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2026 US Private Equity Outlook: Midyear Update

Checking in on our 2026 US PE predictions

PitchBook is a Morningstar company providing the most comprehensive, most accurate, and hard-to-find data for professionals doing business in the private markets.

2026 outlooks

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Introduction

At the end of every year, we share our views on how the year ahead will unfold for US private equity. We offered four outlooks for 2026, and it is time to take stock of those trends to see how they are tracking. We look forward to sharing our takes on these and other developments throughout the year in our four quarterly reports—the US PE Breakdown, the US PE Middle Market Report, the US Public PE and GP Deal Roundup, and the Global M&A Report—as well as our semiannual Global Private Debt Report.

In our initial outlook report for 2026, we included our inaugural PE sentiment survey. While an update to the survey is not included here, we published the [Q2 2026 US PE Survey](#), a standalone, in-depth report that reflects how industry participants view the new challenges facing the asset class.

In June 2025, the market was beginning its recovery from the Liberation Day tariff announcements, which derailed much of the momentum seen in Q4 2024 and Q1 2025. Recovery reaccelerated meaningfully in H2 2025. A year later, the asset class currently finds itself in a similar position: healthy relative to historical standards and above the Q2 2025 trough, albeit facing a new set of macroeconomic headwinds.

Renewed tariff uncertainty has not, on balance, proven detrimental to sponsor sentiment, though it has introduced a layer of caution that has modestly tempered dealmaking at the margin. The more consequential concern has been the [SaaS-pocalypse](#)—fears of AI-driven disruption in the software sector and its downstream effect on future PE activity, particularly given the more than 1,300 US PE-backed companies that call the subsector home. Despite the alarming headlines, deal activity has trudged ahead, even if at a more muted pace over the past three months. The effect will likely be most pronounced in tech, though other sectors also carry pockets of exposure to AI disruption.

The Iran conflict represents an evolving source of uncertainty. A memorandum of understanding announced on June 14 to end the war and reopen the Strait of Hormuz has reduced the most acute tail risks, and markets responded accordingly. Equities surged while oil prices fell to their lowest point in three months. But the deal remains unsigned, and the path to full normalization is long. For PE, the implications are more limited than the other headwinds, but the unresolved timeline keeps uncertainty at the forefront for some sponsors.

As in 2025, we hold the view that these headwinds can present opportunities for disciplined sponsors, and, as clarity has gradually improved since the start of Q2, we expect a measured recovery throughout the remainder of the year. Sponsors have navigated the global financial crisis (GFC), COVID-19, and the rate shock of 2022 to 2023. The current cycle, for all its complexity, is unlikely to prove the exception.

Our other outlook reports from December 2025 cover [US VC](#), [EMEA private capital](#), [APAC private capital](#), [healthcare, AI](#), and [industry PE](#).

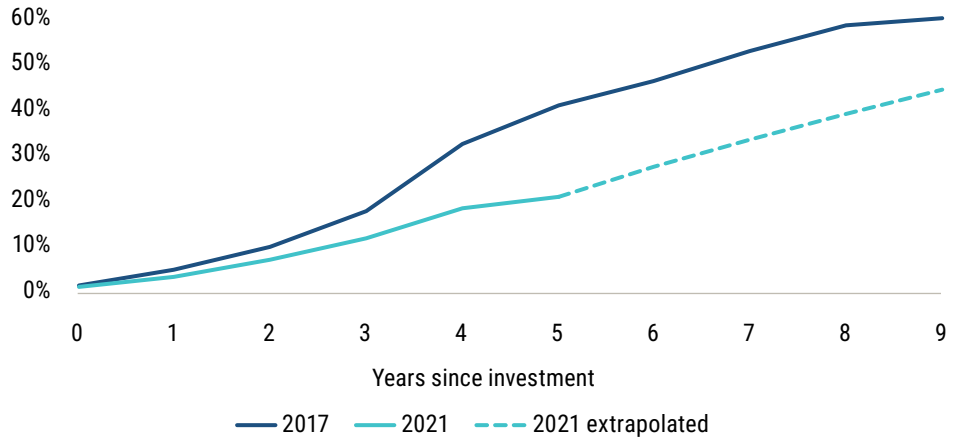


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OUTLOOK

PE assets nearing maturity will exit at a slower pace than five years ago.

Share of LBOs exited (2017 cohort versus 2021 cohort)



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

Rationale from December 2025

PE exit activity continued its upward trajectory in 2025, with 1,476 exits for an aggregate of \$661.1 billion, including estimates. Exit value improved more rapidly than exit count, but the growth in exit count was especially welcomed, as exit recovery needed to broaden out to clear out the backlog of PE-backed assets. And the inventory of PE companies was indeed getting larger and older. The median age of still-held PE assets trended higher from 3 years in 2022 to 4 years in 2025 as PE firms held on to their portfolio companies for longer while exit activity stalled. While a smaller group of assets secured exits at attractive prices, the majority of those that remained continued to age. Although the PE inventory started to cycle faster, the pileup of PE-backed assets nearing maturity was expected to remain a burden on the PE industry.

