

Private Markets Quarterly

Executive Summary

Highlights

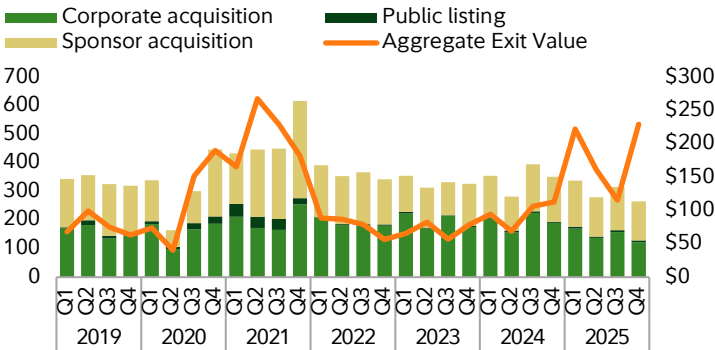
- Despite headlines, private equity aggregate exit value has increased meaningfully QoQ.
- Direct lending maintains an attractive relative yield versus traditional asset classes.
- Real estate fundamentals, including cap rates and transaction volumes, are showing signs of stabilization and gradual improvement, though conditions vary across markets.
- Retail Market Growth: Intermittent liquidity vehicle growth is projected to be ~20% annually over the next 5 years.

Private Equity

From pause to pace

While the total number of exits remained modest during 2025 and sponsors have been generally holding assets longer, aggregate exit value has increased meaningfully QoQ. Lower base rates and steady valuations are two key factors contributing to the increase. Though the rebound remains measured, it nevertheless represents a meaningful shift after an extended period of muted realizations.

PE Exit Volume



Source: PitchBook Data, Inc., as of 12/31/25.

On an important note, the secondary market has been an especially powerful driver of liquidity, recording a historic year in 2025 with total transaction volume reaching \$240 billion.¹

Purchase price multiples have held firm around ~11x as of 12/31/25, giving both buyers and sellers clearer pricing signals.² When looking through to the deal composition, higher equity contributions highlight the more disciplined, risk-aware approach investors are taking in today's environment.

Diversification does not ensure a profit or guarantee against a loss.

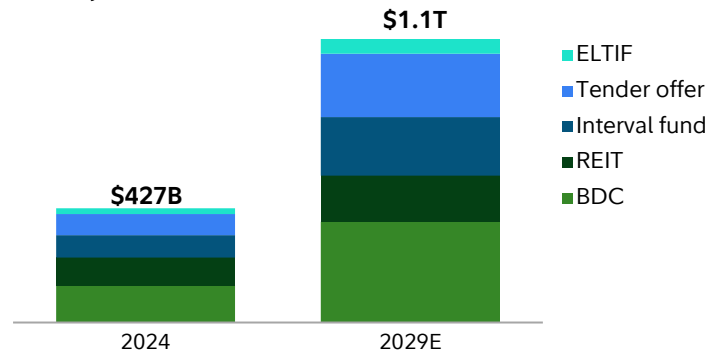
In terms of dry powder, capital deployment for private equity and venture managers has shifted to a steady pace, reflecting a slight decline in dry powder from year end 2023 levels. Across private markets in total, dry powder stands at \$4.4T, down from the recent \$4.6T peak. We note that an estimated 33% of total dry powder from the 2021 vintage and earlier is unlikely to be called en masse.

Increasing private market growth

Assets under management for wealth-focused evergreen funds is projected to rise at an 19.9% CAGR over the next 5 years.

As investor access to the diversification and return potential of private markets continues to expand, it also introduces considerations around liquidity, risk management, client education, and disciplined due diligence.

Wealth-focused evergreen fund AUM forecast (\$B) by structure



Source: PitchBook Data Inc., as of 4/14/25.



Private Credit

High noise, healthy metrics

Direct lending's exposure to contractual income and illiquidity premium provides a near ~10% absolute yield, in line with its historical average and well above traditional investment comparables.

That said, recent challenging headlines have shaken investor confidence, including large write-downs, PIK interest, rapid industry AUM growth, and general concerns over underwriting quality.

Despite recent noise in the lending markets, covenant default rates within private loans have steadily declined from peaks. Defaults decreased by 0.2% QoQ and remain well below the Q1 2023 peak. Note, however, amendment activity was approximately 5% higher, with covenant holidays nearly doubling since Q2.

