

 US

PE Breakdown



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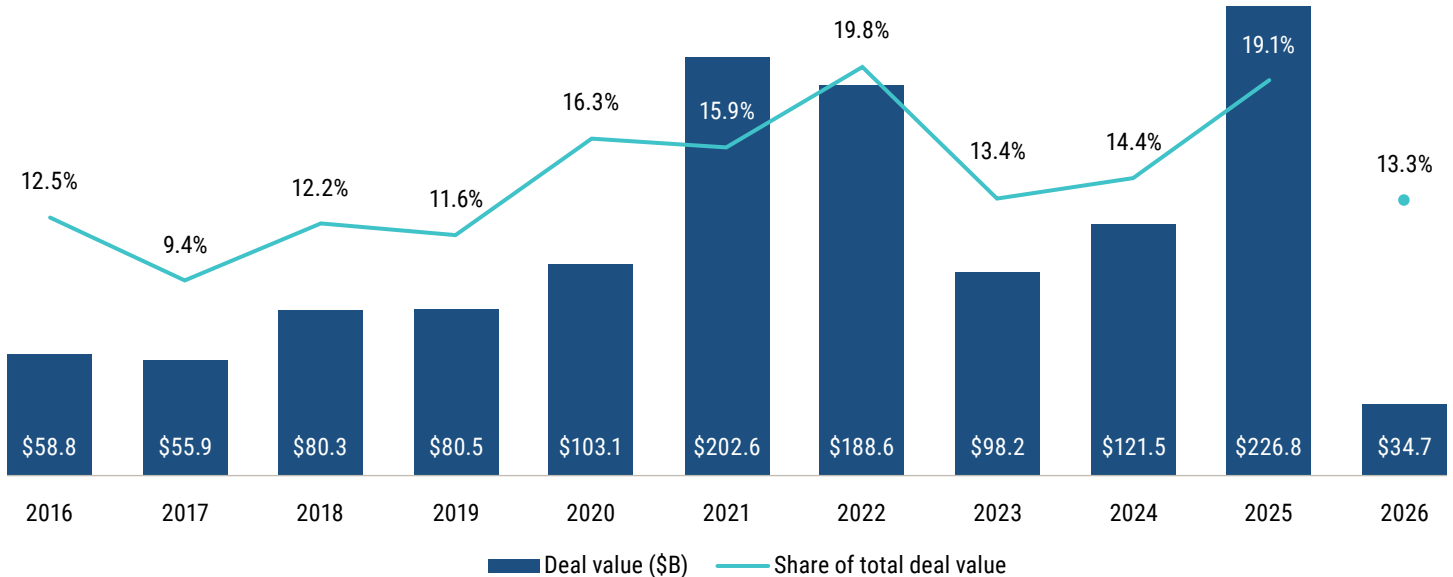
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EXECUTIVE SUMMARY

Software, spreads, and semi-liquids

PE software deployment as a share of PE deal value

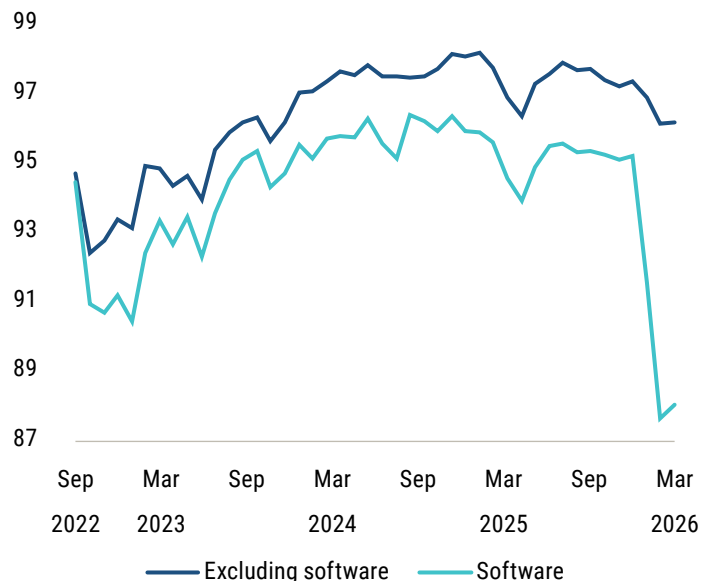


Source: PitchBook • Geography: US • As of March 31, 2026

The beginning of 2026 has defied the ambitious expectations that many had coming into the year. The declaration that AI has killed software triggered a sharp valuation reset, turmoil in private credit, and heavy selling of publicly traded alternative asset managers and their semi-liquid credit funds. However, to paraphrase Mark Twain, reports of the software sector’s death have been greatly exaggerated, at least according to leading PE investors. Yet while software businesses are still surviving, and many may indeed thrive in the AI era, the swirling uncertainty surrounding the future of the business model actively threatens its reign as PE’s go-to investment of the past decade. The implications of this shift are profound. We are now facing critical, open questions about where PE capital will be deployed going forward and, perhaps more urgently, what happens to the massive inventory of existing PE-backed software companies.

This is especially concerning given the [impending debt maturity wall](#) looming over assets acquired at peak valuations in 2021, which now face a credit environment far less accommodating than what they have seen in recent years. For years, sponsors have demonstrated the inability, or lack of will, to exit these investments below their internal marks. Yet this stalemate may soon face a painful forcing mechanism.

Weighted average bid of leveraged loans



Source: PitchBook | LCD; Morningstar LSTA US Leveraged Loan Index Data • Geography: US As of March 27, 2026

Spreads across broadly syndicated loans (BSLs) have widened noticeably, up as much as 100 basis points since the beginning of the year with software bids falling off a cliff in 2026.

Simultaneously, the previously torrential inflows of retail capital into private credit have begun to slow and even reverse into net outflows for many funds. This combination suggests that the severe supply-and-demand imbalance of recent years, in the favor of borrowers, may finally be reverting to equilibrium, bringing selectivity to private credit for the first time in years.

As the ability to seamlessly refinance these aging capital structures becomes increasingly uncertain, sponsors will be forced into hard decisions, potentially breaking the valuation gridlock that has characterized the past several years. While this will likely be painful in the short term, we view it as positive for the industry in the long run as it goes through an overdue reset that sets the stage for future growth.

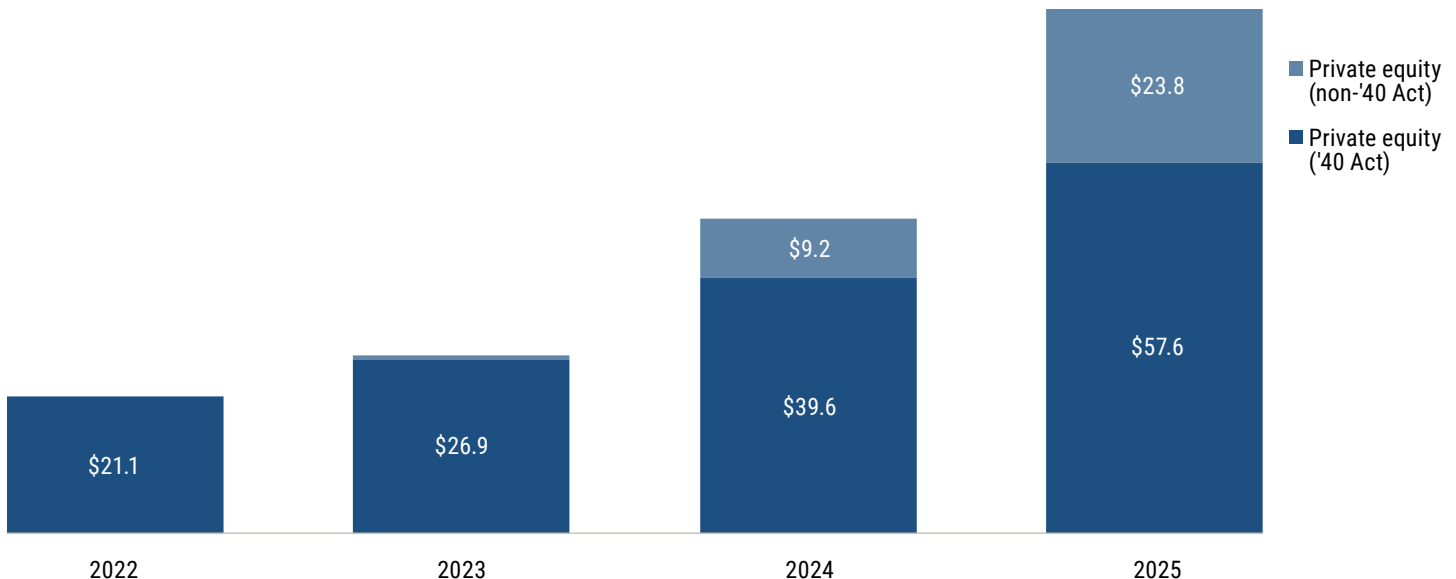
Yet as traditional exits slow and fundraising becomes more challenging, a less widely discussed change is occurring in PE. Amid the noise surrounding semi-liquid private credit, semi-liquid (or evergreen) PE has been quietly and rapidly scaling in the background, delivering a clear message: It is here to stay. The gravity of these vehicles is becoming impossible to ignore; net assets across interval and tender offer funds eclipsed \$57 billion in Q1. In addition, Blackstone’s BXPE and

KKR’s K-SERIES flagship semi-liquid PE funds are currently exceeding or nearing \$20 billion in NAV each, putting them on a path to eclipse the size of their latest flagship buyout funds in the coming years.¹ Fundraising momentum does not seem to be slowing either, with approximately \$1.5 billion in aggregate flowing into these two fund programs alone in February.

But as we have witnessed in other “democratized” private asset classes, this explosive growth comes with structural baggage. A distinct lack of transparency will inevitably generate heightened scrutiny regarding what exactly these funds hold and their valuation practices. Furthermore, this dynamic poses serious questions for traditional institutional LPs, who are waking up to a new reality where their long-time GP relationships suddenly have conflicting priorities for deal flow and co-investments, raising questions about whose interests the fund managers are aligned with.

This is why allocators, GPs, and service providers must improve their understanding of this sea change and adapt their behaviors accordingly. At PitchBook and Morningstar, we are committed to covering this space in depth and will link to our existing research throughout this report.

Evergreen PE AUM (\$B)



Source: Morningstar and PitchBook • Geography: US

Note: Data was aggregated on April 10, 2026. The most recent dates of the disclosure documents range from June 30 to December 31, 2025.

1: The NAV & Fundraising referenced above includes US and offshore programs for Blackstone and KKR and is in addition to the traditional evergreen net assets figures elsewhere in the report. BXPE is structured as a private fund, exempt from '40 Act registration. K PEC is not structured as an investment company but rather as a conglomerate: a holding company operating and controlling portfolio companies. Morningstar and PitchBook are working to incorporate these structures into our evergreens dataset in the coming quarters.

A WORD FROM GRANT THORNTON STAX

The market is open—but the bar has never been higher

The M&A market is open and active. At Grant Thornton Stax, we are seeing increased deal flow, processes continuing to move forward, and capital remaining available. However, this is not a forgiving environment despite these signals.

Market participants describe the current state as active yet complicated, being shaped by volatility and heightened scrutiny from buyers, as well as asset-specific challenges. While more deals are coming to market, fewer are advancing through investment committees (ICs) without friction. The standard for approval has risen, and skepticism is more pronounced.

For sellers, the implication is that preparation is no longer optional. The ability to clearly articulate a defensible story and support it with evidence is now a decisive factor in getting a deal done.

The new buyer mindset

ICs today are more skeptical than at any point in recent memory. The internal checklist for approving a new platform investment continues expanding with deeper diligence to vet downside risk in addition to growth potential.

In a five-year hold model where multiple expansion is uncertain, early performance carries disproportionate weight. Buyers are highly focused on getting the first two years right and reducing the risk of early underperformance that can derail returns.

Compounding this caution is the reality that the past five years have been an atypical—and potentially misleading—benchmark. COVID-19 disruption, inflation-driven pricing shifts, supply chain shocks, backlog distortions, and tariff-related margin swings have all affected performance. As a result, buyers increasingly require segmented financial views separating pre-COVID-19 results, the surge years of 2021 to 2022, and the more normalized environment of 2023 to 2025. This is all to establish a credible baseline rooted in current operating reality and its durability.

Biggest buyer question: “What is the floor?”

Buyers are no longer underwriting primarily to upside scenarios, but rather underwriting downside and resilience. ICs are now explicitly modeling multiple downside scenarios, testing not only how quickly earnings can grow, but how far they could fall. The conversation has shifted from growth potential to resilience if conditions soften.

**Roy Lockhart****Partner, Grant Thornton Stax**

Roy is a partner with over 15 years of experience advising clients across the private equity investment ecosystem.

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With limited expectations for multiple expansion, buyers assume that exit multiples may compress modestly, placing greater emphasis on earnings stability and growth. If EBITDA fails to grow meaningfully or declines, achieving return targets becomes challenging.

In practical terms, buyers want answers to three questions:

- How low can earnings realistically decline?
- What happens if demand normalizes or resets again?
- What happens when pricing stabilizes and inflation tailwinds fade?

Establishing a credible floor is now as important as presenting a growth thesis.

Sell-side diligence as a value-creation tool*Market studies*

Commercial diligence has evolved beyond static market snapshots. Buyers are less interested in point-in-time growth rates and more focused on trajectory and durability. Forward-looking analysis must demonstrate where the business is heading, not just where it has been.

Customer exposure analysis is critical, identifying cyclical, end-market concentration, and sensitivity to macroeconomic variables. Equally important is balanced scenario planning. Rather than presenting only an aggressive upside case, sophisticated sellers now outline base, downside, and recession scenarios, demonstrating credibility and command of the narrative.

The goal is to help the next buyer underwrite the future state of the business, not simply validate historical performance.

Quality of Earnings (QoE)/financial diligence

On the financial side, credibility hinges on thoughtfully normalizing the disruption of recent years. This requires clearly separating:

- True volume growth
- Inflation-driven price increases
- Temporary backlog releases
- Tariff-related cost and margin shifts

QoE analysis now focuses on quantifying operational improvements and pro forma earnings power rather than relying on blended historical averages. Preparation timing matters. The strongest processes begin sell-side preparation well before launch, allowing time to refine adjustments and align advisors around a cohesive narrative.

Tariffs, pricing, and the proof requirement

In the current environment, buyers rarely credit projected price increases or margin expansion unless already demonstrated. Credibility comes from evidence, ideally at the transaction level. Buyers want to see:

- Historical price changes tied to volume
- Proof that volumes held after increases
- Clear margin flow-through across the value chain

Data quality has become a key differentiator. Companies without robust key performance indicators or transaction-level reporting face steeper diligence friction as buyers test pricing power and margin durability. A central question remains: When pricing stabilizes, who retains the incremental margins? Clear positioning within the value chain is critical.

Valuation disconnect and no easy exits

Despite improving deal flow, valuation gaps persist. Founders and sponsors often anchor to peak-multiple years, while buyers underwrite in a market shaped by multiple compression and, in some cases, flat EBITDA across 2024 and 2025.

Sponsors who entered at elevated multiples may now require significant EBITDA growth just to meet return targets. As a result, straightforward exits are mostly limited to businesses with strong secular growth or strategic demand, while more cyclical stories face a narrower buyer pool.

What drives successful outcomes?

Certain themes consistently differentiate successful processes:

- Exposure to clear secular tailwinds and noncyclical demand
- A credible, defensible base case
- Management teams that can articulate the business with depth and clarity
- Early advisor alignment around a unified narrative

Sectors tied to durable infrastructure, data centers, water, and other structurally supported markets continue to attract stronger underwriting conviction. For others, sustained interest requires sharper positioning and stronger proof points.

The buyer funnel remains active, but selectivity is high.

The North Star framework

Successful sellers increasingly begin with a clear narrative, then work backward to define:

- How the market should be framed
- What financial adjustments are defensible
- What proof points must be assembled in advance

Growth strategies built on future products or unproven capabilities are harder to underwrite today. ICs are placing a greater emphasis on evidence and clarity. In many cases, taking additional time before launch improves outcomes, as focus and coherence matter more than ever.

Conclusion

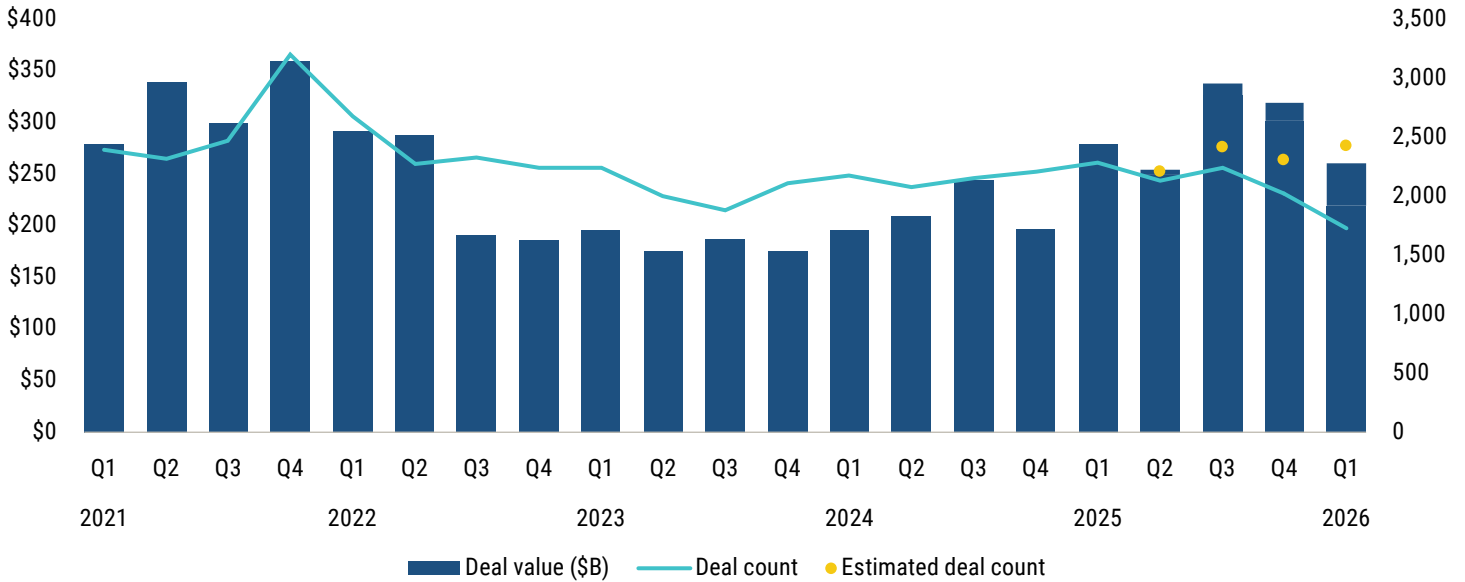
The M&A market is functioning, and deals are getting done, but success increasingly favors investors with preparation, precision, and proof.