We examined various cohorts of US buyout deals and their pace of exits over time. One was the group of PE deals closed in 2017, which encountered the exit slowdown of 2023 in their sixth year since investment—a prime time to explore monetization paths. In 2025, the 2017 cohort was well into the late stage of the maturity timeline, and it entered its ninth year since investment in 2026. Compared with cohorts that have gone through a full 10-year cycle, the 2017 group had fallen behind; nearing the end of year eight, 37.1% of the 2017 cohort remained held by their PE firms, while just 26.4% of the 2012 cohort remained after the same duration. This indicated that assets that matured during a market downturn were indeed harder to exit, with the delay in monetization adding to the PE inventory.



Midyear update: Outlook is tracking as expected.

Exit count rose for the second consecutive year in 2025, climbing 8.2% YoY after a modest 4.4% in 2024. Still, the US PE market has a long way to go before aging assets meaningfully clear out of the PE ecosystem. Numerous macroeconomic headwinds beginning in 2026 made it difficult to sustain the exit activity momentum seen in the second half of 2025, and both exit count and exit value declined QoQ in Q1 2026. The magnitude of the QoQ decline reflects the outsized strength of Q4 2025 rather than further deterioration in exit conditions, but Q1 exit activity was nonetheless disproportionately concentrated in mega-exits—transactions of \$1 billion or greater—rather than broad-based asset turnover.

As of Q1 2026, the US PE inventory has grown to 13,325 companies from around 12,900 companies in Q3 2025. This translates to over a 10.8-year inventory at the annualized pace of exits seen in Q1. Breaking the inventory down by age buckets, 26.9% of current PE-backed assets are 7 years or older, which is a slight improvement from the 30% seen in the middle of Q4 2025. 34.1% of assets are in the early stages of maturity at 4 to 6 years old, also a slight decrease from the 37% previously calculated. Still, greater acceleration in exits is needed to make up for lost time and to effectively address the cohort of assets acquired at a frenzied pace and higher valuations during the post-pandemic dealmaking boom.

US buyout deal cohorts reveal continuing pressure on PE exit timelines. The 2017 cohort remains behind historical norms—33% of 2017 deals are still held by their PE sponsors, compared with 26.4% of the 2012 cohort at the same stage of maturity. The 2017 cohort is a telling case study: Portfolio companies that hit their prime monetization window during a broad market slowdown struggle to move past the resulting delays in exit activity. The macroeconomic environment compounded that challenge in several ways. Higher borrowing costs increased the cost of acquisition financing for both strategic and sponsor buyers, shrinking the pool of willing acquirers and further widening the gap between seller expectations and buyer willingness to pay. Tariff uncertainty layered on top of that dynamic by making forward earnings projections harder to underwrite, introducing additional friction into deal processes that were already slow.

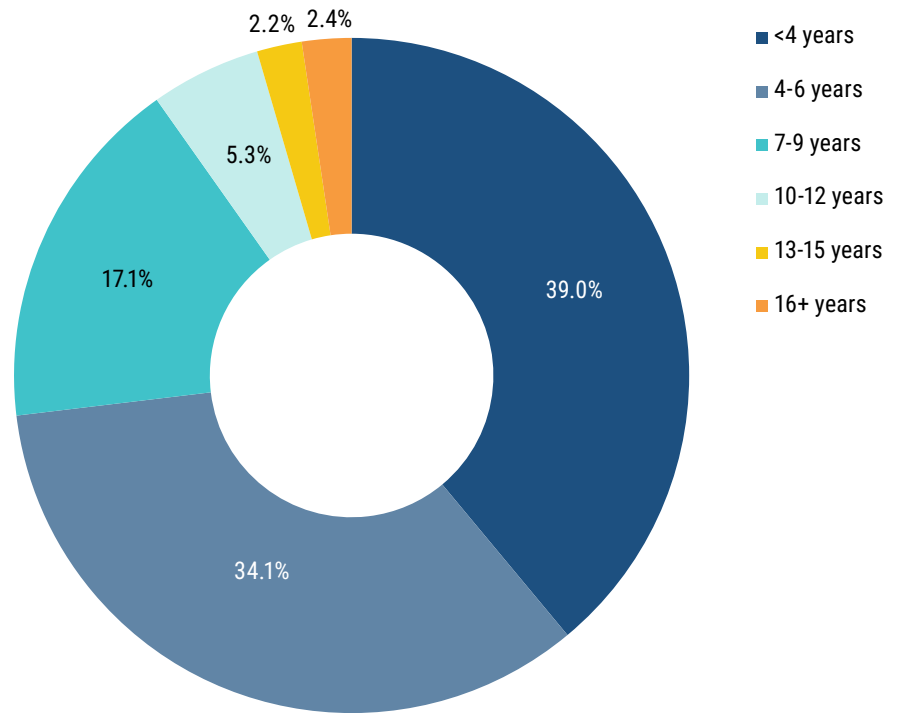
The problem looks likely to intensify as a new wave of assets approaches maturity. The 2021 vintage, which was a record year for dealmaking, is exiting at a worse pace than previous cohorts. Just 18% of that cohort has been monetized four years on, versus 31.9% of the 2017 group at the equivalent point. That divergence is striking, and the forward-looking picture is equally sobering. When extrapolating the exit rate observed in 2025 across the remainder of a full 10-year investment cycle, less than half of 2021 assets would be wound down by the time that horizon is reached.

