Private Markets Outlook & Allocation Playbook

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Executive Summary

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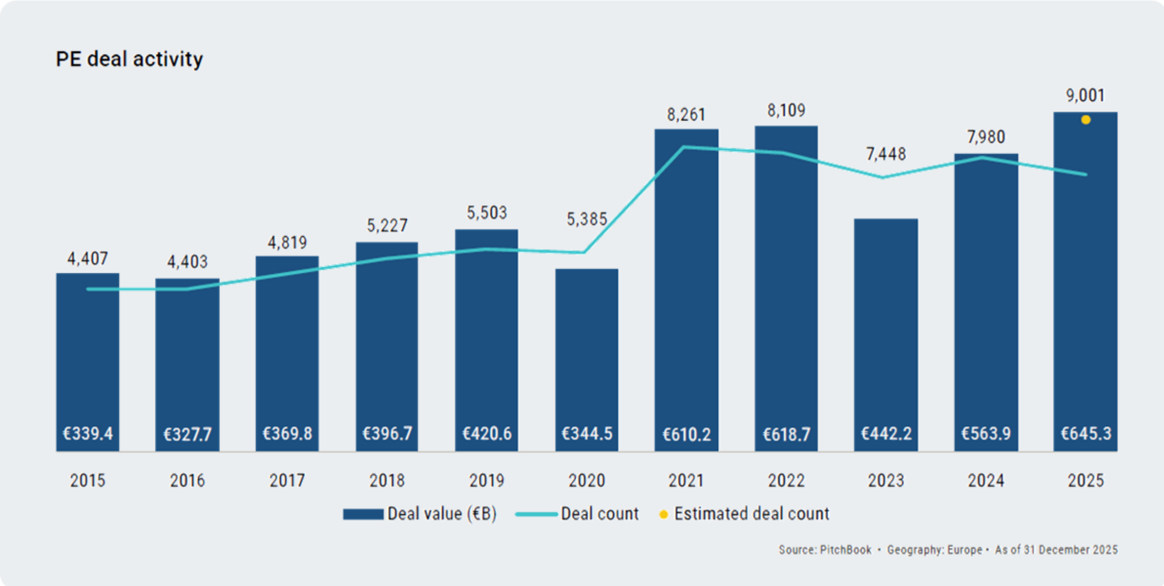
- **Europe reopens:** deal flow is back, underwriting has changed. 2025 marked a true "reboot" in European PE: financing windows reopened, sponsors regained conviction and carve-outs are now mainstream, shifting the opportunity set toward complexity-driven value creation vs. pure multiple expansion, with France positioned as a 2026 "set-up."
- **"Zombie" GPs**: fundraising concentration becomes a feature, not a bug. The fundraising slowdown is accelerating manager consolidation: access to fresh flagship capital is increasingly reserved for platforms with repeatable sourcing and credible realizations, while weaker franchises lean on extensions and CVs as time-buying tools.
- **Secondaries:** bigger, broader, more competitive, alpha shifts to selection and structuring. Volumes and deal sizes have scaled into a higher run-rate, but pricing is supported by deep capitalization (including retail/evergreen inflows), crowding "beta" and pushing returns toward underwriting edge.
- **Evergreen funds**: rapid growth, but liquidity is conditional. Retail wealth demand is scaling semi-liquid wrappers, yet "periodic liquidity" remains rationed by design. Our preference is for perpetual structures that de-couple redemptions from forced sales.
- **Public markets reawakening:** a quality-led IPO window. Exits are improving, but the reopening is selective: IPO value is being carried by a few scaled, sponsor-backed deals, while issuance remains "bursty" and timing-sensitive, reinforcing our view that public exits are back as an option, not a guarantee.
- **2026 allocation implications**: recalibrate, don't pivot. We re-balance the program toward primaries at 40% (up from 30%), reduce secondaries to 40% (down from 50%), and keep Growth/VC stable at 20% with a conservative, underwriting-led stance.

Europe Reopens: Deal Flow Is Back, Underwriting Has Changed



European buyouts are back: 2025 deal activity rebounded on rate cuts and renewed conviction. Exits are improving, but LP liquidity remains tight and fundraising is concentrating, making manager selection decisive.

European private equity entered 2026 on firmer footing after a genuine "reboot" in 2025. Activity recovered meaningfully, **deal value rose +14.4% YoY and deal count +12.8% YoY**, reaching ca €645bn across ca 9,000 deals, but the more important shift was qualitative: financing windows reopened, and sponsors regained the confidence to underwrite again. Four rate cuts each from the ECB and BoE helped reset the cost of capital, and that renewed conviction showed up clearly in deal composition: **megadeals represented ~32% of 2025 deal value**, back to levels reminiscent of 2021/early 2022 sentiment.

We do not read that as a return to 2021-style exuberance. We read it as proof that decision-making has turned "transactional" again. Boards, lenders, and sponsors are willing to clear large outcomes, while underwriting remains more anchored in downside protection, operational levers, and financing structure.

These tailwinds were partially offset early in the year by US trade tariffs, which briefly slowed dealmaking as asset owners reassessed supply chains and cross-border exposure. Over time, however, the **tariffs reinforced Europe's relative-value appeal**, driving a **notable influx of US capital** as investors sought geographic diversification.

The message from corporates: carve-outs are now mainstream

One of the clearest rebound signals is the sustained rise in corporate carve-outs. In 2025, ca **1 in 10 European PE deals were carve-outs**, with ca **743** transactions and ca **€85bn** of value[1], another record year.

This is less about financial engineering and more about industrial logic: corporates are actively reshaping portfolios, simplifying operating models, and strengthening balance sheets. Sponsors, in turn, are being paid for doing the hard work, executing separation complexity, building standalone capabilities, and driving operational upgrades.

