



PE Breakdown



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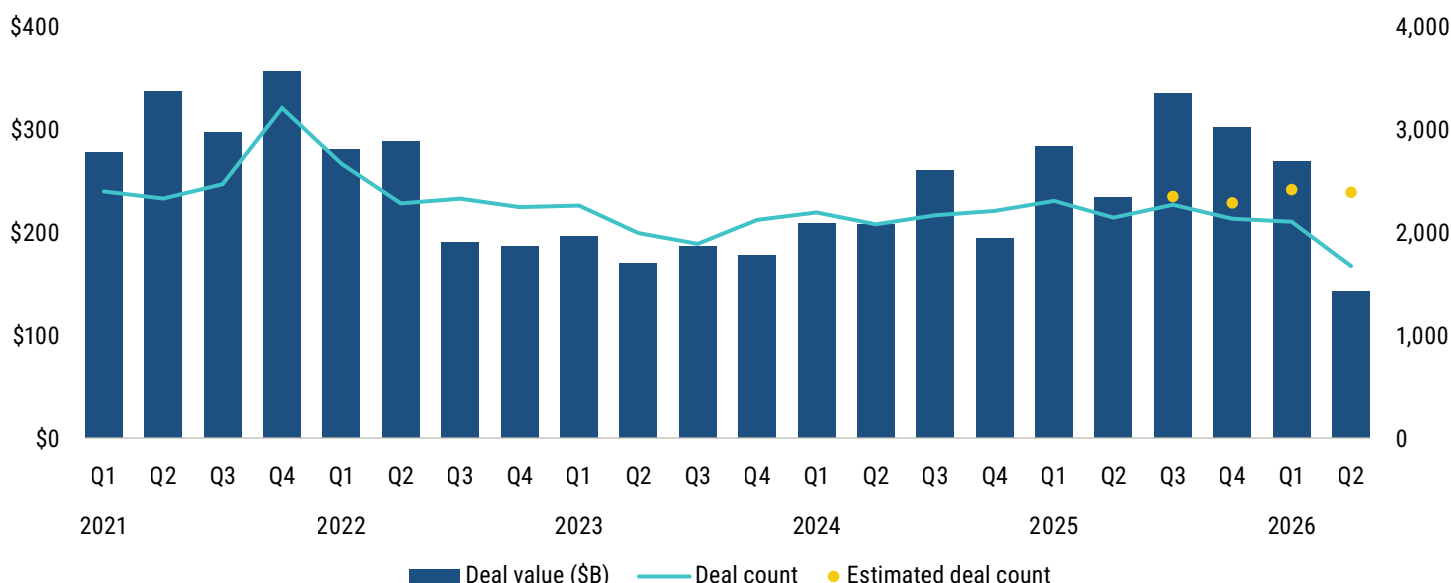
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EXECUTIVE SUMMARY

Another false start for PE

PE deal activity by quarter

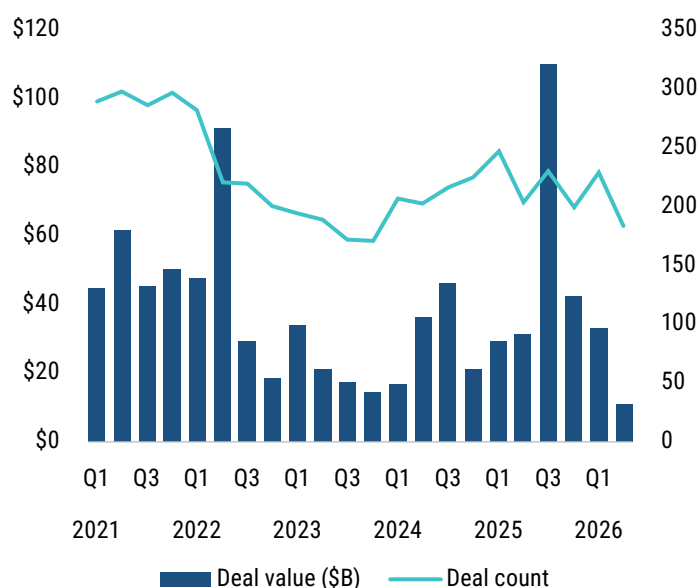


Source: PitchBook • Geography: US • As of June 30, 2026

The momentum that carried US PE to a record 2025 unwound abruptly in the second quarter of 2026. Dealmaking did not merely cool; it dropped 37.5% QoQ as sponsors pulled back across virtually every sector, size band, and deal type, registering one of the steepest single-quarter contractions in our dataset. The forces behind the retreat were familiar: a Federal Reserve (the Fed) that shelved rate cuts and now openly debates hikes; wider direct lending spreads that raised the cost of new capital structures; an energy-driven inflation shock tied to the conflict in the Middle East; and, most distinctively for this cycle, an accelerating reassessment of software as AI compresses the disruption timeline. The result was a quarter defined less by any single shock and more by the simultaneous arrival of all of them.

Software was the quarter's sharpest casualty. Estimated deal value fell to \$10.7 billion, down 65.7% YoY and 90.3% below its peak, as the sector at the center of the AI reassessment slid from PE's anchor allocation to one of its least wanted. The same force cut the other way in energy, the most durable sector of the quarter. YTD energy deal value is up an astounding 80.5% versus the first half of last year, supported by structural demand from AI. The AI thesis hollowing out software is rebuilding the case for the physical infrastructure that feeds it.

Software deal activity by quarter



Source: PitchBook • Geography: US • As of June 30, 2026

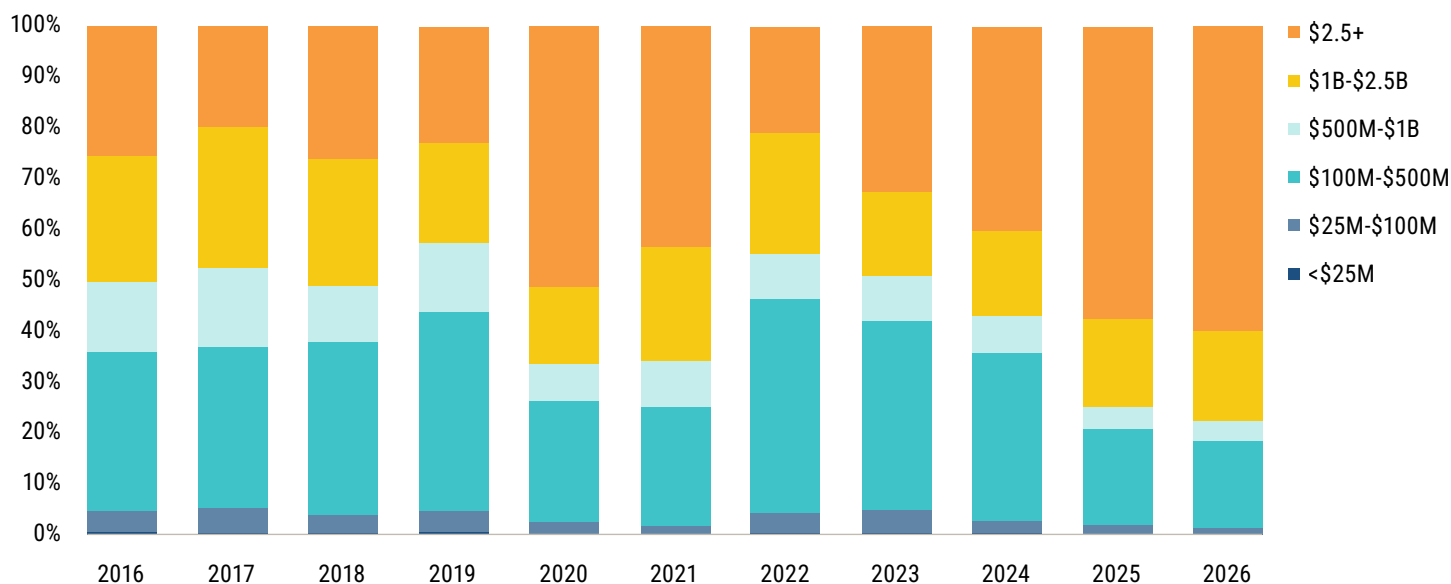
The dearth of exits worsened for the industry in the second quarter. Exit value fell to \$102.6 billion, down 46.3% QoQ and 7.4% YoY, with realizations still leaning on a handful of large transactions; mega-exits of \$1 billion-plus anchored more than 60% of quarterly value. The lone bright spot was the public window. Listing value rose 42.2% sequentially to \$27.6 billion, and the count doubled to 12, although the reopening was narrow and skewed toward B2B and industrials. Exit value concentrated heavily in B2B—roughly 45% of realizations—and in energy, the only sector to grow in both count and value, while software and consumer franchises stalled. With continuation fund activity still below last year’s pace, little of the broader backlog is reaching liquidity.

This is an all-too-familiar story for an industry that has been attempting to calm investor nerves by providing assurances that an opening exit window is just around the corner. However, after continual false starts, there does not seem to be a new dawn on the horizon. Instead, sponsors need to be prepared to systematically exit their existing positions, regardless of the mark they are holding at, to reinject liquidity into the ecosystem and kick-start fundraising cycles again. Until then, much of the industry will be in a holding pattern, while the largest sponsors gather a growing share of the market.

Fundraising told a similar story of thinning breadth masked by a few outsized closes. YTD, \$159.6 billion of capital raised across 223 funds is on pace with 2025’s muted totals. Fund counts have fallen dramatically, and the capital being raised flows overwhelmingly to the largest, most established managers; funds under \$1 billion have drawn just 16.7% of 2026 commitments. First-time and emerging managers have been squeezed hardest, a direct consequence of the distribution shortfall that leaves LPs with less to recycle and a sharpened preference for proven track records. The clearest area of growth is evergreen, with US evergreen PE assets having nearly doubled over the past year to \$99 billion, giving the largest managers an alternative engine of asset growth even as the closed-end fundraising machine stalls.

The through-line into the second half is liquidity. A durable recovery depends on the exit machine reaccelerating; until distributions resume in earnest, both fundraising and new deployment will stay under pressure. We expect activity to firm into the end of the year if the energy-driven inflation shock proves temporary and the rate outlook clarifies. But if the Fed leans hawkish and the software reset deepens, deal flow is likely to remain subdued through 2026.

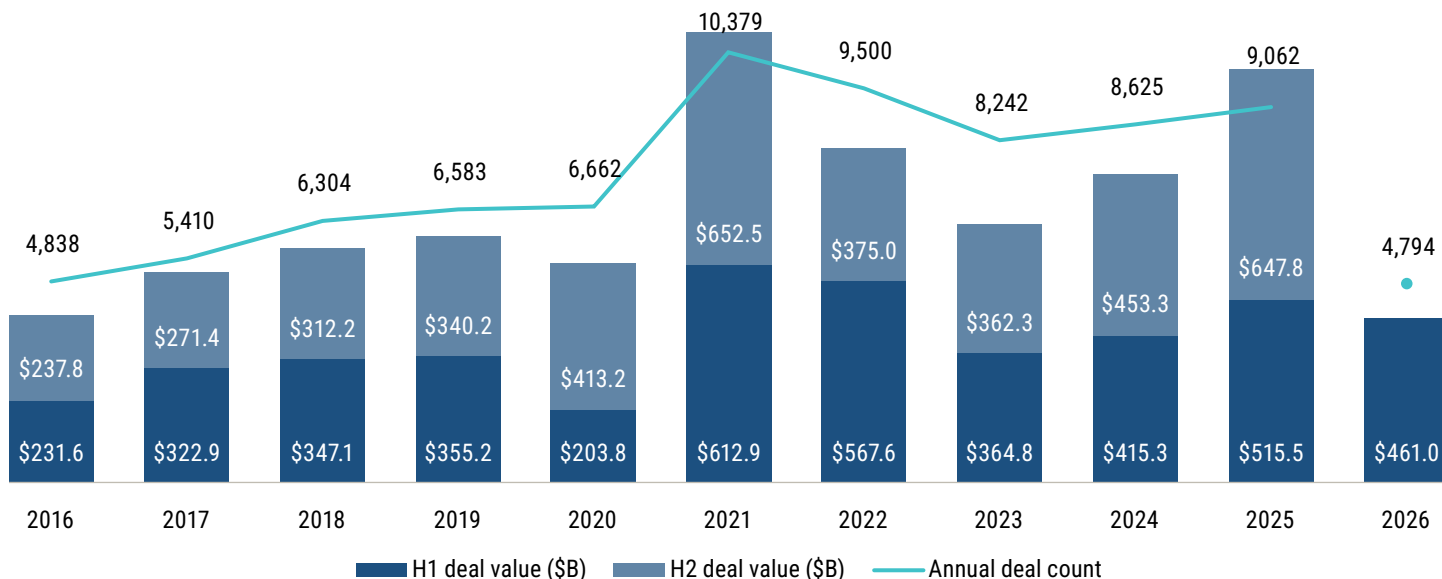
Share of PE exit value by size bucket



Source: PitchBook • Geography: US • As of June 30, 2026

Deals

PE deal activity

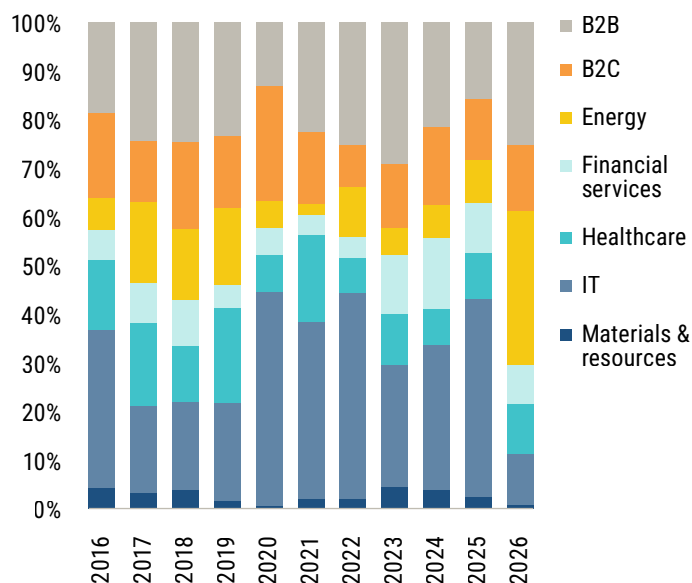


Source: PitchBook • Geography: US • As of June 30, 2026

Deal value collapsed in Q2, with the software market effectively closed.

