the very least, cover the estate tax. Having some degree of flexibility is important in this regard."

Illiquidity was cited as the top challenge by three-fourths of wealth LPs (73%), compared to 47% of institutionals (see Figure 1.3).

MANAGER SELECTION

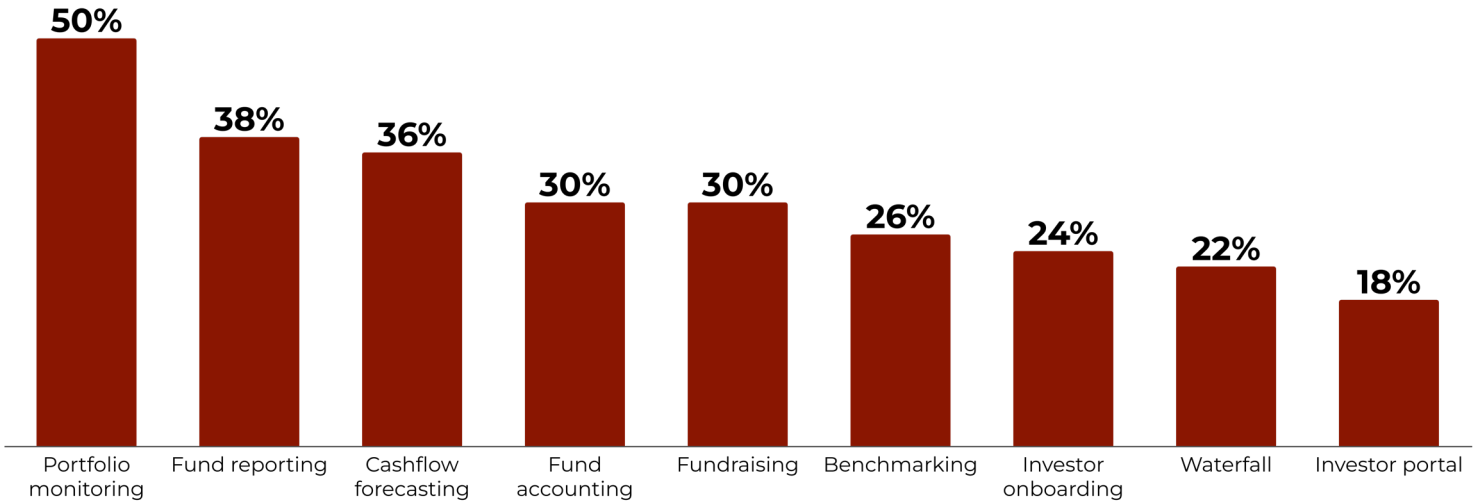
For managers looking to attract capital from a rapidly diversifying suite of investors – with idiosyncratic needs from one LP type to the next – the challenge ahead is to create a proposition that is successful, flexible and sustainable in the long term.

“

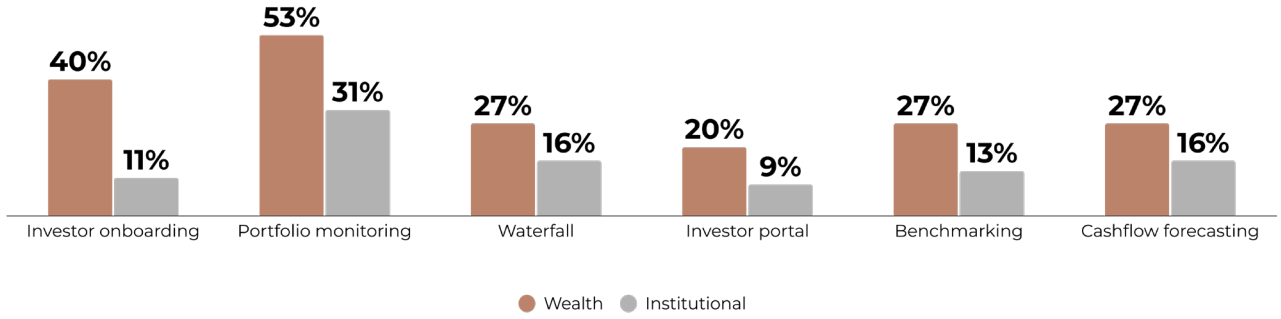
Key growth characteristics for us are: operational talent, industry expertise and origination capabilities for inorganic growth

Jeff Diehl
Managing Partner and Head of Investments

Figure 2.2 Biggest pain points with GP operational infrastructure



Pain points: Key points of divergence between private wealth and institutional LPs



Analyst note: Multiple Choice Question

Source: Private Equity Wire LP Survey H1 2025

Beyond track record and investment thesis – cited decisively by 90% and 70% of LPs respectively (see Figure 2.1) – the most important factors that feed into manager selection are risk management practices (60%), sector specialisms (44%) and operational and technological sophistication (33%).