The year's landmark transaction was **Sanofi's sale of a 50% stake in Opella to CD&R for €10bn** (the largest PE deal of 2025), and 4 of the top 10 European PE deals likewise stemmed from corporate divestiture. In our view, this is not just a 2025 theme, it remains the core 2026 opportunity set: **less multiple expansion as a plan, and more value creation through complexity.**

We leaned into this carve-out wave in our 2025 European buyout allocation by selecting **Triton Fund 6**, a specialist platform where ca 50% of historical deals are carve-outs, operating at scale across DACH + the UK with a strong Nordics presence. This matters because the Nordics performed strongly in 2025, benefiting from being relatively insulated from trade tariffs and supported by independent, credible central banks, resulting in the largest YoY increase in PE deal value among European regions.

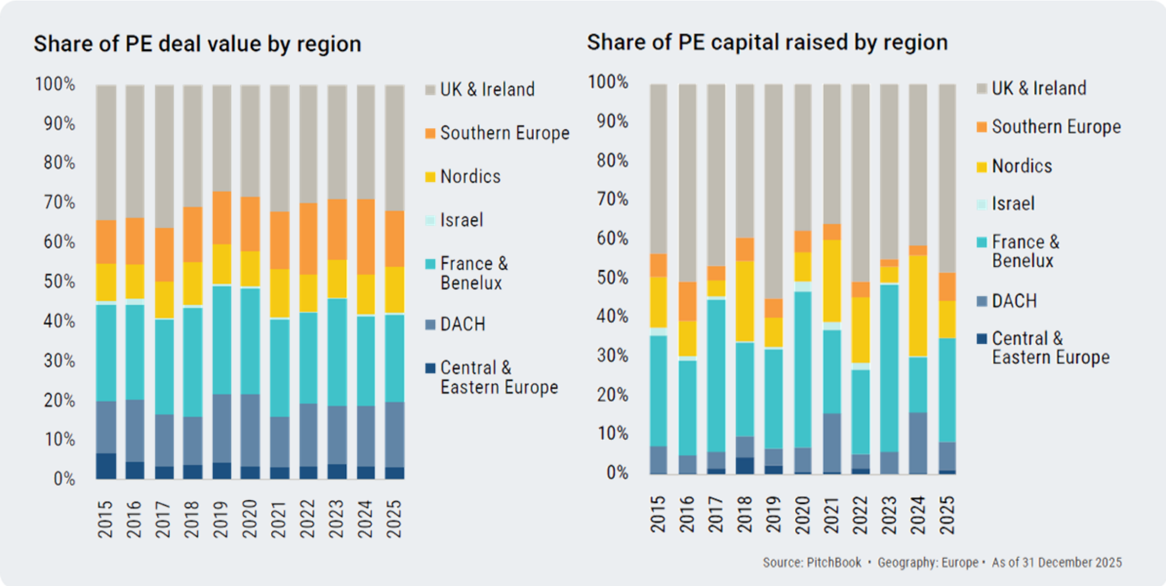
Country dynamics: UK leads on scale; France is the 2026 "set-up"

Geographically, the **UK & Ireland remained Europe's largest market** by deal value (32% share), underpinned by a deep ecosystem and investor-friendly infrastructure. This is the market that continues to "clear" at scale when financing is available: it combines large-cap capacity with a repeatable mid-market engine and a strong advisor universe.

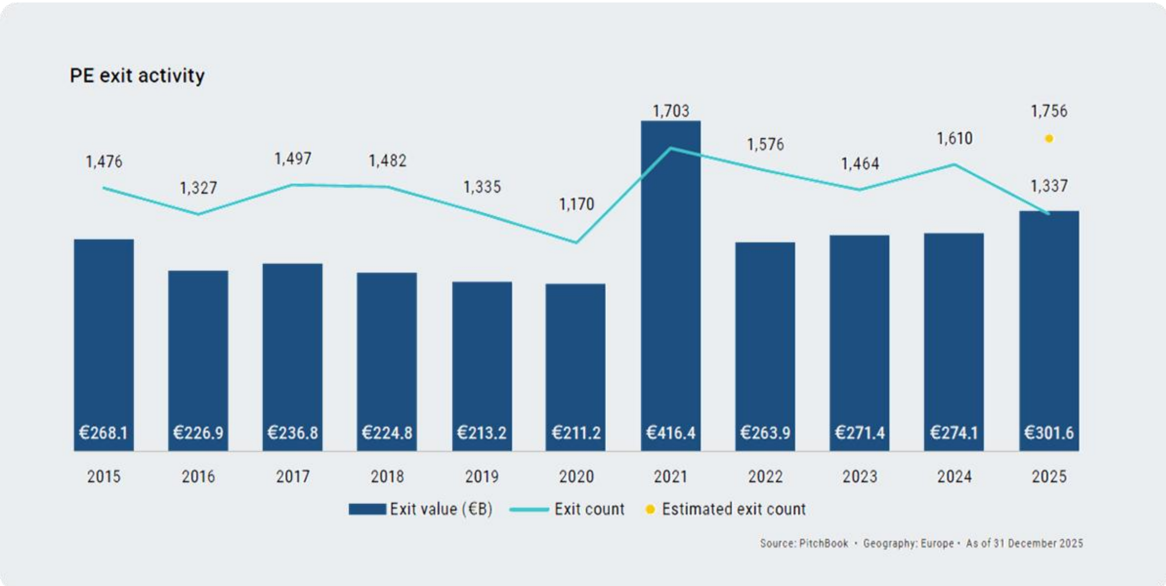
Germany moved into second place in 2025, while France was temporarily weighed down by political uncertainty and lower US participation. We view **France's 2025 softness as more cyclical/optical than structural**. The forward-looking read is constructive: France & Benelux stood out as a relative bright spot in fundraising, raising more capital across more funds than in 2024, evidence of a still-strong GP base and sustained LP appetite for the region's mid-market opportunity set.
This is consistent with our **2026 European buyout allocation**: we selected a French house. As macro volatility normalizes, France looks well

[1] Source: Pitchbook – data as of December 2025.