ICs are more analytical and discerning than ever, underwriting downside scenarios as rigorously as upside. Historical performance must be unpacked, pricing power proven, and earnings durability defended.

In this market, the difference between interest and execution often comes down to one factor: whether the story is backed by data that withstands scrutiny.

Deals

PE deal activity by quarter



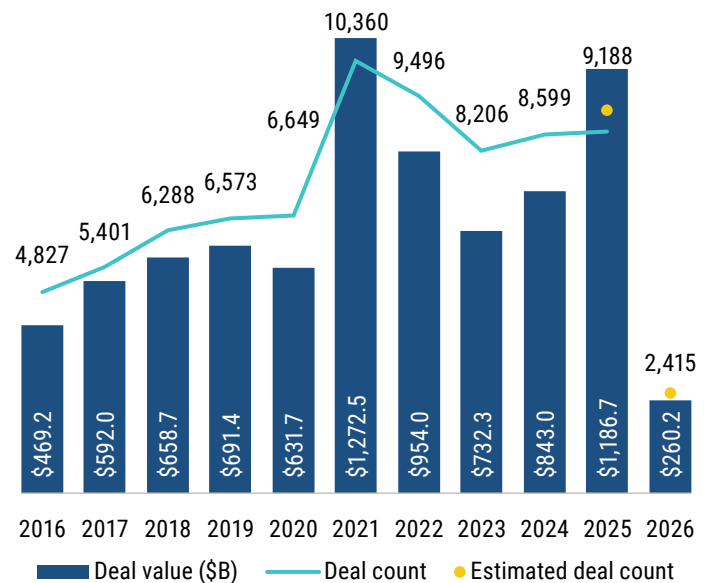
Source: PitchBook • Geography: US • As of March 31, 2026

Overview: More deals in Q1, less capital

Q1 2026 closed with 2,415 announced and estimated transactions, up 4.8% QoQ and 6.2% YoY. Aggregate deal value told a different story, settling at \$260.2 billion (including estimates for late-reporting and undisclosed values), an 18.3% QoQ pullback and a 6.7% YoY decline. The divergence is the signal: PE dealmakers shifted down-market, deploying less capital across more deals. On its own, that is not cause for alarm. But the composition of the quarter, and the forces shaping it, warrant careful attention.

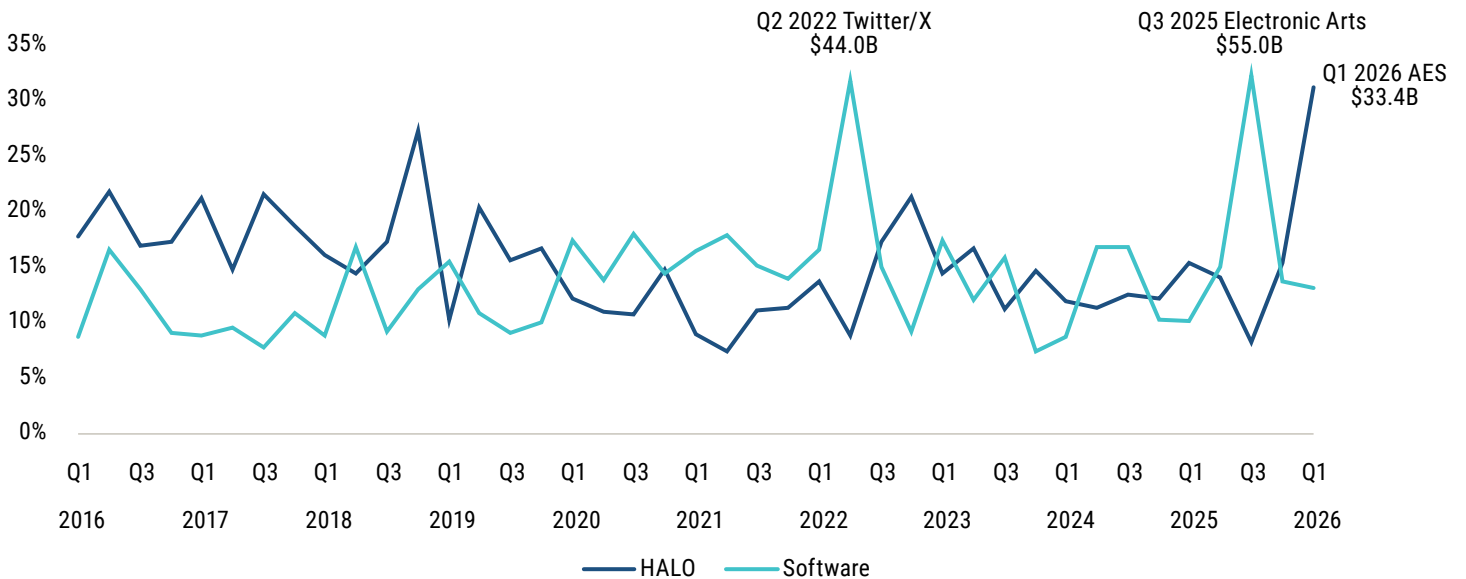
The dominant theme is risk repricing. Recession odds, as reflected in prediction markets, averaged 23.5% through the first two months of Q1, then spiked to 37% following the onset of the Iran conflict and held around 35% in March. Concurrently, the AI disruption risk crystallizing across the software sector, colloquially the "SaaS-pocalypse," has reordered dealmaker priorities in ways this report addresses directly. This section analyzes the two key dynamics of the quarter: the rotation of capital toward HALO assets and the sharp pullback in software deal activity.

PE deal activity



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

HALO versus software as a share of PE deal value (\$B)



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

The macro overhang: Energy, inflation, and rates

The economic backdrop for the balance of 2026 spans a wide range of outcomes, and the Iran conflict is the dominant variable. Energy prices are already transmitting through the economy. US gasoline prices are up 27.2% YoY, highway diesel is up 50.7% YoY, and jet fuel leads the group at 78.8% YoY, according to the US EIA. These are not rounding errors. Fuel surcharges are returning across logistics and freight. Air travel, lodging, and leisure face a direct hit from jet fuel costs.

The Fed's posture has shifted accordingly. FOMC members' inflation projections in the March 2026 notes are now centered around 2.8%, with dispersion extending to 3.3%–3.4% at the upper bound. That compares to December 2025 projections centered around 2.3%–2.4%, with an upper bound of 2.7%–2.8%. The market has done the math. Futures now price fed funds at 3.5%–3.65% at year-end 2026 and 3.4%–3.5% at year-end 2027, 45 to 50 basis points higher than where they were priced at the start of the year. Rates are higher for longer, and the buyout math gets harder as a result.

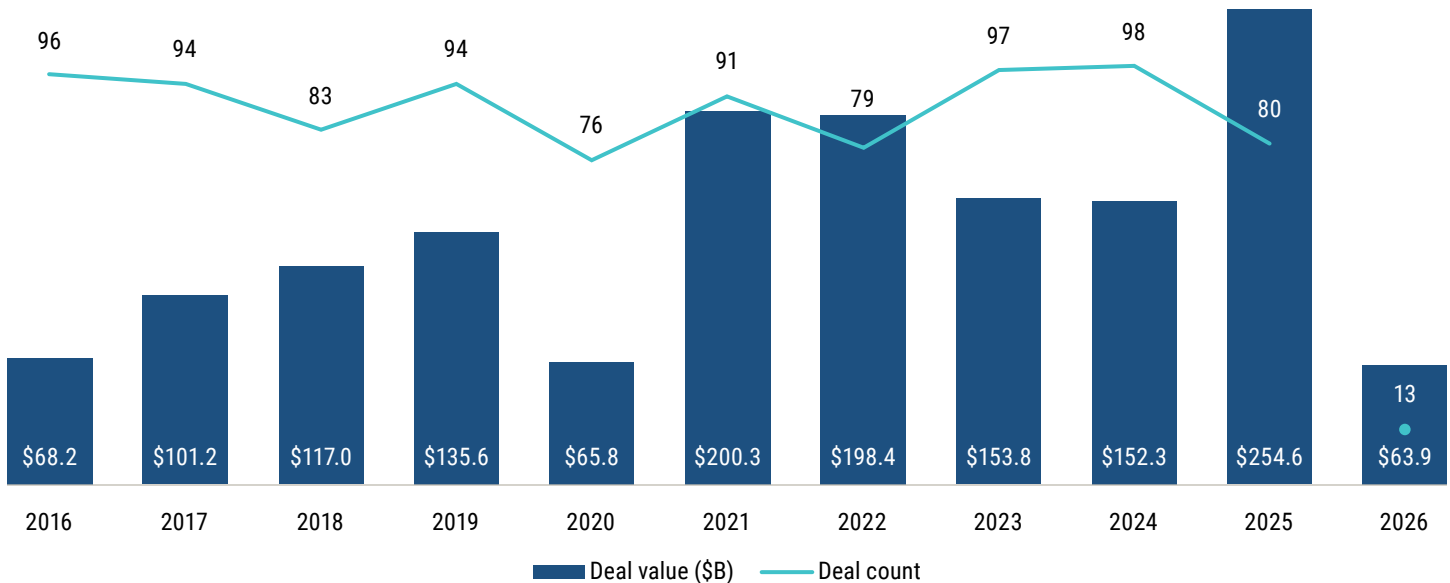
The valuation gap risk

The conditions are in place for the buyer-seller valuation gap to re-emerge. Sellers anchored to pre-conflict valuations will likely wait for energy prices and inflation concerns to recede rather than offering discounts. Buyers, meanwhile, face wider credit spreads, a forward rate curve that has shifted up materially, and an added incentive to hold capital in reserve while geopolitical risk is unresolved. If both sides dig in, deal flow slows.

The hottest debate in public markets right now is not whether AI will disrupt software but how much, how fast, and who is left standing. In search of shelter, investors have rotated toward what has come to be called the "HALO" trade: Heavy Assets, Low Obsolescence, a term coined by Josh Brown, CEO of Ritholtz Wealth Management.² The thesis is straightforward. Companies built on transmission grids, pipelines, utilities, transport infrastructure, and long-cycle industrial capacity own assets that are costly to replicate, slow to depreciate, and largely indifferent to whether the next AI model ships in six months or six weeks. These same companies stand to benefit

2: Josh Brown, CEO of Ritholtz Wealth Management, coined the HALO framework in early February 2026. "The Most Important Investing Theme of 2026 Is HALO," Josh Brown, Downtown Josh Brown, February 8, 2026.

PE take-private deal activity



Source: PitchBook • Geography: North America and Europe • As of March 31, 2026

from AI on the cost side, as robotics and smart monitoring systems reduce labor expenses and increase uptime. Private market investors have been active in these categories for years and are positioned to lean in further.

To quantify the shift, we screened over 82,000 PE deals from Q1 2016 through Q1 2026 across seven top-level sector categories, filtering for 40 HALO subsectors spanning energy, materials, chemicals, heavy industrials, and primary production assets. (Definitions are in the appendix.) What emerged was a decade-long pattern hiding in plain sight. From 2016 through 2024, HALO deals accounted for a steady 10% to 15% of PE deal count and roughly 14% of capital deployed: consistent, underloved, and largely unremarked upon as software commanded the headlines and the multiples. Then came the inflection. In Q1 2026, HALO captured 31.2% of all PE capital deployed in a single quarter, driven by large take-private activity in hard asset sectors, even as software posted an unexpectedly robust value share from several mega-deals announced before the SaaS valuation reset took hold.

The Q1 2026 figures were anchored by the \$33.4 billion AES take-private, and 31.2% is not a new run rate. Nor does the software value strength in the same period reflect genuine conviction in the sector; it reflects deals announced in the first week of January, before the repricing began, and the financing on those will be worth watching. But neither caveat changes the directional conclusion. After a decade of quiet consistency,

HALO capital deployment is accelerating at precisely the moment the public markets framework that names it goes mainstream. Private market investors have been here for a decade. We expect them to be more aggressive this year.

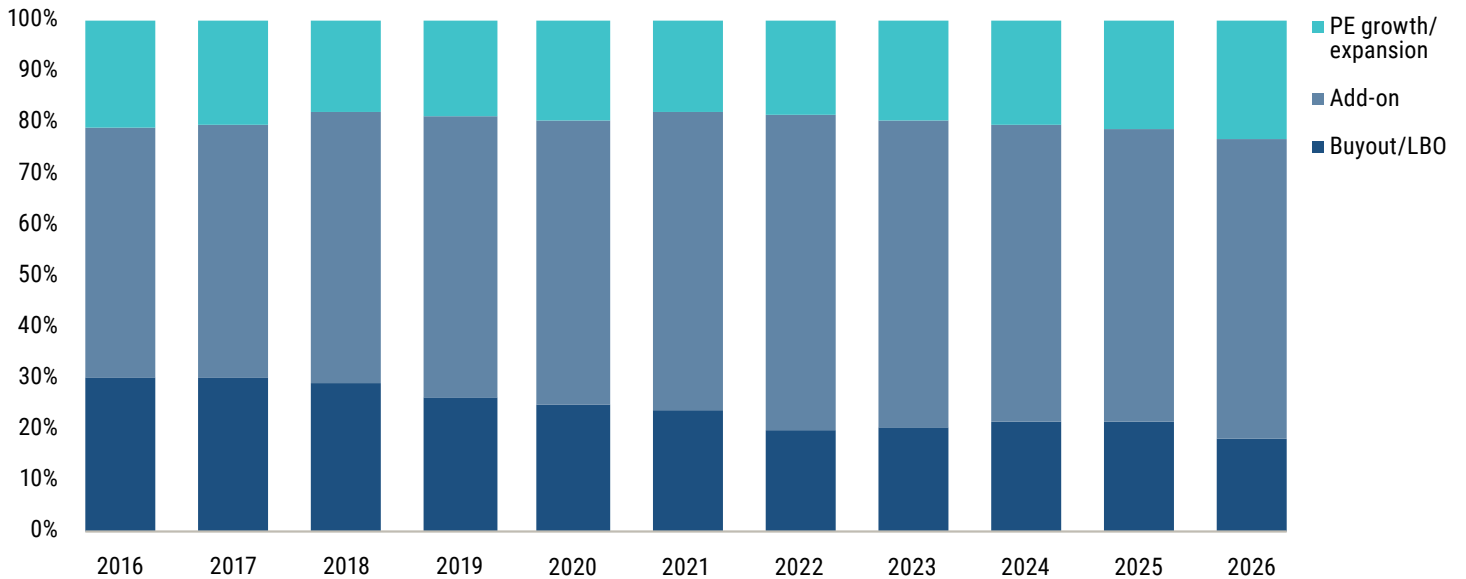
Take-privates: Is there a “buying opportunity” for software?

PE take-private activity was robust in Q1 2026, as value rose to \$64.3 billion, up 13.0% QoQ and 53.3% YoY, even as deal count fell to 13 from 14 last quarter. GPs stepped up to larger-scale transactions, with average deal size expanding considerably, and HALO sectors drove a meaningful share of that capital.

The three standout transactions of the quarter reflect those themes in concentrated form. The largest, by a considerable margin, was the \$33.4 billion public-to-private LBO of AES Corporation, the global power company operating across 15 countries with over 32 gigawatts of generation capacity, announced on March 6, 2026. EQT and Global Infrastructure Partners led the transaction, with co-investment from the Qatar Investment Authority and CalPERS. The deal is the clearest single expression of the HALO trade this quarter: a hard-asset, capital-intensive utility with irreplaceable infrastructure, acquired by some of the world’s largest infrastructure-focused capital pools.

The second transaction of note was Apollo Global Management’s announced \$6.2 billion take-private of Clear Channel Outdoor Holdings, alongside Mubadala Capital and TWG Global, with the

Share of PE deal count by type



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

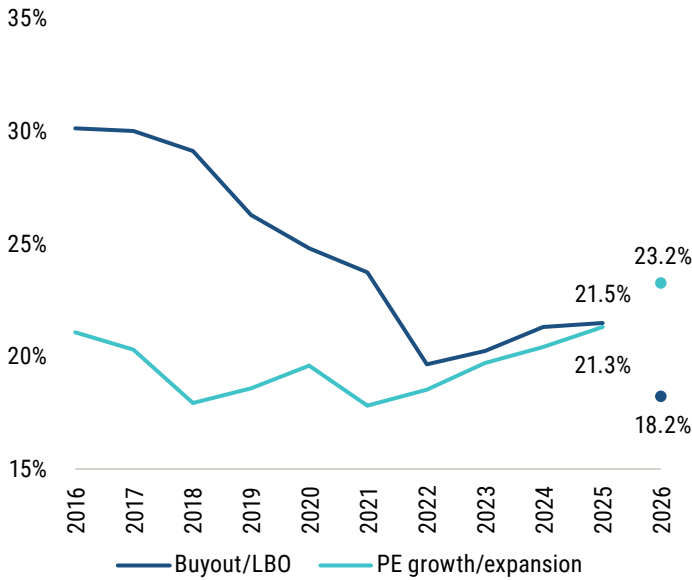
investor group committing approximately \$3.0 billion in equity. Clear Channel’s portfolio of roadside billboards, street furniture, and airport displays represents the kind of physical, location-dependent advertising infrastructure that does not get disrupted by a new model release. The quarter’s third notable take-private was Lone Star Funds’ \$3.8 billion acquisition of Hillenbrand, an industrial equipment manufacturer serving the plastics processing, food, and recycling sectors, supported by \$2.7 billion in debt financing. Together, the three deals total approximately \$43.4 billion in transaction value and skew heavily toward physical, operationally complex businesses, precisely the asset profile that defines the HALO thesis.