This represents a grim base case if exit activity holds flat rather than improving further. The extrapolation is a simplification, applying a uniform annual exit rate without accounting for the tendency of more mature portfolio companies to exit at a faster pace. But it illustrates the scale of the challenge. To clear the inventory accumulated during the peak dealmaking years, exit activity will need to accelerate meaningfully



from current levels. For exit momentum to return in earnest, a few conditions will likely need to align. Further rate cuts would ease acquisition financing costs and support public market valuations, reopening the IPO window more meaningfully for larger assets. Resolution—or at least stabilization—of tariff and geopolitical uncertainty would narrow bid-ask spreads by giving buyers greater confidence in forward earnings projections. None of these conditions are out of reach, but they are unlikely to arrive simultaneously, which is why the inventory clearance is expected to be gradual rather than a sharp snapback. Taken together, the data from the 2017 and 2021 cohorts paints a picture of a PE market still working through the consequences of a prolonged exit drought, with a large cohort of assets from a record vintage adding further weight to an already strained pipeline. How quickly sponsors can navigate that backlog, and whether market conditions cooperate, will shape return profiles and fundraising dynamics across the industry for years to come.

Share of PE-backed inventory by deal year



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

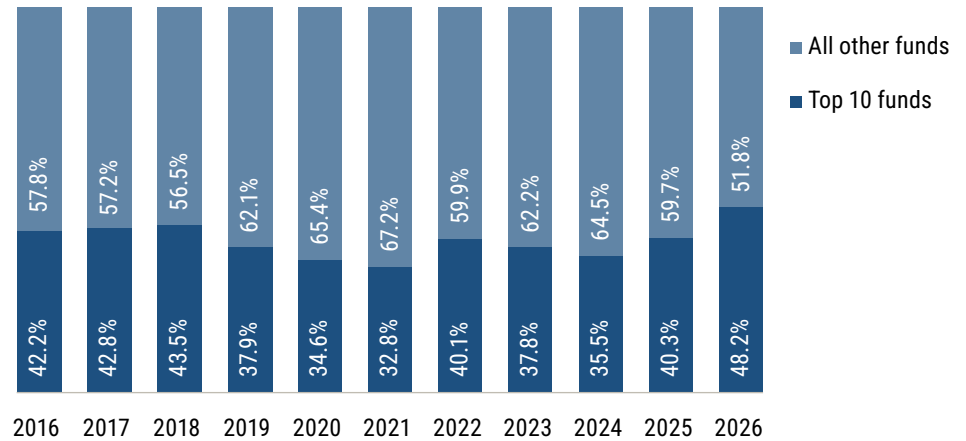


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OUTLOOK

PE manager consolidation will drive the top 10 funds to capture over 40% of PE fundraising capital.

Share of capital concentration by top 10 and all other funds



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

Rationale from December 2025

The US PE fundraising environment remained subdued as weak exit activity and slowed distributions to LPs disrupted the capital formation process. As a result, capital increasingly consolidated into the hands of the larger, more established PE firms. With less capital available to allocate, many LPs chose to commit to fewer managers that could offer a broader range of investment strategies and provide operational scale.

Capital raised by the top 10 largest funds through Q3 2025 exceeded historical levels. The top 10 funds raised 45.7% of the capital raised by Q3 2025, up from 34.5% in full year 2024. The previous 10-year average was 39% for the top 10 funds, with the five-year average even lower at 36.2%. The largest funds' share of total capital was rising because while their fund sizes remained consistent or grew larger, the remaining capital raised decreased. While megafirms were not completely immune to broader fundraising challenges, relative to the rest of the PE market, the largest funds were more successful at maintaining their size and were therefore capturing a larger share of PE fundraising capital.

Another way to observe manager consolidation is through capital concentration in experienced managers versus emerging managers—those with three or fewer funds. 61% of the capital raised in the first three quarters of 2025 was raised by firms with more than 10 funds under their belt. This disproportionate flow of capital is more apparent when compared with the number of funds raised. Although nearly half of the funds raised were by PE firms with fewer than four funds under management, capital concentration remained with the larger firms.



