

2025

# QUARTERLY PUBLIC PENSION ALLOCATION REPORT

Q3



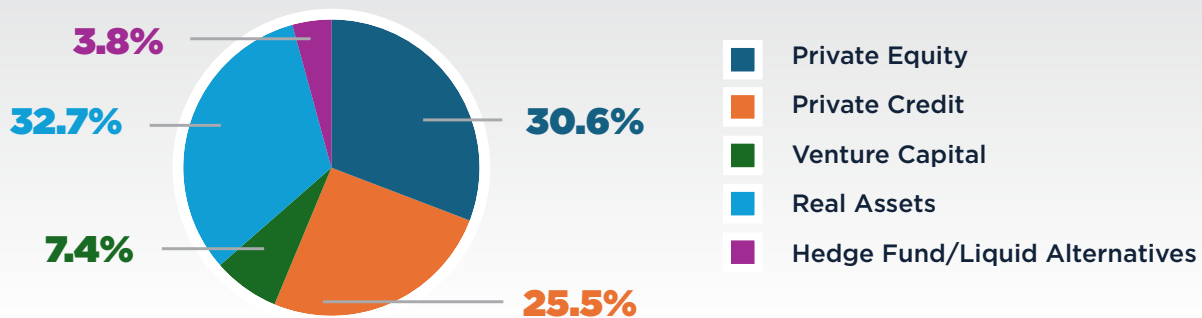
***In the Dakota Quarterly Public Pension Allocations Report, the team provides a detailed analysis of pension allocation activity to private markets over the quarter. This includes analysis by asset and sub-asset class, as well as insights into how some of the largest allocators are deploying capital. We leverage exclusive Dakota data to provide limited partners, general partners, service providers, and other key players in the private markets ecosystem with actionable intelligence on capital commitments, fundraising activity, and strategic shifts in alternative investments.***

*Note: This analysis covers allocations disclosed between July 1 and September 30, 2025, regardless of when commitments were actually signed. Because some larger plans often report prior-quarter deals in later board materials, some commitments executed earlier in 2025 appear here. Readers should therefore view the totals as a measure of reported activity during Q3—not a complete tally of dollars committed in that same window.*