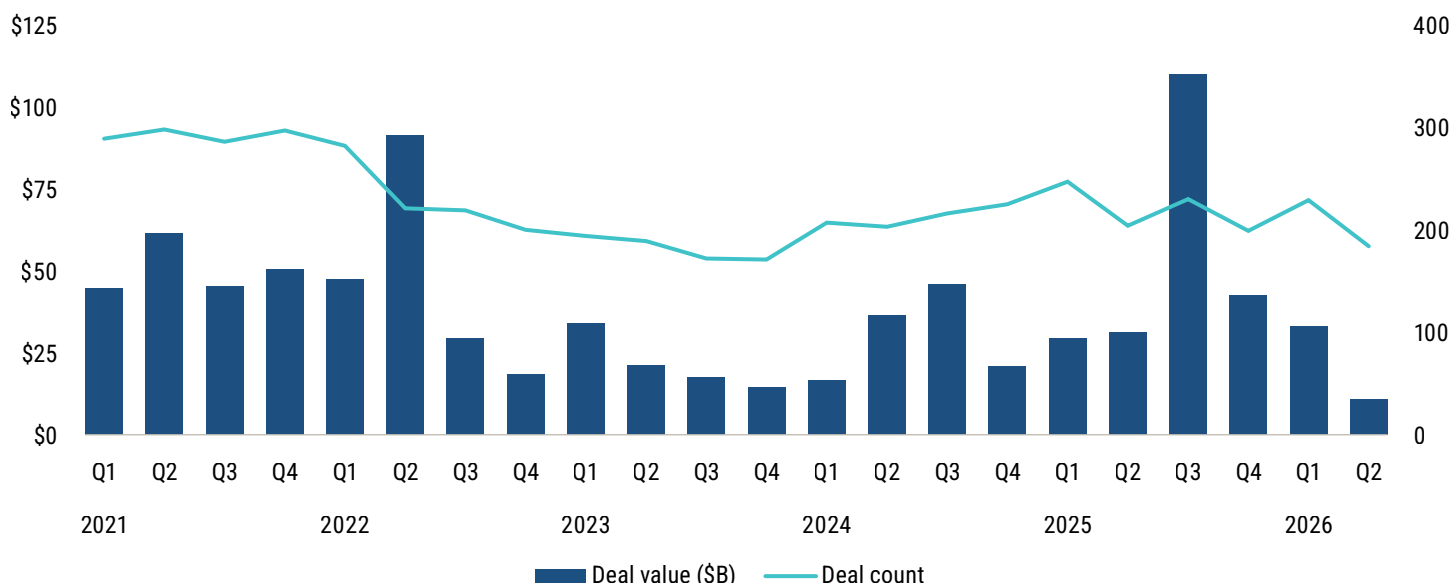
Deal value fell to its lowest level since Q4 2023, even as transaction flow held firm. Q2 2026 closed with 2,384 announced and estimated transactions—flattish QoQ but up 11.5% YoY—while aggregate value settled at \$177.3 billion, a sharp pullback of 37.5% QoQ and 23.9% YoY. YTD, deal value totaled \$461 billion through Q2, off 10.6% from H1 2025, but significantly below the \$647.8 billion in the second half of 2025. (All values include estimates for late-reporting and undisclosed deals.) The cause was not hard to find. With conflict in Iran, energy prices spiking, and inflation back in the conversation, dealmakers turned cautious, and the gap in rate assumptions between buyers and sellers widened from Q1. That divergence, a steep value decline against a stable deal count, is a reversal from previous quarters. Sponsors kept transacting, but at dramatically smaller average sizes, retreating from the large, financing-dependent deals that powered prior quarters.

Share of PE megadeal value by sector



Source: PitchBook • Geography: US • As of June 30, 2026

Software PE deal activity by quarter



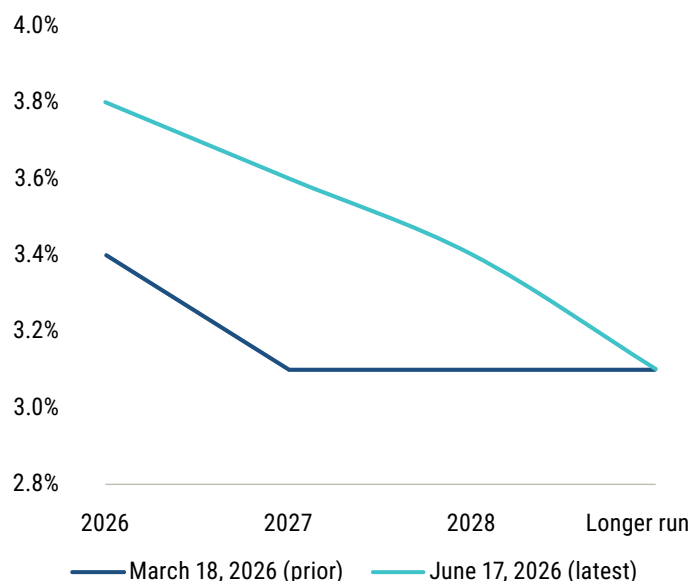
Source: PitchBook • Geography: US • As of June 30, 2026

While activity fell across the board, software saw the sharpest pullback. Value fell to \$10.7 billion, down 65.7% YoY and 90.3% below its high in Q3 2025. Though it was once PE's anchor allocation, the sector at the center of the AI reassessment is now viewed as damaged goods. Energy stood as the counterweight, with YTD deal value up a robust 80.5% versus H1 2025. The durability reflects structural demand, with hyperscaler AI capital expenditure near \$690 billion in 2026,¹ and power, not capital, the binding constraint on datacenter development.

On rates, the Federal Open Market Committee (FOMC) held the federal funds rate at 3.50% to 3.75% for a fourth consecutive meeting in June, and the dot plot turned hawkish. The median year-end 2026 projection rose to 3.8%, with roughly half of the committee now penciling in at least one hike. New Fed Chairman Kevin Warsh stated that price stability is his key objective and that he is willing to raise rates to achieve the 2% inflation target.

Higher-for-longer rates make the buyout arithmetic harder, and credit compounds the strain, as most leveraged-loan participants now expect loan yields to widen. While the absolute level of rates is important, it is critical for market participants to agree on rate expectations going forward to close bid-ask spread and begin pricing assets competitively.

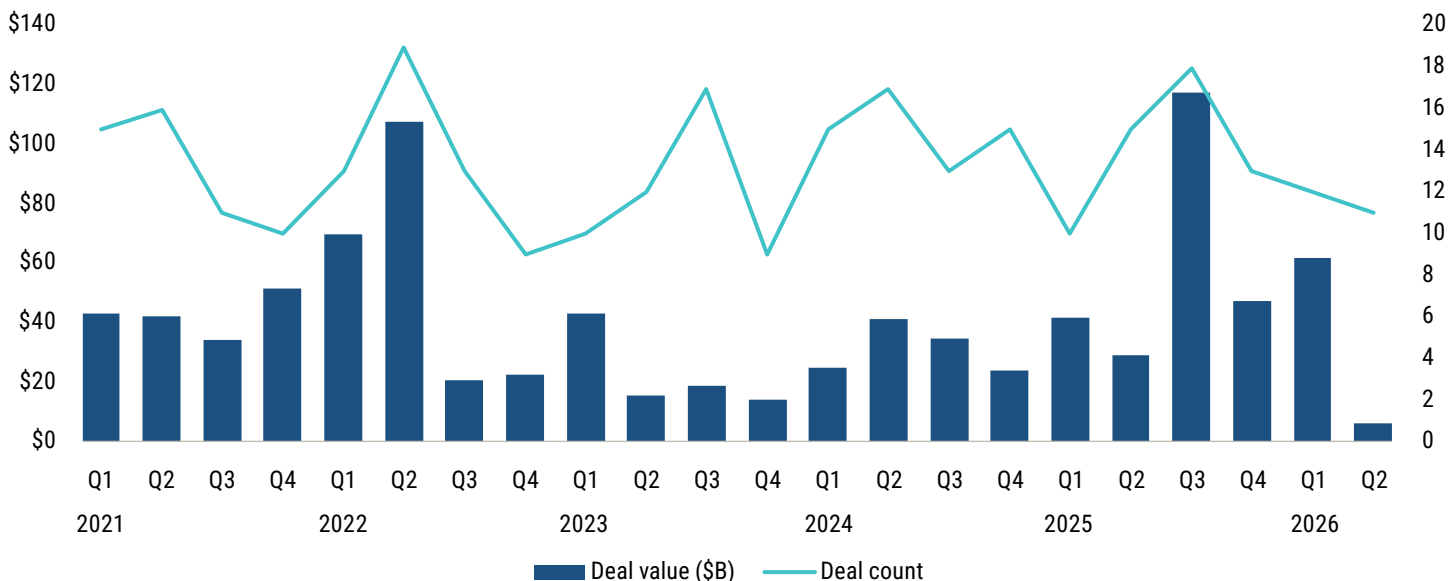
FOMC median federal funds rate projection



Source: [The Federal Reserve](#) • Geography: US • As of June 17, 2026

There are still reasons to be optimistic for the second half of the year. Energy prices have peaked and are drifting lower, although global restocking of drawdown reserves should keep demand firm. While near-term inflation prints will likely stay elevated, we see less acute pain from oil prices specifically.

PE take-private deal activity



Source: PitchBook • Geography: US • As of June 30, 2026

Megadeal activity stalls

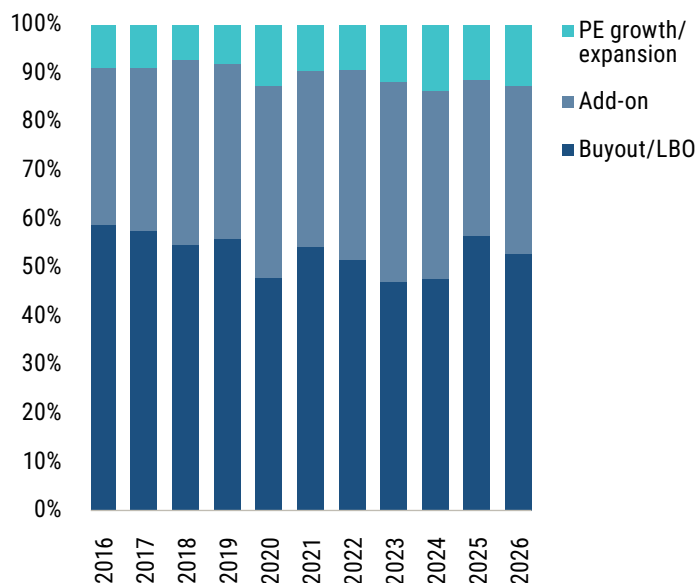
The large-cap engine that drove PE value in 2025 effectively stalled in Q2 2026. The \$2.5 billion-plus category generated just \$25.9 billion across only five transactions, down 59.7% YoY in value and 81.9% below its peak in Q3 2025, with count nearly halved. Take-privates slowed in step, with public-to-private value falling to \$6.2 billion across 11 deals, a 90.1% QoQ decline. With public markets printing new highs, sponsors are underwriting large deals and take-privates with caution. Still, the handful of marquee deals announced reveal where conviction survives. The quarter's standout was the roughly \$10 billion formation of Helix Digital Infrastructure by KKR, Kuwait Investment Authority, NVIDIA, and Vistra, a direct expression of the datacenter thesis. Stonepeak and Bernhard Capital Partners' roughly \$6 billion buyout of Cleco anchored the energy leg, moving a regulated Louisiana utility into sponsor hands as datacenter load growth recast it as infrastructure for the AI build-out. CVC bought IFF's carved-out Food Ingredients business for \$3.9 billion, paying a sober 9x for \$430 million of B2B specialty-ingredient EBITDA and adding a stable, cash-generative manufacturer to its portfolio. KKR's roughly \$3 billion buyout of Crowe, the top-10 US accounting and consulting firm, extended the sponsor push into professional services, where recurring advisory revenue and sticky client relationships travel well in a tighter credit market. These large-scale deals, rare in a quarter that otherwise moved down market, mark where conviction lies.

Add-ons climb the ladder as take-privates collapse

Beneath the slower large-cap pace, activity shifted toward smaller, lower-risk structures. Every deal type cooled, but add-ons stayed the dominant buyout strategy. An estimated 885 add-ons made up roughly three-quarters of all buyout transactions—even as count eased 31.2% YoY—with add-on value down 44.5% to \$52.6 billion. Platform buyout count fell 34% to 289, as sponsors bolted assets onto existing portfolio companies rather than underwriting new platforms that demand fresh leverage and fuller diligence. PE growth/expansion was the lone segment to grow, rising 19.1% YoY to an estimated 493 deals.

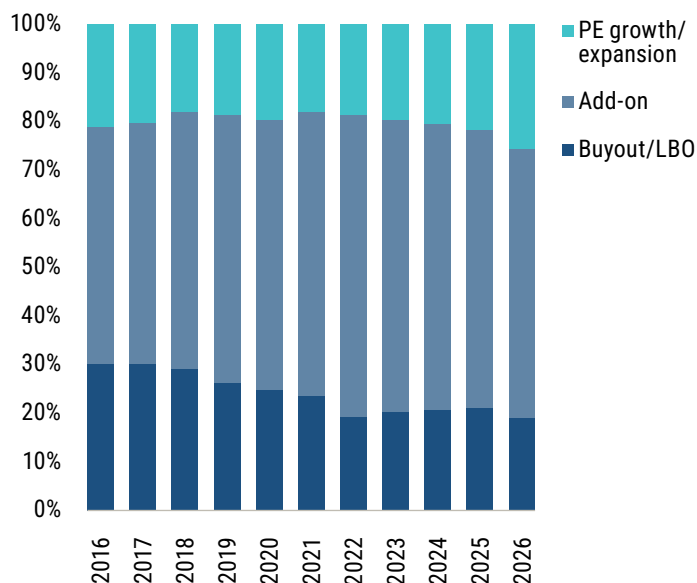
The pattern reads as risk repricing rather than capitulation, with capital flowing toward smaller, minority, and buy-and-build structures that carry less debt and less binary execution risk. Whether that selectivity loosens depends on the credit path. Should spreads stabilize and the rate outlook clarify, the suppressed large-cap pipeline could re-engage quickly given the record dry powder that is still sidelined; if rates drift higher and the software reset extends, deal flow will likely stay subdued through the end of the year.