Allocators are certainly growing more sophisticated in their approach. Jeff Diehl of Adams Street says: "Fund returns can have many false positives – for instance, lines of credit or NAV financings could contribute to a higher fund IRR. When selecting a manager, we really dissect performance down to the company level – isolating factors such as when it was bought, revenue trends, profitability, amount and cost of leverage and many others."

Richard Hickman of HVPE says his firm's US-based quantitative investment science team has developed a tool that separates confounding factors and isolates a manager's alpha. "GPs actually ask us for the results of this on occasion, as it provides granular information on a firm's investment thesis, repeatability of performance, management style and implementation capacity, among others factors."

Many of the performance metrics cited above hinge on a manager's specialist knowledge of, or association with, a particular sector or region. According to Diehl, GPs that meet regularly with management teams to create value plans – starting before the actual investment – are well equipped to facilitate organic growth. In addition, alignment with Adams Street's internal sector focuses – primarily tech and healthcare – signal inorganic growth opportunities, too, as there can be an overlap in the deal pipeline.

"Key growth characteristics for us are: operational talent, industry expertise and origination capabilities for inorganic growth," he says.

OPERATIONS SPOTLIGHT

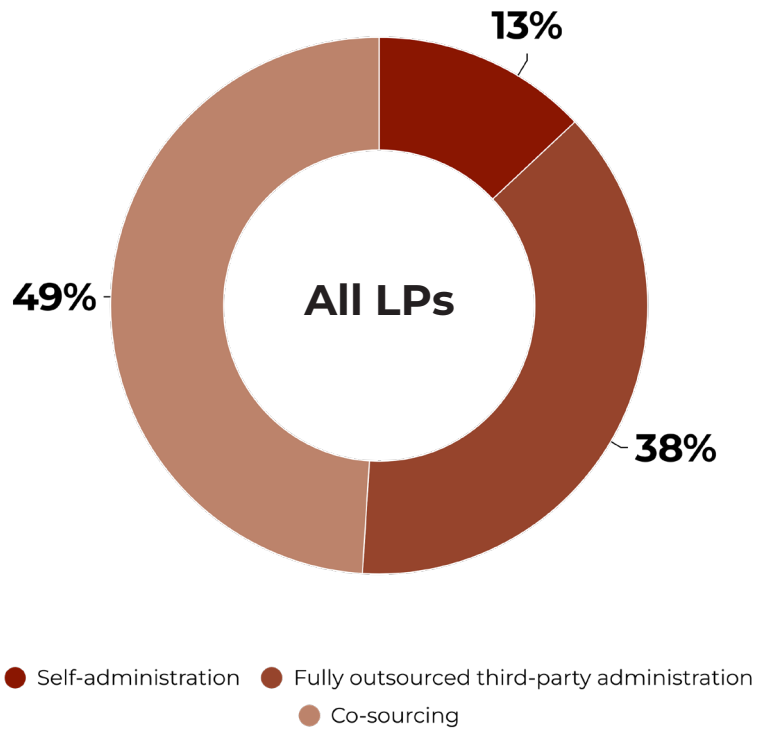
Given the structural shifts in the market described above, a GP's risk management practices – closely related to its operational and technological sophistication – are critical (see Boxout, p17). In a volatile environment, the biggest LP pain points when it comes to a GP's operation are portfolio monitoring (50%), fund reporting (38%), and cashflow forecasting (36%).

Rolfo says: "With the rapid shift in market conditions, dealmaking and valuations, cashflow forecasting can be a particularly strong pain point – as deals may fall through or be delayed due to volatility."

LPs value a GP's operational capacity, and working with third parties does represent a rubber stamp of sorts – with a remarkable 88% of LPs expressing a preference for at least some portion of a GP's risk management and cybersecurity capabilities to be outsourced.

Schneller says: "When selecting a GP, I prioritise robust portfolio monitoring and

Figure 2.3 Preferred model of risk management and cybersecurity



Source: Private Equity Wire LP Survey H1 2025



FERHAT ANSARI
Head of Private Capital Suite, FIS®

POWER OF TRANSFORMATION

Fuelling a frictionless LP-GP relationship

Given the breadth of risk, the scale of diversification and the intensity of competition in private markets today, a GP's operational sophistication is no longer a value-add for the average LP. Digital transformation is a prerequisite for allocation and putting private equity to work.

This is according to Ferhat Ansari, Head of Private Capital Suite at FIS, who spent years transforming operational architecture in the traditional asset management space before doing the same in private markets. The two landscapes are on a path of convergence operationally, he says, though the latter has a lot of catching up to do.

Based on our survey, the three operational functions that cause the most friction in the LP-GP relationship are: portfolio monitoring, fund reporting and cashflow forecasting. According to Ansari, all three challenges boil down to a single root cause: a lack of standardisation in processes that only a broad transformation strategy can provide.