## SUMMARY

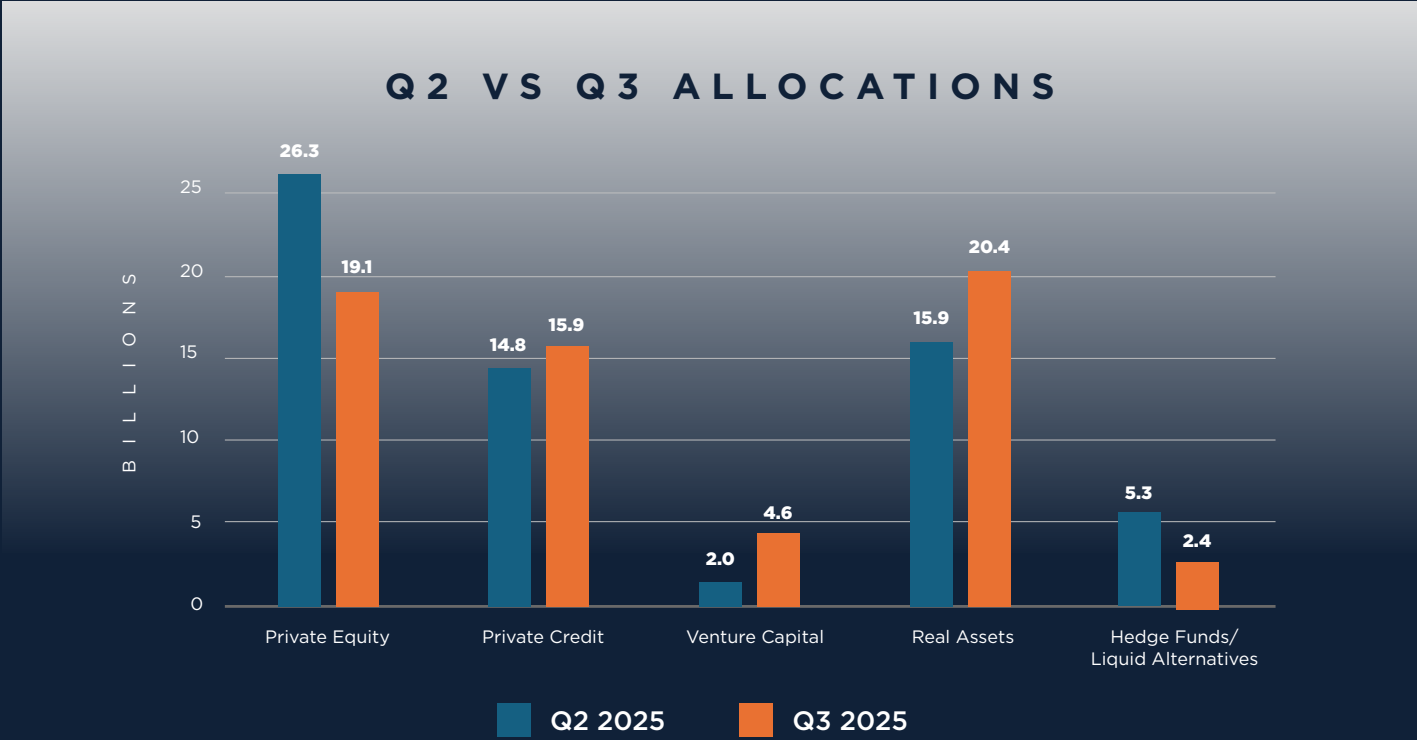
Institutional investors deployed \$62.3 billion across private markets and alternative strategies in Q3 2025. This was roughly in line with reported numbers last quarter (~\$64 billion). The quarter was marked by selective but resilient capital flow, as allocators balanced liquidity management with an ongoing commitment to long-duration private strategies. Real Assets led with \$20.4 billion in commitments (+28% from the previous quarter), driven by renewed interest from pensions and insurers in private real estate and infrastructure. Private Credit also saw growth with \$15.9 billion of allocations, driven by demand for stable yield, predictable cash flows, and insulation from public market volatility. The pickup in real estate points to improving sentiment that could carry into year-end, while private credit is poised to remain a favored allocation as investors prepare for potential shifts in monetary policy.

### Q3 ALLOCATIONS BY ASSET CLASS





Meanwhile, Private Equity allocations fell 27% to \$19.1B, signaling continued pacing discipline amid sluggish distributions and elevated valuations. Venture Capital rebounded strongly (although still a small % of total dollars), increasing 130% to \$4.6B, as select LPs re-engaged with innovation and AI-linked strategies. Hedge Funds/Liquid Alts declined 55% to \$2.4B, reflecting rebalancing away from public markets after a multi-quarter run of outperformance. Overall, Q3 showed investors refining portfolios around core themes of yield, inflation linkage, and strategic flexibility.



# PRIVATE EQUITY

**Q3 Allocations**

**\$19.1 billion**

**Quarter-over-Quarter Growth**

**+27%**

**Share of Total Q3 Allocations**

**30.6%**

Private Equity commitments fell meaningfully as LPs moderated pacing after heavy deployment in prior quarters. Slower distributions and some levels of uncertainty around exit timelines seemed to keep allocators cautious. While headline figures were down, activity persisted among top-quartile GPs, particularly in mid-market buyout, secondaries, and continuation vehicles. Institutions focused their allocations towards firms that have the operational expertise to drive value. This discipline reflects a maturing cycle in which allocators are optimizing existing exposures rather than expanding GP rosters.

## LEADING SUB-ASSET CLASSES

**Middle Market Buyout** —————→ **\$7.5B**

**Growth Equity** —————→ **\$3.2B**

**Large Buyout** —————→ **\$3.1B**



# THEMES DRIVING ALLOCATION BEHAVIOR

## 1. Pacing normalization

LPs slowed commitment velocity, emphasizing fund recycling and liquidity management.

## 2. Manager consolidation

Continued LP concentration in established managers with existing GP relationships, strong track records, and available co-investment offerings.

## 3. Shift to hybrid strategies

Increasing adoption of continuation funds and structured secondaries, offering LPs mature asset exposure with reduced blind pool risk, compressed durations, and improved economics through lower fees and negotiated entry pricing.