Share of PE deal value by type



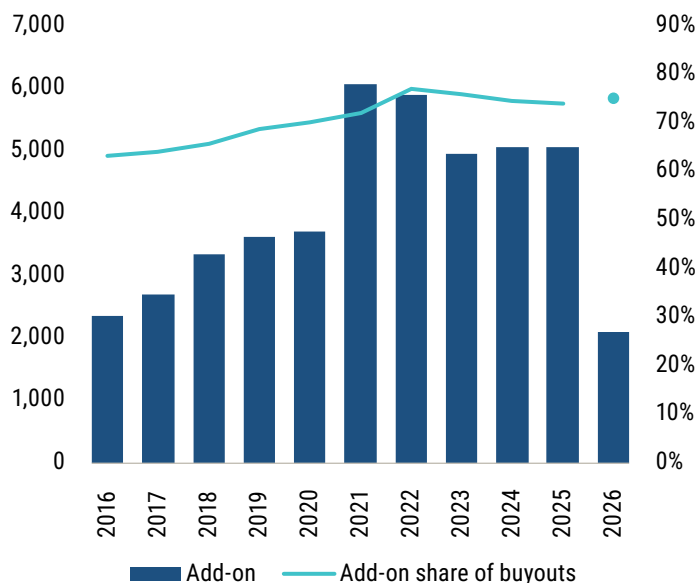
Source: PitchBook • Geography: US • As of June 30, 2026

Share of PE deal count by type



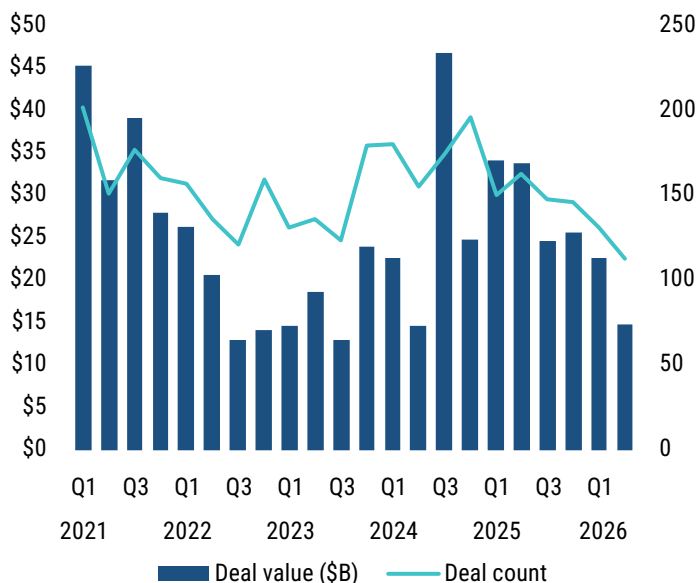
Source: PitchBook • Geography: US • As of June 30, 2026

Add-ons as a share of all PE buyouts



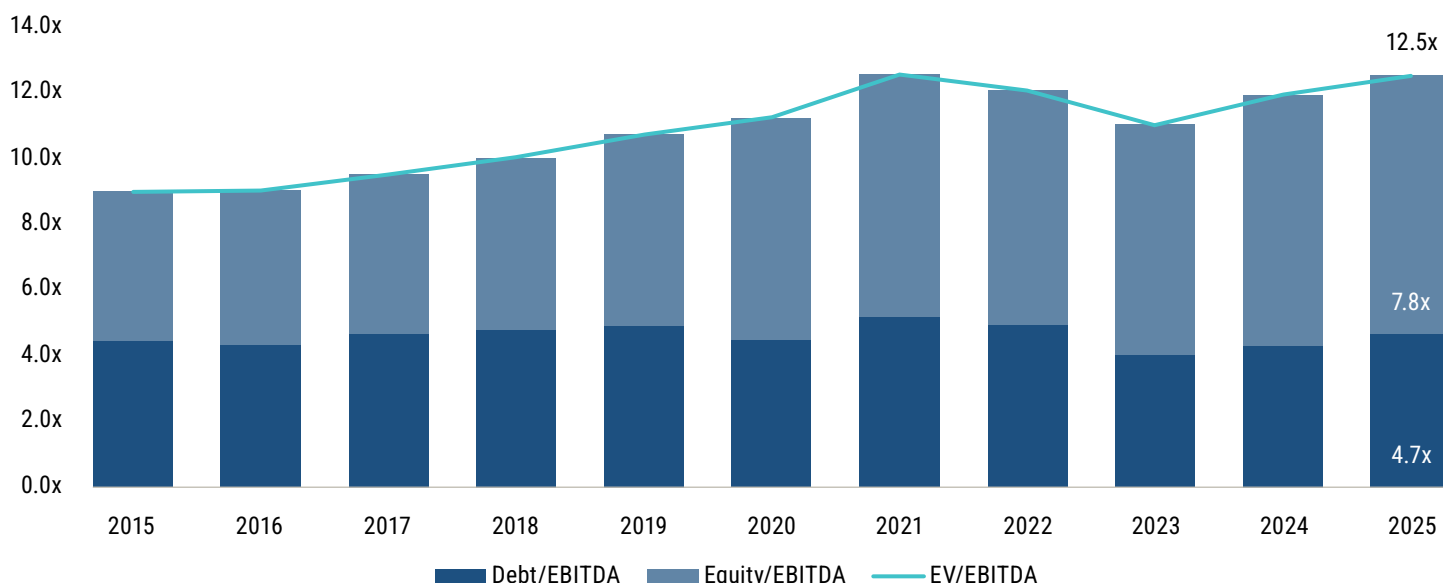
Source: PitchBook • Geography: US • As of June 30, 2026

Carveout deal activity by quarter



Source: PitchBook • Geography: US • As of June 30, 2026

Multiples on PE buyouts



Source: [SPI by StepStone](#) • Geography: US • As of December 31, 2025

Valuations: A higher floor and a persistent split by size

This quarter marks our integration of [SPI by StepStone](#) as the primary source for US buyout valuation metrics for the PE Breakdown. SPI's deal-level benchmarking allows us to decompose entry pricing, leverage, and value creation by size, sector, and vintage with a conviction that headline multiples alone cannot support.

The floor under entry pricing has risen and stayed there. Median US buyout entry enterprise value (EV)/EBITDA closed 2025 at 12.5x, up from 9x in 2015 and level with the 2021 peak. US assets have run richer than the rest of the world in every year of the past decade, with 12.5x against 11.9x globally in 2025. Part of that step-up reflects what is clearing the market rather than pure inflation, since median EBITDA margins at entry have widened from 20.3% in 2015 to 23.3% in 2025. Sponsors, in short, are buying better businesses, not merely paying more for the same ones.

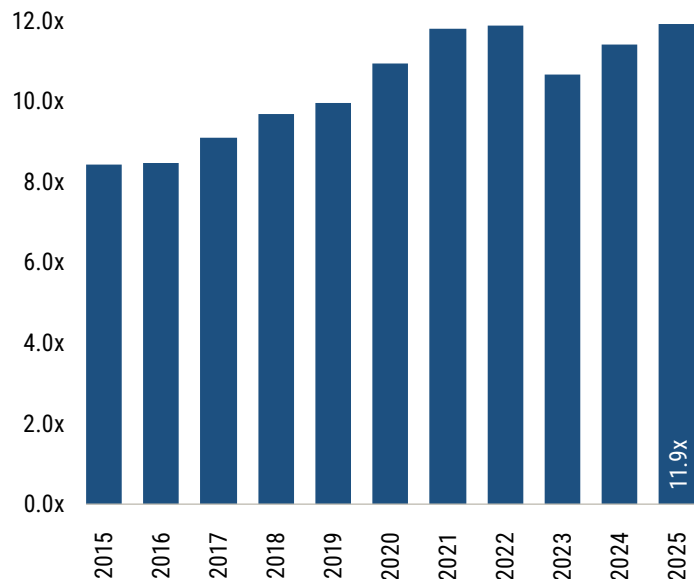
The median conceals an important pattern: the distance between large deals and small ones. In 2025, US buyouts with EV of \$1 billion or more entered at a median 16x EV/EBITDA

against 10.8x below that line, with leverage scaling in step, 5.7x net debt/EBITDA against 4x. That ordering is no single-year artifact, because larger deals have priced richer and borrowed more every year since 2015, and the price gap has widened from under two turns in 2015 to more than five in 2025. Larger assets cost more, borrow more, and arrive with higher margins—27.4% against 21.8% at entry in 2025—consistent with scale advantages at the top of the market. The divide is one of scale as much as price. The median large buyout carried roughly \$2.4 billion of EV in 2025, more than 11x the \$206 million typical below the line, itself up from about \$123 million in 2015.

That richer price is increasingly funded by equity rather than debt. Median net debt/EBITDA across the market stood at 4.7x in 2025, and although it bottomed near 4x in 2023 before recovering, it remains below the 5.2x reached in 2021. Over the same decade, the equity contribution per turn of EBITDA climbed from 4.5x to 7.8x, a 73% increase that has pushed debt from roughly half the purchase price to about one-third. That shift is steepest at the top, where the equity check per turn of EBITDA on billion-dollar deals more than doubled, from 4.4x to 10.3x, while below the line it rose from 4.5x to 6.8x. Sponsors, in other words, are paying more while borrowing less.

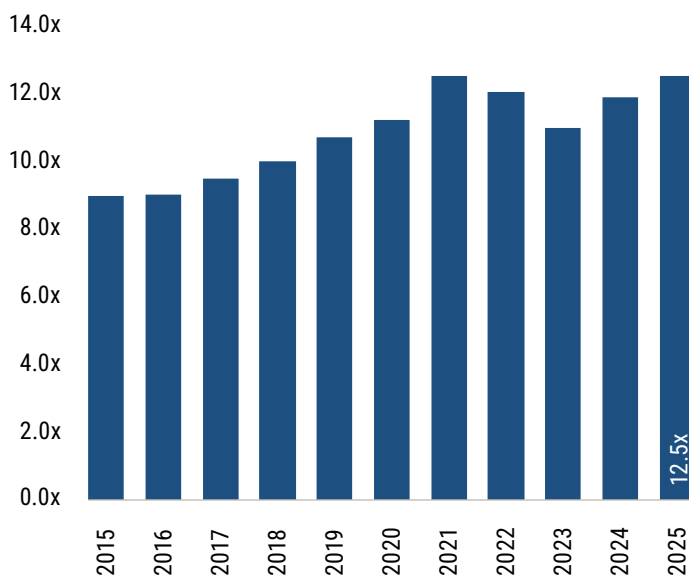
Deal valuation metrics

Global PE EV/EBITDA multiples



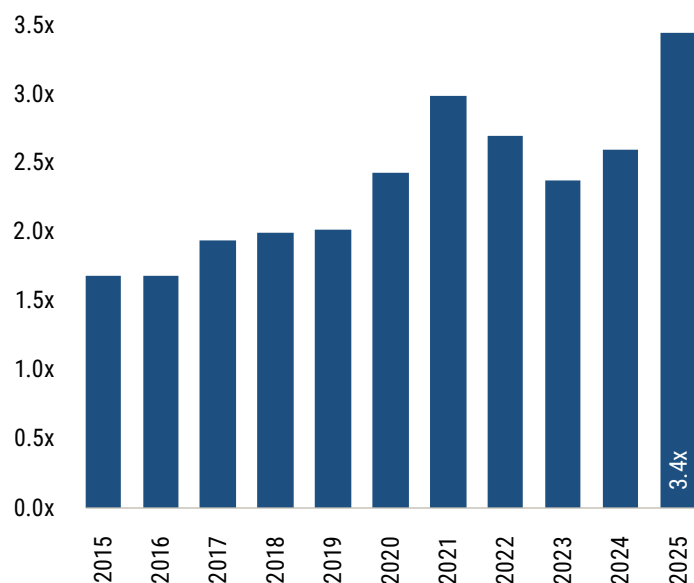
Source: [SPI by StepStone](#) • Geography: Global • As of December 31, 2025

US PE EV/EBITDA multiples



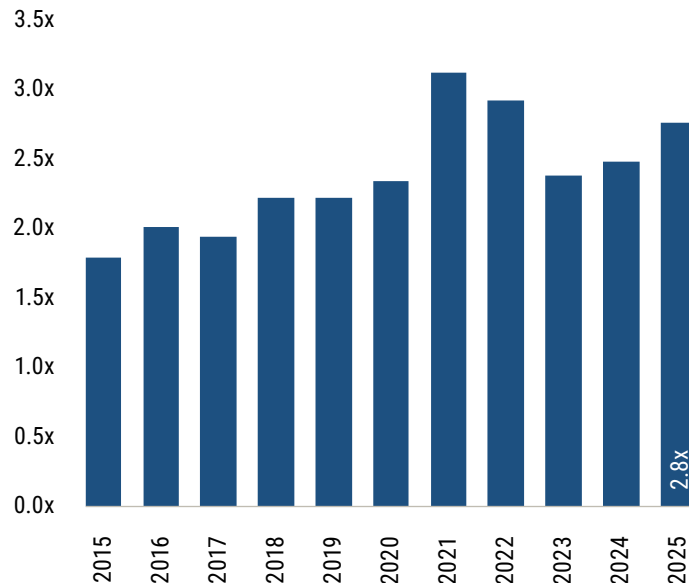
Source: [SPI by StepStone](#) • Geography: US • As of December 31, 2025