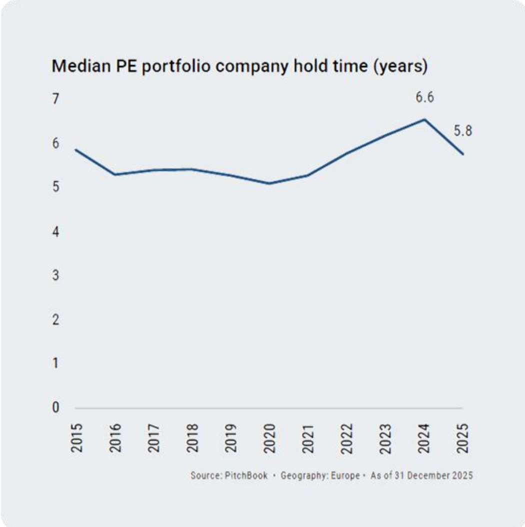
positioned to translate fundraising momentum into deployable, proprietary deal flow, particularly in the mid-market where local networks and execution capabilities matter most.



Exits and fundraising: improving liquidity, but the bar is higher



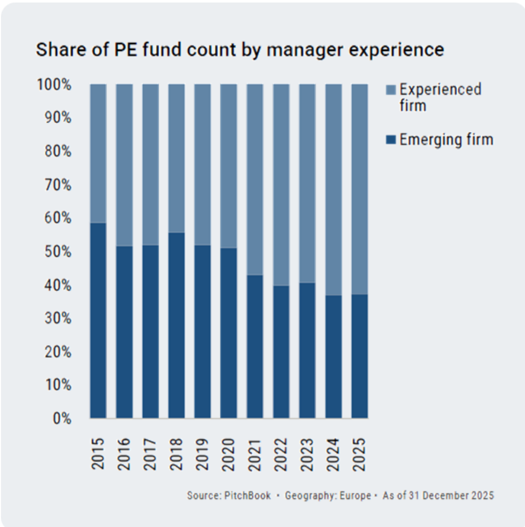
Exit conditions improve but stayed selective: **exit value rose 10% YoY** to ca **€302bn**[2] (the second-strongest year on record), still ca 28% below the 2021 peak. The most important signal was the **H2 acceleration**: H2 exit value doubled vs H1, pointing to a gradual unclogging after an IPO market that has been subdued since 2022. **Median holding periods fell to 5.8 years**, further indicating that exit mechanics are starting to function again.



That said, cashflow pressure persists. **Distributions stayed below 20% of NAV** (vs 28% 10-year average), and the **deals-to-exits ratio widened to 2.5x**, keeping LP liquidity tight and reinforcing the need for disciplined manager selection. In our view, this is where dispersion will widen: in a selective exit market, firms with true operational edge, strong equity stories, and credible pathways to realizations will pull away from those relying on "time" to solve valuation.

On fundraising, Europe cooled to ca **€81bn** in 2025[3] **(-45% vs 2024)** with no mega-fund closes above €4.6bn, and **capital concentrating even further into established platforms**.

Experienced firms (defined as those with 4+ prior funds) represented **63%** of funds raised and captured **86%** of total capital raised. We interpret this as **rational risk-pricing**: LPs are prioritizing platforms with repeatable sourcing, proven execution, and demonstrated exit capability in a higher-bar environment.



The bright spot remains the **€1–5bn "middle market"**, the segment most aligned with operational value creation and complex situations.

[2] Source: Pitchbook – data as of December 2025.

[3] Source: Pitchbook – data as of December 2025.

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The Rise of "Zombie" GPs: Fundraising Concentration Becomes a Feature, not a Bug

The fundraising slowdown is doing more than delaying closes, it is accelerating a **shake-out among managers**. Europe is clearly moving in that direction, and the US is showing the same pattern. **2025 was the weakest year for US PE capital formation since 2020**, with **327** funds raising ca **$278bn** (as per the latest PitchBook data).

Looking ahead, consolidation is likely to intensify: the 10 largest funds are expected to capture 40%+ of total capital raised.

Fundraising is tightening, zombie risk is rising. We expect capital to concentrate further driving an ongoing consolidation of the GP universe.

What is a "zombie" GP?

A "zombie" GP is operationally alive (still managing legacy portfolios), but structurally impaired in raising meaningful new flagship capital, increasingly relying on extensions, fee endurance, and time-buying solutions rather than a clear path to realisations.

The market is openly talking about it

The Financial Times captured the debate bluntly via EQT CEO Per Franzén, who warned that **as many as 80% of private capital firms could become "zombies" over the next decade**. He also noted that only 5,000 of 15,000+ firms have raised funds in the past seven years and expects inflows to concentrate into 50–100 globally diversified platforms.

We view the 80% figure as directionally informative rather than a precise endpoint (and likely overstated in absolute terms), but the message matters: **access to fresh capital is becoming a privilege, not a default**. The industry is entering a consolidation phase where fundraising success increasingly reflects proof of realizations and franchise strength, not just brand, storytelling, or vintage luck.

Forbes echoes the same dynamic and adds an important layer: in a slower-exit, slower-distribution environment, managers are leaning more heavily on **continuation vehicles (CVs) as a pressure valve**. The key nuance (and our takeaway) is that CVs can be constructive, supporting DPI, providing LP liquidity, and extending runway for genuinely high-quality assets, but they are not a substitute for fresh flagship fundraising. Used repeatedly to bridge stalled fundraising, they can signal franchise fatigue rather than proactive portfolio management.

Implication: we remain constructive on secondaries, but dispersion rises and selection becomes the edge

We remain constructive on secondaries, but we expect the opportunity set to become more two-speed as primary fundraising concentrates and GP-led volumes rise. In GP-led deals in particular, the market can resemble **Akerlof's "market for lemons"**: without rigorous underwriting, buyers risk being shown what the seller most wants to "park," not the true trophy set.
That pushes the bar higher on **manager selection.** Our priority is to back **GP-led specialists with repeatable sourcing and disciplined selection**, managers who can consistently access high-conviction continuation opportunities and evidence (i) alignment and governance, (ii) real price discovery, and (iii) a credible value-creation plan, not transactions designed primarily to extend hold periods.