Looking forward, our quantitative team ran its take-private predictor on the broad US public market universe at the close of Q1 2026, and the results speak to the state of the software sector as clearly as any valuation screen. Twenty-seven of the top 30 names and 38 of the top 50 are software companies. This shows that based on the

fundamental metrics that buyout investors have typically looked for in take-privates, software companies represent a compelling opportunity for many PE investors. For context, this is a playbook that many sponsors know well, as 40% of take-privates since 2021 have been of software companies, according to our data.

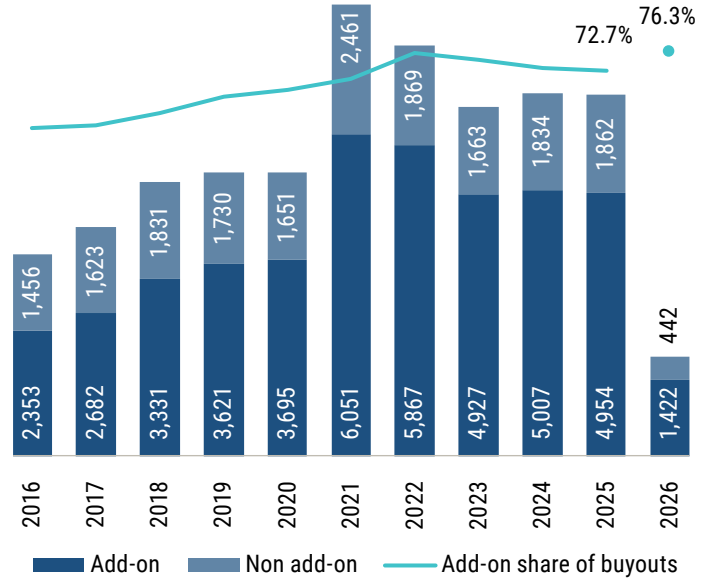
Many firms with large software portfolios publicly defended their approach, arguing that they had been focused on the type of software company set to win in this environment: companies with proprietary data moats, acting as systems of record, and operating in complex or heavily regulated industries. Some went even further to claim that they plan to go shopping and that this period of dislocation represents a “huge buying opportunity.” Our model agrees. The pending question is whether PE firms can return to their roots and buy when there is “blood in the streets,” creating real alpha for their investors through market timing and security selection.

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



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

Add-ons as a share of all PE buyouts



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

Top take-private candidates

Name	Take private probability	Industry	Market cap (\$M)	Year-to-date performance (%)
First Advantage (NAS: FA)	15%	Software	\$2,050.0	-25.4%
Blackbaud (NAS: BLKB)	13%	Software	\$1,773.5	-35.7%
N-able Technologies (NYS: NABL)	13%	Software	\$879.7	-36.7%
Bumble (NAS: BMBL)	13%	Software	\$423.2	-6.1%
CCC Intelligent Solutions (NAS: CCC)	12%	Software	\$3,642.8	-23.6%
IAC (NAS: IAC)	12%	IT services	\$3,078.6	-2.0%
nCino (NAS: NCNO)	12%	Software	\$1,718.0	-44.6%
HealthEquity (NAS: HQY)	11%	Software	\$7,059.9	-11.2%
Paylocity (NAS: PCTY)	11%	Software	\$5,820.8	-29.2%
EverCommerce (NAS: EVCM)	11%	Software	\$2,029.6	-10.9%
Five9 (NAS: FIVN)	11%	Software	\$1,160.4	-24.9%
Dropbox (NAS: DBX)	11%	Software	\$5,292.0	-16.4%
Tenable (NAS: TENB)	11%	Software	\$1,943.3	-20.5%
DoubleVerify (NYS: DV)	11%	Software	\$1,538.9	-14.1%
Bandwidth (US) (NAS: BAND)	11%	Software	\$559.3	6.1%

Source: PitchBook • Geography: US • As of March 25, 2026

Carveouts/divestitures as a share of all PE buyouts by quarter



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

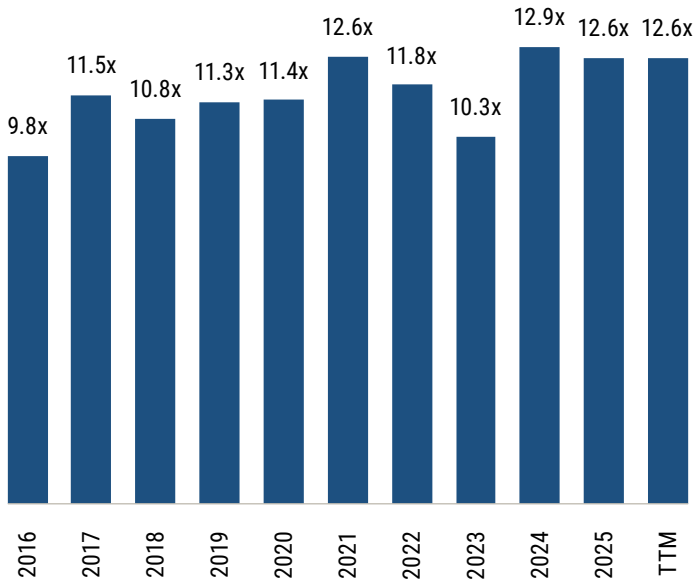
Valuations: Steady but elevated

Global buyout valuations have held steady through the opening months of 2026, with TTM EV/EBITDA multiples hovering near the levels seen during 2024's recovery and 2025's subsequent plateau. However, that stability warrants closer scrutiny. Rather than reflecting current pricing, flat multiples may be more a function of reduced transaction activity in the second half of the quarter as the bid-ask spread re-widened amid heightened macroeconomic and policy uncertainty. Sponsors, increasingly armed with liquidity solutions such as continuation vehicles, have demonstrated a willingness to hold assets through volatility rather than transact at lower multiples. The result is a market where headline valuations look resilient, but the underlying signal is muddled by a thinner deal set skewed toward higher-quality assets.

Zooming out, a structural shift in PE valuations has become harder to ignore. From 2016 to 2020, the median annual US buyout multiple averaged 10.8x EV/EBITDA. Since 2020, the resting level has reset to 13.0x, with three of the past five years posting a median above 13.0x (see page 14). Whether this level of valuations is conducive to PE returns depends largely on what GPs can deliver operationally. Without a meaningful decline in borrowing costs or a return to higher leverage, neither of which we foresee in the near term, multiple expansion can no longer be relied upon to drive returns. Sponsors will need to lean harder into genuine value creation, moving operating teams from what has often been a sales talking point into a real engine for revenue and margin growth.

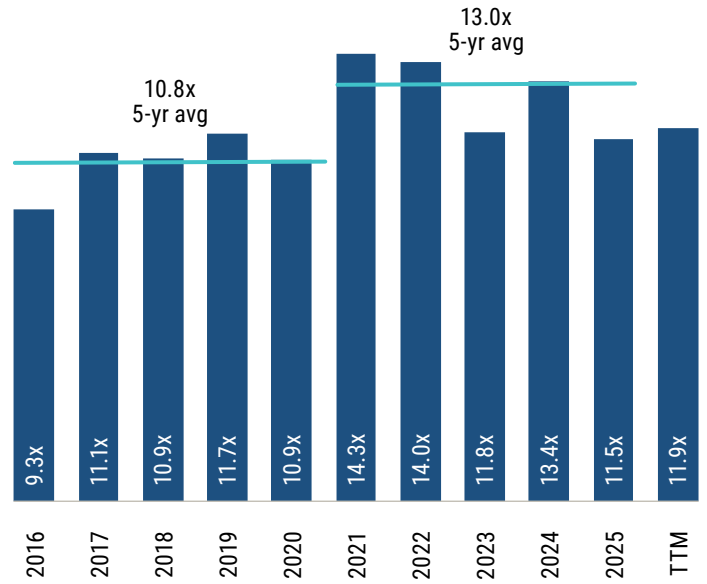
Deal valuation metrics

Global PE EV/EBITDA multiples



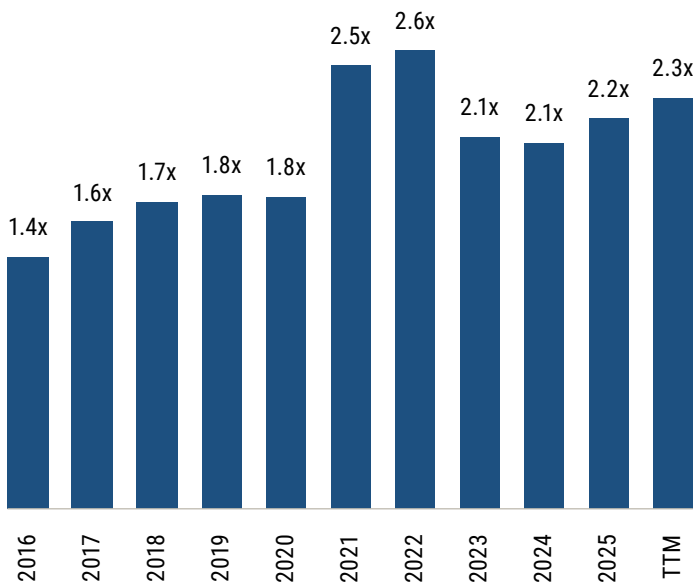
Source: PitchBook • Geography: North America and Europe • As of March 31, 2026

US PE EV/EBITDA multiples



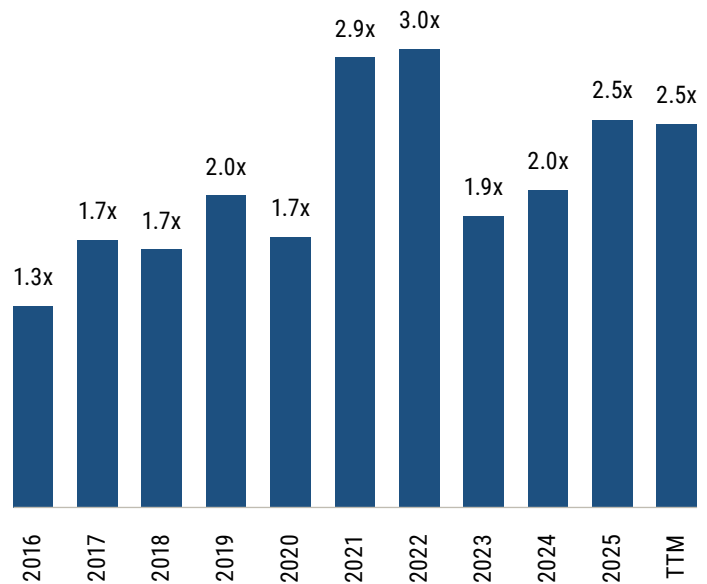
Source: PitchBook • Geography: US • As of March 31, 2026

Global PE EV/revenue multiples



Source: PitchBook • Geography: North America and Europe • As of March 31, 2026

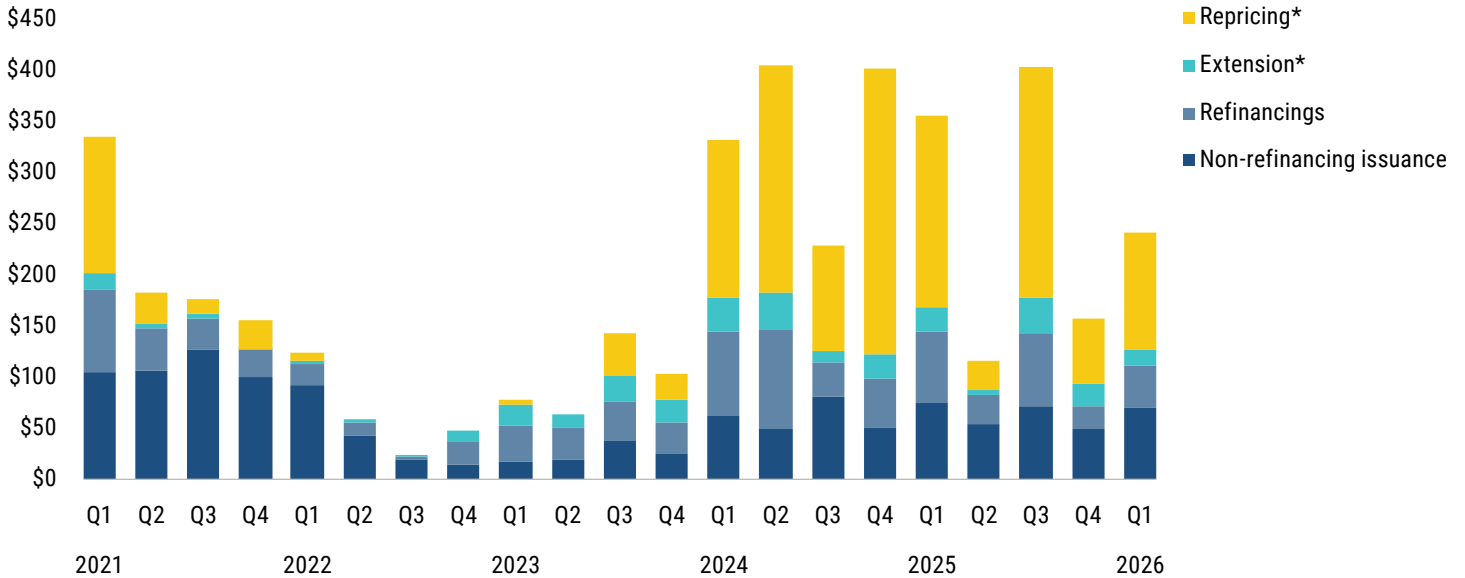
US PE EV/revenue multiples



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

Credit market conditions

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



Source: PitchBook | LCD • Geography: US • As of March 31, 2026
*Reflects repricings and extensions done via an amendment process only.

Overview

- Credit market activity slowed as the impact of the Iran war weighed on sentiment.
- Q1 PE activity of \$260 billion (just over 2,400 deals) stalled 2025 momentum.
- Spreads started to widen across credit markets.
- The private credit market contended with AI disruption, credit risk concerns, and BDC investor redemptions.

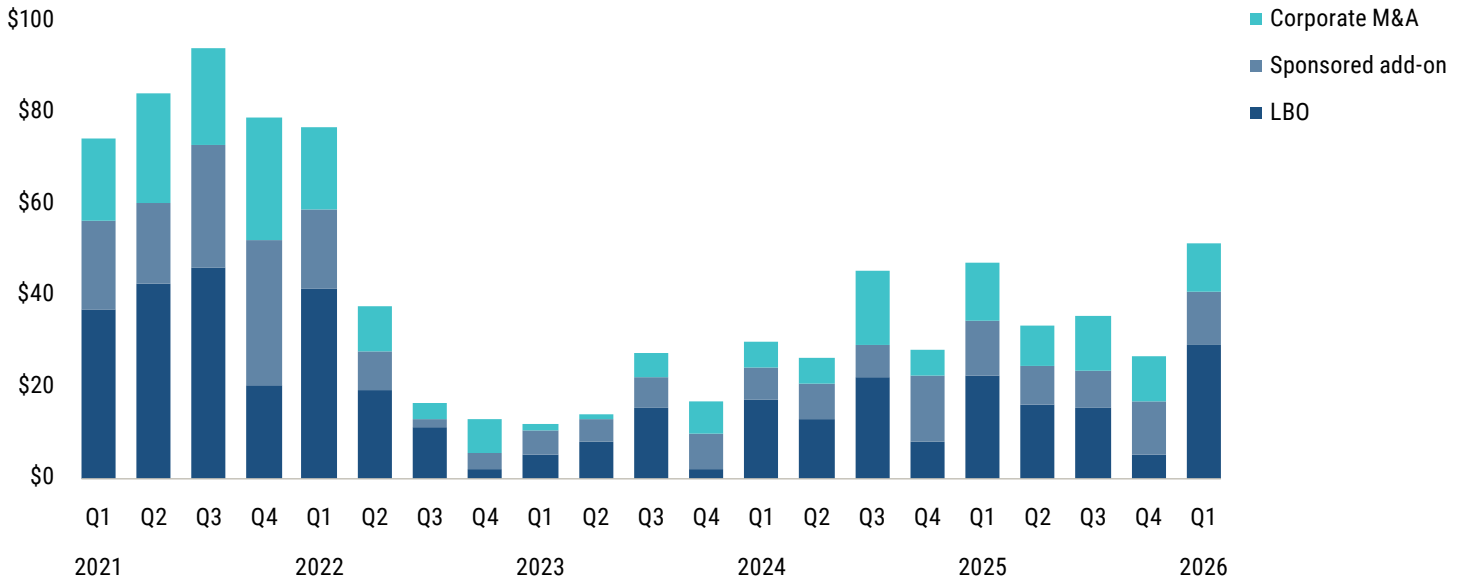
As mentioned on page 8 in the [“Deals”](#) section, the US PE dealmaking recovery that built through 2024 and peaked in 2025, with Q3 and Q4 posting \$336.4 billion and \$318.6 billion, respectively, hit a wall in early 2026. At \$260.2 billion across just over 2,400 deals, which includes platform acquisitions, add-ons, and growth equity transactions, Q1 2026 is the softest quarter since the Liberation Day air pocket seen in Q2 2025 and a stark reversal from the momentum of the prior two quarters.

