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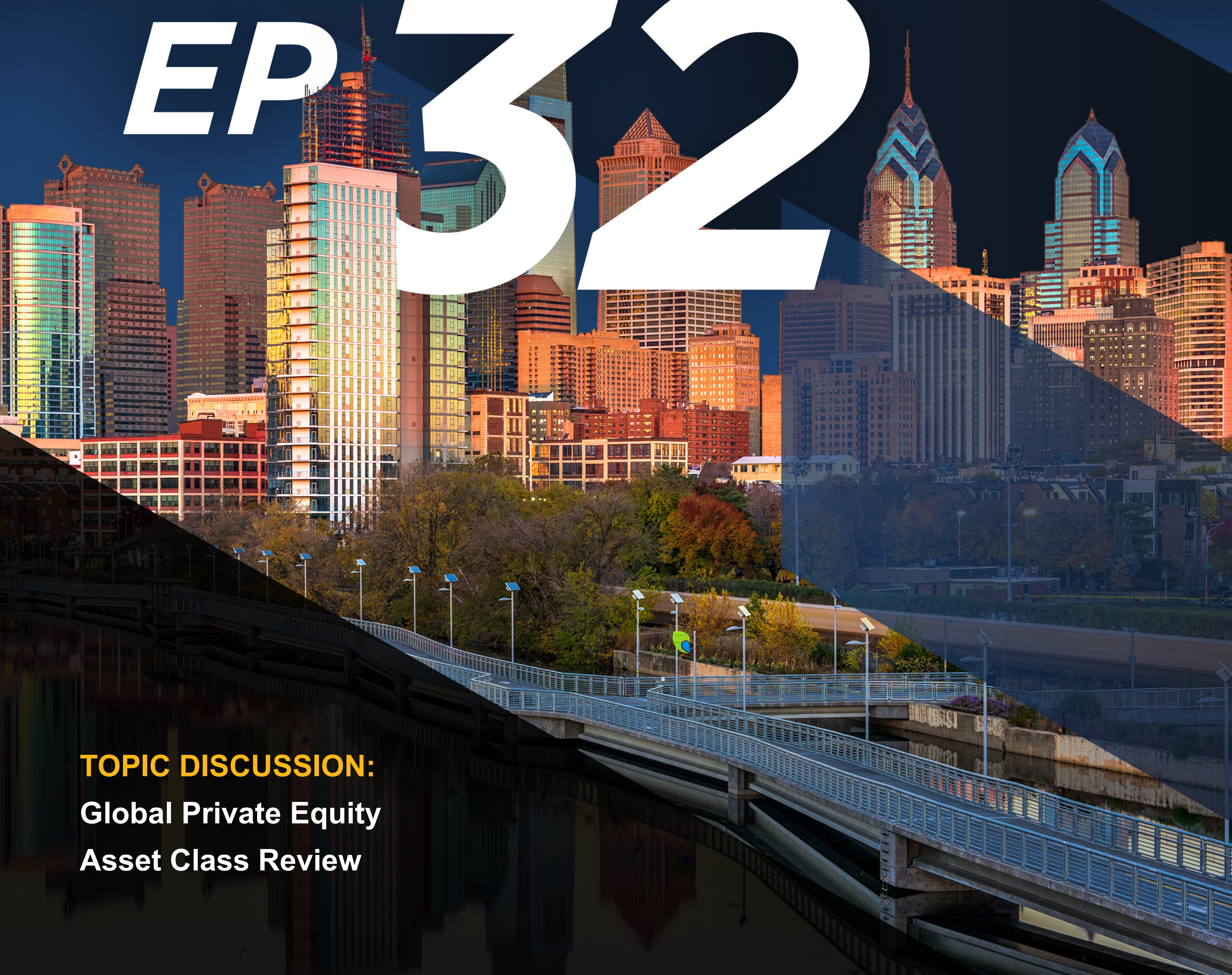
POST-CALL NOTES

EP 32



TOPIC DISCUSSION:

Global Private Equity Asset Class Review

Dakota Insights Podcast

Post-Call Notes / Episode 32

TOPIC DISCUSSION: GLOBAL PRIVATE EQUITY ASSET CLASS REVIEW

Introduction & Market Overview

Q2 2026 Fundraising Snapshot

- Global private equity fundraising totaled $153.2 billion in disclosed capital in Q2 2026, down slightly from $171.8 billion in Q1 — but the quarter-over-quarter dip understates the real story, which is about where capital is going and who is capturing it.
- Three themes defined the quarter: capital concentrating at the top and fast, a differentiated thesis mattering more than ever in the middle market, and secondaries/GP-led liquidity solutions capturing a growing share of overall capital flows.