Takeaway for LPs

- **Assume concentration continues:** prioritize institutional platforms over managers drifting into "legacy mode."
- **Diligence the ability to exit first:** DPI/distribution profile, realism on marks, and credible liquidity routes beyond IPOs.
- **Screen explicitly for zombie-risk signals:** repeat extensions, perpetual fundraising, CVs used as a bridge, key-person churn, and "maintenance-mode" messaging.

Secondaries: Bigger, Broader, More Competitive

Fig. 1. Annual Transaction Volume ($B)

	2019	2020	2021	2022	2023	2024	2025
YoY Total Volume Growth (%)	–	(32%)	120%	(18%)	4%	45%	48%
YoY LP Volume Growth (%)	–	(60%)	154%	(13%)	7%	45%	44%
YoY GP-Led Volume Growth (%)	–	34%	95%	(24%)	–	44%	53%

Source: Jefferies – Global Secondary Market Review, January 2026

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The secondary market scaled again in 2025: **$240bn of volume (+48% YoY)**, with **H2 at $137bn** (57% of the year), a clear acceleration versus H1. What matters for 2026 is not whether 2025 was "catch-up" or not, the more important signal is that **the market appears to be settling into a higher structural run-rate**. Jefferies' expectation is explicit: H1 2026 should exceed **$100bn** on backlog alone, with line of sight to ca **$300bn+** annual volume over the next 12–24 months.

That scale is increasingly visible in the LP market's ability to clear **very large tickets**. In 2025, there were nine LP transactions of **$2bn+**, with the largest reaching ca **$5bn**. Average deal size increased to ca **$450m** (vs ca $425m in 2024), underscoring buyers' strong capitalization and growing ability to execute on larger, more complex processes.

Secondaries are now structural: higher volumes and larger deal sizes point to a durable run-rate. But beta is increasingly crowded, deep dry powder supports pricing, so alpha shifts to manager selection and structuring, especially in GP-leds.

Our read: secondaries have become a **core portfolio-management mechanism for managing private markets portfolios**. As usage normalizes, the ecosystem deepens, more capital, more participants, and more product innovation, supporting faster clearing and tighter pricing for high-quality assets.

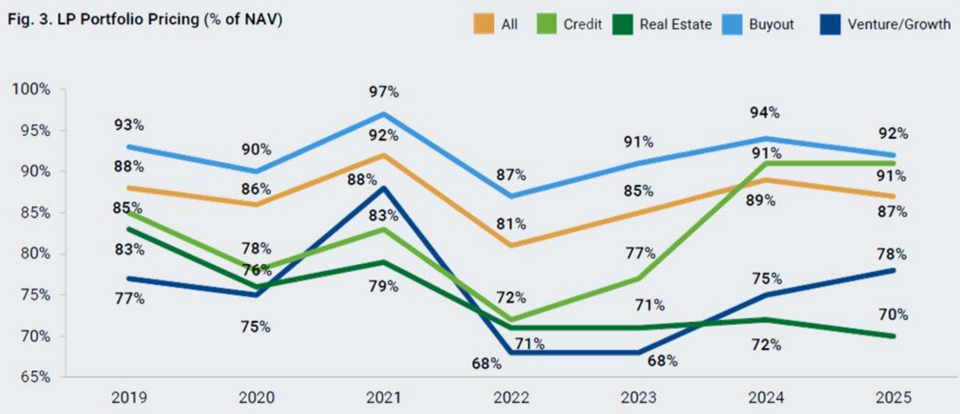
Sellers are broadening, and family offices are now using secondaries "institutionally"

LP-led volume reached $125bn in 2025 (52% of total secondary activity). While large institutions still dominate: pensions/SWFs (ca 34%) and fund-of-funds (ca 15%), the more meaningful shift is the breadth of adoption. **Family offices rose to ~5% of LP volume** (vs ca 2% in 2024), a behavioural tell that secondaries are increasingly used for planned liquidity and portfolio rebalancing, not just episodic cash needs.

Repeat behaviour reinforces the point: ca **60%** of LP sellers were repeat participants. Consistent with what we heard at IPEM, secondary selling is becoming a repeatable portfolio action, not a last-resort event.

Pricing: discounts widened a touch vs 2024, but demand is still absorbing supply

Average LP pricing ended 2025 at **87% of NAV**, **down ~200 bps vs 2024**, a modest widening, not a regime change. The drivers were largely mix-driven: a shift to older buyout vintages coming to market (average buyout vintage sold: 2016 vs 2018 in 2024) and a higher share of venture flow, which naturally clears wider than buyout. Notably, venture/growth improved materially to 78% of NAV (+300 bps YoY), consistent with renewed demand around AI/tech momentum.



Source: Jefferies – Global Secondary Market Review, January 2026

Why discounts haven't blown out despite record supply: capitalization is deep and evergreens add forced bid

Record supply has met record capital. Dedicated available secondary capital reached **$327bn** in 2025, and when you include traditional LP capital allocated directly to secondaries plus leverage, total available capital rises to **$477bn**. That implies a **1.4x capital overhang** on dedicated capital (or **2.0x on an adjusted basis**).

A major 2026 dynamic behind that depth is **the institutionalization of evergreen/retail channels**. Jefferies estimates **$113bn** of inflows into evergreen vehicles with exposure to secondary investments in 2025, with 41% of that capital allocated to secondaries supporting market velocity and pricing.