Global PE EV/revenue multiples



Source: [SPI by StepStone](#) • Geography: Global • As of December 31, 2025

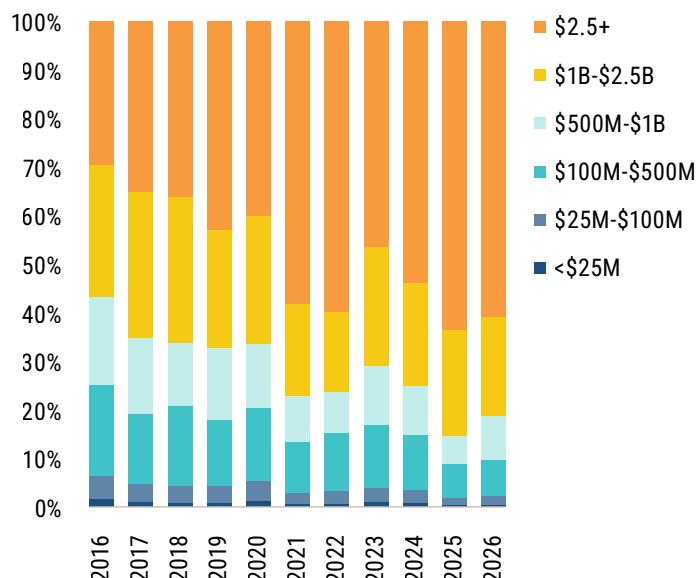
US PE EV/revenue multiples



Source: [SPI by StepStone](#) • Geography: US • As of December 31, 2025

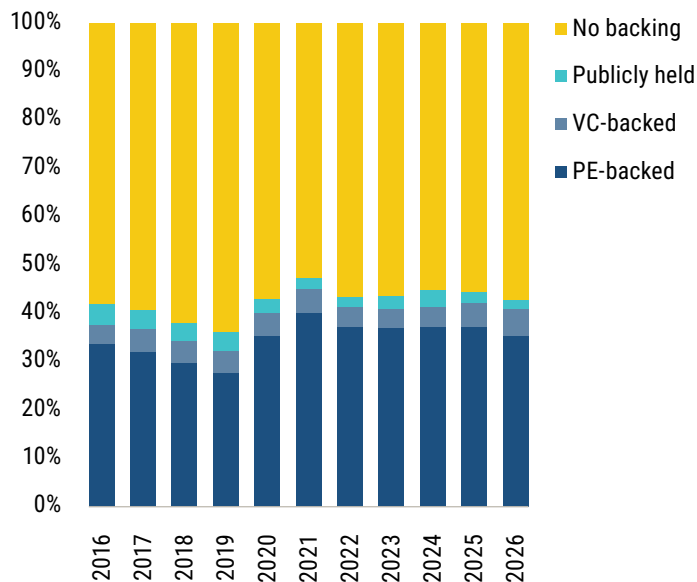
Deals by size, backing type, and sector

Share of PE deal value by size bucket



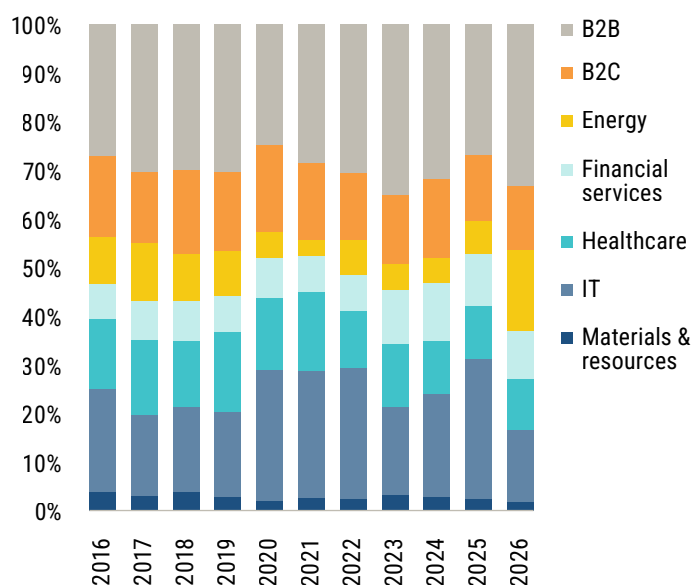
Source: PitchBook • Geography: US • As of June 30, 2026

Share of PE deal count by backing type



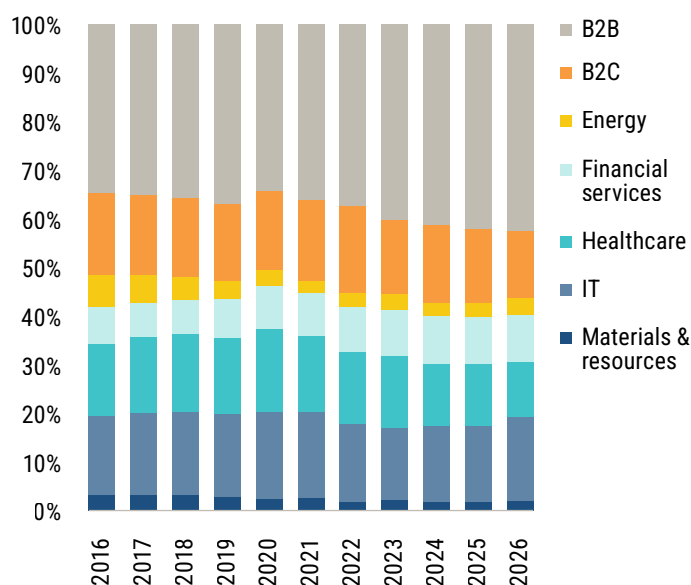
Source: PitchBook • Geography: US • As of June 30, 2026

Share of PE deal value by sector



Source: PitchBook • Geography: US • As of June 30, 2026

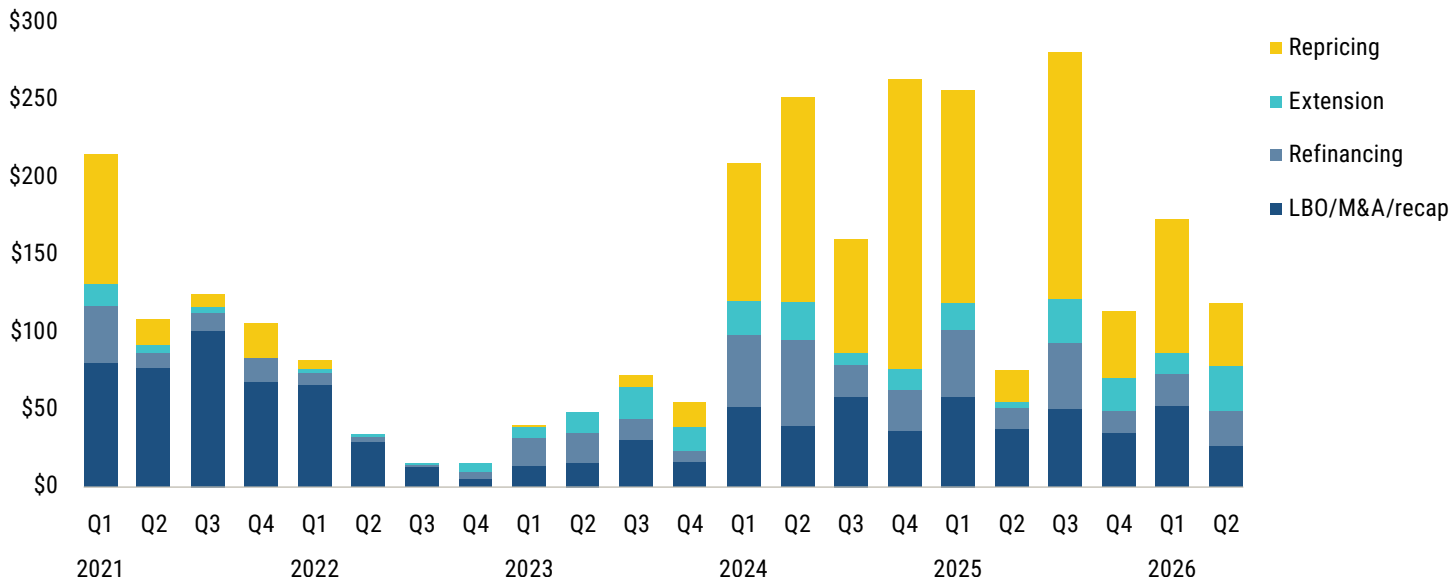
Share of PE deal count by sector



Source: PitchBook • Geography: US • As of June 30, 2026

Credit market conditions

Institutional PE-backed loan deal value (\$B)



Source: PitchBook | LCD • Geography: US • As of June 30, 2026
Note: Reflects repricings and extensions done via an amendment process only.

For more details, see our [US Credit Markets Quarterly Wrap](#).

Overview

- The broadly syndicated loan (BSL) market was down 7% QoQ; corporate activity held up, but PE dealmaking collapsed to a multiyear low in Q2, with overall PE deal volume down 38%.
- The private credit market's Q2 PE deal volume was less than half of Q1 levels, as sponsors struggled to find appealing exit opportunities.

Broadly syndicated market

A 38% decline in PE deal volume activity in Q2 confirms that PE sponsors were in balance-sheet defense mode, using refinancings, extensions, and repricings to manage portfolio company liabilities rather than putting new capital to work. PE-backed borrowers accounted for just 45% of non-refinancing issuance—such as LBOs, acquisitions, and recaps—well below the roughly 70% five-year average. Yet those same borrowers drove 53% of refinancing volume and an outsized 74% of institutional maturity extension amendments.

For both sponsored and nonsponsored cohorts, repricings had the largest share of activity in Q2, as borrowers on both

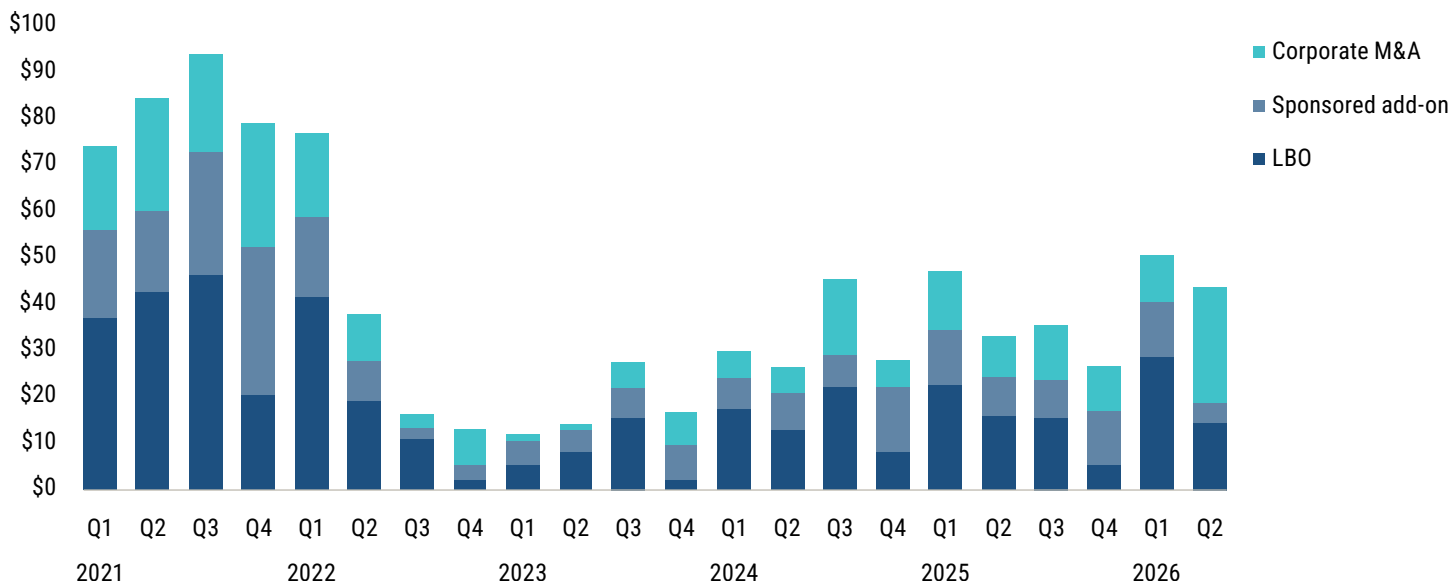
sides rushed to take advantage of a repricing window that reopened in May after a three-month hiatus. Notably, corporate borrowers outpaced sponsored borrowers in this category, despite PE-backed companies accounting for a much larger footprint in the BSL market, with 64% of outstandings tracked by the Morningstar LSTA US Leveraged Loan Index.

M&A volume shrank

Sponsored M&A volume shrank 54% QoQ, while corporate borrowers more than doubled their activity, driven in large part by the \$13 billion Warner Bros. Discovery term loan. Warner Bros. Discovery is now the largest single borrower in the US leveraged loan market. Even stripping out that deal, corporate M&A volume would still have increased QoQ.

After a sharp spread widening in late Q1 and early Q2, markets stabilized, and new-issue clearing levels reversed course. The recovery was most pronounced for B-flat and B-plus borrowers, where spreads have pulled back roughly 70 basis points from February to March peaks, and now sit just below Q4 2025 levels. B-minus credits remain wider than late 2025, though that segment has seen less activity than higher-rated cohorts. Double-B borrowers experienced the least disruption, with spreads holding in a relatively tight range throughout.

Institutional M&A value (\$B)



Source: PitchBook | LCD • Geography: US • As of June 30, 2026

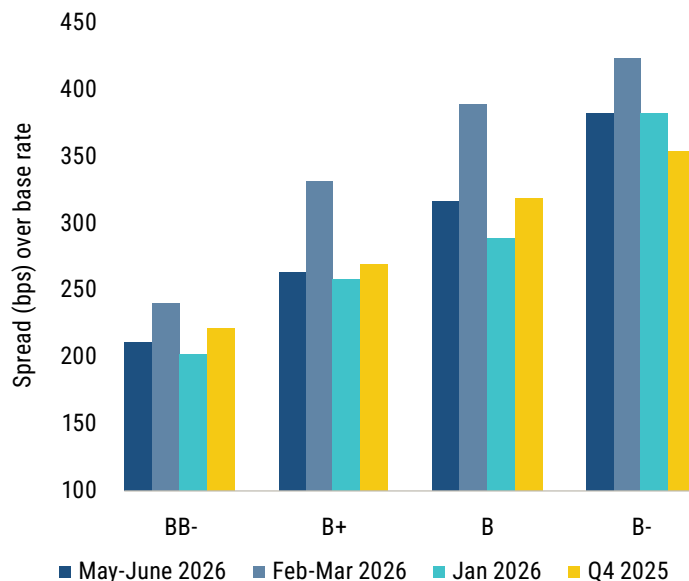
Private credit market

New signals showing the health of the private credit market emerged in the second quarter of 2026, indicating a changed landscape as lenders and investors alike reassessed their exposure to the alternative asset class and once-favored sectors. The war in Iran stymied hopes for a return of M&A and buyout activity that seemed to be taking shape in late 2025. This development compounded existing negativity for private credit in the wake of a rough start to 2026, after the release of Anthropic's Claude Cowork fueled a global sell-off of publicly traded software and IT companies and raised concerns about business models of software-as-a-service (SaaS) companies.

The competition between the direct lending and BSL markets continues. The BSL market has taken the majority of LBO financing volume this year, a reversal from the past few years.