GLOBAL FUNDRAISING OVERVIEW

Q2 2026 PE Fundraising by Strategy Type — $153.2B Total

Strategy	Capital Raised	Share
Large Buyout	$76.2B	50%
Middle Market Buyout	$33.1B	22%
Lower Middle Market Buyout	$7.2B	5%
Secondaries	$15.7B	10%
Growth Equity	$8.3B	5%
Other (co-invest, GP stakes, thematic, niche)	$12.7B	8%
TOTAL	**$153.2B**	**100%**

Source: Dakota Marketplace

Large Buyout Is an Asia-Pacific Story

- Large buyout taking half the quarter's capital is the headline, but it's driven by a very specific dynamic — Asia-Pacific. EQT's BPEA IX, Bain Capital Asia VI, and Blackstone Asia III combined for nearly $40 billion in a single quarter, one of the strongest APAC-dedicated fundraising quarters Dakota has tracked. Strip those three out and the large buyout picture looks much more normal.

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Secondaries Are Now Structural, Not Cyclical

- Secondaries at 10% of the quarter is not a blip — it's structural. GP-led continuation vehicles and LP-led secondary sales have become the primary liquidity mechanism for an industry where traditional M&A and IPO exits remain suppressed.
- Partners Group Secondary VIII closed at $9 billion, a flagship-sized vehicle dedicated entirely to secondaries — capital is flowing toward liquidity solutions because the exit market can't keep pace with prior vintages' commitment activity.

Growth Equity Remains Muted Despite AI Attention

- Growth equity at just 5% is notably small given how much attention AI and tech attract. The fundraising data doesn't reflect the AI story the way one might expect — there's real caution around software- and technology-focused buyout strategies specifically because of AI's disruptive impact on legacy software assets, and that uncertainty is showing up in both deal valuations and fundraising timelines for tech-focused funds.

NOTABLE FUND CLOSES – Q2 2026

GP	Fund	Amount
KKR	KKR North America Fund XIV	$23.0B
EQT Group	EQT Private Capital Asia BPEA IX	$15.6B
Blackstone Inc	Blackstone Capital Partners Asia III	$13.1B
Bain Capital	Bain Capital Asia Fund VI	$10.5B
Partners Group	Partners Group Secondary VIII	$9.0B
Thomas H. Lee Partners	THL Equity Fund X	$6.35B
26North	26North Private Equity Fund I	$5.9B
Main Capital Partners	Main Capital IX	$4.5B
Court Square Capital Partners	Court Square Capital Partners V	$3.8B
OceanSound Partners	OceanSound Partners Fund III	$3.4B

Source: Dakota Marketplace

The Concentration Story

- The five largest closes of the quarter — KKR North America XIV, EQT BPEA IX, Blackstone Asia III, Bain Asia VI, and Partners Group Secondary VIII — accounted for almost half of all disclosed capital, and three of the top five are Asia-Pacific dedicated vehicles.
- KKR North America Fund XIV at $23 billion is the clear quarter leader. KKR is also marketing its fifth Asia-focused fund, targeting $15 billion — making the two largest active fundraises in the market right now both KKR vehicles.

First-Time and Niche Managers Breaking Through

- 26North's $5.9 billion close is notable for being a first-time fund — genuinely rare in the current environment. Josh Harris' team clearly benefited from the strong LP relationships built during their time at JPMorgan; for most first-time managers, a raise this size would be essentially unachievable right now.
- OceanSound's $3.4 billion close in the lower middle market tech and software space stands out given how difficult that sector has been for fundraising. It speaks to the value of a highly differentiated thesis — OceanSound focuses specifically on government and regulated industries, insulating it from the AI disruption concerns hitting broader software strategies.