Midyear update: Outlook is tracking as expected.

Capital concentration trends that were apparent in 2025 have carried over into 2026, with the number of funds growing more slowly than the capital raised. US PE fundraising is projected to come close to or fall slightly below the levels seen in 2025, which would mark three consecutive years of decline. At its current run rate, yearly fundraising is pacing to fall below even pre-pandemic levels both in fund count and capital raised. More importantly, however, the PE industry is not facing fundraising challenges equally.

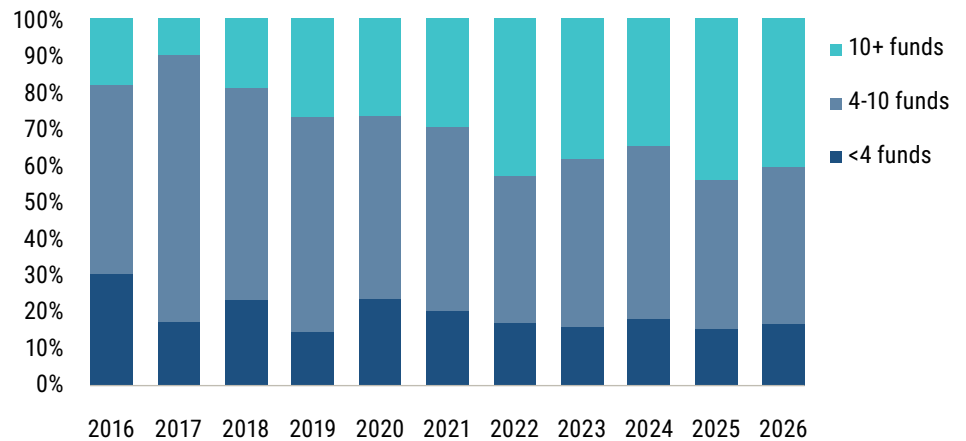
The largest funds in the US PE market continue to command a disproportionate share of capital. In 2025, the top 10 funds captured 40.3% of total US fundraising, up from the previous five-year average of 36.2%. This trend continued into the first five months of 2026, with the top 10 funds accounting for 48.2% of total capital raised. Although the top 10 funds' share of total capital raised smoothed from 45.7% in Q3 2025 to 40.3% by the end of the year, the high concentration of capital into the largest funds in the first five months of 2026 aligns with our expectation of continued consolidation of capital. Total fundraising activity continues to stall, while the largest funds are taking an even larger share of a shrinking fundraising pie. The top five funds account for 34.6% of this year's fundraising through May, up from 29% in 2025 and the highest level in the past 10 years. The top three funds have made up over a quarter of the year's fundraising so far. Greater capital concentration is partly driven by larger funds' relative strength in securing capital, while the rest of the PE market lags. Aggregate capital raised by the top funds has declined YoY—the largest 10 funds raised \$65.5 billion through the end of May compared with \$119.3 billion in full-year 2025—but remains increasingly outsized relative to the rest of the market. And more megafund closes are trickling in this year. Advent International GPE XI is nearing a final close of its \$26 billion target, and Clearlake Capital recently closed on \$14.8 billion for Fund VIII, which would boost the YTD capital raised from the 10 largest funds to \$100 billion.

This trend is also visible in fundraising activity between experienced and emerging managers. Although experienced managers are expected to raise a greater share of overall PE capital due to proven track records and established LP relationships, their share of capital has been trending higher over the past five years. Through May, experienced managers have raised 87.3% of 2026 capital, up from the previous five-year average of 86.8% and 10-year average of 85.7%. Going one layer deeper, 40.3% of capital raised YTD has been raised by firms with over 10 PE funds under their belt. This is above the previous five-year average of 37.8% and significantly higher than the pre-pandemic average of 18.6%. The accumulation of capital into fewer hands is also evident in the share of funds raised by these established PE shops; just 15.3% of funds closed through the end of May were raised by firms with more than 10 funds under management. First-time fundraises also continue to trend down. YTD, only 18 first-time funds have closed with \$6 billion in committed capital, compared with 24 funds and \$5.4 billion in committed capital in H1 2025. 2026 first-time fund count decreased sharply from the peak seen during the fundraising heydays of 2021 to 2023 and fell below the pre-pandemic average. 2025 marked a new record low for first-time funds raised, and if fundraising activity continues at that pace, 2026 is likely to reach a new low.