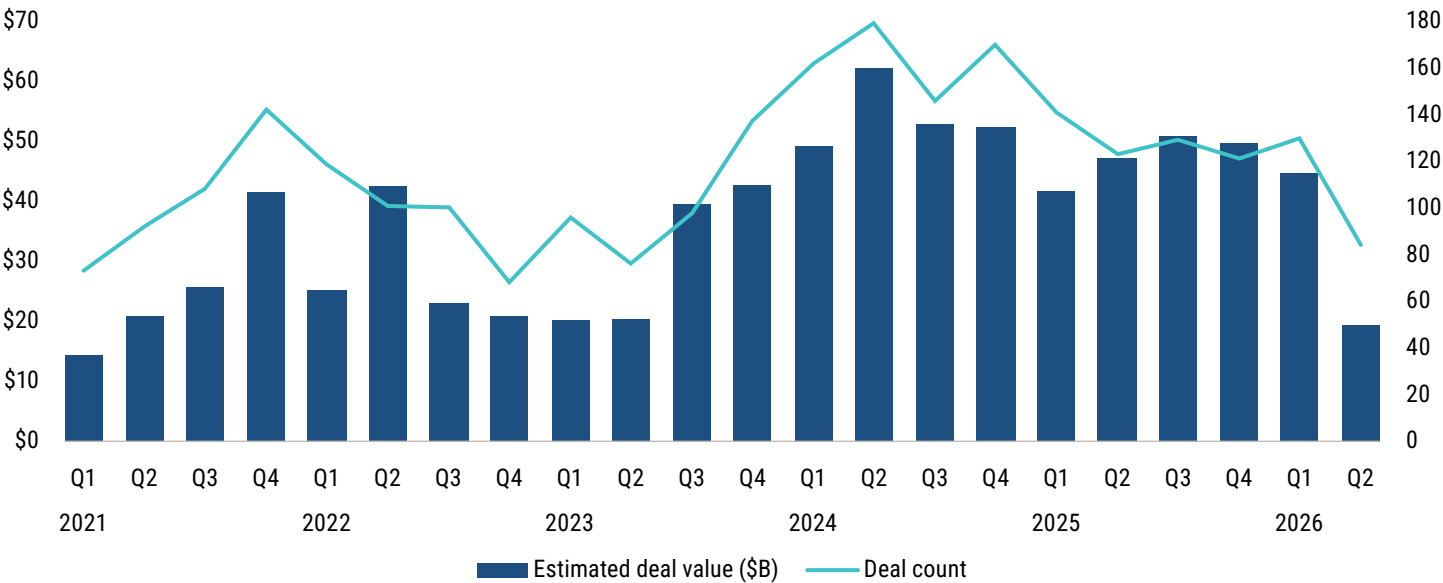
Despite the Q2 slowdown, the market retains a pulse. Lenders describe a market reset taking shape, with spreads widening, leverage pulling back, and deal terms improving. On plain-vanilla deals, spreads have moved out roughly 25 to 50 basis points; a loan that priced at S+450 late last year would likely come at S+500 today, with slightly more original issuance discount. A small sample of recent LBOs bears this out, with spreads averaging S+509 versus S+474 in Q1, according to PitchBook | LCD, though the dataset is thin.

New-issue spread



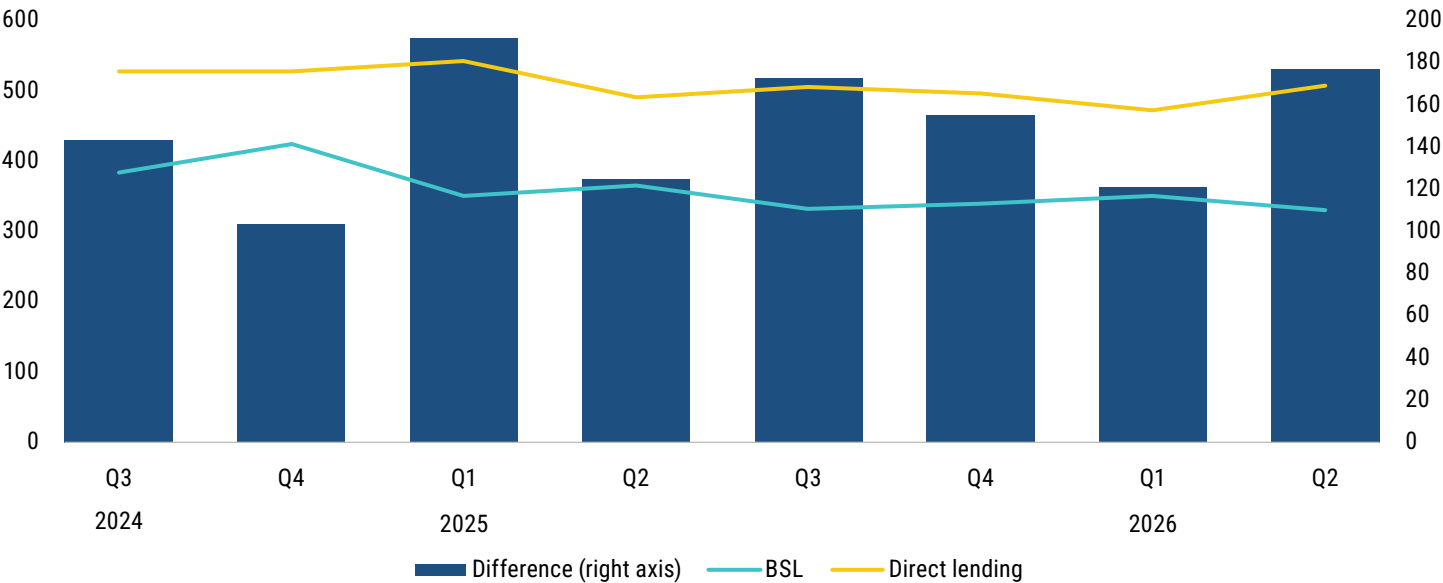
Source: PitchBook | LCD • Geography: US • As of June 30, 2026

Direct lending issuance



Source: PitchBook | LCD • Geography: US • As of June 30, 2026

LBO spreads by market



Source: PitchBook | LCD • Geography: US • As of June 30, 2026

SPOTLIGHT

Q2 2026 US PE Survey: AI Is the Future, Liquidity Is the Problem

Rank the top three macroeconomic factors currently impacting your investment decisions.



Source: PitchBook • Geography: US • As of June 8, 2026

Note: This question allowed respondents to make multiple selections, so the responses will sum to more than 100%.

Note: This spotlight is abridged from our [Q2 2026 US PE Survey: AI Is the Future, Liquidity Is the Problem](#). Please see the full note for an in-depth look at how industry participants view current challenges facing the asset class.

AI moves into the spotlight while tariffs fade into the background

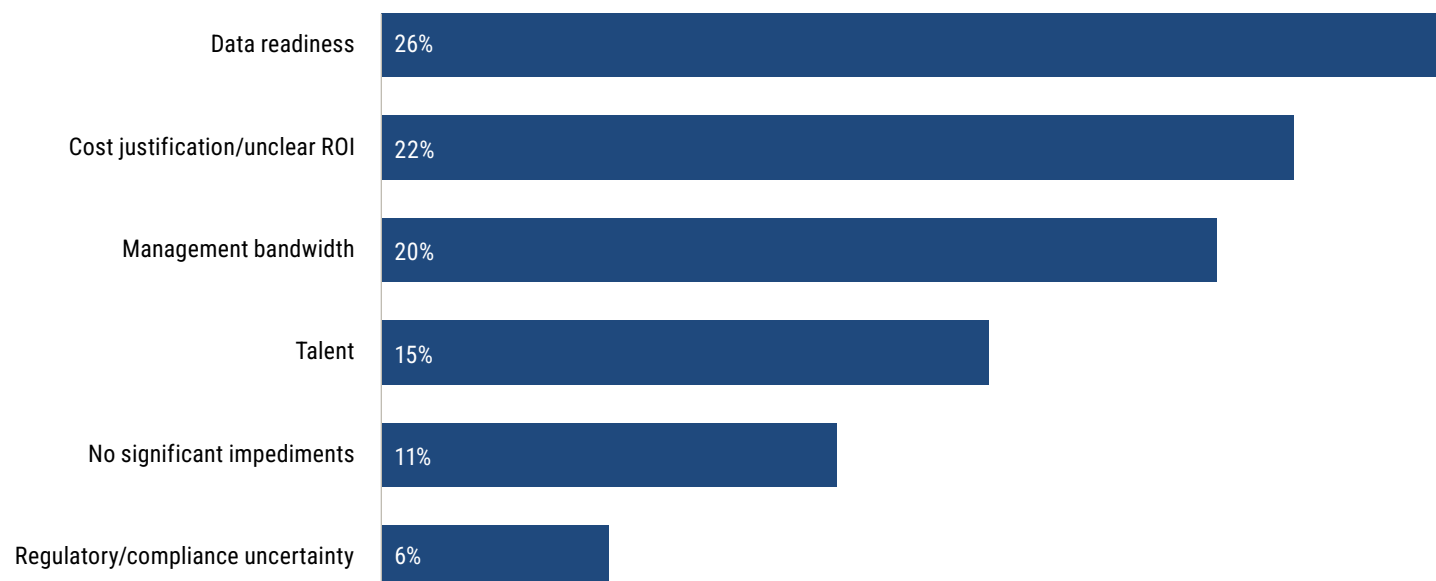
When we asked the survey respondents to rank the macroeconomic factors shaping their investment decisions, AI disruption and opportunity collected more first-place rankings than any other factor, interest rates and geopolitics included, and it sat just behind those two on top-three frequency. Tariffs, by contrast, sat at the bottom, ranked in the top three by the fewest respondents—a notable fade for the risk that dominated the conversation a year ago.

The impact of AI is also factoring into capital allocation decisions. Software was cited by the most survey respondents as the sector they had pulled back from in the past 12 months, while B2B/business services and energy were the sectors that

respondents had leaned into. The sector that defined the past decade of sponsor returns is now the one that practitioners are most actively trimming from their portfolios, as AI is compressing the moats that software businesses were bought for, as discussed in our recent analyst note [Private Equity's Exposure to the Software Reckoning](#). Our survey cannot determine whether that repricing is cyclical or structural; it can only show that practitioners are now voting with their allocations. Financing availability presents another challenge: According to PitchBook | LCD's [Q2 2026 Global Private Credit Survey](#), lenders are trimming their exposure to software.

AI has also arrived at the negotiating table. When asked to name the primary source of the gap between what buyers will pay and what sellers will accept, respondents most often cited differing assumptions about revenue growth. But disagreement over AI-disruption risk now registers as a distinct source of the valuation gap—a category that would not have made such a list a few years ago. The gap is no longer only a function of rates and multiples; it is increasingly a disagreement about whether a company's revenue base can survive the disruption from AI.

Across your portfolio, what is the greatest impediment to accelerating AI adoption?



Source: PitchBook • Geography: US • As of June 8, 2026

AI adoption hinges on execution, not beliefs

When asked to name the greatest impediment to accelerating AI adoption across their portfolios, respondents pointed to data readiness most often, followed closely by cost justification, management bandwidth, and talent. This was reinforced by a recent Bain study, which showed that companies are routinely undershooting their targeted savings goals.²

The impediments cluster into two groups: infrastructure that is not ready and people who are already stretched thin, with cost as an undercurrent across both. Neither is a verdict on the technology, but rather on the hard, unglamorous work of deploying AI and attempting to measure the often-unmeasurable return on investment.

When we think about PE value creation, we focus on three elements: operating improvement, multiple expansion, and leverage. Strip financing out of the equation and PE value creation is reduced to just operating improvement (revenue growth and margin expansion) and multiple expansion. With multiple expansion no longer the dependable tailwind it was through the last cycle and financing costs likely to stay elevated, the operating engine must carry more of the load.

AI is fundamentally a bet on that engine. In Q2, we have seen multiple tie-ups between GPs and frontier AI labs looking to accelerate the deployment of AI into portfolio companies.

Ultimately, whether these firms can turn AI into measurable bottom-line improvements will be one of the most important questions in this era of PE.

Taken together, these responses point one way: AI is now a driving factor in investment committees, in boardrooms, and at the negotiating table.

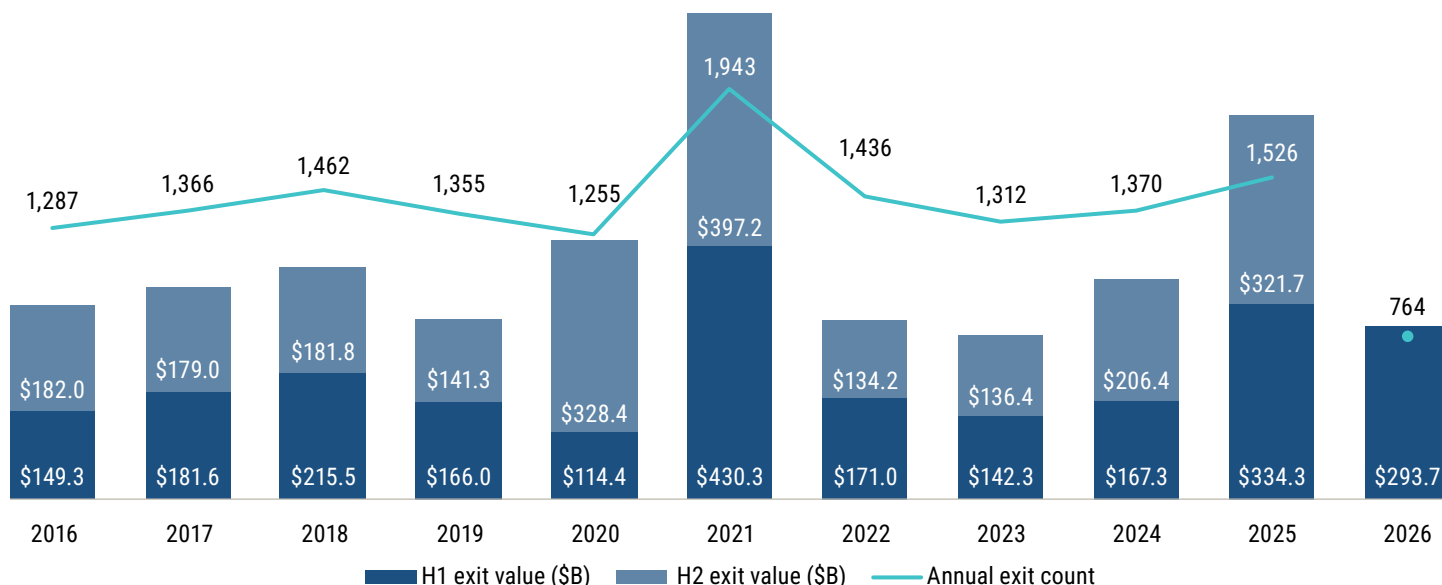
The liquidity overhang is the counterweight to AI

If AI is where the industry is looking, liquidity is what it is waiting on. Among survey respondents, exiting portfolio companies was the most-cited priority for the next six months, named more often than deploying into new deals, pursuing add-ons, or waiting until volatility clears. The intent to sell is not in question.