THEMES: WHAT'S WORKING VS. WHAT'S SLOWING

Let's put the quarter's themes side by side — the bifurcation in this market is striking when laid out this way.

Q2 2026 Themes — What's Working vs. What's Slowing

What's Working	What's Slowing
Asia-Pacific buyout (EQT BPEA IX, Bain Asia VI, Blackstone Asia III — $39B+ combined)	Generalist mid-market buyout without a differentiated sector or geographic thesis
Secondaries and GP-led continuation vehicles — growing share of overall capital flows	Software and technology-focused buyout — AI disruption uncertainty weighing on deal values
Geography-specific plays: APAC and Nordics/DACH region (Main Capital, Norvestor, INSETA)	First-time and emerging managers — extended timelines and reduced targets persisting
GP stakes / strategic capital — increasingly core allocation for large institutions	Traditional M&A and sponsor-to-sponsor exits — constraining distributions industry-wide
Royalty and IP thematic strategies — music, content, digital assets attracting capital	Growth equity — caution around tech and growth bets amid AI uncertainty

Source: Dakota Marketplace, Q2 2026 Global PE Asset Class Review

A Sharp Positioning Story Is the Common Thread

- The right column is telling for anyone in the middle market: generalist mid-market buyout without a differentiated sector or geographic thesis is seeing the longest fundraising timelines and most target misses.
- The left column is equally clear: what's working has a specific differentiated angle — a geography, a sector thesis, a structural role like secondaries, or an uncorrelated income profile like royalties and GP stakes.

Royalty and IP Strategies Gaining Real Traction

- The royalty and IP theme in consumer, media, and entertainment was one of the stronger thematic sectors of the quarter: Primary Wave Music IP Fund 4 closed at $2.23 billion, Shamrock Content IV at $813 million, and Domain Entertainment II at $768 million.
- Allocators are clearly interested in strategies that generate royalty-like cash flows as an alternative to the compressed returns and exit backlog in traditional buyout.

The Exit Constraint Behind the Secondaries Growth

- Traditional M&A and sponsor-to-sponsor activity continues to slow. The quarter's headline exit was SpaceX's IPO at $75 billion — the largest public offering ever completed — but that's an outlier; the broader IPO reopening is concentrated in aerospace, defense, energy, and AI-enabling infrastructure, while traditional software and consumer exits are not following.
- That gap between what's getting done and the broader backlog of aging portfolio companies is a real constraint on distributions, which is why secondaries and continuation vehicles keep growing.

PERFORMANCE & BENCHMARKING

Let's start with IRR — showing the 2015 through 2024 vintages, where the action is for most active programs right now.

Net IRR Distribution by Vintage — 2015 to 2024 (selected)

Vintage	# Funds	Top Decile	Top Quartile	Median	Bottom Quartile	Bot. Decile
2024	154	39.7%	23.5%	**9.1%**	-1.0%	-15.2%
2023	191	33.5%	22.5%	**14.4%**	2.0%	-9.3%
2022	233	29.4%	20.0%	**12.9%**	5.9%	-1.0%
2021	247	22.7%	15.4%	**10.1%**	4.6%	-2.2%
2020	234	26.8%	18.3%	**13.7%**	8.9%	4.9%
2019	238	24.4%	19.0%	**14.0%**	9.2%	3.5%
2018	203	26.1%	19.6%	**14.5%**	11.2%	6.4%
2017	174	29.0%	19.7%	**15.0%**	10.1%	5.7%
2016	178	31.9%	21.6%	**15.6%**	11.1%	3.8%
2015	182	25.6%	19.6%	**15.1%**	10.1%	4.7%

Source: Dakota Marketplace. Percentile cutoffs per vintage. 2025–2026 N/M. Bold = Median.