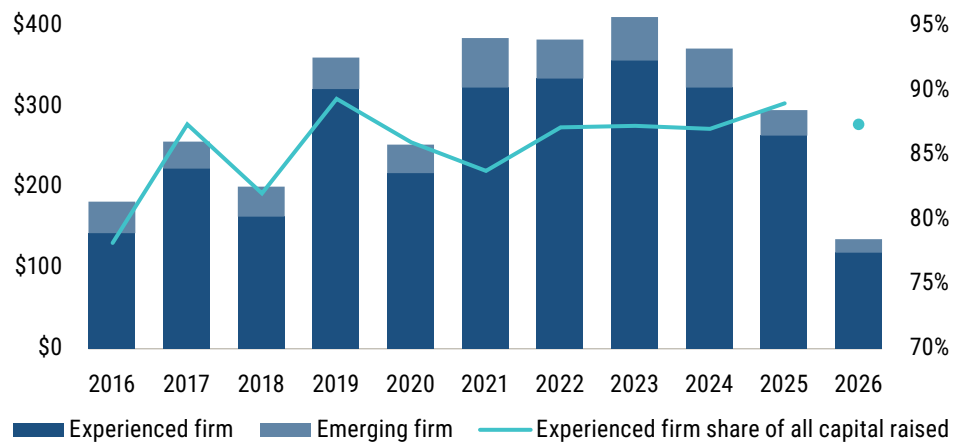
The consolidation of capital around larger funds suggests that the fundraising market is likely to be smaller and slower than the peak seen just a few years ago. Improving liquidity could spur greater capital diversification, but LPs with limited internal resources are likely to favor the larger multistrategy platforms that would allow them to manage fewer GP relationships and operational processes. Performance bifurcation will continue to impact where capital flows and may keep manager consolidation in check. Scale advantages have not translated consistently to higher performance, and outperformance by middle market funds over the past four quarters ending Q3 2025 may redirect some capital away from the largest players in the PE landscape.

Share of PE capital raised by PE firm fund count



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

Experienced versus emerging manager PE capital raised (\$M)



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



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OUTLOOK

Platform LBOs will see their share of total PE deal activity increase to 25% or more in 2026.

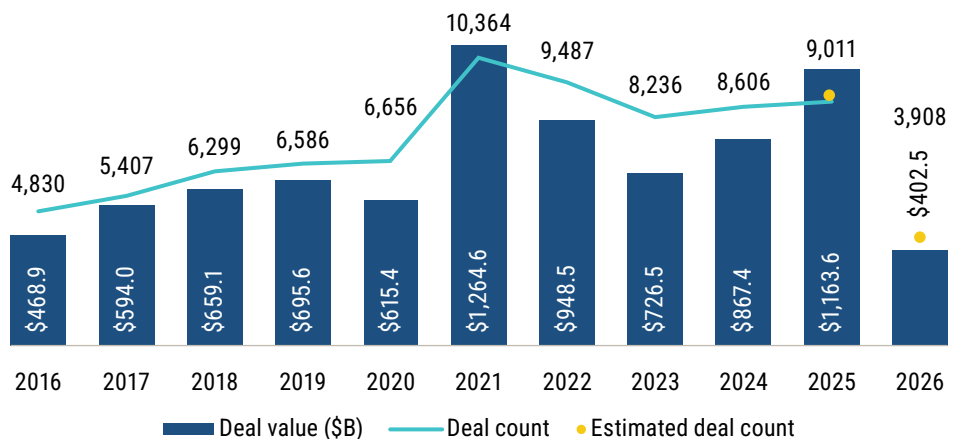
Rationale from December 2025

Dealmaking conditions improved throughout 2025. Driven by greater market clarity on tariff implications, coinciding with over \$1 trillion in PE dry powder, the stars began to align for sponsors to put capital to work at scale. This led to the second-best year ever for PE deployment, with more than 9,000 deals totaling nearly \$1.2 trillion, only trailing the 2021 peak. Moreover, platform LBOs accounted for \$656.8 billion of that nearly \$1.2 trillion in deal activity—the highest value figure since the 2021 peak.

Conversely, in 2022, 2023, and even to a certain degree, 2024, deal activity saw sponsors continue to commit capital to build out existing platform portfolio companies through add-ons and tap existing credit lines of active portfolio companies, rather than borrow in an environment marked by the highest rate hike cycle in more than 40 years. Similarly, more sponsors opted to focus on growth equity transactions, as the equity-only checks made the strategy more attractive, allowing them to invest in high-quality companies without being tethered to the higher borrowing costs required for platform LBOs.

As market conditions steadily improved, more platform LBOs took place. With private credit operating at full strength and the broadly syndicated loan market regaining momentum, competition intensified—driving new-issue loan spreads to their lowest levels since the GFC. The prolonged technical imbalance in the credit markets, paired with lower rates, gave sponsors more options to secure financing at more attractive terms than those seen in recent years. This allowed them to be more acquisitive and move back up market, which is where platform deals tend to occur.

PE deal activity



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



Midyear update: Outlook is not tracking as expected.