What is in question is the ease of selling. More respondents expect exit conditions to weaken over the coming six months than improve, and the largest share of respondents expect no change at all. That is an interesting posture from a base that named exits its first priority: The industry wants to clear inventory into a market it does not believe is opening.

Exits

PE exit activity

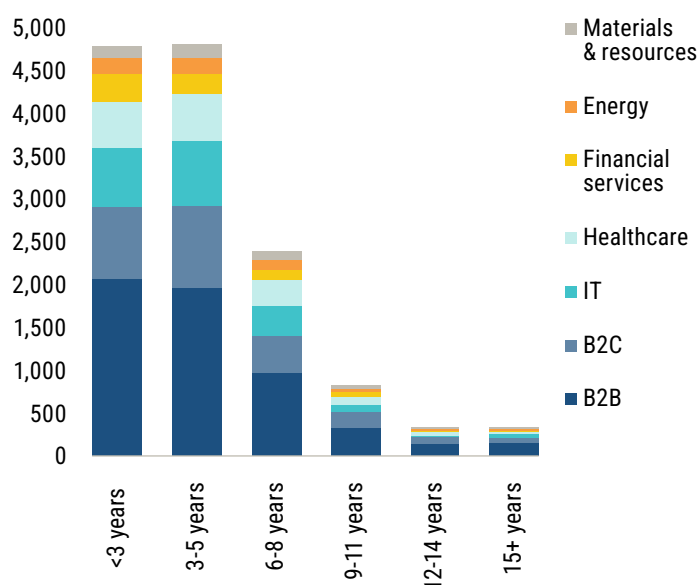


Source: PitchBook • Geography: US • As of June 30, 2026

If deals were a demand shock, exits were a liquidity squeeze that tightened further.

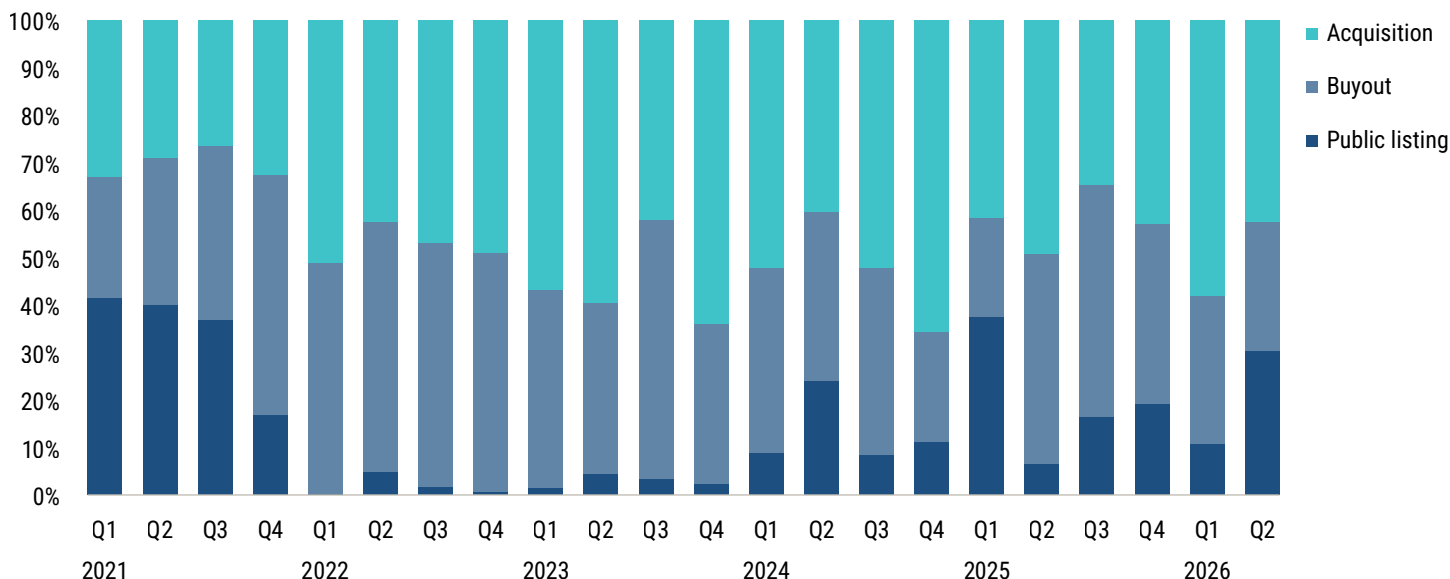
Exit value fell to \$102.6 billion in the second quarter—down 46.3% from the prior quarter and 7.4% YoY—while exit count dropped to 353, a 14.1% quarterly decline and a 5.4% rise against Q2 2025. The figures include estimates for late-reporting transactions. The same macro forces depressing dealmaking, such as costlier financing, an uncertain rate path, and software repricing, are at work here, with the added drag of an already constrained exit landscape. On a YTD basis, the contraction is shallower than the quarterly figures imply, with the H1 2026 exit value of \$293.7 billion down roughly 12% against the comparable 2025 window. This is a reminder that a stronger first quarter cushioned an otherwise difficult first half of the year. Q2 exit activity is comparable to the dip in 2025, and exit value sits above pre-pandemic averages, but realizations remain stubbornly dependent on a small number of large transactions to generate aggregate value. Mega-exits, those of \$1 billion or more, totaled \$63.2 billion across 23 transactions, anchoring more than 61% of the total exit value in Q2. This demonstrates that premium assets can still clear at scale, but it underscores how little of the broader portfolio backlog is finding a path to liquidity.

PE-backed company inventory by sector and deal year



Source: PitchBook • Geography: US • As of June 30, 2026

Quarterly share of PE exit value by type



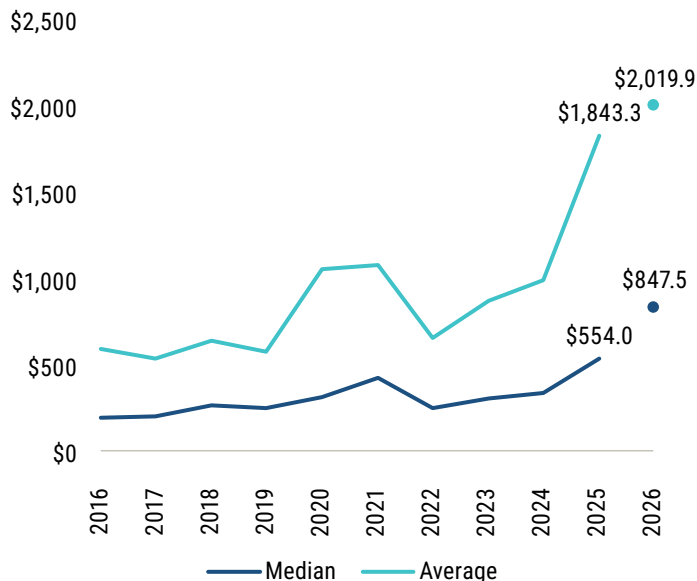
Source: PitchBook • Geography: US • As of June 30, 2026

The public window cracks open as M&A and sponsor sales retreat

Against a uniformly weak backdrop, one exit route gained ground. IPO value rose to \$27.6 billion, up 42.2% QoQ, and the count doubled to 12. The reported figure showing IPO value up 283.1% YoY requires a clear caveat: It reflects growth from an unusually depressed Q2 2025 public listing trough rather than an approach to an all-time high, and the absolute level remains modest by historical standards. The reopening is genuine but narrow. The window's selectivity showed in the quarter's listings, which skewed toward B2B companies, in areas such as industrials and aerospace.

The largest PE-backed IPO of the quarter was Arcline's listing of aerospace electronic and mechanical manufacturer Arxis at a valuation of \$10.2 billion. In June, natural gas generator distributor ERock listed at roughly \$4.1 billion. In the same month, Blackstone-backed Liftoff Mobile, an AI-powered mobile marketing platform, went public at a valuation of \$3.4 billion. The IPO rebound comes amid a wider valuation gap and heightened scrutiny on software and SaaS companies without clear AI tailwinds as investor risk tolerance moderates. Public listings were the only exit type to grow QoQ, while the other two exit channels moved the opposite way. Corporate acquisitions, still the single largest exit route by absolute value at \$38.5 billion, fell 63.5% QoQ, while sponsor-to-sponsor buyouts dropped 57% to \$24.5 billion. The net effect reshuffled the exit

Median and average PE exit value (\$M)



Source: PitchBook • Geography: US • As of June 30, 2026

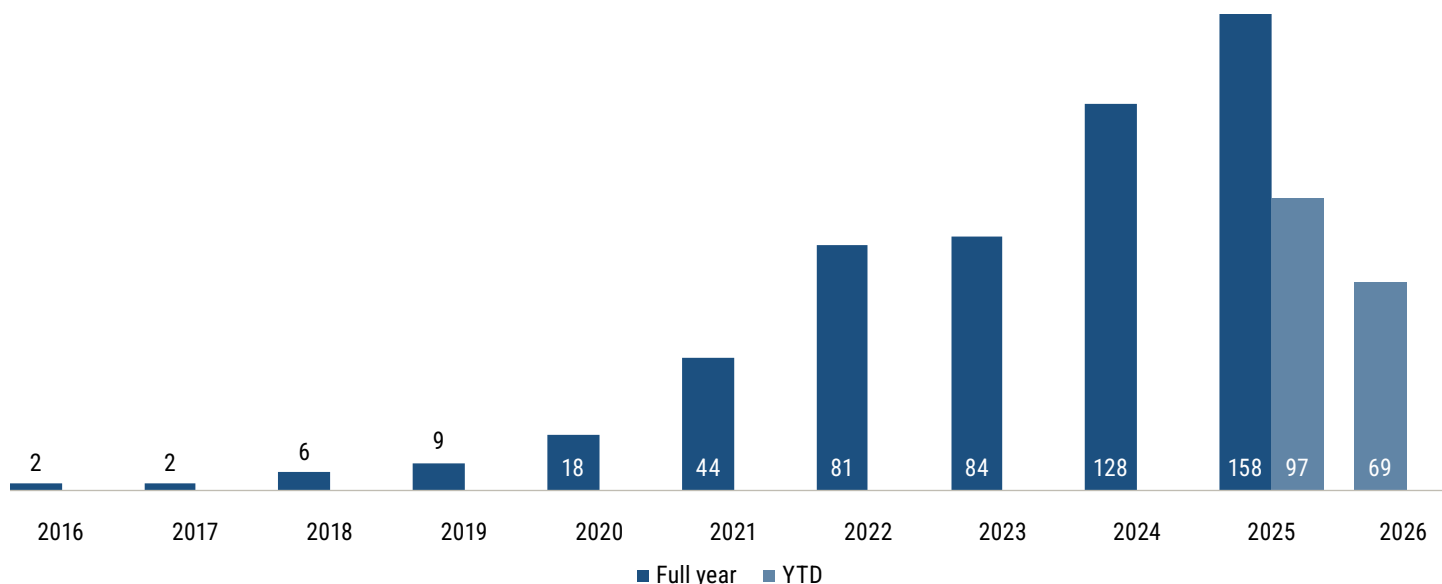
mix. Public listings climbed from a high-single-digit share of exit value to 30.5% of the quarterly total, while acquisitions and secondary buyouts both ceded ground. The median IPO jumped from \$1.7 billion at the end of 2025 to \$2.8 billion by Q2 2026—the largest among the three routes—a meaningful improvement even for an exit path open primarily to scaled, premium assets.

Energy momentum and the B2B exit anchor

Beneath the headline, exit value was extraordinarily top-heavy by sector. B2B assets generated \$40.6 billion of exit value in the quarter, roughly 45% of all realizations and nearly double the sector's previous five-year average of 25.9%. B2B's share of the quarter's exit value also eclipses those of previously prominent sectors—IT at \$8.9 billion (about 10%) and healthcare at \$10.3 billion (about 11%). The dominance is not a one-quarter artifact. On a YTD basis, the B2B exit value of \$126 billion is 144.6% higher than levels seen in H1 2025, while IT and healthcare exits have fallen 77.1% and 35.8%, respectively, against their H1 2025 comparisons. At 14 exits for an aggregate of \$13.5 billion, energy is the only sector with QoQ growth in both exit count and value this quarter. Sponsors have been successful in offloading energy assets to buyers, especially corporate strategics, seeking opportunities to strengthen market positioning amid energy market volatility and growing demand from datacenters.

For example, the \$1.6 billion sale of Brazos Midstream to Western Midstream Partners and the \$1.3 billion sale of EagleRidge Energy to Marubeni expanded the geographical footprint of their acquirers. The pattern reinforces the deal-side rotation: Capital is exiting through the same cash-generative, less-cyclical assets it is willing to acquire, while the software and healthcare franchises that drove prior opportunistic exit activity sit on the sidelines for now.

Continuation-fund-related exit count

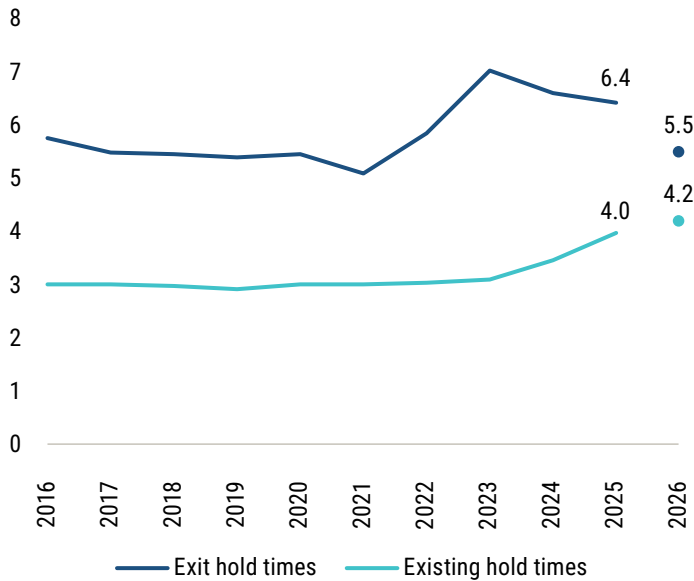


Continuation fund-related exits remain healthy but below last year's pace

The current lull in PE exit activity has not yet translated into increased continuation fund activity. Through the end of Q2, there have been 69 continuation fund-related exits globally, which is below the pace needed to reach the 158 exits tracked in 2025. This trend aligns with our [initial 2026 outlook](#), which predicted that continuation fund-related exit activity in 2026 would fall below the 2025 peak. If the exit market continues to face headwinds, sponsors could once again turn to continuation funds to generate liquidity without force-selling their assets. The slower pace of continuation fund activity suggests that sponsors are willing to wait rather than accept lower valuations through a secondary process, which buyers tend to demand to compensate for uncertainty and illiquidity. With fewer traditional sales clearing and the public window open only to the best assets, the PE inventory is growing, now at 13,509 companies as of Q2 2026. Without meaningful liquidity respite from continuation funds, distributions that LPs need to fund new commitments are arriving slowly, a constraint that flows directly into the fundraising picture.