# NOTABLE ALLOCATION

## Arcline Capital Partners IV (\$350M, UTIMCO)

UTIMCO's \$350 million commitment to Arcline Capital Partners IV shows institutional confidence in the upper end of the middle market segment, where operational improvements and specialization drive returns amid valuation pressure. Arcline's industrial and technology focus aligns with allocators' preference for resilient, cash-generative businesses that can compound through cycles. The allocation reflects a broader LP shift toward managers with deep domain expertise, disciplined deployment pacing, and value-creation playbooks rather than financial leverage.

# OUTLOOK

Expect PE activity to stabilize in Q4, with LPs prioritizing re-ups and secondary transactions. Valuation resets and improving exit liquidity could support a modest rebound in early 2026. For now, investors are doubling down on operational alpha, governance discipline, and hybrid liquidity options.



# PRIVATE CREDIT

**Q3 Allocations**

**\$15.9 billion**

**Quarter-over-Quarter Growth**

**+7%**

**Share of Total Q3 Allocations**

**25.5%**

Private Credit extended its multi-year ascent with a 7% QoQ increase, reaffirming its position as a favored asset class among pensions, sovereigns, and insurers. The demand dynamic is clear: with policy rates elevated, private credit offers equity-like returns through floating-rate income and downside control, and LPs are rewarding managers who can combine scale, sourcing depth, and structuring flexibility. Allocations in Q3 leaned toward special situations and corporate lending platforms capable of pivoting across direct loans, asset-backed finance, and opportunistic credit.

## LEADING SUB-ASSET CLASSES

**Special Situations**

**\$4.5B**

**Corporate Lending**

**\$3.7B**



## THEMES DRIVING ALLOCATION BEHAVIOR

### 1. Scale and flexibility

LPs gravitated toward managers that can dynamically allocate across senior, mezzanine, and structured credit.

### 2. Yield persistence and risk control

Despite tightening spreads, investors prized robust documentation and collateralized structures.

### 3. Climate and transition credit

Growing allocations to energy transition credit vehicles signaled convergence with real assets and ESG mandates.

## NOTABLE ALLOCATION

### West Street Climate Credit (\$800M, CalPERS)

CalPERS' \$800 million allocation to West Street Climate Credit (Goldman Sachs Asset Management) demonstrates the institutional growth of private credit from a yield instrument to a strategic financing engine for the energy transition. The strategy targets asset-backed and project-level loans tied to decarbonization and infrastructure, offering both high current income and measurable climate alignment. For CalPERS, this move reinforces a dual objective: capturing elevated spreads through secured lending while advancing long-term transition finance goals.

## OUTLOOK

Expect continued inflows through 2025–2026 as LPs seek predictable income amid a “higher-for-longer” rate regime. While competition may compress spreads, top-tier managers will continue to differentiate through sourcing, structuring, and downside protection.



# REAL ASSETS

Q3 Allocations	\$20.4 billion
Quarter-over-Quarter Growth	+28%
Share of Total Q3 Allocations	32.7%

Real Assets overtook all categories with a 28% quarterly increase, driven by the combination of Private Real Estate (\$12.4B), Infrastructure (\$4.8B), and diversified real assets (\$3.2B). The surge reflects renewed conviction in tangible, inflation-protected cash flows, and that allocators are seeing more opportunities in real assets than in prior quarters. The largest and most strategic allocations targeted infrastructure and energy transition, with global pensions leading the charge. CPP Investments' \$1.33B commitment to Japan DC Partners I (Ares Management) stood out as one of the quarter's largest infrastructure tickets, highlighting LP confidence in regional diversification and long-term, contracted yield.

## LEADING SUB-ASSET CLASSES

Infrastructure	—————>	\$7.5B
Value-Add	—————>	\$3.8B
Core/Core+	—————>	\$3.1B





## THEMES DRIVING ALLOCATION BEHAVIOR

### 1. Inflation protection and income:

LPs are emphasizing real yield through infrastructure, renewables, and stabilized real estate.

### 2. Transition and decarbonization

Capital is flowing to platforms focused on energy transition, storage, and sustainable transport.