2021 Vintage Underperformance and Widening Dispersion

- The 2021 vintage stands out immediately: median net IRR of 10.1%, the lowest of any vintage going back to 2008, and actually below the 2020 and 2019 cohorts despite having had more time to mature — an early signal of what deploying at peak cycle multiples costs later on.
- The 2016–2018 vintages are the golden era in this data, with median IRRs of 14.5% to 15.6%, benefiting from low rates, ample liquidity, and a strong exit environment that's clearly shifted.
- Dispersion is widening in more recent vintages: 2024 shows a 55-point spread between top decile (39.7%) and bottom decile (-15.2%), versus a 20–25 point range in the 2015–2018 era. Manager selection is doing more of the work now.

TVPI Distribution by Vintage — 2015 to 2024 (selected)

Vintage	# Funds	Top Decile	Top Quartile	Median	Bottom Quartile	Bot. Decile
2024	175	1.60x	1.31x	**1.10x**	0.99x	0.87x
2023	167	1.50x	1.29x	**1.14x**	1.00x	0.88x
2022	190	1.58x	1.34x	**1.23x**	1.10x	0.98x
2021	199	1.67x	1.48x	**1.28x**	1.16x	1.00x
2020	175	1.94x	1.62x	**1.42x**	1.29x	1.10x
2019	174	2.12x	1.80x	**1.53x**	1.39x	1.19x
2018	160	2.28x	2.00x	**1.65x**	1.44x	1.19x
2017	132	2.66x	2.14x	**1.85x**	1.48x	1.28x
2016	132	2.88x	2.20x	**1.87x**	1.58x	1.30x
2015	133	2.71x	2.29x	**1.86x**	1.61x	1.26x

Source: Dakota Marketplace. Total Value to Paid-In per vintage. 2025–2026 N/M. Bold = Median.

A Sobering 2021 Vintage, But Strength at the Top

- The 2021 vintage's 1.28x median TVPI is sobering given how much capital went into that vintage — the 2016 vintage sits at 1.87x after the same or more time to mature. The step-down from 2020 (1.42x) to 2021 (1.28x) is notable for representing just one year of vintage difference, and the 2021 funds aren't done yet.
- The bottom quartile for 2024 is already at 0.99x, meaning the bottom quartile of a recent vintage is already below cost.
- The top of the distribution remains very strong: top decile 2024 at 1.60x after just two years is a real number — the same vintage year contains funds 60% above cost and funds already underwater.

DPI Distribution by Vintage — 2015 to 2024 (selected)

Vintage	# Funds	Top Decile	Top Quartile	Median	Bottom Quartile	Bot. Decile
2024	33	0.80x	0.23x	**0.05x**	0.02x	0.01x
2023	38	0.80x	0.37x	**0.07x**	0.02x	0.01x
2022	64	0.50x	0.30x	**0.09x**	0.03x	0.01x
2021	97	0.82x	0.34x	**0.16x**	0.06x	0.02x
2020	96	0.88x	0.52x	**0.30x**	0.15x	0.08x
2019	99	1.27x	0.76x	**0.48x**	0.23x	0.05x
2018	92	1.46x	0.93x	**0.58x**	0.35x	0.21x
2017	80	1.80x	1.34x	**0.79x**	0.48x	0.34x
2016	88	2.30x	1.65x	**1.21x**	0.77x	0.50x
2015	76	2.08x	1.57x	**1.23x**	0.90x	0.55x

Source: Dakota Marketplace. Distributions to Paid-In per vintage. 2025–2026 N/M. Bold = Median.

The Distribution Crisis in One Data Point

- The 2021–2024 vintages show median DPI of just 0.05x to 0.16x — essentially no cash back yet, which is expected for young vintages. But the 2019 vintage's 0.48x median DPI is telling: those funds are now six years old, and the median LP has gotten less than half their money back, versus an expected 0.7x–0.8x at that age in a normal exit environment.
- The 2016 vintage at 1.21x median DPI is the benchmark to watch — the first vintage where the median fund has returned more than investors put in. Everything after that is still underwater on a cash basis. It's why secondaries are growing, why continuation vehicles are proliferating, and why LP conversations about DPI and liquidity are dominating fundraising discussions right now.