Similar to the start of 2025, 2026 entered the year with grand expectations, only to be derailed a couple of months in by new market headwinds: renewed tariff uncertainty, the SaaS-pocalypse, and the conflict in Iran. For the SaaS-pocalypse specifically, tech has been a sector that has seen healthy platform LBO activity in recent years, and with heightened uncertainty surrounding AI disruption in software—the largest subsector of IT—this reset in activity has been a key driver in sponsors' reluctance to move upmarket on platform transactions. For example, from 2021 through 2025, IT accounted for an average 30.4% of total platform LBO deal value. Through the end of May 2026, this figure has dropped significantly to only 12.7% of total platform LBO value. And while that figure could revert to the mean in the remainder of the year, this drop has, for the time being, impacted the overall deal types' ability to reach 25% of all deals.

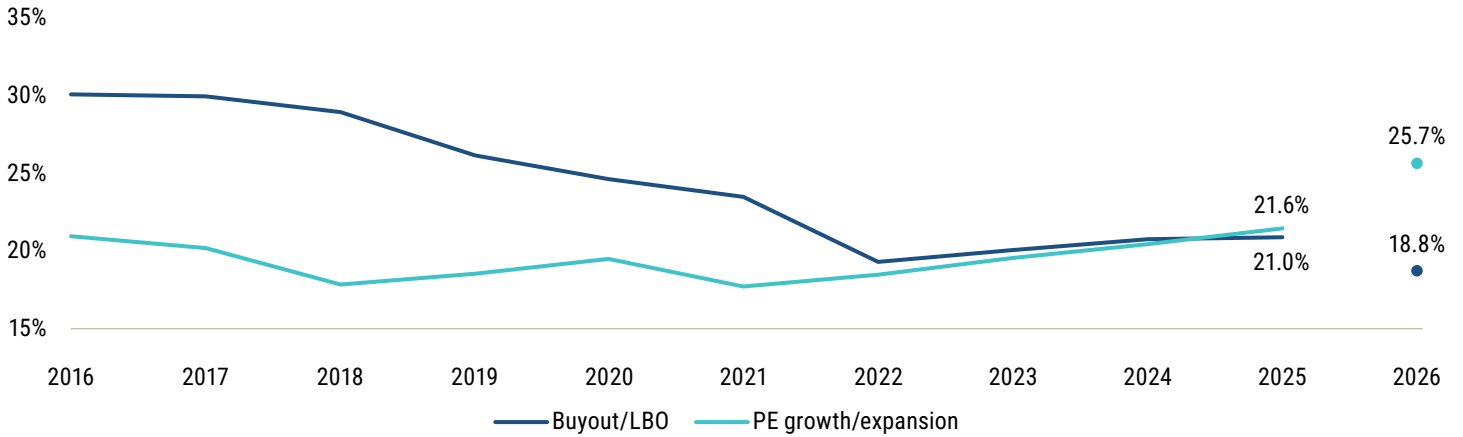
Despite these new challenges, US PE deal activity remains rather healthy, and we expect activity to improve throughout the year as sponsors gain greater clarity, similar to what we saw in 2025. In the meantime, sponsors have shifted the types of transactions getting done. There is still a healthy number of large platform LBOs, but unsurprisingly, there has been an uptick in add-on activity and growth equity transactions, with platform LBOs seeing their share of the PE deal mix drop from 21% at the end of 2025 to 18.8% through the end of May. Along these lines, add-on activity has seen its share of all buyout activity increase again, reaching 74.7% through the end of May—the highest point since 2023—as sponsors took a step back to focus on more digestible deals and leverage existing credit lines.

Another driver of this renewed caution and subsequent slowdown in platform LBOs is the tightening credit markets. Spreads have widened, meaning deals are once again more expensive to finance, which is particularly important for platform LBOs, as they tend to be some of the largest deals in the PE ecosystem. Higher borrowing costs, compounded by growing scrutiny of PE-backed portfolio company quality, have made sponsors more selective in the transactions they pursue. While these conditions can slowly abate in the coming months, the near-term impact they have on this outlook is noteworthy and will make it more challenging for platform LBOs to see their share of total PE deal activity increase.

While there is still a chance that this trend reverses in the back half of the year, the asset class would need to see a second half as strong as 2025. To see this reversal, sponsors will need better clarity around tariffs alongside the current conflict in Iran. PE's chances will continue to be aided by the more than \$1.1 trillion in dry powder sponsors have ready to deploy, particularly in larger deals (platform LBOs). Moreover, even if the outlook remains off pace for the remainder of the year, the base case for growth in platform LBOs remains and could take shape in 2027 and beyond.