Competition is intensifying: secondaries become a strategic battlefield

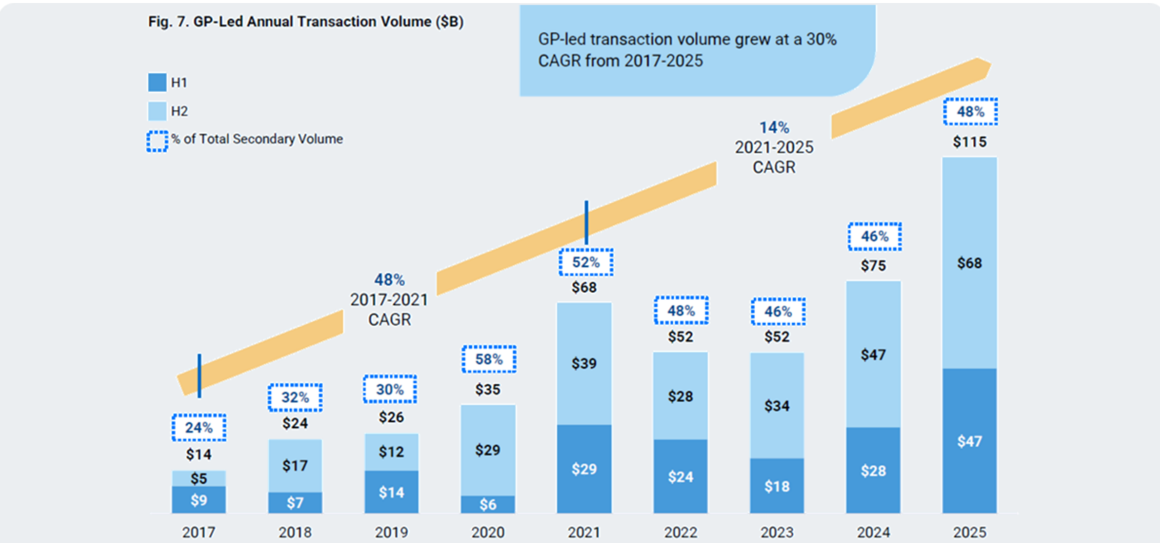
That capital overhang is not accidental; it is a by-product of secondaries becoming a core liquidity channel. As volumes scaled, the strategy pulled in new sources of capital and, with them, new competitors. In particular, **large primary platforms increasingly want secondaries as an in-house capability**, to retain client wallet-share and offer full-spectrum private-markets solutions. The result is a reinforcing loop: deeper capital supports tighter clearing, which attracts more entrants, which further expands the available capital base. We are seeing this shift in two ways. First, through **platform consolidation & acquisitions** (i.e., Carlyle with AlpInvest, CVC with Glendower, and EQT with Coller). Second, through **GP-led buildouts** as traditional primaries expand into single-asset secondaries/continuation solutions (e.g., New Mountain formalising a GP-led solutions platform and Hg launching a dedicated GP-led strategy with hires from CPP this year).

Source: Triago.

This is exactly the pattern we've seen in other scaled alternative strategies (hedge funds are a useful analogy): once access to "beta" is abundant, **outcomes become more about dispersion**, **and dispersion rewards specialisation, information edge, and structuring discipline**, not simply being present in the market. Jefferies' data supports that direction of travel: 40% of GP-led investors have already (or intend to) stand up sector verticals, reinforcing the shift toward more direct-style underwriting and a more competitive trophy-asset dynamic.

Our takeaway: as the market professionalises and capital deepens, "easy" secondaries alpha (simply buying discounts) compresses. **The edge migrates to manager selection and deal design, especially for GP-led.**

GP-led: the flywheel is accelerating, and the game is shifting from "access" to "underwriting"



Source: Jefferies – Global Secondary Market Review, January 2026

The more important shift is that GP-led is increasingly price-setting. As capital deepens and more buyers compete for “trophy” continuation assets, the best deals clear faster and tighter, often resembling controlled auctions for concentrated, high-conviction exposures. At the same time, **the market is becoming more bifurcated**: transactions with a clean governance package, credible value-creation roadmap, and real third-party price discovery attract competitive tension; deals that primarily extend duration or preserve marks clear wider, require heavier structuring, or struggle to syndicate.

For us, this changes the underwriting focus. **The key question is less “is it a continuation vehicle?” and more: why now, why this asset, and on whose terms?** We put most weight on three diligence pillars:

- **Price discovery and conflicts:** the integrity of the process and the realism of the valuation, not just the headline discount/premium.
- **Alignment and governance:** rollover dynamics, economics, and decision rights that protect new money as much as existing LPs.
- **Plan and path to exit:** a credible route to realisations (timing, buyers, operational milestones), not “more time.”

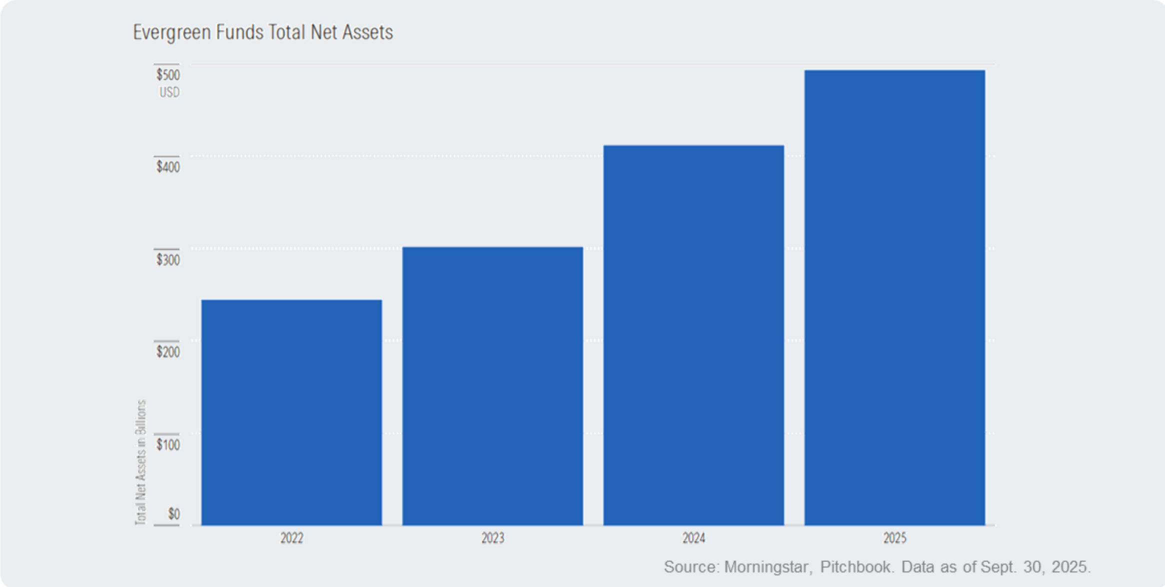
Bottom line: as GP-led becomes mainstream, the edge is no longer participation, it is selectivity. Winning in this market means consistently accessing the right continuation opportunities and underwriting them like direct deals.