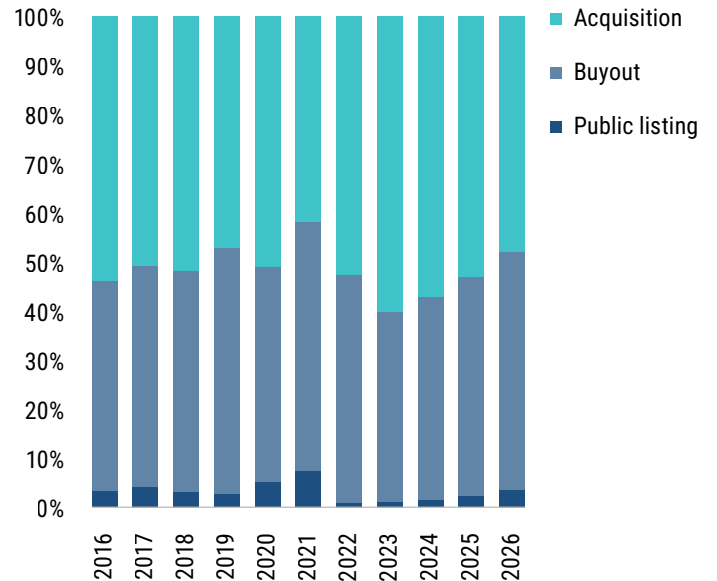
Source: PitchBook • Geography: Global • As of June 30, 2026

Median PE company holding times (years)



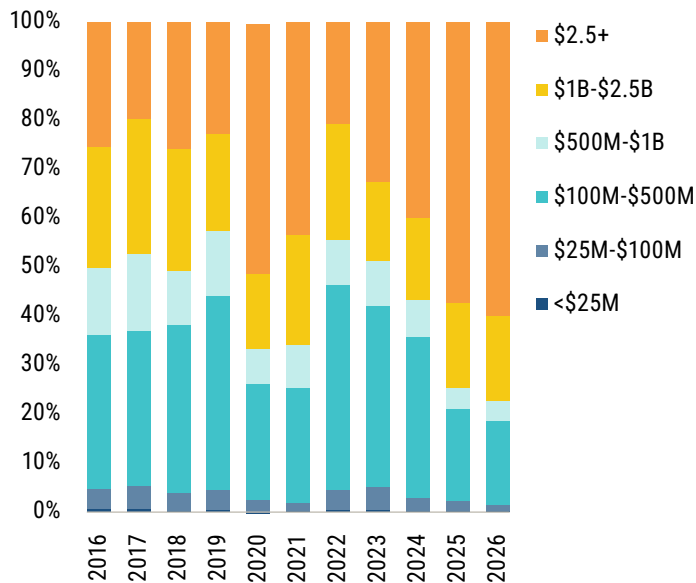
Source: PitchBook • Geography: US • As of June 30, 2026

Share of PE exit count by type



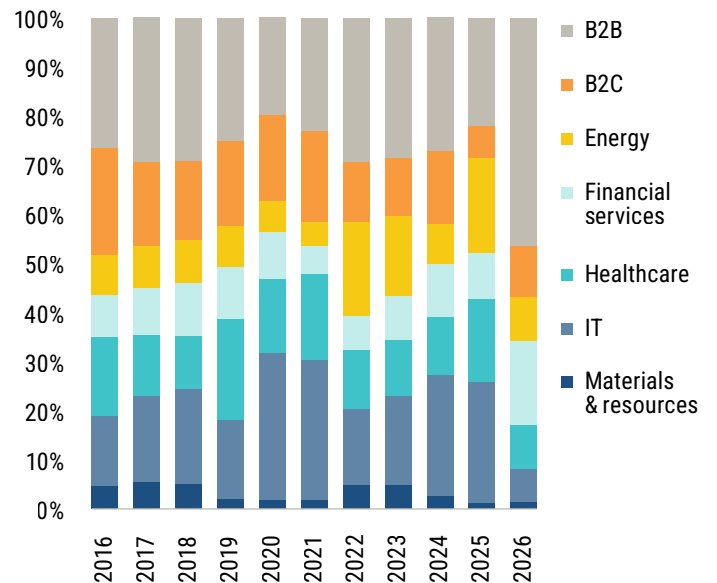
Source: PitchBook • Geography: US • As of June 30, 2026

Share of PE exit value by size bucket



Source: PitchBook • Geography: US • As of June 30, 2026

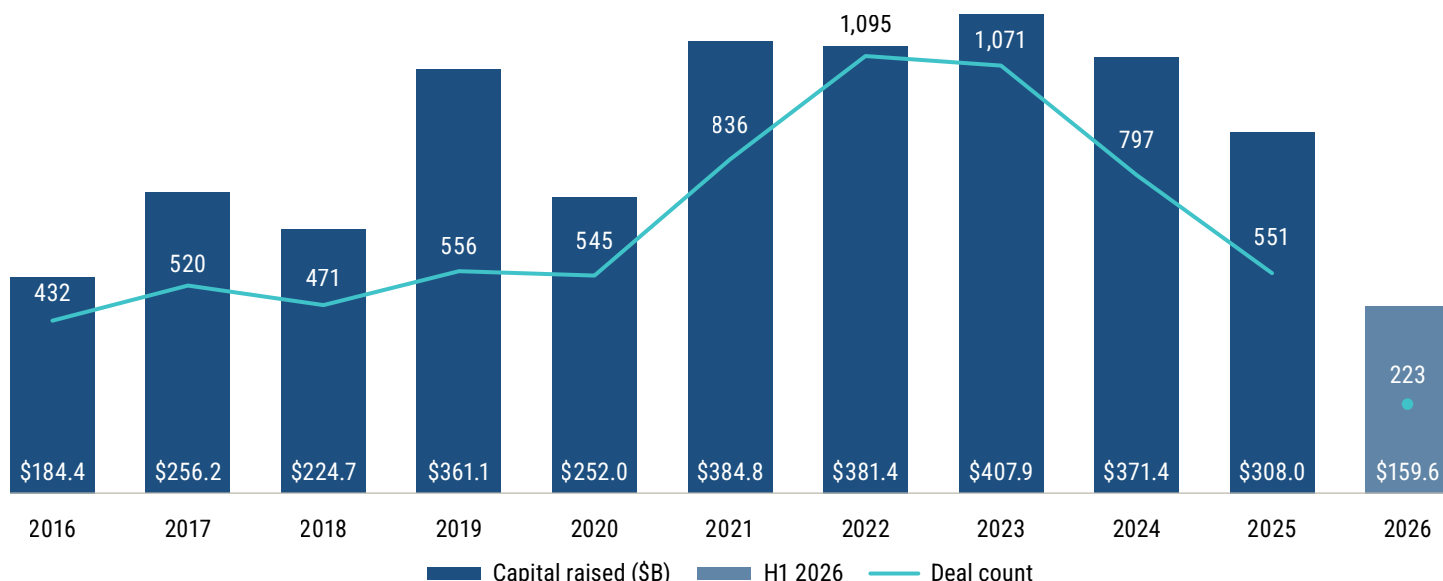
Share of PE exit value by sector



Source: PitchBook • Geography: US • As of June 30, 2026

Fundraising

PE fundraising activity

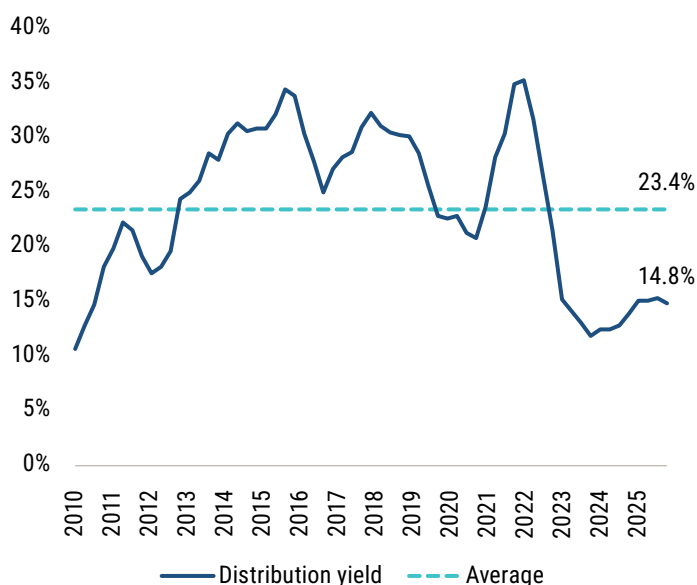


Source: PitchBook • Geography: US • As of June 30, 2026

Capital formation in US private equity has thinned to a shadow of its recent self, and the second quarter offered only a deceptive reprieve. YTD, capital raised stands at \$159.6 billion across 223 funds, which is on pace with 2025's muted total of \$308 billion closed across 551 funds and well below the bumper years of 2021 to 2024. While the quarter marked a 60% increase versus Q1—an apparent rebound—fund counts were essentially flat; although, they are expected to increase as more are reported. The rise was revealed to be a handful of very large closes, such as KKR's \$23 billion North America Fund XIV and Clearlake's \$14.8 billion Fund VIII, rather than a broadening of the market. Fundraising is the lumpiest series in private capital, prone to distortion from the timing of individual mega-closes, so the quarterly capital jump should not be read as a turn in the trend.

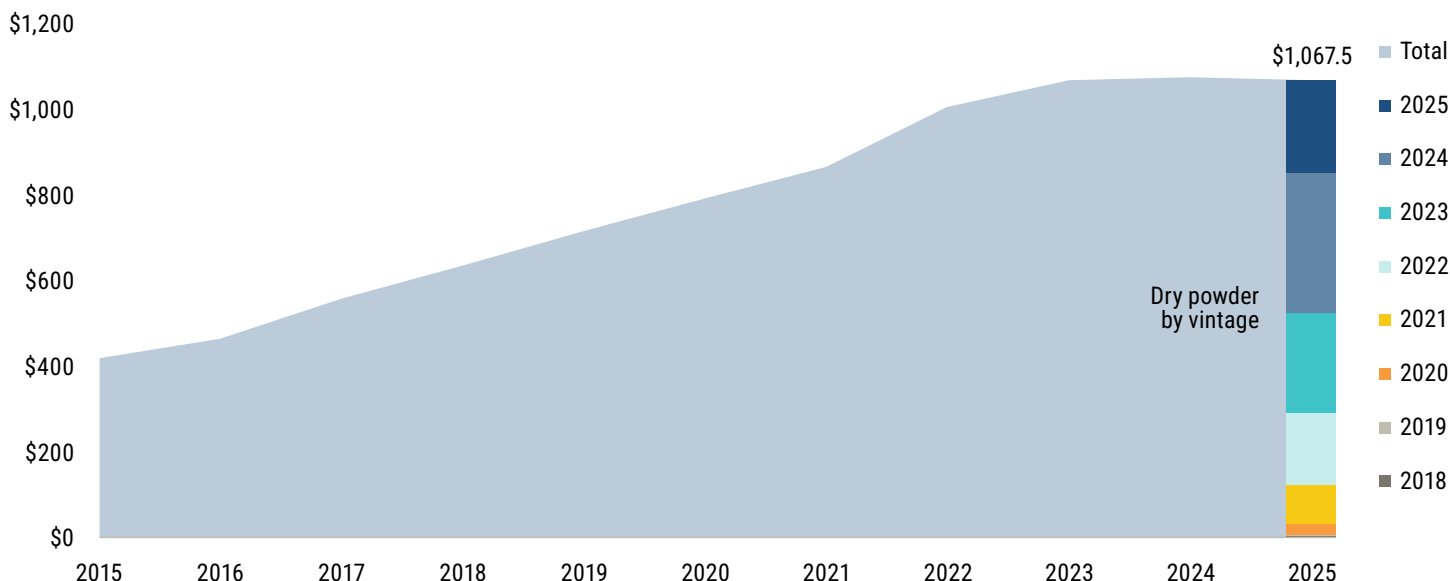
Zooming out, there is a clear trend of muted PE fundraising, driven by underwhelming returns and a liquidity shortfall that is plaguing the industry in the aftermath of the 2021 vintage. Following 2021, buyout distribution rates have fallen to roughly 10% to 15% below the 25-year average. With distributions slow to arrive, LPs have less to recycle into new commitments, and the pressure of a constrained exit environment continues to weigh on capital allocation.

PE fund distribution rates



Source: PitchBook • Geography: US • As of September 30, 2025

PE dry powder (\$B)



Source: PitchBook • Geography: US • As of September 30, 2025

The squeeze on emerging managers

The capital that is being raised is flowing overwhelmingly to the largest, most established managers. Funds under \$1 billion have accounted for only 16.7% of all capital raised so far in 2026. The concentration is equally visible by manager pedigree. Experienced managers have pulled in \$139.3 billion YTD, nearly 7x the \$20.3 billion raised by emerging managers. First-time managers are finding it more difficult, with only 23 first-time funds raised in H1 2026—a collapse compared to the full-year average of 181 per year from 2021 to 2023.

We believe this distribution shortfall is transmitted directly into capital formation. With LPs receiving fewer distributions, they have less capital to commit and a stronger incentive to concentrate what they do commit with managers whose track records are proven, leaving emerging and first-time managers to compete for a shrinking residual.

Evergreen growth is a bright spot—for some

As traditional closed-end fundraising thins, capital formation is increasingly migrating toward evergreen (or semi-liquid) structures that offer a different path to scale. The structural pull is meaningful because it operates outside the closed-end machine that has stalled, giving certain large, scaled managers an alternative engine of asset growth even as conventional fundraising contracts.