Leveraged loan market: Mega-deals masks a thinner pipeline

These headwinds translated into a slow start to 2026 for leveraged loan issuance. Total primary market activity, including repricing amendments, came in at \$241 billion through March 31, running 34% behind last year's pace. The shortfall was concentrated in the more opportunistic categories: refinancings and repricings trailed Q1 2025 by 40% and 39%, respectively. The more encouraging signal is in net new issuance, which at \$69.7 billion is only 5% behind last year and is running slightly above the quarterly average for 2024–2025 combined, suggesting that deal-driven activity, while not yet accelerating, has held up better than the headline numbers imply.

Within that new issuance, the M&A-driven component is showing genuine strength. Buyout, sponsored add-on, and corporate M&A financing totaled \$51.2 billion through March 31, the most since the Fed's rate-hiking cycle began, up slightly from Q1 2025, and the strongest opening quarter for M&A-related BSL issuance in four years. PE sponsors alone raised \$29 billion to finance buyouts, also the highest comparable reading since Q1 2022.

M&A value (\$B)



Source: PitchBook | LCD • Geography: US • As of March 31, 2026

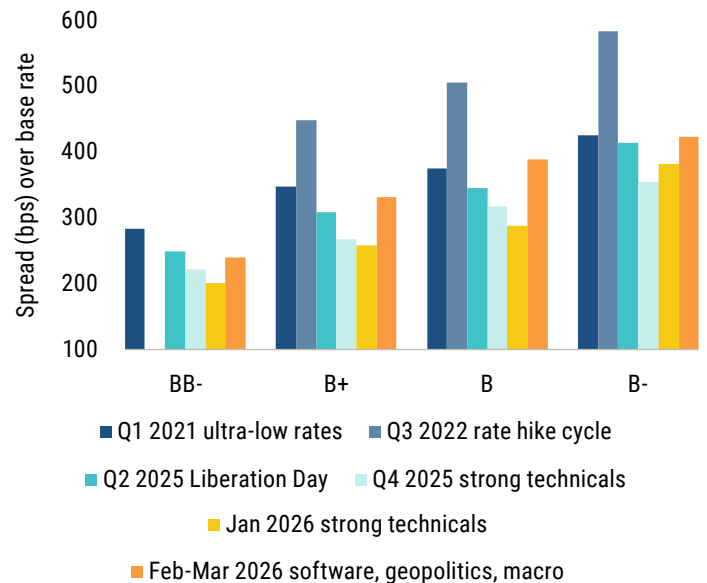
However, a closer look at the composition tempers the optimism. More than 40% of Q1 institutional loan volume was concentrated in just five mega-transactions: Hologic, Electronic Arts (EA), Sealed Air, Azuria Water, and MacLean Power Systems. The combined \$20.9 billion from this group is the highest quarterly total for the five largest deals in four years. Strong as the headline M&A numbers look, they are being carried by a handful of outsized transactions rather than broad-based dealmaking momentum.

There is also a timing dimension worth noting. While it is encouraging to see large deals clearing the market, particularly EA and Sealed Air, which launched in March despite elevated volatility, the underlying buyouts were announced in late 2025. The Q1 2026 loan volume uptick is therefore drawing on a pipeline built during a decidedly stronger dealmaking environment. The slowdown in PE activity visible in the Q1 2026 deal data has not yet fully worked its way through to loan issuance, but the lag suggests headwinds will persist.

BSL market reprices higher

The broadly syndicated loan market remained open through the volatility, but borrowers paid a meaningful price for access. Spreads widened sharply across the credit spectrum in February and March, reflecting a market grappling with software sector stress, geopolitical uncertainty,

New issue spread



Source: PitchBook | LCD • Geography: US • As of March 31, 2026

and deteriorating macro sentiment. The move was most pronounced in the B-flat segment, the most active part of the market and therefore the clearest signal of where price discovery is occurring. Spreads in that bucket widened nearly 100 basis points from January's S+288 to S+389 and now sit 43 basis points wide of where they cleared in the immediate aftermath of "Liberation Day."

Among higher-quality borrowers, BB-minus spreads widened 38 basis points to S+240 in February and March, while B-plus moved out 74 basis points to S+332. Notably, BB-minus remains inside its Q2 2025 levels, whereas B-plus is now roughly 20 basis points wider, suggesting investors are differentiating more carefully within the higher-quality tier. The spread between the two cohorts supports this trend: the BB-minus/B-plus gap has nearly doubled, from about 50 basis points in January and Q4 2025 to 92 basis points today, a clear sign that the risk premium is being recalculated.

At the riskier end of the distribution, cracks were visible before the SaaS selloff even began: B-minus clearing levels were already about 30 basis points wider in January than in Q4 2025. The subsequent volatility pushed spreads out another 33 basis points to S+423.

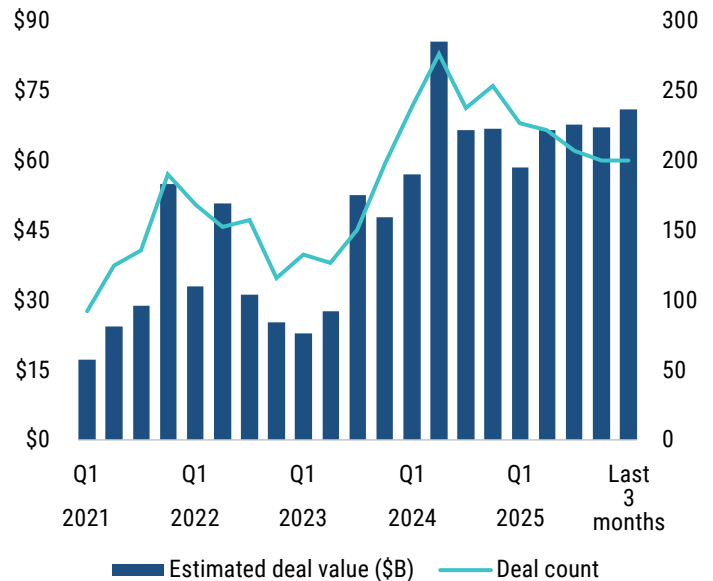
The B-minus/B-flat gap tells an equally interesting story. It collapsed from 94 basis points in January to just 34 basis points in February and March as B-flat spreads surged. In a risk-off market, the weakest credits in the B-minus bucket likely never launched; arrangers postponed deals that could not clear at acceptable levels. The names that did print likely skew toward stronger credits, meaning the 423 basis points average may understate where a median B-minus borrower would actually clear today.

Private credit: Scrutiny rises as redemptions test confidence

Private credit faced heightened scrutiny at the start of the year, ranging from AI disruption to ongoing tariff policy issues, credit risk concerns, and meaningful levels of BDC fund redemption requests. Direct lending activity in Q1 mirrored that of Q4 last year, closing on 199 deals; however, it generated \$71 billion in aggregate debt volume, the highest dollar issuance since Q2 2024 at \$85 billion (275 deals).

PE-backed deals in Q1 dropped to 114 from Q3's 129, roughly in line with Q4 2025's 116. Approximately 70% of deals were LBO/M&A-related transactions and refinancings. Recapitalizations, consistent at 14 deals, dropped to nine from the 12-13 quarterly run rate over the past year.

Direct lending issuance



Source: PitchBook | LCD • Geography: US • As of March 31, 2026

AI disruption and credit risk

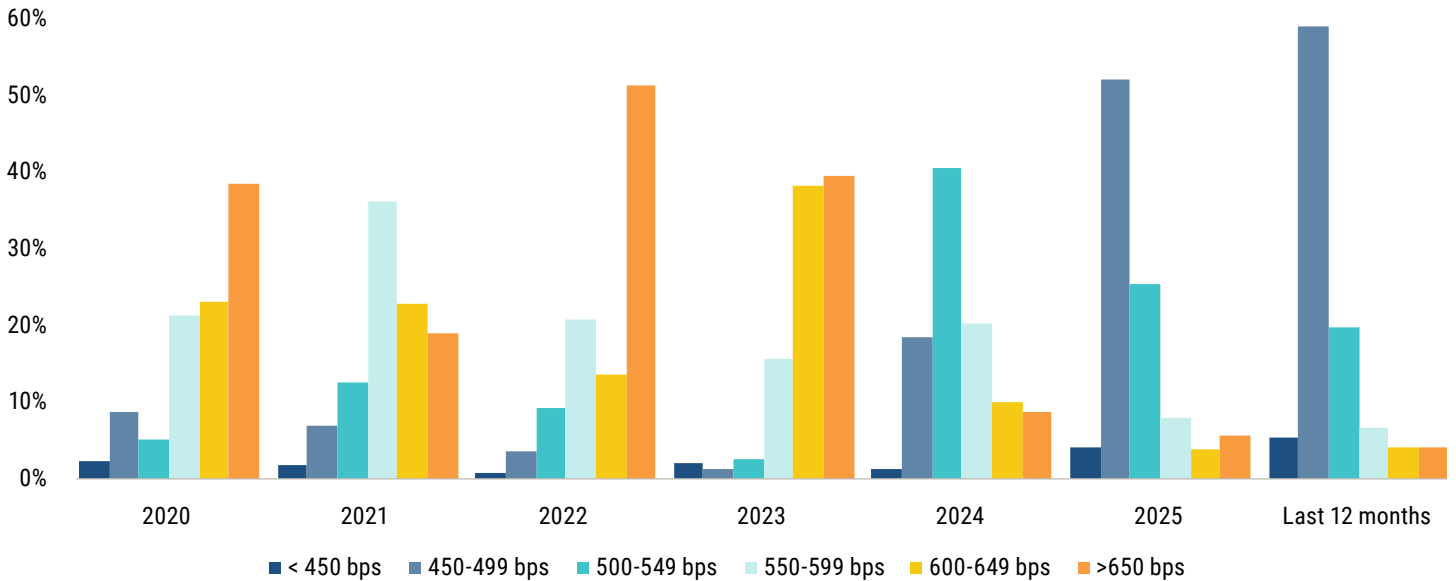
In February, the launch of Anthropic's Claude Cowork fueled a global selloff in publicly traded software and IT companies. The news ignited investor fears that new AI tools would lead to the creation of bespoke software solutions, threatening the costly subscriptions that had driven revenue for SaaS companies. With software being the largest sector by BDC debt exposure at 20% (second largest by count at 18%), investors have been attempting to assess the credit risk embedded in their BDC portfolios.

Redemption volume rising

Holders of publicly traded BDCs unloaded shares amid the negative sentiment, extending a run of BDC share losses from last year. Investors in non-traded entities also tested exits, finding mixed results. These negative headlines came at a difficult time for the industry, which had been preparing to attract investor capital into 401(k) accounts.

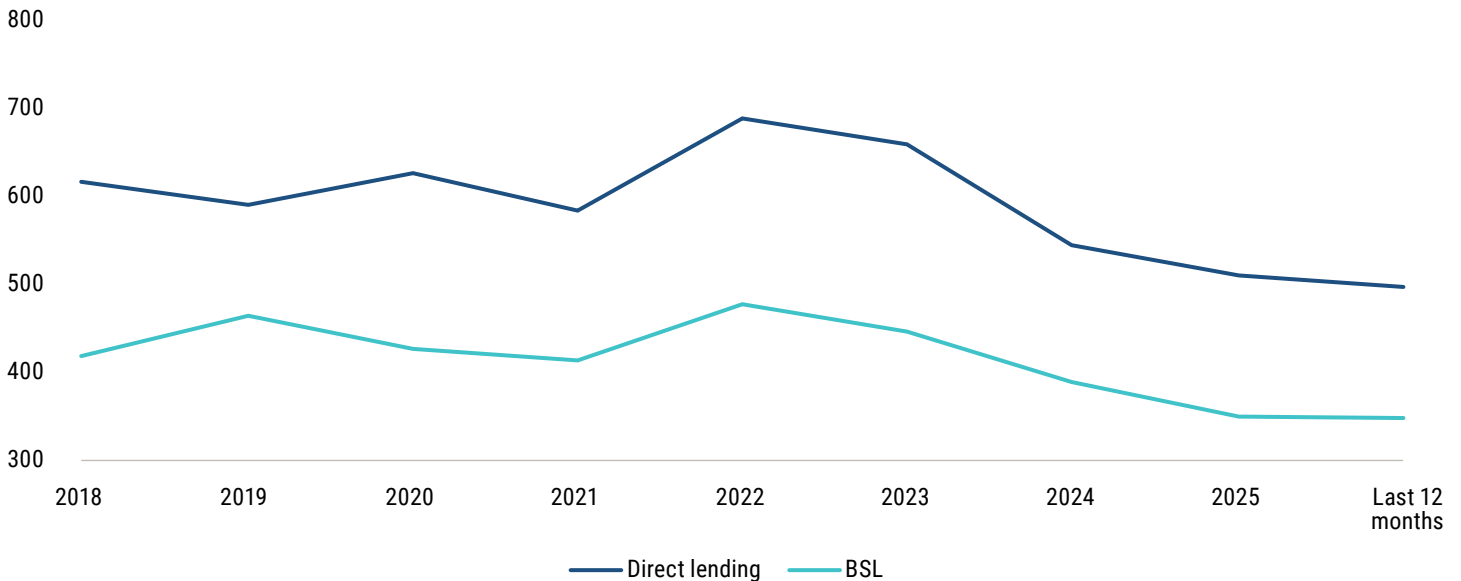
BDC fund redemption levels in Q2 will reveal whether the most skittish investors have exited, restoring balance to the funds, or

LBO spreads



Source: PitchBook | LCD • Geography: US • As of March 31, 2026

LBO spreads by market



Source: PitchBook | LCD • Geography: US • As of March 31, 2026

whether the elevated redemption headlines ignited further panic. However, with inflation fears and ongoing geopolitical events creating additional concerns, the direction of redemptions remains uncertain as investors recalibrate their private credit allocations.

Interest rates: Spread tightening stalls, widening looms

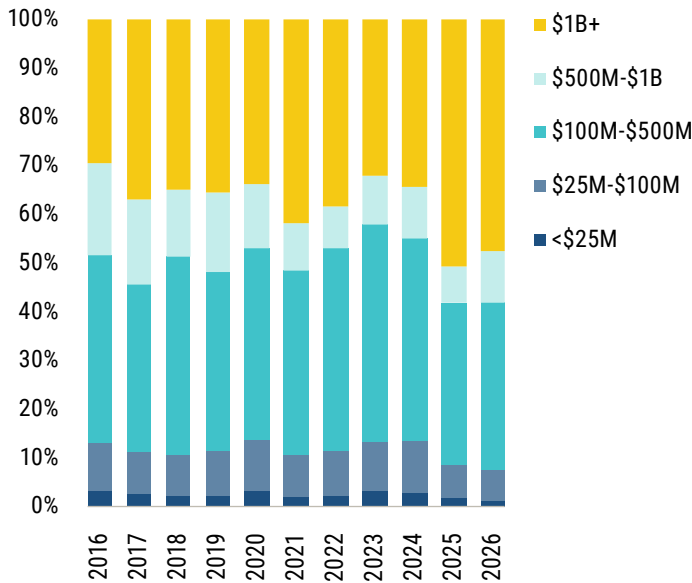
Over the last 12 months ended February 28, 2026, there was a 7 percentage point increase in the 450-499 basis points bucket,

which now constitutes 59% of the spread distribution, while the 500-549 basis points bucket decreased 5.7 percentage points to 19.9%.

Similarly, the pace of spread tightening from last year is flattening, and we anticipate an upward swing in spreads for both the BSL and direct lending markets. On an LTM basis through March 31, 2026, BSL spreads averaged 349 basis points compared with 498 basis points for direct lending.