INDUSTRY NEWS & DEVELOPMENT

Notable Deals of the Quarter

- Bain Capital agreed to acquire a 51% stake in Volkswagen's Everllence marine engine unit for roughly €7.4 billion.
- EQT took Intertek Group private at nearly £10.9 billion enterprise value, with ADIA and Mubadala as minority co-investors.
- Clayton, Dubilier & Rice completed its $10.3 billion acquisition of Sealed Air Corp.
- Permira and Warburg Pincus took Clearwater Analytics private at $8.4 billion, a roughly 47% premium.

SpaceX Headlines the Exit Side

- The SpaceX IPO was the headline exit of the quarter — a $75 billion raise valuing the company near $1.75 trillion, by far the largest public offering ever completed. But the IPO reopening is concentrated in aerospace, defense, energy, and AI-enabling infrastructure; traditional software and consumer exits remain largely closed.

Macro and Regulatory Developments

- The Iran conflict and Strait of Hormuz disruption was the dominant geopolitical story of the quarter, pushing crude above $100 and hitting institutional portfolios — Maryland's pension lost $2.4 billion in March, and Australian pensions fell 3.2%. PE firms responded by bringing $20 billion of oil and gas assets to market to capture the price spike.
- Regulatory tailwinds cut in a different direction: the EU's Solvency II reform will cut PE capital charges for European insurers from 49% to 22% starting in 2027, and the White House estimates that opening 401(k)s to private markets could unlock trillions — both would channel more capital toward the winners of this bifurcated market.

Stress in the Semi-Liquid Vehicle Space

- Partners Group gated its $8.6 billion evergreen PE fund after redemption requests hit 9.8% of NAV. Blackstone, Ares, and Morgan Stanley all capped withdrawals on private credit funds facing double-digit redemption requests, and non-traded private credit saw net outflows for the first time in Q1 2026.
- That stands in sharp contrast to the largest drawdown funds' ability to raise capital quickly — another dimension of the quarter's bifurcation story.

OUTLOOK

What to Watch Next Quarter

- EQT XI, targeting a €23–24 billion hard cap (which would make it one of the largest global buyout funds ever raised), and KKR's fifth Asia fund, targeting $15 billion, top the watch list. Both fundraises will signal whether mega-fund concentration continues or whether LP fatigue sets in at the very top.
- Carlyle is signaling a multi-year fundraising supercycle, with all of its flagship strategies coming back to market. Combined with EQT XI and KKR Asia V, that points to a lot of mega-fund demand hitting the LP market simultaneously.

Structural Opportunities and Risks

- The clearest structural opportunities remain secondaries and GP-led continuation vehicles (advantaged as long as traditional exits stay constrained), Asia-Pacific buyout following its landmark quarter, and GP stakes as a growing core allocation for large institutions.
- The risks are real: persistent uncertainty over AI's disruptive impact on legacy software portfolio companies isn't going away, the backlog of aging unexited portfolio companies now equals multiple years of exits at the current pace, and geopolitical/tariff volatility alongside energy price swings could further dampen deal and fundraising activity in H2.

CLOSING

Q2 2026 delivered $153.2 billion in disclosed capital — down slightly from Q1 but heavily concentrated at the top, with bifurcation the defining theme of the quarter.

- Asia-Pacific was the standout theme: BPEA IX, Bain Asia VI, and Blackstone Asia III combined for $39 billion.
- Secondaries captured 10% of the quarter's capital and are structurally growing as the primary liquidity mechanism in a constrained exit environment.
- Performance benchmarks show the 2021 vintage trailing materially at 10.1% median IRR, and DPI across recent vintages remains well below historical norms — why secondaries and continuation vehicles keep growing.
- Top-DPI managers and mega-funds are raising quickly, often above target, while everyone else faces extended timelines and reduced targets — a dynamic expected to intensify, not moderate.
- Full benchmark data — all vintages from 2004 through 2026 on IRR, TVPI, and DPI — is in the full report along with the complete fund close database, all powered by Dakota Marketplace.

For more insights and to explore Dakota Marketplace, visit Dakota.com.