Additionally, interest coverage ratios have recovered from the trough of 1.4 in Q1 2024 to 1.8x at Q3 2025, indicating improved borrower capacity to meet interest obligations. Lastly, deal structures reflect a trend toward lower leverage, as private equity sponsors inject more equity into buyout transactions.³

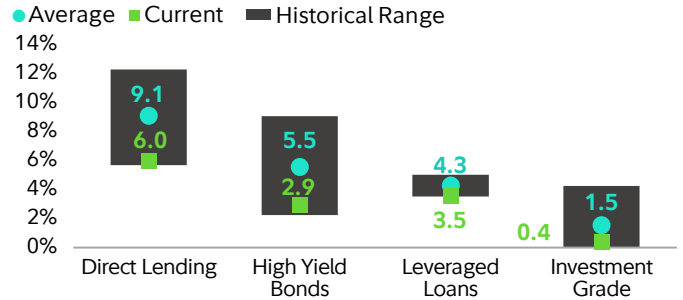
Direct lending capital growth has accelerated; demand remains

Direct lending capital has expanded rapidly, with U.S. private credit surpassing \$1.8T in AUM and \$350B in cumulative billion-dollar loans from 2019 to 2024.⁴

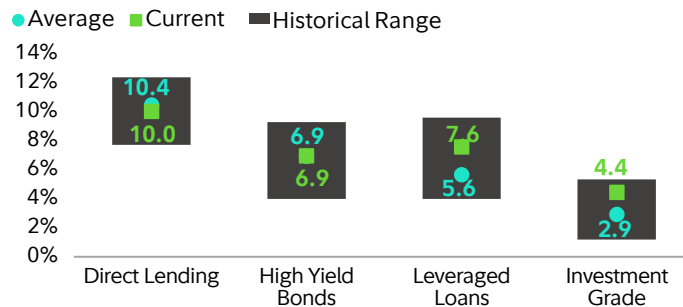
At the same time, buyout financing needs have surged. Private equity dry powder has climbed steadily, contributing to an estimated \$900B funding gap at the end of 2024. This imbalance between abundant PE capital and limited lending capacity is reinforcing demand for private lenders, positioning private credit as an increasingly essential source of buyout financing.

Despite the challenging headlines (the noise), direct lending continues to demonstrate attractive relative spreads, resilient fundamentals, and a persistent supply-demand imbalance (the metrics).

Spreads

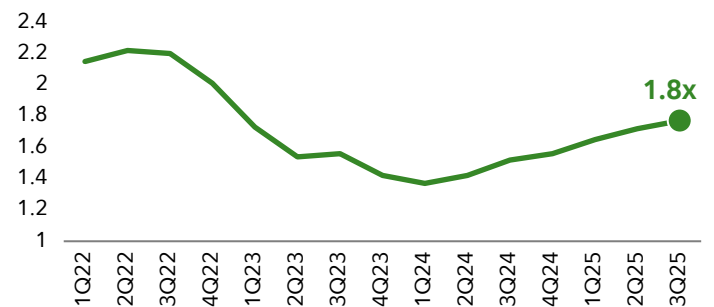


Absolute Yields



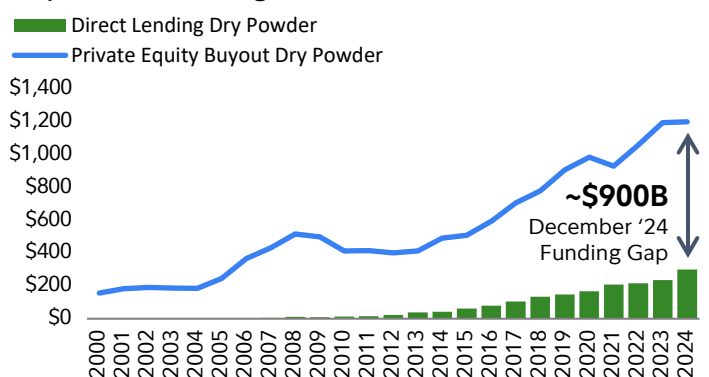
Spreads are relative to the ICE BofA 0-3M Treasury Bill Index, 1/1/10-9/30/25. Past performance is no guarantee of future results. Source: Cliffwater, Morningstar Direct, as of 9/30/25.

Interest Coverage Ratio, Size-weighted



Source: Lincoln Partners Advisors LLC, as of 9/30/25. Calculations: Interest Coverage = LTM EBITDA/Interest Expense.

Buyout debt financing demand



Fidelity Direct Lending, as of 12/31/24.

Private equity buyout dry powder = Buyout + Balanced.