### 3. Blended mandates

Investors increasingly favor hybrid real asset mandates that combine property, infra, and credit exposures under one vehicle.

## NOTABLE ALLOCATION

### Japan DC Partners I (\$1.33B, CPP Investments)

CPP Investments' \$1.33 billion commitment to Japan DC Partners I (Ares Management) represents one of the largest infrastructure allocations of the quarter and reinforces the institutional embrace of energy transition and industrial modernization as enduring investment themes. This allocation signals a broader macro trend: pensions are using infrastructure not just for inflation protection, but as a strategic lever for geographic diversification and real-return generation in sound markets.

## OUTLOOK

Real assets should remain a dominant allocator destination into 2026. Expect heightened focus on climate-linked assets, digital infrastructure, and core-plus real estate as rate stability returns. LPs will continue consolidating with managers offering scale, ESG integration, and direct ownership capabilities.



# VENTURE CAPITAL

**Q3 Allocations**

**\$4.6 billion**

**Quarter-over-Quarter Growth**

**+130%**

**Share of Total Q3 Allocations**

**7.4%**

Venture bounced back decisively with a 130% increase in commitments, albeit from a depressed base. Allocators selectively increased commitments, focusing on AI infrastructure, climate tech, and software. Institutional pacing remained cautious, but conviction strengthened around late-stage opportunities where valuations have normalized. Public pensions, endowments, and sovereign funds accounted for the bulk of re-ups, prioritizing access over experimentation. LPs also leaned on continuation and secondary vehicles to manage liquidity and maintain exposure without expanding overall venture pacing.

## LEADING SUB-ASSET CLASSES

**Early Stage VC**

**\$3.7B**

**Late Stage VC**

**\$0.5B**



## THEMES DRIVING ALLOCATION BEHAVIOR

### 1. Selective re-entry

Re-ups with top-tier AI and software managers with visible DPI.

### 2. Focus on enabling infrastructure

Capital concentrated in platforms supporting AI compute, data, and hardware ecosystems.

### 3. Liquidity-conscious innovation

Continuation funds and structured secondaries used to recycle exposure while mitigating illiquidity.

## NOTABLE ALLOCATION

### **Menlo Inflection IV (\$225M, Washington State Investment Board) & Menlo Ventures XVII (\$175M)**

The Washington State Investment Board's \$225 million commitment to Menlo Inflection IV, alongside \$175 million to Menlo Ventures XVII, signals a renewed institutional push into top-tier venture platforms with proven DPI and access advantages. Together, these allocations reflect confidence in both late-stage and early-stage innovation, anchored by Menlo's focus on AI infrastructure, cybersecurity, and enterprise software. The dual commitment highlights a broader LP theme of measured re-entry into venture.

## OUTLOOK

The outlook for venture capital is cautiously optimistic heading into 2026. LPs are signaling selective re-engagement after nearly two years of down rounds and constrained liquidity, but capital remains highly concentrated among top-tier franchises with proven DPI and access advantages. The combination of normalized valuations, improving secondary liquidity, and stronger late-stage discipline is gradually restoring confidence in the asset class.



# HEDGE FUNDS/LIQUID ALTS

## Q3 Allocations

**\$2.4 billion**

## Quarter-over-Quarter Growth

**+55%**

## Share of Total Q3 Allocations

**3.8%**

Hedge funds experienced a 55% contraction in allocations during Q3. Remaining activity was concentrated among large, multi-strategy and macro platforms with proven risk controls, stable funding, and consistent Sharpe ratios. Hedge funds and liquid alternatives represent a relatively small portion of total institutional allocations, so the decline should not be read as a shift away from hedge funds but rather as routine capital rotation following a period of outperformance and private market opportunity.

## THEMES DRIVING ALLOCATION BEHAVIOR

### 1. Rotation into privates

Allocators reallocated from liquid alpha to higher yielding assets such as private credit and infrastructure.

### 2. Selectivity in diversification

Only the largest, most stable platforms attracted new capital.

### 3. Liquidity preference

Investors maintained exposure to strategies with flexible redemption terms and low beta correlation.