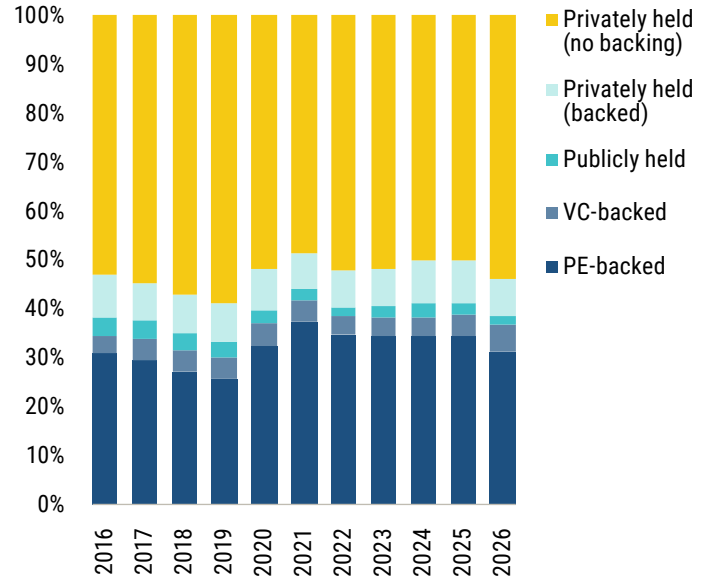
Deals by size, backing type, and sector

Share of PE deal value by size bucket



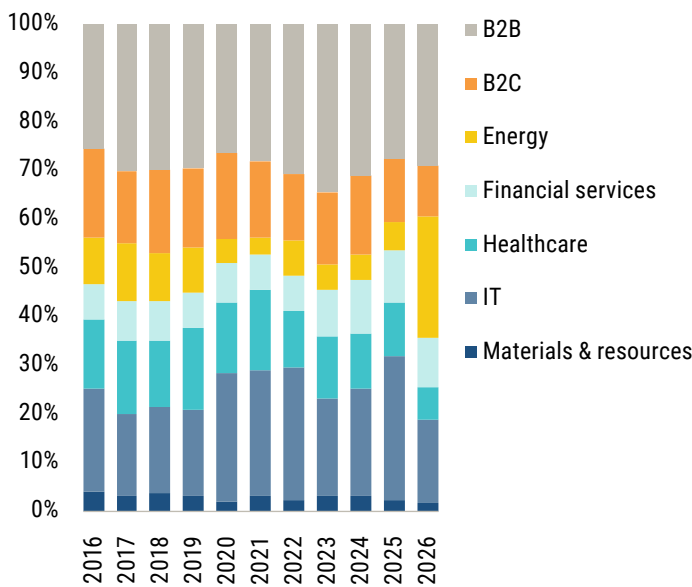
Source: PitchBook • Geography: US • As of March 31, 2026

Share of PE deal count by backing type



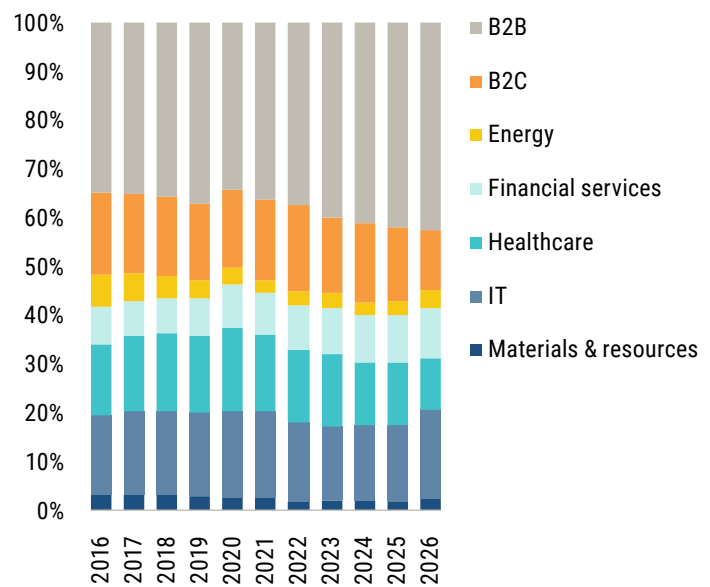
Source: PitchBook • Geography: US • As of March 31, 2026

Share of PE deal value by sector



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

Share of PE deal count by sector

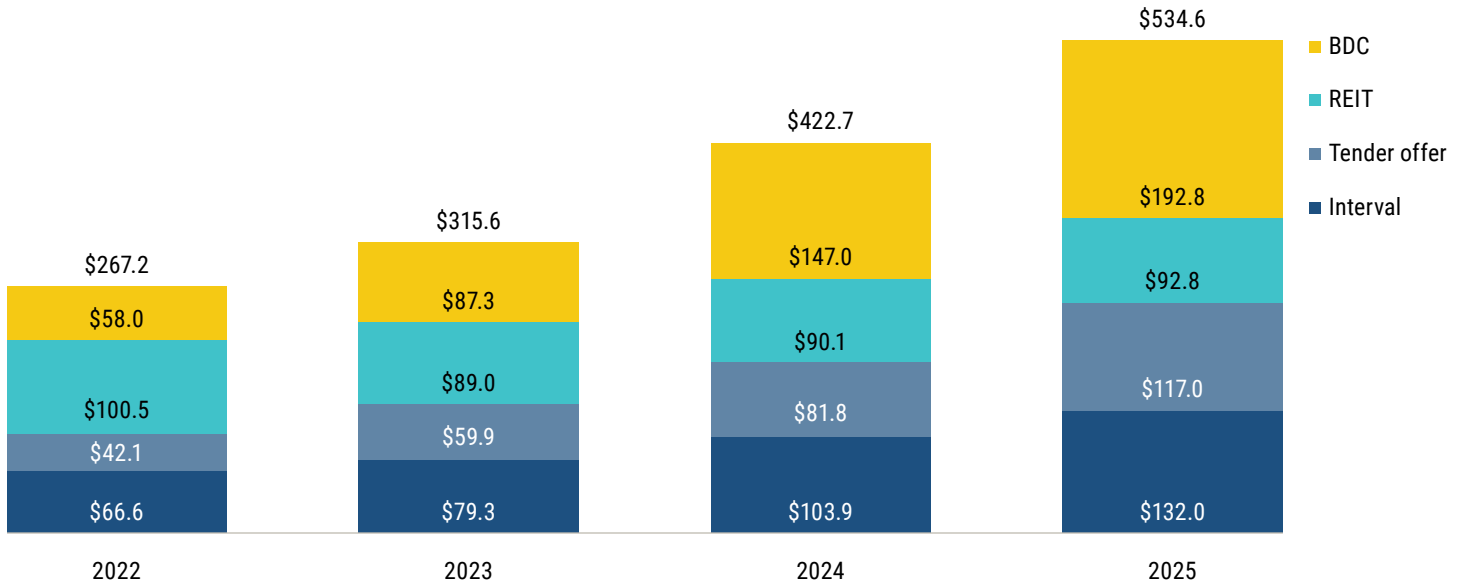


Source: PitchBook • Geography: US • As of March 31, 2026

SPOTLIGHT

US evergreen fund landscape

Unlisted evergreen fund net AUM (\$B) by structure



Source: Morningstar and PitchBook • Geography: US • As of December 31, 2025
 Note: Data was aggregated on March 13, 2026. The most recent dates of the disclosure documents range from June 30 to December 31, 2025.

Note: This spotlight is abridged from our [Q1 2026 US Evergreen Fund Landscape Report](#). Please see the full report for additional analysis on the growing backdrop of evergreen funds in the private markets.

Market overview

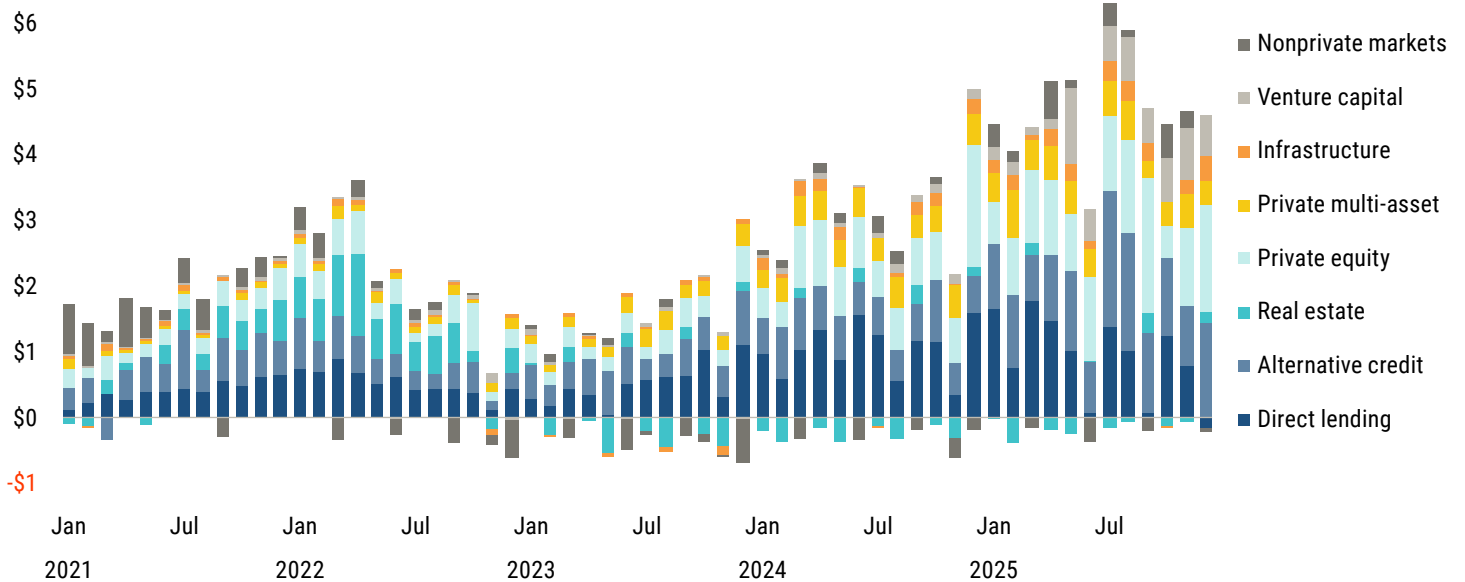
The public-private convergence has been a major topic of conversation going into 2026. As shown in the “What we are reading” subsection, there is still excitement, but more and more articles are coming out that ask people to stop and think about whether this is universally a good idea. We contributed to the questions being asked with two pieces of research since the last iteration of this report. The first, [Evergreen Funds: We Have Questions](#), is meant for retail investors, their advisors, and even the institutional investors with no expectation of investing in evergreen funds, but whose existing fund managers may be extending into new fund structures. In [Sink or Swim: Interval Funds Liquidity](#), we drill more specifically into the liquidity implications of housing illiquid investments in interval funds. The “Spotlight” section features an abridged version of the note.

Total net assets in unlisted evergreen funds eclipsed \$530 billion at the close of 2025, an over \$100 billion increase from 2024, with 98 new funds launched during the year. Business development companies (BDCs) were responsible for the largest share of the AUM, and alternative credit saw the greatest number of new launches of any strategy. However, 2025 was not without turbulence for credit-focused evergreen strategies. The final quarter of 2025 and opening months of 2026 have seen a wave of headlines around actual and possible pro-rating of redemptions at various credit funds, including some of the most prominent asset managers.³ While this has raised alarm bells for some, it ultimately reflects a structural reality that investors are becoming acutely aware of: Apart from interval funds, semi-liquid structures’ liquidity terms remain at the board’s discretion and broadly permit the restriction of redemptions during periods of market stress, and fund managers will exercise that ability when they consider it to be in the best interest of the fund. Still, most of these managers met all of their requests, sometimes by raising caps.⁴

3: “Private Credit’s Gate-Crashers Are Forcing Funds Into a Brutal Spot,” Bloomberg, Paula Seligson, Olivia Fishlow, Rene Ismail, Davide Scigliuzzo, and Laura Benitez, March 8, 2026.

4: Ibid.

Interval and tender offer fund net flows (\$B) by strategy



Source: Morningstar and PitchBook • Geography: US • As of December 31, 2025

Assets and flows

Evergreen fund assets essentially doubled from 2022 to 2025. Except for real estate, growth was broad-based across all other strategies. Direct lending is by far the largest strategy, surpassing \$230 billion in AUM in 2025, while alternative credit has grown over this period, topping \$50 billion in 2025. This growth dynamic reflects an appetite for private credit as investors seek yield from loans to small and mid-sized corporations, PE-backed businesses, and more specialized, diversified credit structures. While both flavors of credit have continued to grow assets, alternative credit fund launches have outpaced direct lending in the past two years, especially in 2025. We tracked 12 direct lending fund launches in 2025, compared with 33 alternative credit vehicles, underscoring asset managers' product development favoring more opportunistic lending strategies.

Monthly net flows to interval and tender offer funds tracked since 2021 have been consistently positive, though that could very well change when Q1 2026 numbers have been tallied, given relentless headlines about broad-based outflows from private credit funds, which could particularly impact some of the larger interval fund players in this strategy.⁵ While net flows were subdued in 2022—a challenging year for risk assets—activity reaccelerated in early 2024 and into 2025. Notably, the top strategies in calendar-year 2025 were alternative credit

funds, which absorbed \$14.5 billion, and PE funds, which hauled in \$13.8 billion of net new money.

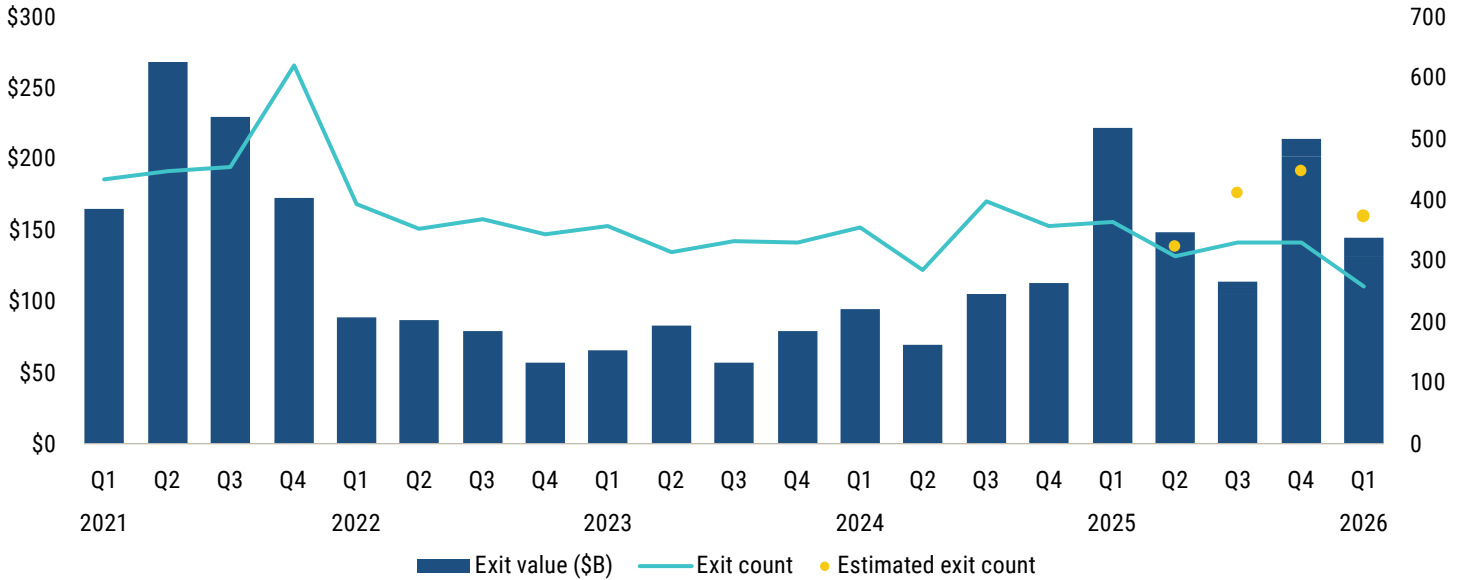
There has also been strong momentum in PE evergreen funds, especially those focused on secondaries. By the end of 2025, private equity evergreen assets reached \$58 billion—more than double their level at the end of 2022. Although PE exposure has traditionally been offered through tender-offer structures, newer vehicles are scaling quickly. StepStone Private Equity Strategies, an interval fund launched in September 2025, surpassed \$1.3 billion in net assets within months.

A key attraction is the fund's focus on secondary interests in PE funds. Secondary funds act as liquidity providers for investors looking to cash out of their existing positions in private funds. That allows investors in the vehicles to get exposure to private equity while skipping the early years of a PE fund when capital is in the process of being deployed. Secondary fund stakes can also amplify reported returns due to an accounting dynamic, which we discuss in the ["Performance"](#) section, noting that it is an important caveat for interpreting short-term returns. The amplified returns of peers, like the \$4.8 billion Cascade Private Capital interval fund, have helped draw attention to these funds. Interval and tender-offer funds that focus on secondaries are available to investors that do not meet the qualified purchaser requirements of traditional drawdown funds.

⁵: "Retail Investors Pull Billions From Private Capital's Credit Gold Mine," *The Financial Times*, Antoine Gara and Eric Platt, March 15, 2026.

Exits

PE exit activity by quarter



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

Overview: Good, not great

US PE exit activity pulled back in Q1 2026, as the many headwinds made it difficult to maintain the momentum seen in H2 2025. With an estimated 373 exits for an aggregate of \$144.4 billion, exit activity declined 16.7% and 32.7% QoQ, respectively, with exit value down 34.8% YoY. The PE exit environment is experiencing a sort of déjà vu: a promising year-end that is derailed early in the new year by unexpected market changes. "Liberation Day" was the culprit in 2025, but 2026 is facing a hydra formed by the concerns we discussed earlier: AI disruption, the war in Iran, and reduced odds of rate cuts.

Still, zooming out, exit activity in Q1 2026 remained resilient, as the magnitude of the QoQ decline owes more to Q4 2025's outsized strength than another reset in the exit environment. Exit activity is comparable to that of Q2 2025, which bore the brunt of last year's market turbulence, and Q1 2026 exit values stayed well above pre-pandemic averages and even exit count 7.3% above the proxy for historical "normal" levels of activity. We continue to monitor how exit value and even exit count move together, observing that the recent surge in exit activity was driven by a jump in larger transactions rather than a broader number of assets being sold. Q1 exit activity remained disproportionately driven by mega-sized exits, transactions of \$1 billion or greater, despite the QoQ decline.