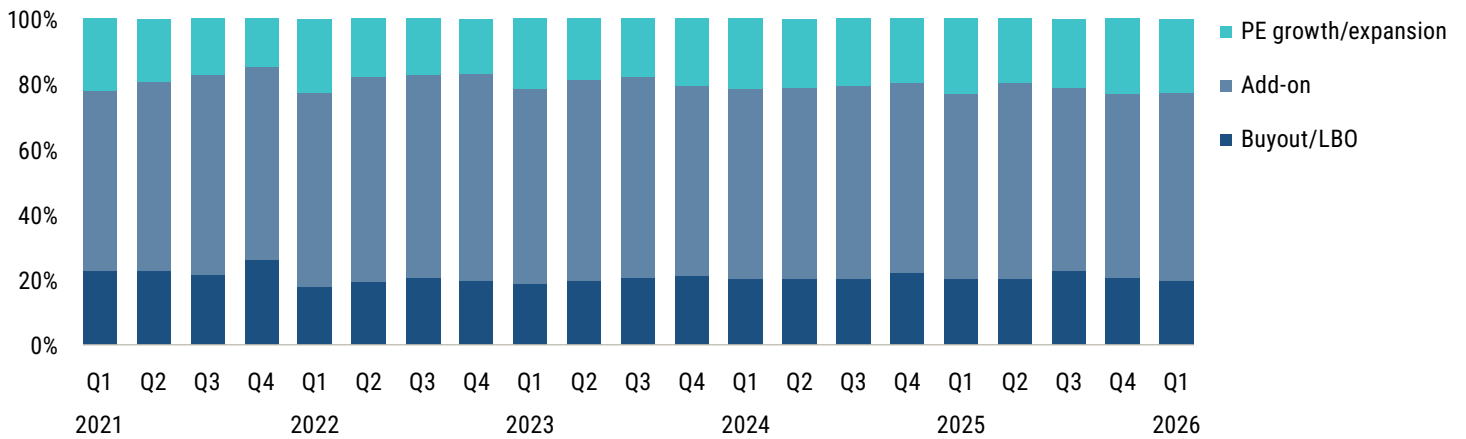


Platform LBO and growth equity deals as a share of all PE deals



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

Share of quarterly PE deal count by type



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



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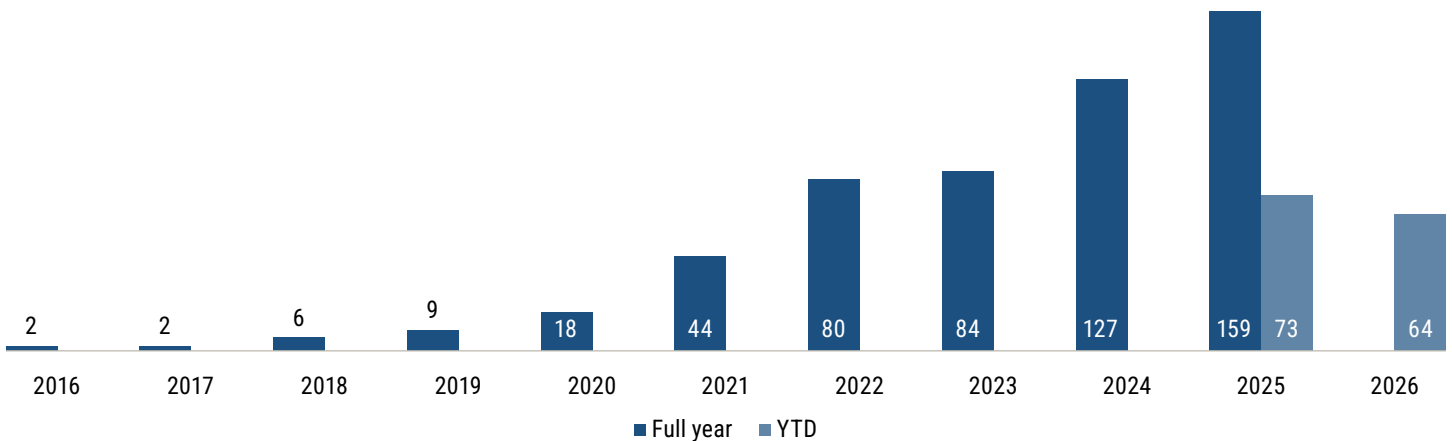
OUTLOOK

The number of continuation fund-related exits in 2026 will fall below the 2025 peak.

Continuation fund-related exits had become more common in the recent years preceding 2025 as traditional PE exit routes remained limited by higher interest rates, valuation gaps between buyers and sellers, and a frozen-shut IPO window. However, through 2025, market conditions shifted, and what was once considered market headwinds became tailwinds. Through the end of 2025, we tracked 159 continuation fund-related exits globally, surpassing the 127 seen in all of 2024 and setting yet another record for activity. These exits, when including extrapolated values for nondisclosed transactions, totaled \$98.2 billion, which was also a record. Continuation fund-related exits were not a sizable percentage of global PE exit activity, accounting for 8.1% of total exit value and 4.5% of total exit count through the end of 2025. Still, those percentages had risen exponentially in recent years and were unlikely to change significantly in the near term.