Evergreens are proliferating because they fit retail wealth distribution, but that’s precisely why we stay sceptical. In private markets, liquidity isn’t manufactured; it’s a risk you can only allocate, price, and disclose.

Evergreen / “Semi-liquid” Vehicles: Rapid Growth, but the Liquidity Promise is Conditional

Retail wealth distribution is the key catalyst. As the retail/wealth channel pushes deeper into private markets, managers are repackaging strategies into evergreen “semi-liquid” wrappers that better match the way wealth portfolios are built and sold: continuous subscriptions, no capital calls, smaller tickets, and a simpler operating model that intermediaries can underwrite once and keep “on shelf.” In credit, the pitch is even more natural: steadier income and a cleaner wealth UX than drawdown funds.

This is now a scaled channel, not a niche format. Morningstar estimates evergreen funds held **$493bn+ of total net assets** as of Q3 2025 and pro jects that figure could reach ca **$1.1tn** by 2029.



Our stance: evergreen capital doesn't just "deepen the bid"; it can **add a structural buyer to the ecosystem**. To sustain fundraising momentum (and the wealth value proposition), these vehicles must stay invested and keep deploying, which can increase capital overhang and compress forward returns.

The mismatch: "periodic liquidity" works… until everyone wants it

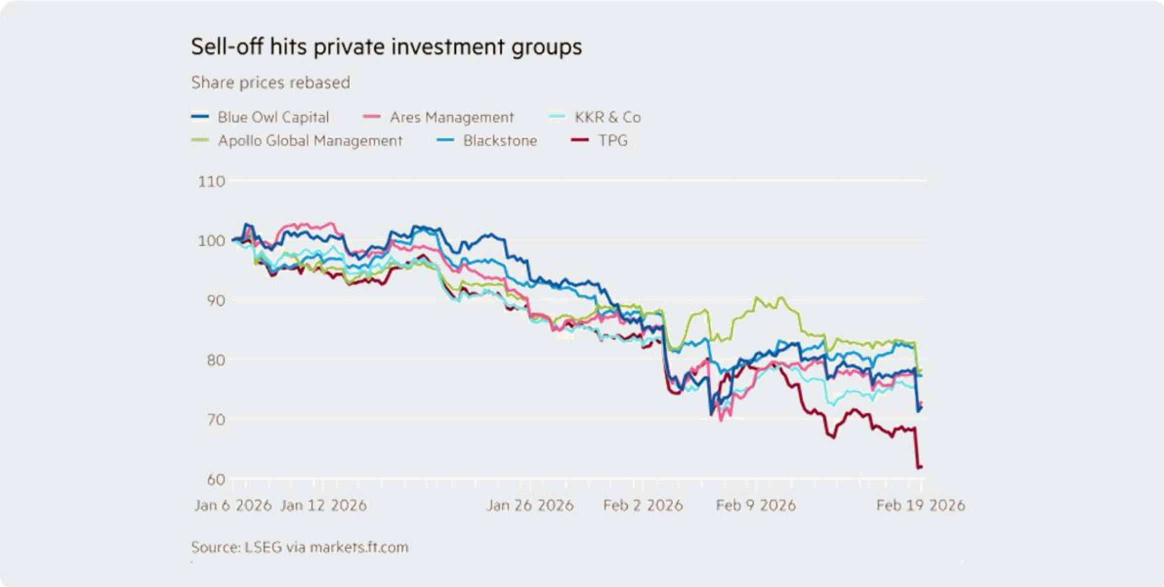
The structural issue is less whether liquidity is offered and more how it is delivered under stress**. "Periodic liquidity" is a features-and-limits construct** repurchases are typically capped, subject to notice, and allocated via proration/gates, so when redemptions surge, liquidity becomes an allocation mechanism, not a promise.

Deloitte captures the crux: as these structures scale, they can "expose liquidity vulnerabilities during periods of elevated redemptions," and their behaviour "at scale remains largely untested." The real underwriting question, then, is who absorbs the liquidity risk when demand for cash spikes:

- The fund (forced sales / drawdowns on liquidity tools),
- Remaining investors (gates, proration, slower NAV realization), or
- Redeeming investors (queues, delayed or partial payments).

Stress in practice: Blue Owl and the "BREIT playbook"

Blue Owl (private credit / retail vehicle) is a timely stress signal because it shows how quickly 'semi-liquid' terms can be rewritten when redemption demand rises. The Financial Times reported that **Blue Owl permanently** halted redemptions** in its Blue Owl Capital Corp II debt fund aimed at retail investors, a move that sent spillovers across listed alternative managers and rekindled concerns about liquidity risk in private credit. The Financial Times also noted that Blue Owl had sold ca **$1.4bn of loans at near-par levels**, which some analysts viewed as supportive of marks.



One takeaway we draw (opinionated, but directionally important): selling assets "near par" doesn't eliminate the concern, it can still imply the portfolio is monetizing what it can sell quickly (often the cleaner / better assets), while the harder-to-sell tail stays behind.

Blackstone BREIT (open-ended real estate) remains the canonical precedent: the fund has explicit repurchase limits (2% monthly and 5% quarterly) and went through a prolonged proration period, after which it disclosed returning ca $15bn of liquidity during that window. The key point isn't "good or bad management", it's that even the most scaled platforms ultimately rely on gates/proration mechanics because the assets are illiquid.