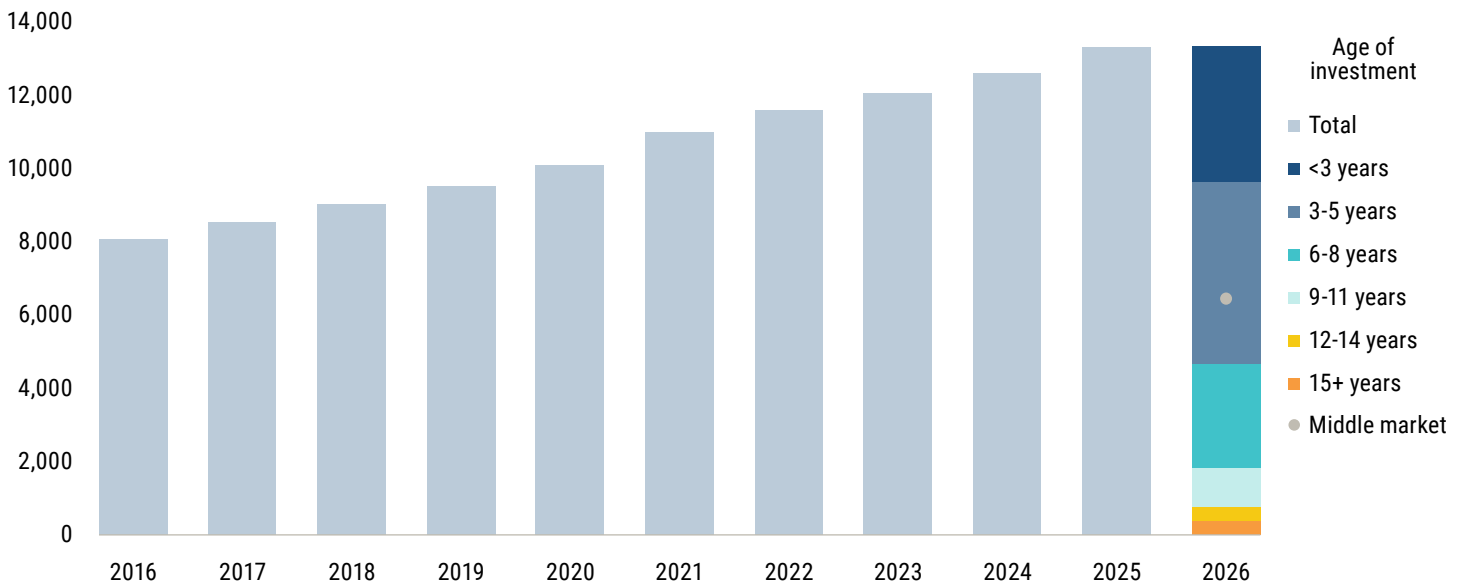
PE exit activity



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

Mega-exits accounted for \$100.9 billion of exit value in Q1, 36.9% less than in Q4 2025, but they represented roughly 70% of the quarter's total exit value. Sellers are able to offload large, high-quality assets at premium prices while the remaining PE-backed inventory continues to face a persistent valuation gap.

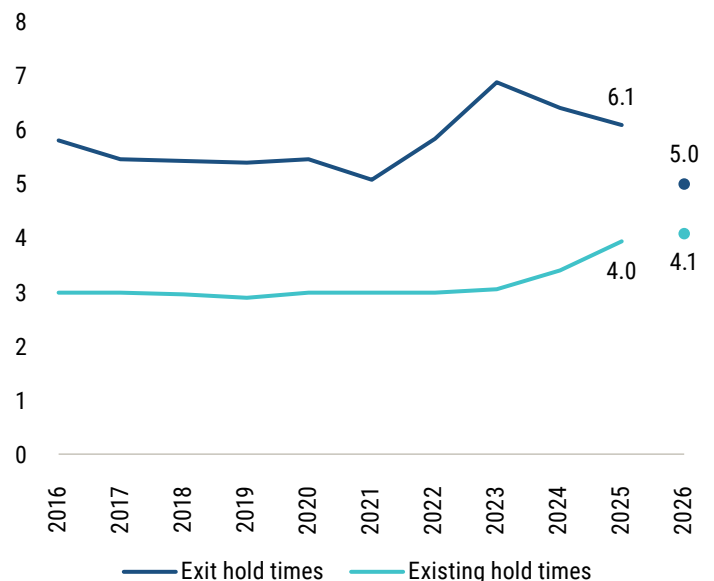
PE-backed company inventory by deal year



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

As of Q1 2026, the US PE company inventory has grown to 13,325 companies, which translates to over an 8.7-year inventory at the annualized pace of exits seen so far this quarter. Significant acceleration in exits is needed to make up for lost time, and improvement in exit markets must be sustained for the recovery to broaden to lower-quality assets. Unfortunately, a new set of macroeconomic challenges appears to have thrown a wrench into the exit rebound, creating QoQ declines across all exit types and suggesting a longer period of reliance on liquidity solutions such as continuation funds. But if last year is any indication, market participants are resilient and able to bounce back after a period of recalibrating and waiting for the right opportunities with renewed appetite. Moving forward, what will be crucial for PE sellers is how to navigate a deterioration in investor confidence, another reset in valuations (especially for software companies), and the challenge of offloading aging assets amid this volatility.

Median PE company holding times (years)



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

Public listings: Quality over quantity in a fragile window

The IPO market entered 2026 with cautious optimism following two years of gradual reopening, but that momentum has proven difficult to sustain. While PE sponsors successfully completed five IPOs in the first quarter, activity effectively stalled by late February, underscoring the fragility of the current issuance environment. This slowdown reflects a broader disconnect between earlier expectations of a continued reopening and the current reality of more macro-driven volatility. Entering the year, many market participants anticipated a pickup in public listings

from the backlog created by the October 2025 US government shutdown, but that pipeline appears to be largely sidelined.

The resurgence of public market volatility and its impact on valuation confidence have made market participants hesitant to bring assets to market at risk of underperformance. Although the number of exits through public listings remains below the pre-pandemic quarterly average of 12 IPOs, Q1 exit value surpassed the \$10.9 billion pre-pandemic average, as all five IPOs were

valued at over \$1 billion each. This shows that sponsors are still only willing to bring their larger, high-quality assets to market. The largest exit of the quarter was the public listing of Forgent Power Solutions, which raised \$1.5 billion in its IPO and was valued at \$7.8 billion. The company, which manufactures electrical distribution equipment for data centers and power grids, initially received development capital from Neos Partners in September 2025. It is worth noting that Forgent would fall under the HALO trend discussed earlier in the report. Results have been mixed for the five public listings: Bob’s Discount Furniture and York Space Systems experienced meaningful share price declines, trading as low as 32% and 46% below their IPO prices, respectively.

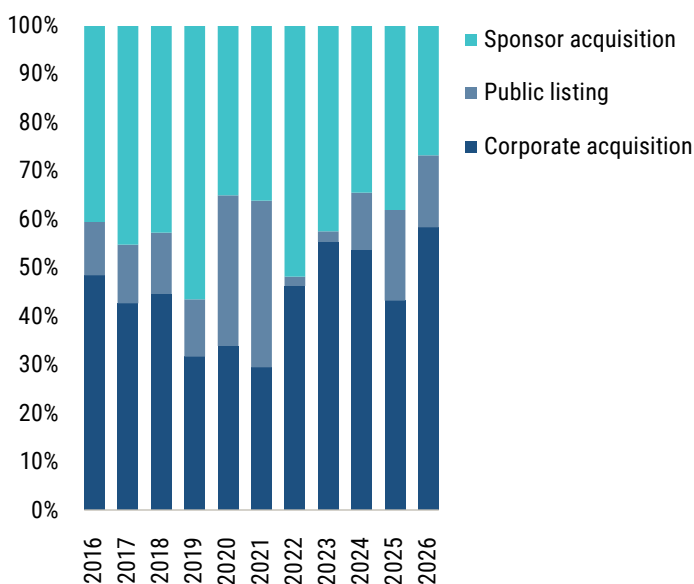
Exits through public listings face a bumpy road ahead in the absence of improved market stability. Reports of companies postponing or withdrawing US public listings this year reflect sensitivity to valuation volatility and weakened peer performance.⁶ More successful IPOs with strong aftermarket performance could push sponsors to increasingly test the public markets, but for now, H1 2026 is expected to be a quieter IPO market than previously anticipated, adding further friction to the exit environment.

Exits to corporates: Strategic buyers step up as sponsors pull back

Exits to corporates remained resilient relative to other exit types, pushing corporates’ share of total PE exit activity higher. There

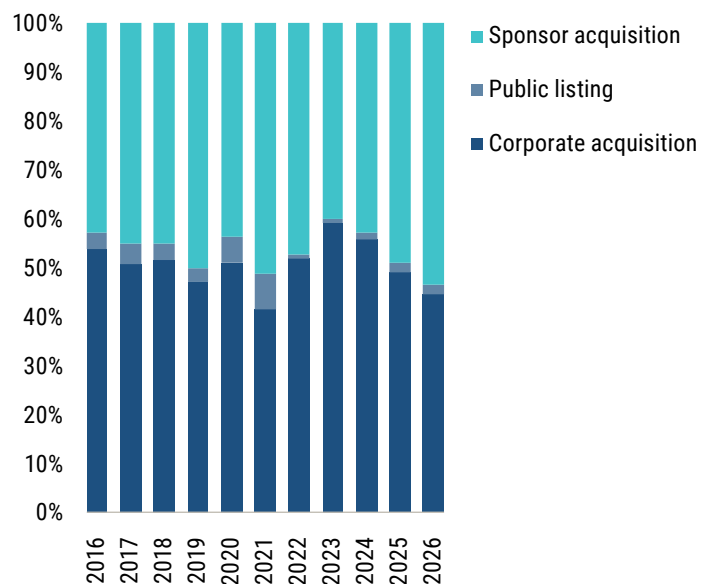
were 115 exits to corporates for an aggregate of \$76.6 billion in Q1, a QoQ decline of 21.2% and 12.8%, respectively. The balance between exits to corporates and exits to other sponsors remains narrow, with the gap closing significantly in 2025. For Q1 2026, corporates have a head start. Exits to corporates made up 58.4% of the quarter’s exit value, and an impressive 68.5% when excluding public listings. In exit count, corporates remained below 50% of total exits, but have ticked up slightly from 44.1% in Q4 2025 to 44.6% in Q1 2026. Corporate buyers pursuing stronger market positioning through consolidation, supply chain control, and digital or other capability additions could be more strategically inclined to pursue acquisitions compared with PE buyers maintaining discipline on entry multiples. Corporations can benefit from almost immediate synergies, whereas PE firms must also consider accretive value creation and eventual exit paths. On an absolute basis, exit value is firmly ahead of pre-pandemic quarterly averages, while exit count lags by 33.5%, again reflecting the need for a broader recovery in the exit market. Right before the end of the quarter, Leonard Green & Partners announced the sale of Restaurant Depot to Sysco for \$29.1 billion. The sale is an exit from a continuation fund, which we will discuss more in a later section. The next largest exit to corporates was the \$7.5 billion sale of Aethon Energy Management to Mitsubishi, announced in January. Under the deal, related entities such as Aethon III, an oil and gas fund co-managed with RedBird Capital Partners and Ontario Teachers’ Pension Plan since 2019, will also be sold to Mitsubishi.

Share of PE exit value by type



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

Share of PE exit count by type



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

⁶: "Companies Rethink IPOs in 2026 as Market Volatility Tests Valuations," Reuters, February 13, 2026.

Sponsor-to-sponsor exits: Smaller deals move, larger deals stall

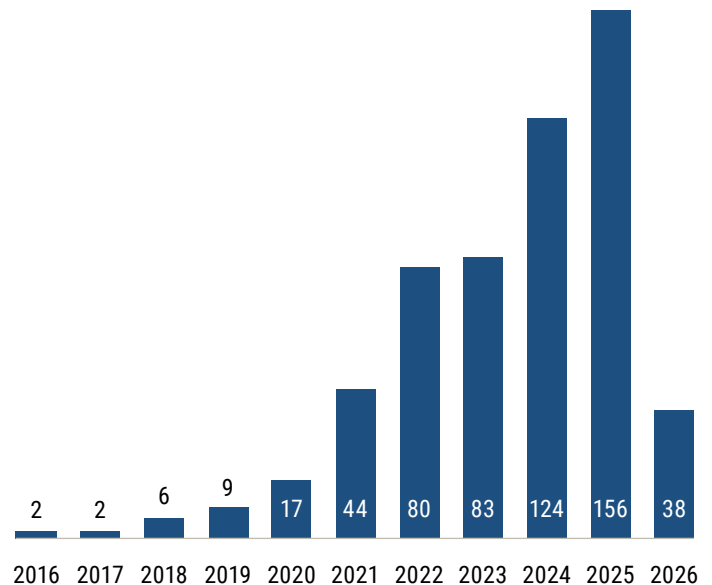
Sponsor-to-sponsor exit activity is off to a slower start, with 22.5% fewer exits than in Q4 2025 and 59.9% less exit value. There were 138 exits totaling \$35.3 billion in the first quarter, below pre-pandemic averages and a sharp turn from the strong recovery seen throughout 2025. Sponsor-to-sponsor exits accounted for 53.5% of Q1 PE exit count but just 26.9% of exit value. This is far below the previous five-year average of 41.4%. The disproportionate drop in exit value compared to exit count indicates that sponsors are having greater success offloading their smaller assets to other sponsors, while corporates have an appetite for larger portfolio companies. We will have to see how the trends shape up in the coming quarters, but what remains clear is the outsized hit to sponsor appetite in Q1 and the still-fragile nature of the PE exit environment.

Exits to continuation funds: Pace maintained while the strategy continues to evolve

With US PE exit activity gaining steam, we predicted that 2025 would mark a peak for continuation fund-related exits and that activity would decrease in 2026 as traditional PE exit lanes reopen meaningfully. With the new onset of macroeconomic headwinds and resulting market volatility, sponsors could continue to rely on GP-led secondaries to provide liquidity rather than pursuing traditional exit routes. For Q1 2026, we tracked 38 exits through continuation funds totaling \$10.8 billion when including estimates for nondisclosed transactions. This compares to 36 continuation fund-related exits in Q1 2025, demonstrating the similar velocity at which the industry continues to use GP-led secondaries as a tool for portfolio management. A notable multi-asset continuation fund in Q1 was Meridiam's rollover of 22 assets. The firm closed over €2 billion for a European infrastructure continuation fund, which will include infrastructure assets across 10 European countries spanning subsectors such as sustainable mobility and essential public services.⁷

Additionally, there is an emerging trend of "continuation funds squared," in which sponsors roll the same portfolio company into a continuation vehicle for a second time. For example, PAI Partners raised €3.6 billion in October 2025 for a second continuation fund for Froneri, a UK ice cream manufacturer for which the investor initially formed a continuation fund in 2019. The first continuation fund included Italian eyewear company

Continuation-fund-related exit count



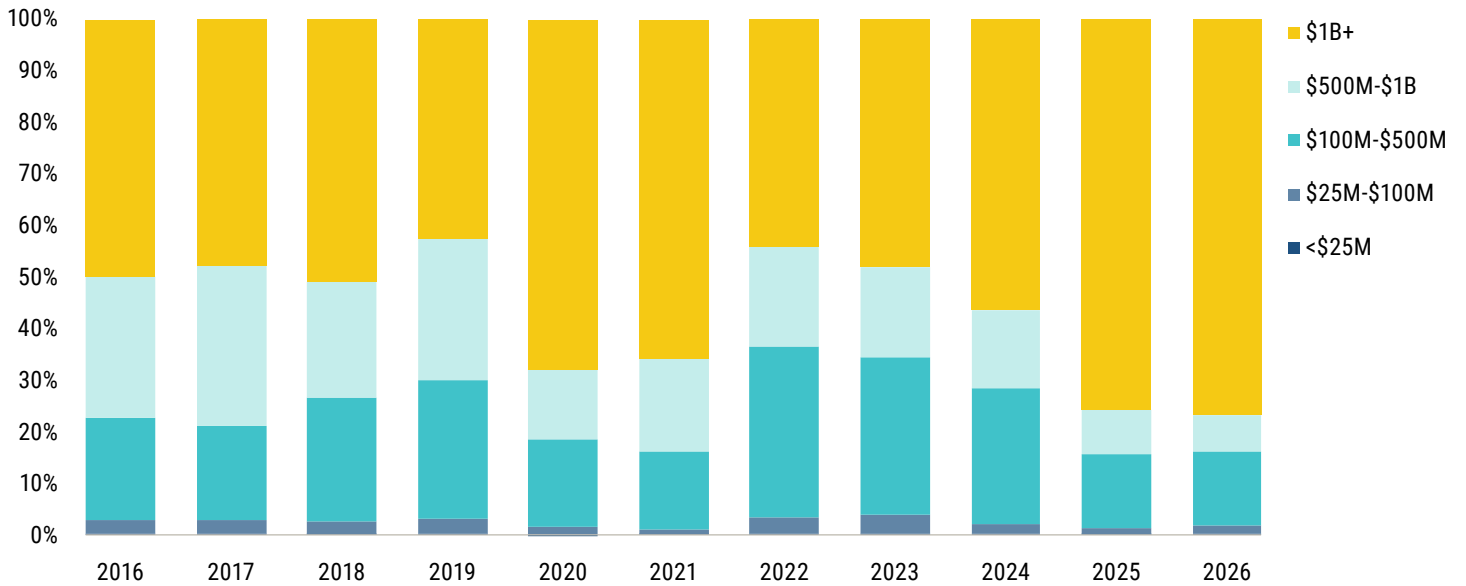
Source: PitchBook • Geography: Global • As of March 31, 2026

Marcolin, which was sold to VSP Vision in December 2025 for an undisclosed amount. While still nascent, broader adoption of this approach could intensify LP scrutiny and increase pressure on GPs to pursue definitive exits rather than repeatedly extending hold periods. Skeptics of continuation funds question whether they constitute true market-based realizations or instead cycle underperforming or challenged assets through additional vehicles rather than exiting at fair value. Although continuation funds can play a constructive role by providing interim liquidity and avoiding suboptimal sale conditions, their long-term credibility depends on ultimately delivering clear value creation and eventual realizations. Without that, the industry risks a narrative that sponsors are merely avoiding forced sales rather than addressing underlying performance challenges.

However, the largest exit of the quarter is a success story for continuation funds. In March, Leonard Green & Partners announced the \$29.1 billion sale of Restaurant Depot to Sysco, which would represent an exit from their multi-asset continuation fund formed in April 2025. The PE firm initially acquired the company in 2023 for an undisclosed amount as part of its 2011 vintage buyout fund. Restaurant Depot is the first full exit out of the four portfolio companies that we have tracked to be part of that continuation fund, and Caliber Collision was reported to file for an IPO in July 2025 with no announcements since then.