As these traditional PE exit lanes reopened at a heightened pace, the demand for alternative liquidity solutions, such as continuation funds, dividend recaps, or net asset value (NAV) loans, began to decline. That was not to say, however, that continuation fund-related exits would cease to see robust activity. Merely that 2025 would be the peak of such activity. We expected to see more than 100 such transactions in 2026, showcasing that activity for such solutions remained elevated, but would not see YoY growth. Instances would remain where continuation funds were the optimal solution for GPs that saw additional value creation opportunities within portfolio companies toward the end of their fund life. However, for the GPs that rolled assets into new vehicles for the sake of not exiting in an unfavorable environment, with the exit window opening back up and accelerating, that use case would be more limited in 2026.

PE GP-led secondary exit activity



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

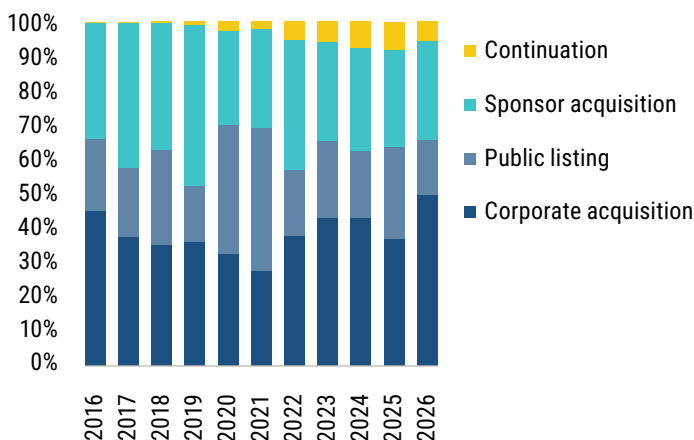


Midyear update: Outlook is tracking as expected.

Continuation fund-related exits remain healthy and active but have yet to match the record pace seen in 2025. Through the end of May, we have tracked 64 continuation fund-related exits globally, putting them below the pace needed to reach the 159 such exits tracked in 2025. Moreover, when looking at YTD activity, the 64 seen thus far are slightly below the 73 transactions recorded through the end of May 2025. Interestingly, while count is down, the mix of these continuation vehicles (CVs) has skewed toward multi-asset vehicles, indicating that some GPs are still opting to bundle assets rather than pursue outright exits. While the initial prediction said that 2026 would not see another year of record activity, we do still expect robust activity for continuation fund-related exits. To that end, continuation funds are here to stay, even if at a lower clip. The exit environment has changed, and part of that is the emergence of new liquidity avenues, including continuation funds.

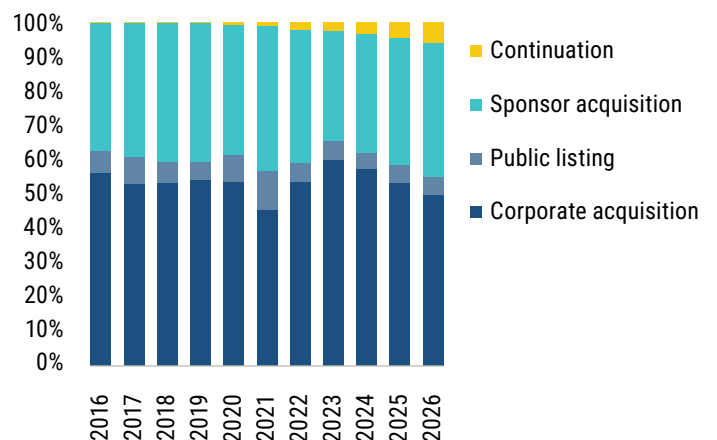
The year started with strong momentum in traditional exit routes, but, similar to last year, a wave of market uncertainty upended that momentum. The resulting lull in traditional PE exit activity, however, has not yet translated into increased continuation fund activity. If the uncertainty remains pronounced, this could lead to an uptick in continuation fund activity. The fact that this uptick has not yet occurred might suggest that sponsors are more willing to wait out the uncertainty than to crystallize at the current valuation through a secondary process. LPs continue to demand liquidity, yet that pressure has not translated into a meaningful uptick in CV activity either. This is partly a function of market dynamics, where in more volatile environments, secondary buyers tend to demand steeper discounts to NAV to compensate for the uncertainty and illiquidity they assume. For GPs that believe the current headwinds are temporary and their portfolio companies' fundamentals remain intact, accepting a discounted valuation through a secondary process is a difficult pill to swallow, making a wait-and-see approach the more attractive option. If the ecosystem continues to gain clarity, we will likely see a very similar trend to 2025, where traditional exit activity increased throughout the year, with significant activity in the back half.

Share of PE exit value by type



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

Share of PE exit count by type

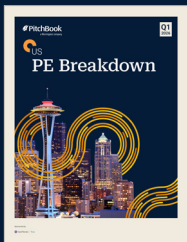


Source: PitchBook • Geography: Global • As of May 30, 2026



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