In the US, evergreen PE AUM has nearly doubled since the beginning of last year, up to \$99 billion (as of March 31) from \$50 billion. This explosive growth is likely to continue, with strong early performance in these vehicles and recent fund launches from TPG, Carlyle, Brookfield, and CVC adding to the number of scaled players in this channel. While Partners Group has historically had the largest US vehicle, it has experienced very little AUM growth over the past two years. Blackstone and KKR, meanwhile, continue to lead the way, growing assets to a combined \$26 billion across their US PE vehicles (as of March 31), with a further \$14 billion in their European-domiciled funds.

And the prospect of opening the retirement channel to alternatives accelerates that growth in a way that is even more insulated from the episodic nature of drawdown fundraising. Steady inflows from retirement portfolios, likely to be held over long periods, are even more valuable to shareholders when GPs are struggling to raise new flagship funds larger than their predecessors.

The trajectory of these vehicles will be a key variable for capital formation in the quarters ahead. If the traditional fundraising shortfall persists, the evergreen channel may absorb a growing share of the capital that would once have flowed into closed-end funds, and will continue to concentrate this capital in the hands of the large, publicly traded GPs with established wealth businesses.

Notable open PE megafunds

Fund	Fund type	Fund target (\$M)
Advent International GPE XI	Buyout	\$26,000.0
Apollo Investment Fund XI	Buyout	\$25,000.0
Warburg Pincus Global Growth XV	PE growth/expansion	\$17,000.0
KKR Core Private Equity II	Buyout	\$16,000.0
TPG Partners X	Buyout	\$15,000.0
Green Equity Investors X	Buyout	\$15,000.0
Francisco Partners VIII	Buyout	\$14,000.0
Blue Owl GP Stakes VI	Buyout	\$13,000.0
TPG Rise Climate II	Buyout	\$12,515.2
Blackstone Growth II	PE growth/expansion	\$8,727.1

Source: PitchBook • Geography: US • As of June 30, 2026

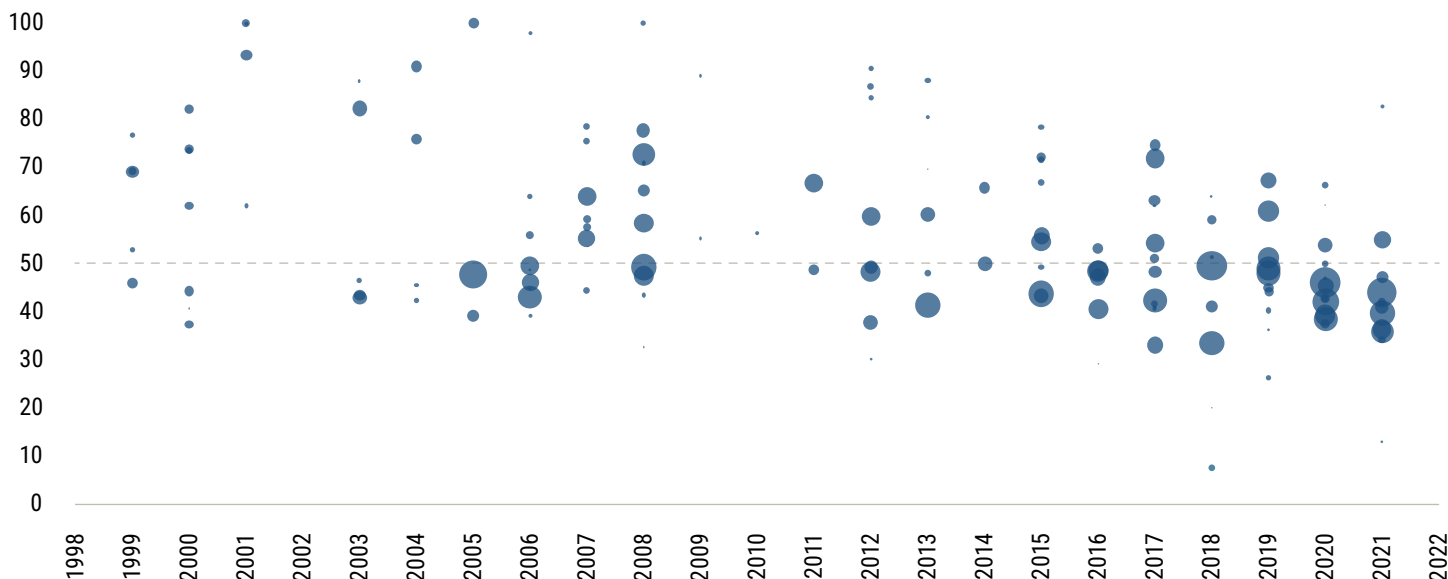
Notable closed PE funds YTD

Fund	Fund type	Close date (2026)	Fund size (\$M)
KKR North America Fund XIV	Buyout	April 2	\$23,000.0
Clearlake Capital Partners VIII	Buyout	June 16	\$14,800.0
Thomas H. Lee Equity Fund X	Buyout	May 4	\$6,350.0
Blackstone Life Sciences VI	Buyout	March 30	\$6,300.0
26N Private Equity Partners I	Buyout	April 13	\$5,900.0
Greenbriar Equity Fund VII	Buyout	February 26	\$5,400.0
Lindsay Goldberg VI	Buyout	January 6	\$4,900.0
Patient Square Equity Partners II	Buyout	May 9	\$4,353.0
Court Square Capital Partners V	Buyout	April 9	\$3,800.0
Mercer Private Investment Partners VIII	Diversified PE	April 9	\$3,800.0

Source: PitchBook • Geography: US • As of June 30, 2026

Performance

Manager scoring of buyout funds from marquee managers³



Source: PitchBook • Geography: US • As of April 15, 2026

Note: Each bubble represents a fund in a particular vintage, with bubble size being proportional to fund size.

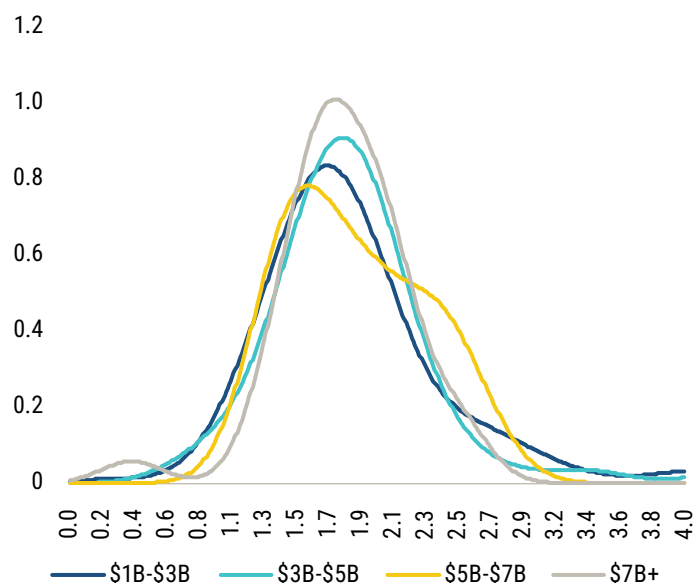
Interestingly, the relative strength of megafund fundraising comes at a time when megafund performance has underwhelmed, declining steadily in the data as fund sizes have grown. Marquee managers seem to be victims of their own success. Strong performance brings in more capital, and the desire to grow AUM and please public shareholders inevitably leads to returns clustered around the market average.

Middle-market funds have also struggled recently, but the data shows that they consistently deliver more upside—especially over a 10-year period—than megafunds, though they also carry a marginally wider distribution of returns.

This crosscurrent is consistent with an industry that favors known commodities and prefers the market “beta” of megafunds amid current market uncertainty, even if overall performance has lagged. With wider dispersion, successfully allocating capital in the middle market requires excellent manager selection, and allocators do not seem confident they can consistently pick winners from losers in a rapidly evolving landscape.

At the time of publishing, updated performance data for Q4 2025 is not yet available. For a full breakdown of the latest

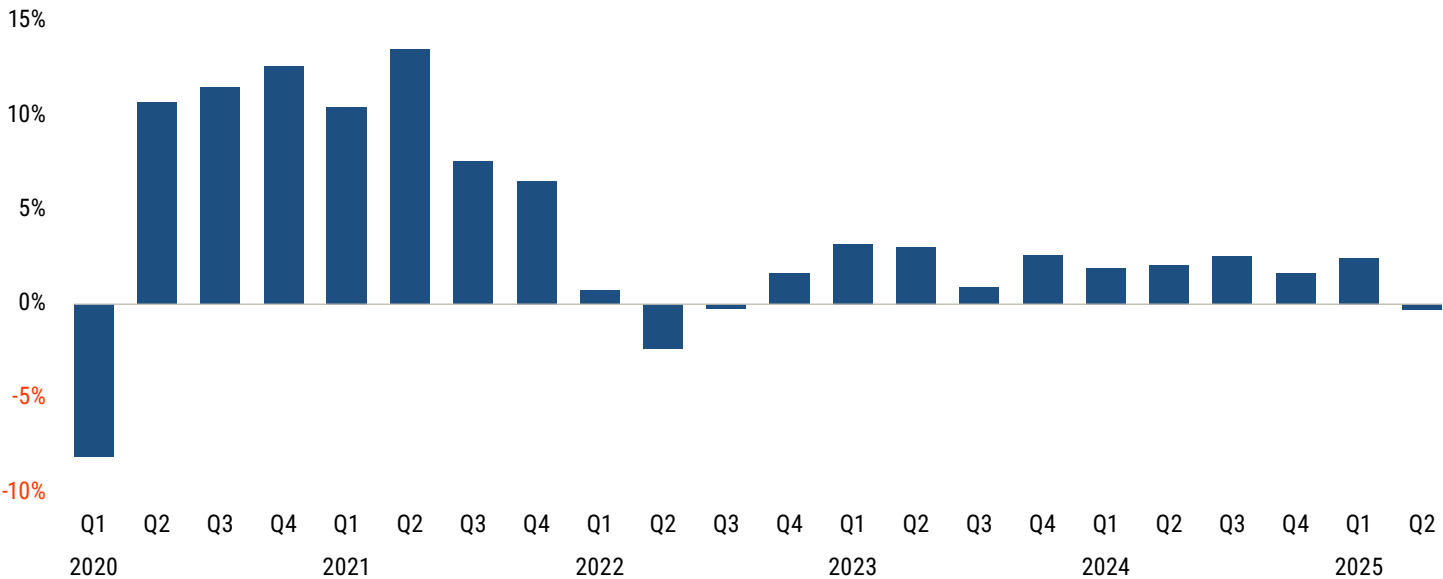
Density of TVPI at 10 years after inception by fund size



Source: PitchBook • Geography: US • As of May 31, 2026

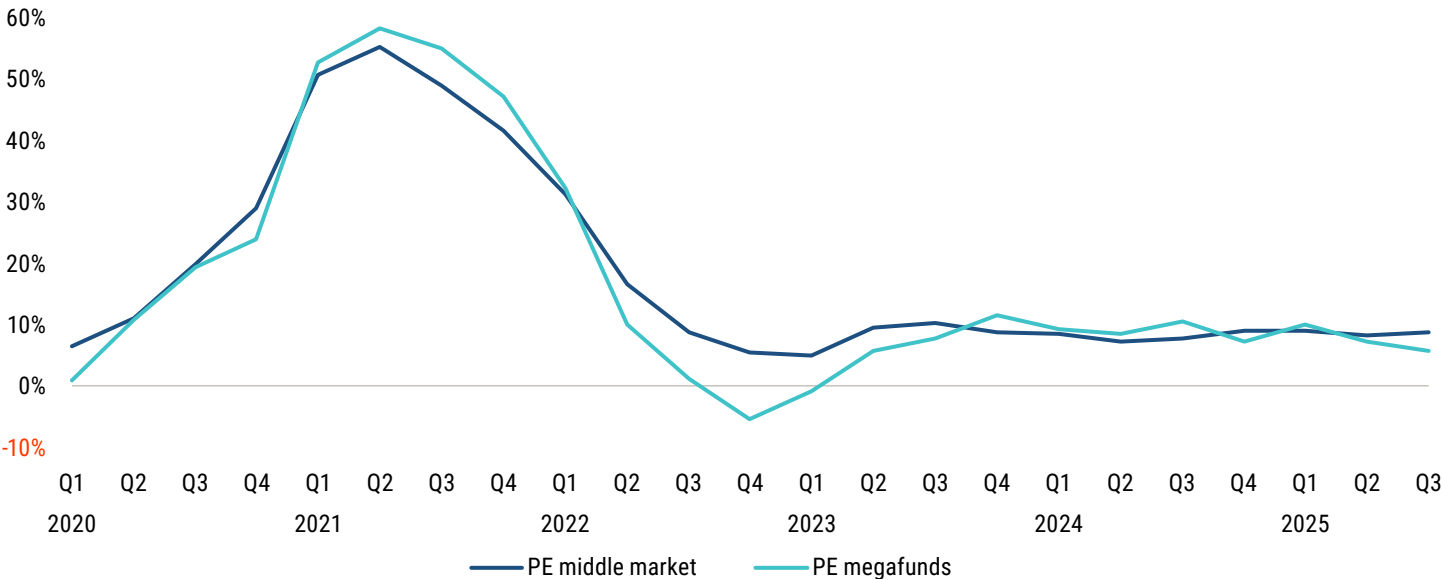
performance data and trends, please check out our PitchBook Benchmarks and Private Capital Return Barometers reports in early Q3 2026.

PE funds IRR by quarter



Source: PitchBook • Geography: US • As of September 30, 2025

Quarterly rolling one-year PE fund performance by size



Source: PitchBook • Geography: US • As of September 30, 2025

References

- 1: ["AI Capex 2026: The \\$690B Infrastructure Sprint," Futurum, Nick Patience, February 12, 2026.](#)
- 2: ["Your AI Budget Is Growing. Your Returns Aren't. Here's Why," Bain & Company, Michael Heric, Purna Doddapaneni, and Antoine Debarre, June 1, 2026.](#)
- 3: Marquee managers were selected to represent the managers that have grown into \$5 billion-plus funds. These managers include Adams Street Partners; Advent International; Apollo Global Management; Ares Management; Bain Capital; Blackstone; Clayton, Dubilier & Rice; Clearlake Capital; Genstar Capital; Hellman & Friedman; KKR; Lexington Partners; Silver Lake; Thoma Bravo; TA Associates; TPG; Vista Equity Partners; and Warburg Pincus. Learn more about our manager scoring methodology and see our manager scoring league tables on the [PitchBook Platform](#).



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