"Portfolio data remains siloed across disparate systems in GP organisations, which creates the need for manual aggregation – and consequently leads to inconsistent and outdated portfolio insights. In today's volatile markets, LPs need real-time visibility to show their investments are working as hard as possible.

"Similarly with fund accounting and reporting, GP back-office accounting systems lack the inbuilt standardisation of the traditional asset management world. The resultant reporting discrepancies and unclear fee structures, gradually erode LP trust.

"And finally when it comes to cashflow projections, outdated software or forecasting models can miss key cashflow events such as capital calls and create liquidity risk. On the flipside, the right tools can create effective stress-testing models that help mitigate widespread market uncertainty."

THE CHECKLIST

LPs need assurance that their asset managers have a firm grip on both risk management and performance. As such, GPs have an ever-expanding checklist to follow so they can win new capital and put it to work effectively. For starters, firms need to demonstrate a comprehensive risk management strategy. That way they can identify and bolster problem areas, from operational risk – across fund administration and regulatory dimensions – to portfolio stress testing and articulating the contingencies against the current macroeconomic backdrop.

Risk management also requires the use of institutional-grade technology, complete with centralised data platforms; advanced portfolio management systems; automated processes that integrate cybersecurity protocols, GDPR and other digital paradigms; and workflows to prevent back-office bottlenecks.

All of this combines to generate granular, real-time insight while reassuring an increasingly sophisticated base of LPs. Our survey reveals that most investors prefer GPs to outsource at least a portion of their operational infrastructure – ensuring a certain degree of quality and standardisation.

Ansari says: "Working with a third party provides direct access to top expertise, negating the steep learning curve for GP organisations. Many platforms come equipped with strong technical integrations, which enables the use of advanced monitoring and management tools. Scalability also becomes less of an issue – firms can grow and diversify rapidly but cost-effectively, as outsourcing moves the cost of implementation from capex to opex. And there are a host of compliance benefits, too. As technology firms often work across geographies, they have the knowledge and experience to help manage differences in regulation from one region to the next."

With GP firms diversifying across asset classes, fund structures and geographies, too, Ansari says working with a partner on your digital transformation ensures resources are focused on investment performance. So, you can help private equity work harder without significantly increasing your overhead costs.

KEY FINDINGS

Hedge against volatility

3/5 LPs scrutinise risk management practices as a priority when selecting a GP



INSIGHTS

> “Investing may also be a passion for wealth investors, which could entail a keen interest in granular metrics and insight.

transparent fund reporting, as these ensure alignment and accountability. Weaknesses in these areas – such as delayed or inconsistent reporting – create uncertainty, hindering LP decision-making. Cash flow forecasting is another pain point, often misaligned with liquidity needs.”

“Operational excellence is non-negotiable; it’s the backbone of trust in private markets. Whether operations are outsourced or in-house matters less than their effectiveness, though outsourcing can enhance scalability and expertise if managed well. We value GPs who demonstrate disciplined processes, regardless of structure, as this mitigates risks and drives performance. The industry should standardise reporting to ease LP burdens.”

Operations do appear to be a key point of divergence between institutional and wealth LPs – a bigger share of the latter weighing this up when it comes to allocation decisions. In particular, portals and investor onboarding technology appear to play a role.

Here, too, the generational wealth shift is affecting investor priorities – according to Craft. “Many of the younger investors have grown up in the age of computers, and are used to a highly digitalised experience.

“There is also a difference in attitude. For institutions, portfolio management and investing is a full-time job – and they are well versed with spreadsheets and traditional industry operating models. Families, on the other hand, may be checking in on their investment performance periodically alongside other walks of life – in which case ease and convenience are paramount. Investing may also be a passion for wealth investors, which could entail a keen interest in granular metrics and insight.”

In time, it’s safe to assume a critical mass of institutional investors will also come to expect a similar experience from their fund managers – leaving scope for technology and operations to become a key differentiator in what is an increasingly competitive landscape.

KEY TAKEAWAY

In an environment where liquidity, risk management and value creation are all critical in their own right, managers that can demonstrate a combination of operational prowess and industry expertise will win out.

PRIVATE EQUITY WIRE®

CONTRIBUTORS:

Aftab Bose
Head of Private Markets Content
aftab.bose@globalfundmedia.com

Johnathan Glenn
Head of Design

FOR SPONSORSHIP & COMMERCIAL ENQUIRIES:

sales@globalfundmedia.com

Published by: Global Fund Media, Fox Court, 14 Gray's Inn Rd, London, WC1X 8HN

© Copyright 2025 Global Fund Media Ltd. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the publisher.

Investment Warning: The information provided in this publication should not form the sole basis of any investment decision. No investment decision should be made in relation to any of the information provided other than on the advice of a professional financial advisor. Past performance is no guarantee of future results. The value and income derived from investments can go down as well as up.

FIS