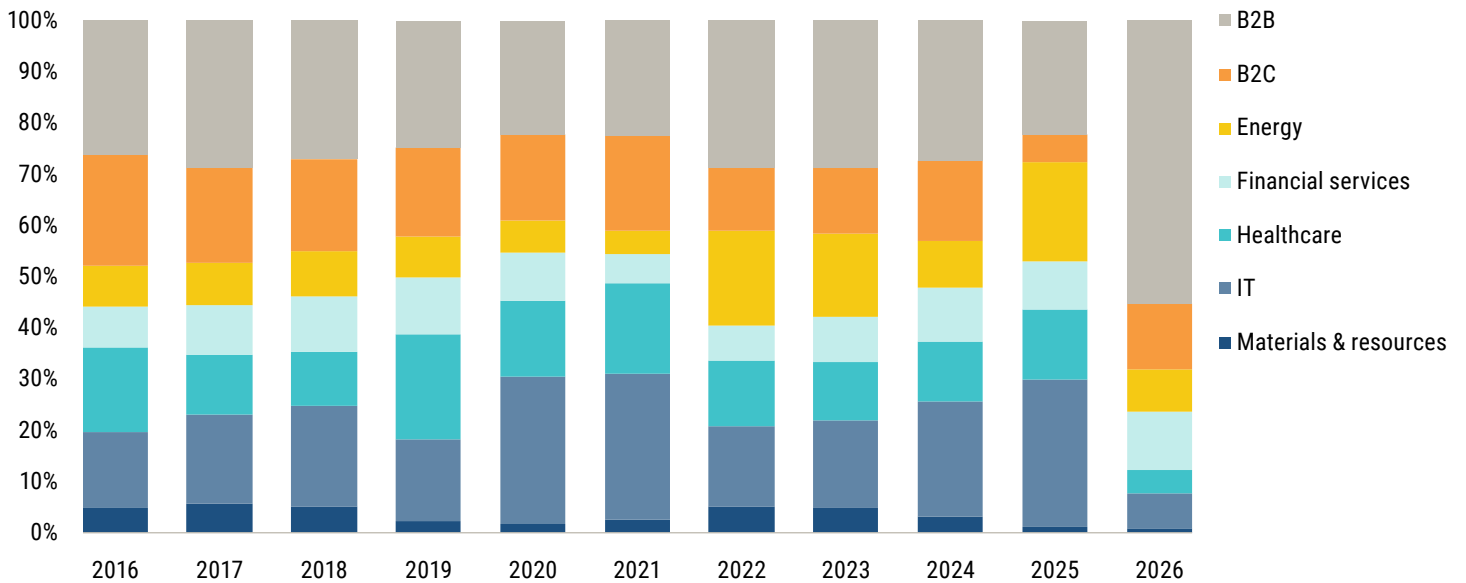
⁷: "Proskauer Advises Meridiam on Closing of €2.2 Billion Europe Core Fund and Launch of First Fund Dedicated to Retail Investors," Proskauer, February 20, 2026.

Share of PE exit value by size bucket



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

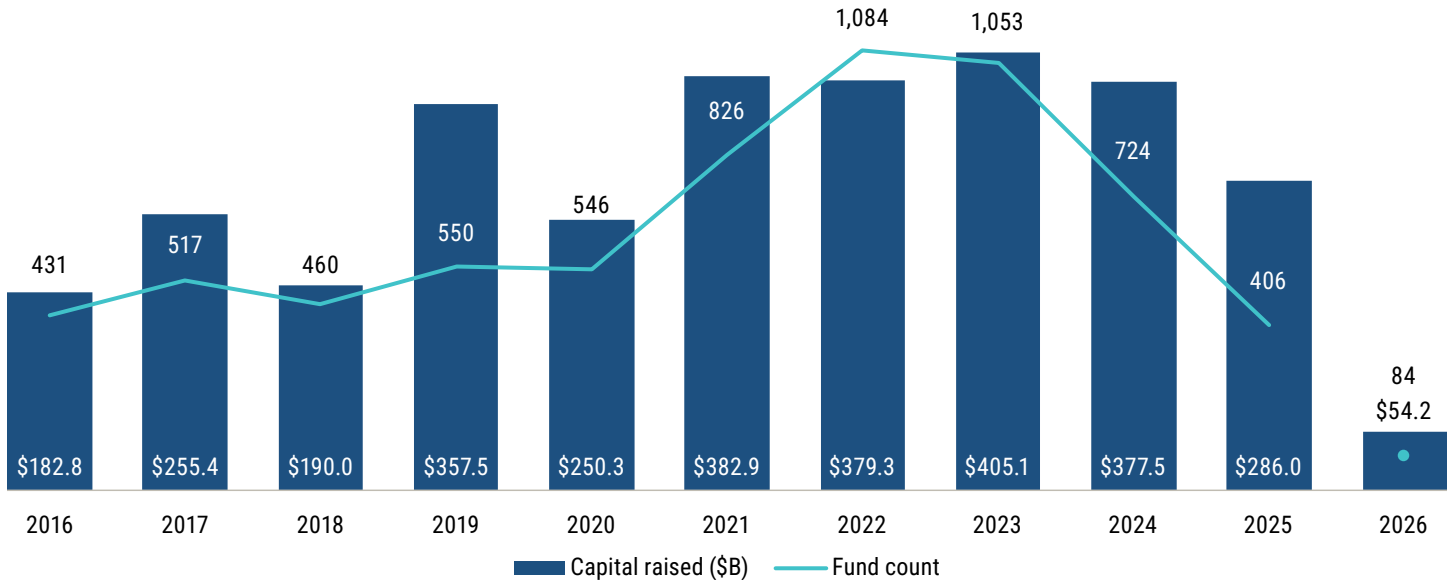
Share of PE exit value by sector



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

Fundraising

PE fundraising activity



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

Overview: Challenges keep inflows muted

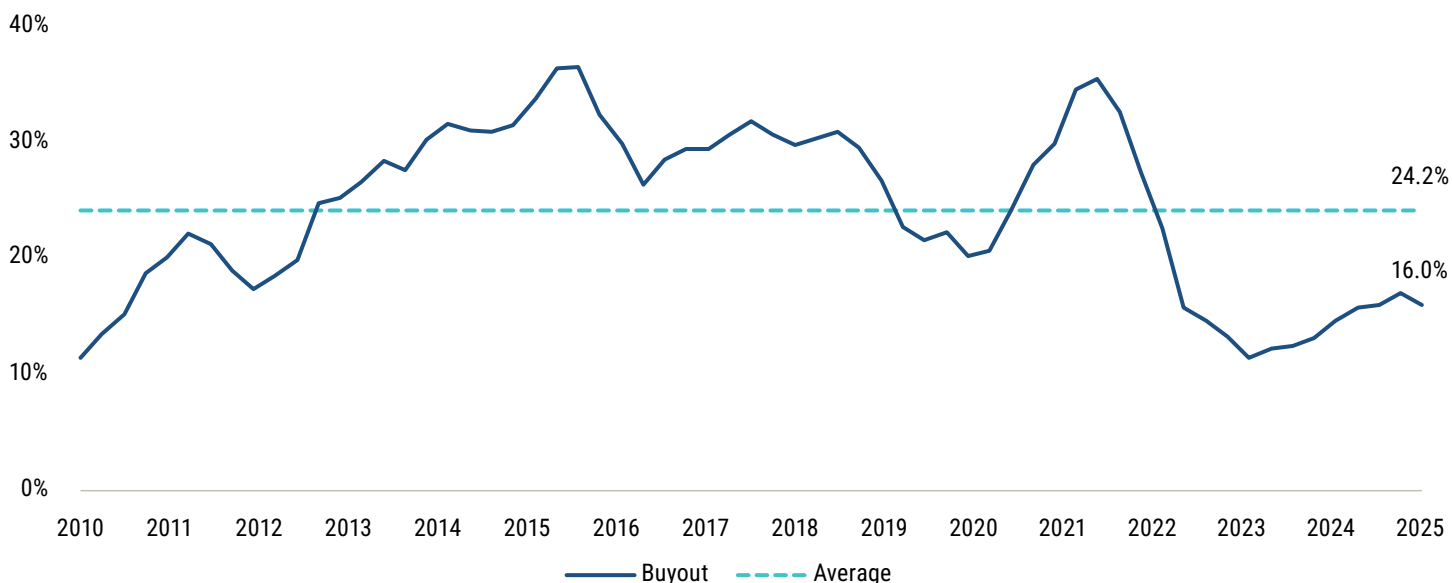
US PE fundraising has seen 84 funds hold final closes through the start of the year, totaling \$54.2 billion. While insufficient to draw full-year conclusions, the pace is consistent with expectations for another subdued year of capital formation. The primary catalyst for a sustained fundraising recovery remains an accelerated pickup in exit activity, a condition that has yet to materialize, as renewed macroeconomic uncertainty has once again weighed on the realization pipeline. The current environment follows an anomalous period of capital formation: the 2021-2024 fundraising cycle. Those years of robust fundraising were launched by the 2021-2022 boom, driven by near-zero interest rates and a flood of institutional capital, a macro environment unlikely to repeat, at least in the near term.

Capital concentration trends that defined 2025 have carried into the new year. The 10 largest funds raised through Q1 accounted for \$34.5 billion, or 63.7% of total capital raised, consistent with our expectation that commitments would continue to consolidate around a smaller number of larger managers. That share will likely compress as fund count widens through the remainder of the year, but the directional trend remains intact. The concentration of capital in top-tier funds risks creating "zombie" funds, as smaller and emerging managers struggle to raise capital and follow-on vehicles. The industry is sitting

on a backlog of 13,325 companies, and even the rebound in exit activity in early 2025 was insufficient to alleviate that pressure. The consolidation of LP relationships around a handful of mega-platforms suggests that even if conditions normalize, the fundraising market is likely to be permanently smaller, more concentrated, and slower-moving than it was at its peak. Consolidating capital with fewer managers offers LPs meaningful benefits, most notably a streamlined allocation pool and reduced operational complexity. That said, this approach carries a real trade-off, as LPs risk forgoing the differentiated returns and specialized expertise that middle-market managers have historically delivered.

Performance headwinds represent an additional constraint on the fundraising outlook. For much of the past two decades, PE delivered a consistent premium over public markets that justified illiquidity and fee loads, a proposition that is now under pressure. Global PE has delivered strong long-term performance, with 10- and 20-year IRRs of 14.5% and 13.5%, respectively. That said, near-term returns have moderated considerably, with one- and three-year IRRs declining to 7.2% and 7.4%, respectively. For managers with undifferentiated or below-median track records, the implications for successor fundraising are significant: extended time in market, higher LP scrutiny, and in some cases, a decision not to raise a follow-on vehicle at all.

Buyout fund distribution rates



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

The distribution environment remains the primary constraint on LP re-commitment capacity. Historically, allocators could expect annual distributions equivalent to roughly 25% of NAV, a cadence that supported consistent pacing into new vintages. From 2022 through 2025, that figure dropped to 16%, a 36% decline that has materially impaired the ability of pensions and other institutional LPs to recycle capital into successor funds without exceeding allocation targets. The practical effect has been a compression of commitment budgets across the LP base, independent of any change in appetite for the asset class. The path to a more constructive fundraising environment runs directly through the exit market. A sustained recovery in distributions is the necessary precondition, and until realized proceeds begin to flow at a pace more consistent with historical norms, new commitment activity is likely to remain structurally suppressed. Another defining feature of today's distribution landscape is the growing use of continuation vehicles, which we discussed in the previous section, and, more broadly, the secondaries market. These mechanisms allow GPs to extend their hold times on certain assets while simultaneously offering LPs a path to liquidity, even if it is not the desired path.

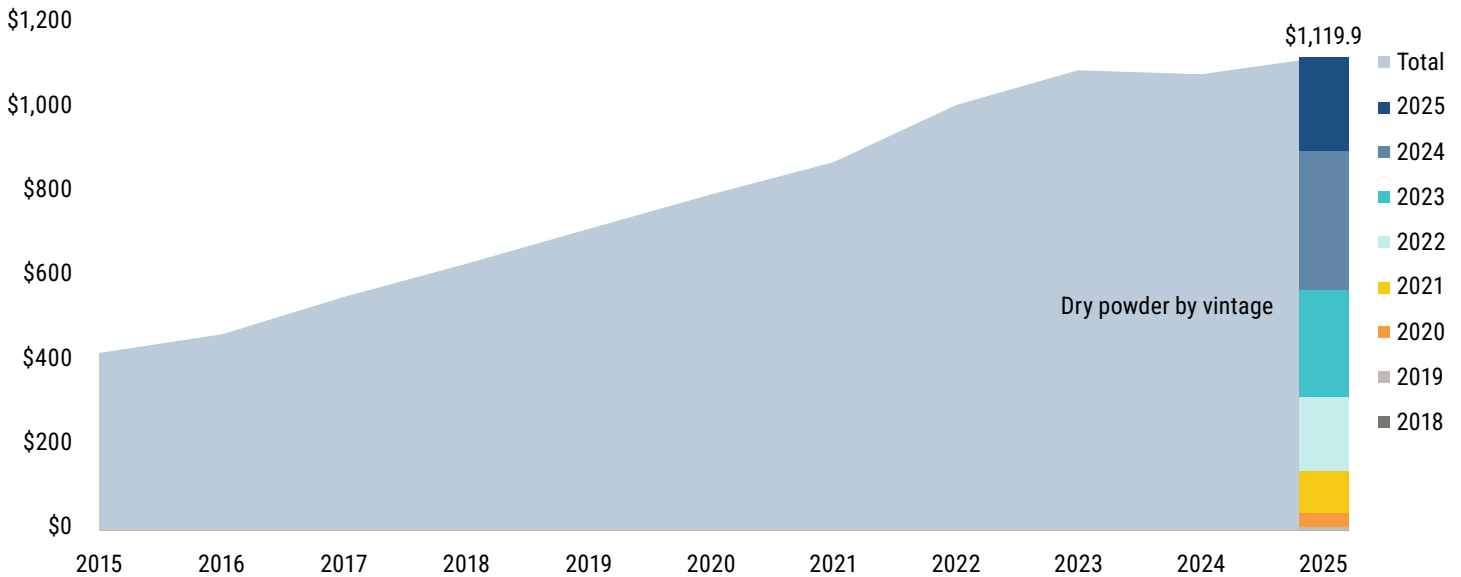
With that said, the structure of the industry itself may be shifting away from the traditional drawdown fundraising model. The migration toward evergreen and semi-liquid structures means traditional closed-end fundraising metrics may increasingly understate total PE activity, but it also reflects a structural transformation in how the industry raises capital, not a return to the old model. Retail inflows in the space

have increased in recent years, despite a limited number of PE vehicles tailored to the channel compared to other asset classes such as private debt or real estate, which are firmly ingrained in this new distribution model. By the end of 2025, PE evergreen assets in the US reached \$57.6 billion, more than double their level at the end of 2022. This includes \$13.8 billion of net new money in just 2025. Yet the rapid ascent of perpetual capital has not been without friction. Traditional LPs remain wary that these new vehicles could dilute deal flow for the funds to which they have provided commitments, as well as diminish attention and resources. Despite the ongoing tension, one thing is now certain: PE is no longer a monolithic asset class defined solely by drawdown funds.

Perhaps the most fascinating, and consequential, feature of these semi-liquid funds is the sheer velocity at which their capital must be deployed. With new subscriptions arriving monthly, these vehicles feel immediate pressure to buy whatever is available on the market. In the semi-liquid world, cash drag is viewed as a cardinal sin that erodes returns. Yet avoiding this sin comes at a steep cost: the sacrifice of private capital's greatest historical advantage, patient capital deployment and the ability to opportunistically capitalize on periods of market dislocation.

We believe this structural urgency will ultimately compress returns over time in the areas of the market where these vehicles operate. More capital competing for fewer deals is not a new story, but now a growing slice of the capital is moving with more urgency.

PE dry powder (\$B)



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

AUM and dry powder: Headline growth hides mounting pressure

US PE AUM pushed higher through H1 2025 to nearly \$3.8 trillion, extending what would be the industry’s 17th consecutive year of AUM growth. AUM comprises invested assets and uncalled capital, also known as dry powder. Headline AUM figures look impressive, but an increasing share of that growth has been driven not by fresh capital deployment or realized returns but by unrealized NAV, paper wealth sitting in portfolios that has not yet been monetized. The NAV of PE-backed companies in the US has now ballooned to \$2.7 trillion, and that mountain of unrealized value is perhaps the clearest sign that AUM growth has become decoupled from actual cash generation. Until exits accelerate meaningfully, it will remain a source of pressure rather than a sign of health. However, with the rise of secondaries activity, the lens through which this data is viewed can shift slightly. If secondaries are acting as one of the drivers of exit activity, these NAV figures are not actually changing. The GPs still have not exited from their perspective; only the counterparty has changed. Yet there has been some liquidity generated for the LP. Additionally,

AUM growth has slowed in recent years, driven by the marginal increase in the NAV of existing PE-backed portfolio companies in the US. This slowdown has coincided with the continued growth in the number of PE-backed companies in the US. As of March 31, 2026, there are 13,325 PE-backed companies in the US, which in years past had supported the robust growth of the NAV portion of AUM but have since seemingly slowed.

Dry powder has now surpassed \$1.1 trillion in the US alone, a record. However, this figure is expected to decline slightly in the back half of the year, coinciding with the accelerated deployment that severely outpaced capital formation activity to end 2025. Dry powder’s share of AUM now sits at 29.6%, another small YoY decrease, and remains below the 10-year average of 35.9%. Sustained deal activity in the absence of a fundraising recovery creates a progressive compression of GP firepower, and with exits still insufficient to recycle capital at scale, the portfolio beneath the headline AUM figure continues to age, leaving valuation marks increasingly untested and quality degradation among longer-held assets an escalating concern.