What we prefer: honest liquidity, not an illusion of it

If investors truly want liquidity optionality, the clean solution is to allocate to strategies whose underlying instruments are liquid enough to support it, or to accept that private assets belong in closed-end formats when the return premium depends on holding illiquid risk.
Where evergreen exposure is unavoidable, our preference is for **perpetual structures that explicitly de-couple redemption requests from forced asset sales**. In practice, that means queue-style mechanics (often

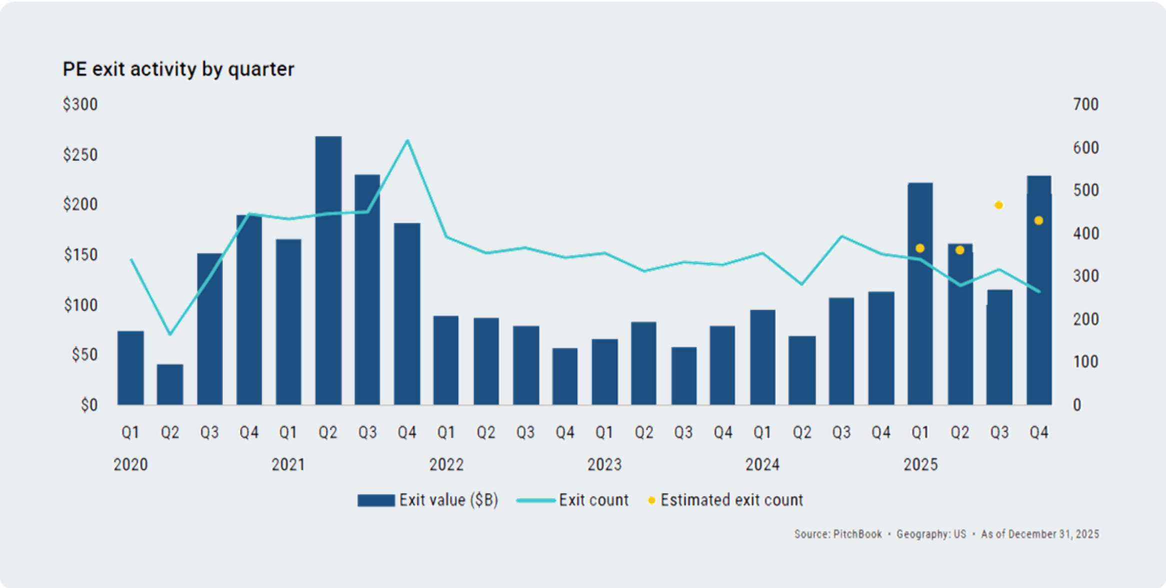
implemented via an "exit" share class) where investors receive liquidity as the portfolio generates it rather than pressuring the manager to meet an arbitrary monthly/quarterly liquidity target by selling assets at the wrong time. **Apollo is an early precursor here**, explicitly bringing wealth-oriented perpetual formats into private markets.

This is consistent with the broader conclusion from our secondaries chapter: when capital is abundant and beta is crowded, outcomes are driven by underwriting and structure, and in perpetual wrappers, structure is the whole ballgame.

Public Markets Reawakening: A Quality-Led IPO Window

Exits are "out of the woods", but the rebound is top-heavy

PitchBook's latest read is clear: US PE exits are off the floor, marking a second consecutive year of growth and a rebound that ranks second only to the 2021 peak. In 2025, PitchBook estimates ca **1,620 exits** totalling **$728bn**, up **17% YoY by count and 90% by value**, a pattern broadly consistent with what we highlighted earlier in Europe, where exits also rebounded strongly on both metrics.



The nuance is that the recovery remains quality- and scale-led. Mega exits are doing disproportionate work: **mega-exits accounted for 78% of total**

2025 exit value (vs. 57% over the past five years), even as the industry continues to work through a still-elevated, ageing PE-backed inventory.

IPOs are back on the menu, selectively

After two years of false starts, the IPO window is finally functioning again, but only for the right names. US PE-backed public listings rose to **26 IPO exits** in 2025 (ca **$141bn**) versus 20 (ca $46bn) in 2024, yet volumes remain well below the pre-pandemic norm of ca 47 IPOs per year. The punchline is in the mix: **value has already overtaken the long-run $43.5bn average**, meaning the "reopening" is being carried by a small number of outsized, institutionally underwritten deals rather than a broad-based thaw.

We read this as a **quality filter, not a broad cycle turn**. The market is clearing when there is scale, sponsor credibility, and a clean equity story and it is still punitive elsewhere. The Medline IPO is the clearest proof point: an upsized $6.3bn offering at $31.8bn pre-money, effectively showing that sponsors can exit big assets again even if the trade requires realism versus peak private marks (Medline was taken private in 2021 at $34bn).

Our lens for 2026 is selective. We expect momentum to build as advisory pipelines re-form, but geopolitical shocks can still snap windows shut and in software, AI is rewriting underwriting, reinforcing our preference for vertical over horizontal moats.

The late-2025 government shutdown also matters here: it didn't kill the window, but it exposed how easily momentum can be interrupted, reinforcing our view that issuance will remain "bursty" and highly timed.

Our view: momentum should build into 2026 because the ecosystem is leaning back into execution. A tangible tell is that banks and law firms, from Wells Fargo and Lazard to Paul Weiss and Kirkland & Ellis, are continuing to invest in hiring, which is what you see when pipelines are real and boards are preparing to move. That said, this won't be a straight line: geopolitical flare-ups (including the latest Iran-related escalation) can flip sentiment risk-off quickly and snap issuance windows shut just as fast as they reopen.

A parallel lane is also warming up. One of our established relationships flagged renewed activity in the "alternative IPO" market**: December was the most active SPAC month**, with 23 SPAC IPOs raising $5.3bn, taking 2025 issuance to $30.3bn across 144 SPACs (their market read; largest year since 2021). Our takeaway is not that SPACs are "back" in a 2021 froth sense, it's that they are again a credible pressure-release valve for specific assets when the traditional IPO window is open, but still selective.

Software: the window is open, but AI is rewriting the underwriting (and the credit is now in the line of fire)

Software remains a natural beneficiary of a reopening exit tape, recurring revenues, scalable models, and sponsor playbooks still resonate. What has changed is that **AI-driven disruption is no longer an "equity-only" debate**: it is now bleeding into leveraged finance and private credit, where software is a meaningful concentration and transparency is weaker.