## NOTABLE ALLOCATION

### **Mariner Atlantic Multi-Strategy (\$150M, Indiana Public Retirement System)**

The Indiana Public Retirement System's \$150 million allocation to Mariner Atlantic's Multi-Strategy Credit Fund highlights institutional appetite for liquid, credit-oriented hedge strategies that blend income with tactical alpha. This mandate reflects a deliberate pivot toward platforms capable of capturing yield through structured and relative-value credit while retaining liquidity and downside control. In a landscape of tightening spreads and elevated rates, Indiana's allocation signals confidence in managers who can dynamically allocate between credit opportunity sets.

## OUTLOOK

Expect subdued inflows through early 2026. LPs are likely to maintain smaller hedge fund sleeves (~4-5% of AUM) for diversification while directing new commitments to higher-yielding private strategies.





# LP SPOTLIGHT: FLORIDA STATE BOARD OF ADMINISTRATION (FSBA)

## OVERVIEW

The Florida State Board of Administration (FSBA) stood out as one of the more active allocators we tracked last quarter, deploying across private credit, private equity, and real estate in a manner that shows a shift toward a multi-asset, income-oriented private markets platform. FSBA's activity exemplifies how large public plans are consolidating relationships with scaled managers capable of delivering yield, flexibility, and co-investment access across the capital structure.

## NOTABLE ALLOCATIONS

Oak Hill Advisors, Tidewater Partners MAC Fund (Special Situations)	—————→	\$900M
---------------------------------------------------------------------	--------	--------

UBS Asset Management, Florida Gulfcoast Partners MAC (Diversified Credit)	—————→	\$900M
---------------------------------------------------------------------------	--------	--------

H.I.G. Capital, Whitehorse FSBA LP (Corporate Lending)	—————→	\$500M
--------------------------------------------------------	--------	--------

Collectively, these commitments demonstrate a barbell strategy of combining diversified, multi-asset credit exposure for stable income with targeted special situations and opportunistic sleeves for alpha generation.

## BROADER TAKEAWAY

FSBA's deployment pattern captures the institutional playbook for 2025 — consolidating around multi-asset managers, emphasizing yield resilience over growth beta, and embedding liquidity-aware credit exposure as a core portfolio engine. In a market defined by elevated rates and selective risk-taking, FSBA's strategy demonstrates how large public plans are evolving from allocation diversification to capital efficiency and flexibility within private markets.



# STRATEGIC TAKEAWAYS

## 1. Private markets are the new core portfolio engine.

Institutional capital continues its long-term shift toward private markets, not as an alternatives sleeve but as the foundation of strategic asset allocation. The mix of private credit, real assets, and infrastructure now delivers the yield, diversification, and inflation linkage that public markets no longer reliably provide.

## 2. Income stability outweighs growth

The higher-for-longer rate environment has redefined institutional objectives: steady carry, collateral-backed lending, and contracted cash flows have overtaken multiple expansion and venture growth as dominant sources of return. Portfolios are being reoriented around income durability.

## 3. Real assets have become macro hedges, not niche exposures

The surge in infrastructure, renewables, and logistics allocations shows investors treating real assets as inflation-control and duration-management tools. They now function as strategic buffers against policy volatility and macro shocks, not just sector diversifiers.

## 2. Liquidity management is shaping allocation pacing

With slower PE distributions and longer hold periods, CIOs are recalibrating pacing models and rebalancing across private and public liquidity buckets. Expect continued emphasis on semi-liquid and evergreen vehicles to ease denominator pressure and support consistent deployment.



# FINAL THOUGHTS

Q3 marked a decisive shift toward portfolio resilience. Institutions are now optimizing for yield, inflation protection, and liquidity control rather than chasing multiple expansion. Private Credit and Real Assets are becoming the core of portfolios, while Private Equity's moderation reflects tactical patience, not retreat. Heading into Q4 and early 2026, expect allocators to continue consolidating relationships with scaled, multi-asset managers while expanding mandate flexibility, co-invest access, and hybrid income strategies that blend private credit, infrastructure, and opportunistic equity.

For further insights, visit [dakota.com](https://dakota.com)

## dakota marketplace

Dakota Marketplace, is a database of LPs, GPs, Private Companies and Public Companies used by fundraising teams and deal sourcing teams to both raise money as well source investment opportunities. Over 1,300 global investment firms use Dakota daily.