Notable open PE megafunds

Fund	Fund type	Open date	Fund target (\$M)	Raised amount (\$M)
Advent International GPE XI	Buyout	January 1, 2025	\$26,000.0	\$20,000.0
Warburg Pincus Global Growth XV	Growth/expansion	September 5, 2025	\$17,000.0	\$12,800.0
Clearlake Capital Partners VIII	Buyout	June 20, 2023	\$15,000.0	\$13,000.0
TPG Partners X	Buyout	January 3, 2025	\$15,000.0	\$10,858.0
Blue Owl GP Stakes VI	PE growth/expansion	June 16, 2023	\$13,000.0	\$8,983.4
TPG Rise Climate II	Buyout	December 1, 2023	\$8,000.0	\$6,625.0
General Atlantic Investment Partners 2025	PE growth/expansion	June 12, 2024	\$8,000.0	\$2,687.7
Blackstone Growth II	PE growth/expansion	May 5, 2022	\$7,000.0	\$4,590.0
Thomas H. Lee Equity Fund X	Buyout	August 19, 2024	\$6,250.0	\$4,966.4
Patient Square Equity Partners II	Buyout	September 4, 2023	\$6,000.0	\$3,110.0

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

Notable closed PE funds YTD

Fund	Fund type	Close date (2026)	Fund target (\$M)	Raised amount (\$M)
KKR North America Fund XIV	Buyout	April 2	\$20,000.0	\$23,000.0
Blackstone Life Sciences VI	PE growth/expansion	March 30	\$5,000.0	\$6,300.0
Greenbriar Equity Fund VII	Buyout	February 26	\$4,250.0	\$5,400.0
Lindsay Goldberg VI	Buyout	January 6	\$4,000.0	\$4,900.0
Bregal Sagemount V	Buyout	March 2	\$3,000.0	\$3,500.0
Lead Edge Capital VII	PE growth/expansion	March 23	\$2,500.0	\$3,500.0
HGGC Fund V	Buyout	February 19	\$2,500.0	\$3,200.0
BV Investment Partners Fund XII	Buyout	January 6	\$2,000.0	\$2,465.0
Truelink Capital Fund II	Buyout	March 9	\$1,500.0	\$2,000.0
Warburg Pincus Financial Sector III	Buyout	January 7	\$2,500.0	\$1,800.0

Source: PitchBook • Geography: US • As of April 2, 2026

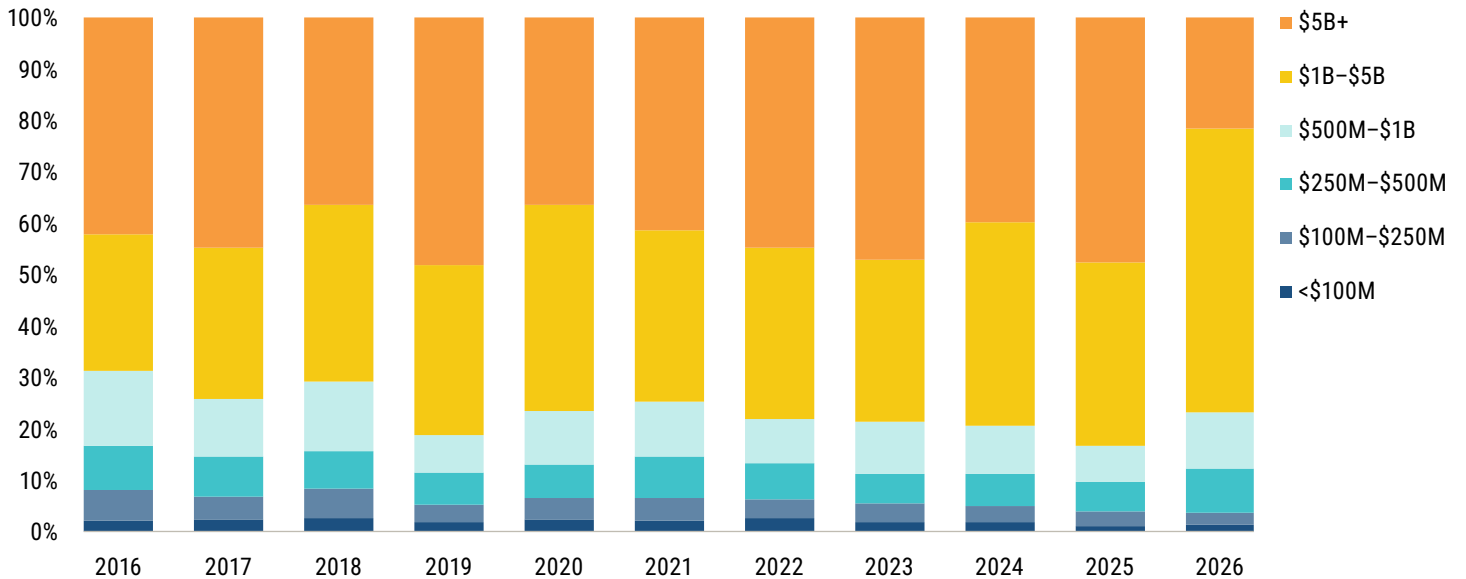
Megafunds: Slow to start, but large funds in the pipeline

The first quarter produced the final close of two megafunds: Blackstone Life Sciences VI, which raised \$6.3 billion and Greenbriar Equity Group's seventh flagship buyout fund, which secured \$5.4 billion in total commitments. KKR's flagship megafund closed just after quarter end, coming in at \$23 billion dedicated to North American buyouts. Megafunds are those that raise \$5 billion or more in equity commitments, meaning that Lindsay Goldberg came close, holding a final close on

its sixth flagship at \$4.9 billion, narrowly short of megafund territory. That scarcity at the top tells an important story.

The megafund strength seen over the past 12 to 15 months has created a significant headline distortion in overall US PE fundraising figures. In 2025, the top 10 funds captured their largest share of total US fundraising in more than a decade, as LPs doubled down on the largest, most established managers. This means aggregate fundraising totals are being artificially supported by a handful of very large closes, masking severe weakness across the rest of the market.

Share of PE capital raised by size bucket



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

The flight to scale among LPs is structural, not cyclical. Allocators have consolidated their manager relationships around large, multi-strategy platforms that offer consistent performance and diversified access across PE, credit, and real estate, effectively functioning as full-service alternatives managers under a single roof. This is a durable preference shift, not a temporary reallocation driven by market conditions. The implication for the broader industry is significant. Large blue-chip firms are generally insulated from the fundraising malaise precisely because they are no longer competing solely on PE returns; they can cross-sell strategies, recycle LP relationships across fund types, and draw on income from credit and real assets to cushion any slowdown in flagship buyout fundraising. This dynamic creates meaningful economic benefits for LPs deploying capital at scale. Much like shopping at Costco, concentrating volume with a single, high-capacity provider unlocks pricing and efficiency advantages that smaller, fragmented relationships simply cannot match. For everyone else, the consolidation of LP wallet share at

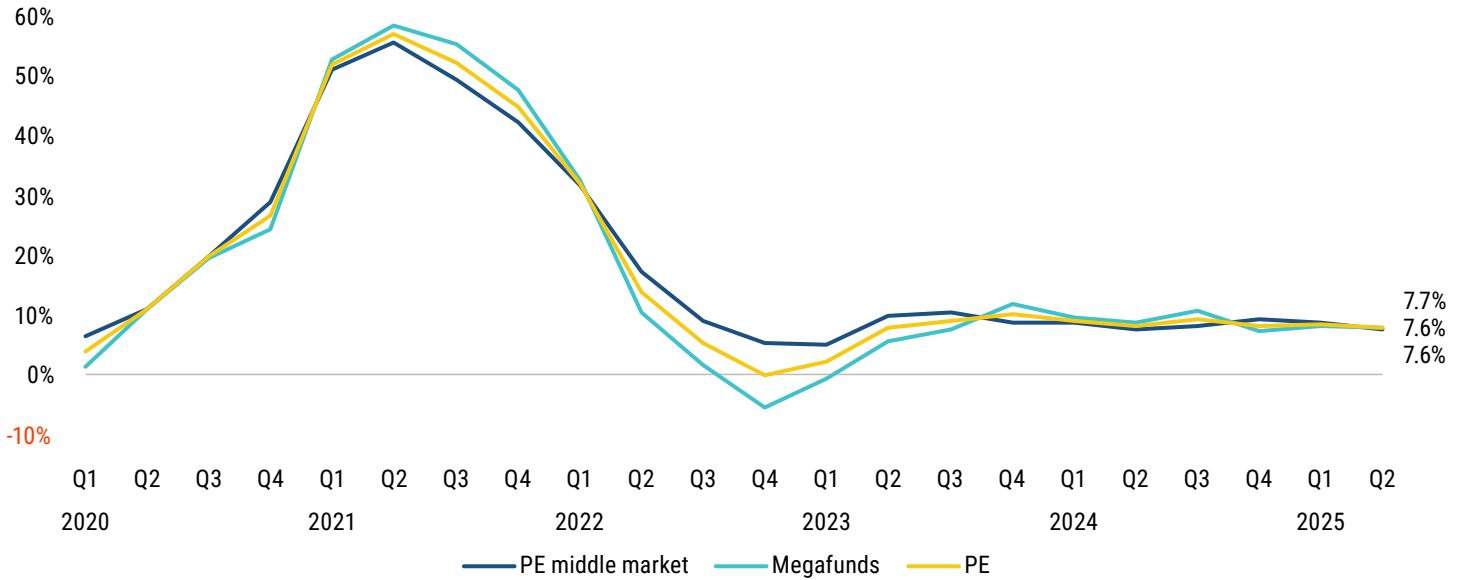
the top of the market will not be a tide easily reversed, but improving realizations will be the way to combat this new trend.

Middle-market funds: Bearing the brunt of the slowdown

Fundraising remains deeply selective, with GP demand far outpacing LP supply, a supply-and-demand imbalance that naturally suppresses outcomes for most managers. This dynamic is most acute in the middle market, where the majority of funds are raised and where managers have collectively held final closes on 43 funds worth \$41.7 billion through the first three months of the year. For LPs with limited internal resources or lean due diligence teams, the appeal is straightforward: Fewer manager relationships mean less operational overhead, a reduced sourcing burden, and a more manageable portfolio-construction process. The result is a gravitational pull toward scale, one that leaves middle-market and specialist managers competing for an ever-shrinking share of available LP capital.

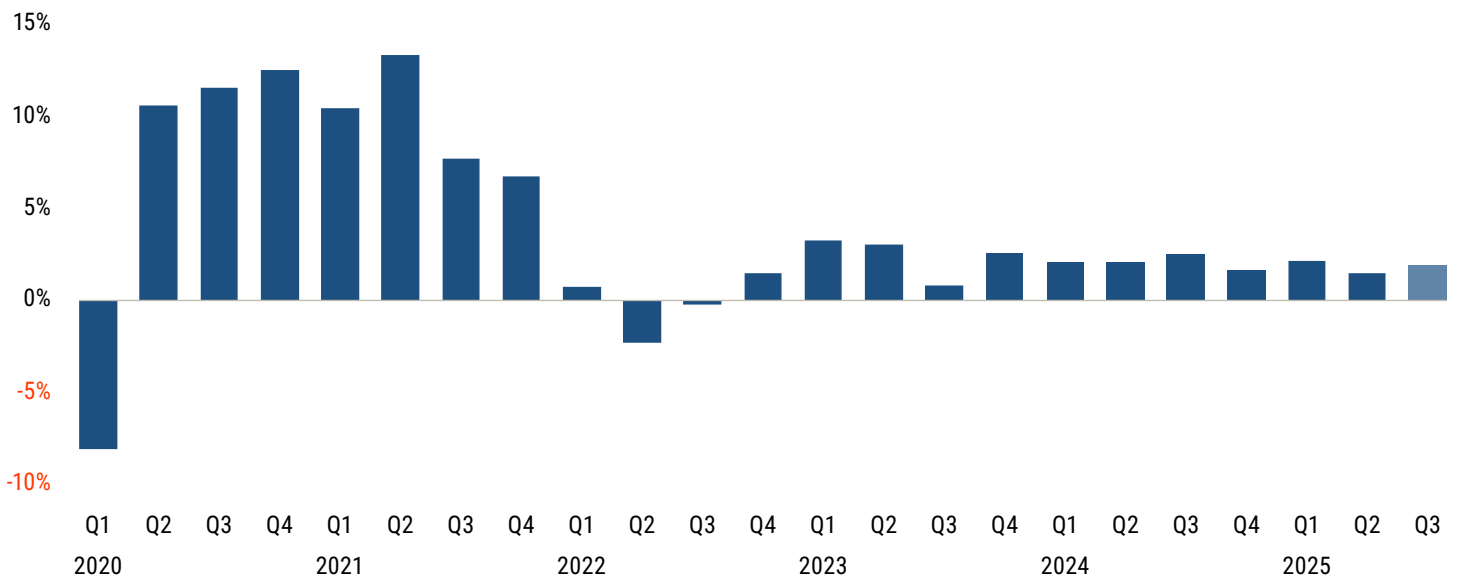
Performance

Quarterly rolling one-year PE fund performance by size



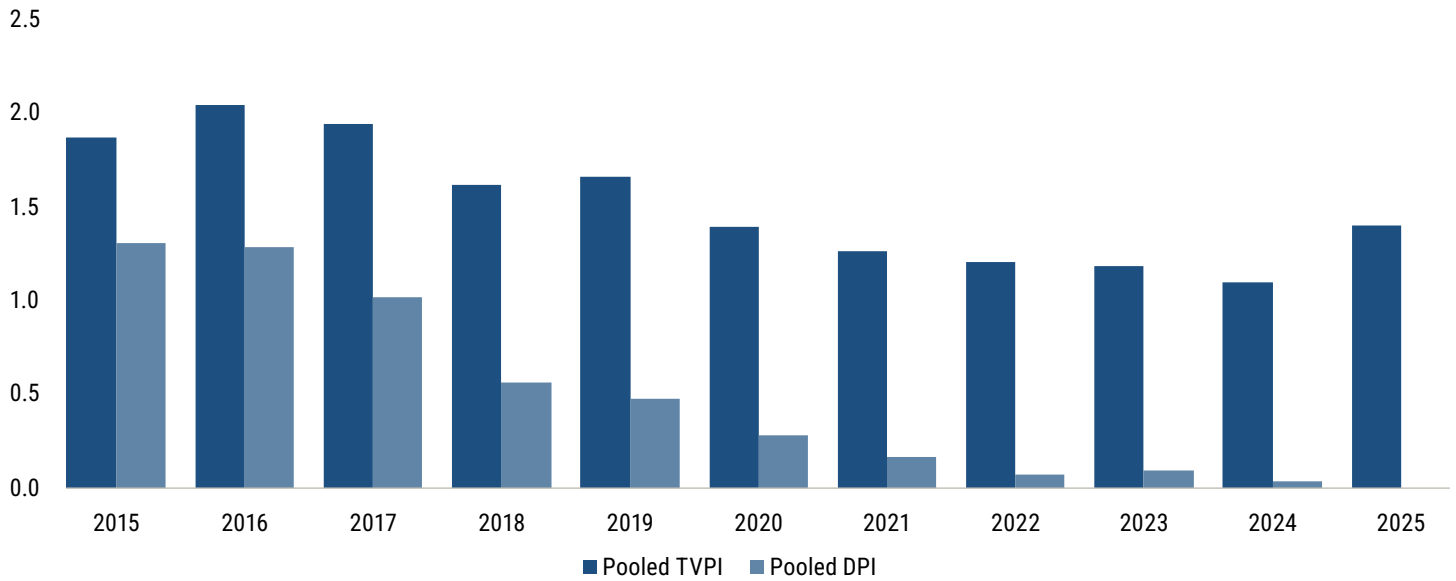
Source: PitchBook • Geography: US • As of June 30, 2025

PE funds IRR by quarter



Source: PitchBook • Geography: US • As of June 30, 2025
 Note: Q3 data is preliminary.

TVPI and DPI capital returns by fund vintage



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

Appendix

Industry definitions

Energy

Energy Exploration, Energy Production, Energy Refining, Energy Transportation, Energy Infrastructure, Energy Storage, Oil and Gas Equipment, Alternative Energy Equipment, Electric Utilities, Gas Utilities, Multi-Utilities, Water Utilities, Other Energy, Other Energy Services, Coal and Consumable Fuels Equipment

Materials & resources

Precious Metals and Minerals Mining, Other Metals, Minerals and Mining, Aluminum Mining, Iron and Steel Mining, Gold Mining, Coal Mining, Multi-line Mining, Raw Materials (Non-Wood), Agricultural Chemicals, Industrial Chemicals, Specialty Chemicals, Commodity Chemicals, Multi-line Chemicals, Other Chemicals and Gases, Horticulture, Cultivation, Animal Husbandry, Aquaculture, Forestry Development/Harvesting, Forestry Processing

Business Products and Services (B2B)

Electrical Equipment, Industrial Supplies and Parts, Construction and Engineering, Building Products, Aerospace and Defense

Note: Information Technology, Financial Services, Consumer Products and Services (B2C), Healthcare – none, by design. In our definition of HALO, we deliberately exclude these.

Further reading:

["Summary of Economic Projections," Federal Reserve, March 18, 2026.](#)

["Gasoline and Diesel Fuel Update," US Energy Information Administration.](#)

["US Gulf Coast Kerosene-Type Jet Fuel Spot Price," US Energy Information Administration.](#)

["The HALO Effect: Heavy Assets, Low Obsolescence in the AI Era," Goldman Sachs, March 24, 2026.](#)

["Household Debt and Credit Report," Federal Reserve Bank of New York, Research and Statistics Group, February 2026.](#)



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