S&P Global Ratings makes two points that matter for our underwriting. First, **the disruption risk is real but uneven**, it will vary materially by subsector, regulation, and the resilience of business models. Second**, the private credit angle is the accelerant**: with limited real-time price discovery and opacity in private credit, investor concerns can be amplified and "stress narratives" can take hold faster, especially when public software sentiment turns sharply risk-off.

This is not theoretical. S&P highlights how software exposure is pronounced across credit markets and explicitly maps it into the BDC universe: **software is frequently the top sector exposure** for rated BDCs, often in the mid-teens to high-20%s range.

When that much of the credit stack is tied to a sector undergoing a "**moat reset**," the downside case becomes refinancing- and covenant-relevant, not just a valuation debate.

What this means for IPO-readiness: public investors will increasingly separate

- **AI-resilient software:** embedded workflows, regulated contexts, proprietary data advantages, and high switching costs, from
- **AI-exposed software:** horizontal/feature-based products where functionality can be replicated, bundled, or competed away, especially where data is shareable and the product sits higher in the "nice-to-have" layer.

Our view (consistent with our October white paper**): vertical > horizontal.** Vertical software is typically deeper in the workflow, closer to mission-critical spend, and harder to displace, raising the hurdle for AI to commoditise the value proposition. In today's market, that "moat quality" matters twice: it supports the equity story, and it protects the credit by stabilising retention, pricing power, and cash conversion when refinancing windows tighten.

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2026 Portfolio Positioning: Recalibrate, Don't Pivot

1. **Front-load European Buyout as the cycle turns "transactional" again**

   After the 2025 reboot, primary buyout conditions are improving. The same transactional signals we highlighted in Europe are visible in the US too: financing windows have reopened, sponsor conviction has returned, and processes are clearing again (with underwriting still disciplined). This is a key driver behind our 2026 re-balance toward primaries, **lifting the primary buyout sleeve to 40% of the program** (from 30% last year).

   Within that, Europe has re-accelerated in a way that justifies front-loading the exposure. We therefore **increase European buyout to 15% of the 2026 program**, a **+50%** step-up vs. last year, reflecting both the improvement in execution conditions and our view that France is the 2026 set-up: 2025 softness looked more cyclical than structural, and France/Benelux fundraising momentum points to a constructive mid-market opportunity set.

   Implementation: **Eurazeo PME V** (15% of the 2026 program). The strategy provides high-conviction exposure to Tech & Services in the European mid-market (premium assets in the €100–500m EV range; ~15 deals; €70–200m equity tickets including co-invest), with most targets in France. We like this as a **highly complementary follow-on to our 2025 European buyout anchor, Triton Fund 6**: Triton is a value investor focused on operationally intensive industrial carve-outs (primarily DACH), while Eurazeo is a growth-leaning mid-market buyout platform with a strong France/Benelux bias and a playbook built around scaling premium assets through buy-and-build. Together, the pairing diversifies both sector and geography within the European mid-market, capturing the carve-out/complexity premium in Industrials via Triton, and secular growth in Tech & Services via Eurazeo.

2. **Secondaries: reduce weight to 40% (from 50%) as beta gets crowded**

   We remain constructive on secondaries, structurally. The market has scaled into a higher run-rate ($240bn in 2025, +48% YoY; H2 $137bn / 57% of the year), reinforcing secondaries as a core portfolio-management mechanism. What has changed is where the returns come from: deep capitalization (including evergreen inflows) is supporting faster

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clearing and tighter pricing, so the "easy alpha" from simply buying discounts is less available.

Implication: we rebalance secondaries to 40% (from 50%), not as a step away, but as a shift toward more selective exposure, concentrating commitments with managers where we have the highest conviction in underwriting edge and structuring discipline to keep capturing alpha.

LP-led: our **core preference for diversified secondaries exposure**. LP-led has become a repeatable portfolio-management tool: volume reached ~$125bn (52% of 2025 activity) and adoption is broadening (including family offices behaving more institutionally). Large tickets are clearing, underscoring deeper capitalization and faster clearing. For us, LP-led remains the preferred backbone of the sleeve because it offers broad diversification across managers, vintages and sectors, while still requiring discipline at today's tighter entry levels (high-80s/90s of NAV).

GP-led: add selectively and opportunistically to target alpha. The GP-led flywheel is accelerating and, for the best assets, the market can be "price-setting": trophy continuations clear fast and tight, while weaker processes (duration extension / mark preservation) require wider pricing or heavier structuring. Our approach is therefore opportunistic: using GP-led as an alpha overlay where we have highest conviction in the manager's underwriting and structuring edge. The diligence focus stays consistent:

- Robust price discovery/conflicts management
- Alignment and governance that protects new money
- Credible path to exit with clear operational milestones, not simply "more time."

3. **Growth/VC: stay conservative at 20%, prioritise underwriting over window-watching**

We keep Growth/VC at 20% (unchanged vs. 2025). Exit conditions are clearly improving, M&A and sponsor-led monetisation are back to moving, and the public window is functioning again at the top end, but the rebound remains quality- and scale-led and therefore uneven. In that context, we view IPOs as a helpful release valve for the existing backlog (and prior vintages) rather than a "pull forward" catalyst that automatically improves the risk-reward for 2026 entry points.

Implication: **we re-engage selectively where underwriting is most robust**: profit-first growth, vertical software with durable moats and embedded workflows, and managers with repeatable sourcing and value-creation playbooks. **We also explicitly underwrite the new AI regime**: disruption risk is uneven but increasingly credit-relevant, making business-model resilience (retention, pricing power, cash conversion) as important as top-line growth.

	Fund Investment	Exposure (%)	Status
Secondaries	Under Review	40%	Fund Selection Stage
	Under Review		Fund Selection Stage
Buyout US	Under Review	25%	Fund Selection Stage
Buyout EU	Eurazeo PME V	15%	IC-approved
Growth & Venture	Under Review	20%	Fund Selection Stage
	Under Review		Fund Selection Stage

Source: Novum Partners analysis.