Real Estate

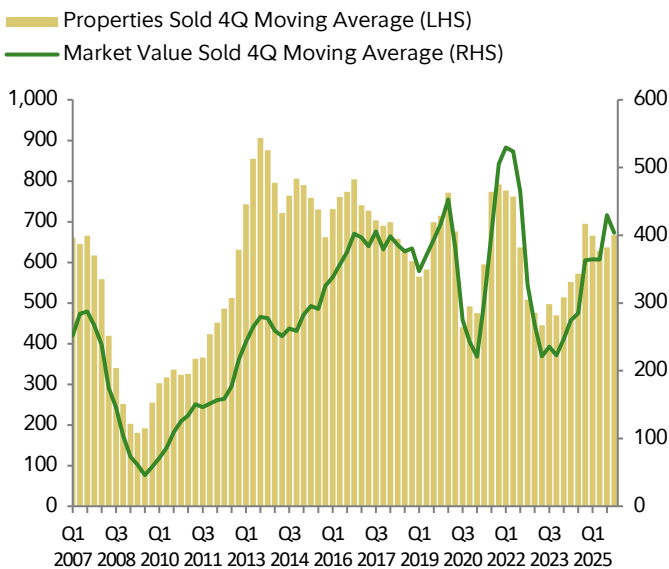
A more balanced CRE market—and a tall wall of maturities

Fundamentals are showing signs of gradual improvement, although conditions vary across segments and metro areas. Cap rates have generally stabilized after several years of upward movement, with the spread between cap rates and the 10-year Treasury narrowing slightly to 1.7% as of Q3 2025, indicating less pressure from rising interest rates.⁵

Historically, periods of cap-rate expansion have preceded renewed capital formation as investors reposition to capture improved underwriting yields. Elevated cap rates may enhance going-in returns, whether driven by stronger net operating income growth expectations, reduced acquisition pricing, or a combination thereof.

Transaction activity is also improving. The four-quarter moving average of total property sales volume has risen from 2023 lows, signaling a recovery in market confidence and buyer engagement. However, supply-demand dynamics remain uneven.

NCREIF Index Property Transaction Volume

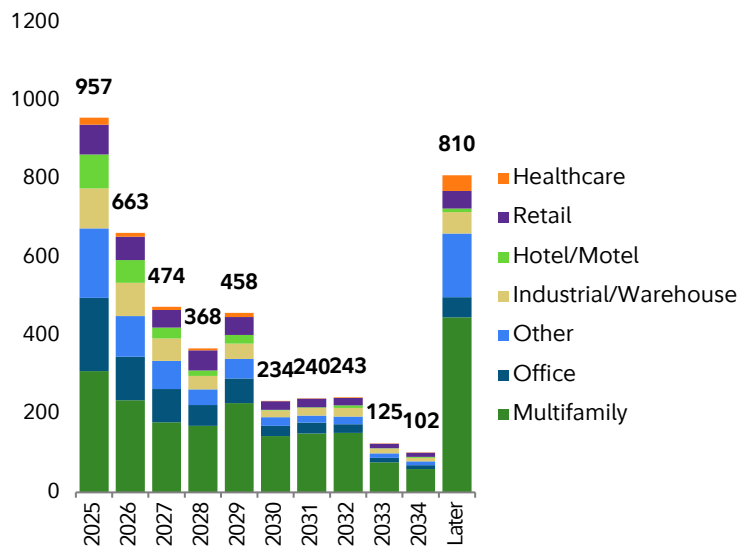


Source: NCREIF, as of 12/31/25.

Meanwhile, net operating income (NOI) growth remains positive across key property types—including industrial, apartment, and retail—supported by steady tenant demand and healthier rent trends.

That said, vacancy rates have increased to 6.8% from the 5.2% bottom in 2022. As expected, the uptick in vacancy can be largely seen in office properties, though a relatively recent increase in industrial vacancies has also occurred. Still, industrial vacancies increased from a low floor (1.5%) and remain near historical lows. Within capital markets, CMBS yields remain elevated, offering investors attractive income potential. At the same time, CMBS loan to value ratios have steadily declined, potentially providing greater downside protection for lenders and bondholders. Furthermore, nearly \$2.0T of commercial real estate debt is maturing by 2027 year end.

CRE Loan Maturities by Property Type (\$B)



Source: Commercial Mortgage Alert, as of 12/31/25.

While vacancy rates have edged higher and cap rate spreads remain elevated, fundamentals such as sustained NOI growth, improving transaction volumes, and attractive CMBS yield to risk profiles point to a market finding its footing.



Endnotes

¹ Jefferies LLC, as of 12/31/25.

² PitchBook Data Inc., as of 12/31/25.

³ Lincoln Partners Advisors LLC, as of 9/30/25.

⁴ PitchBook Data Inc., Preqin, Cliffwater, and Bloomberg, as of 12/31/24.

⁵ NCREIF, as of 9/30/25.

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