

2025

QUARTERLY PUBLIC PENSION ALLOCATION REPORT

Q2



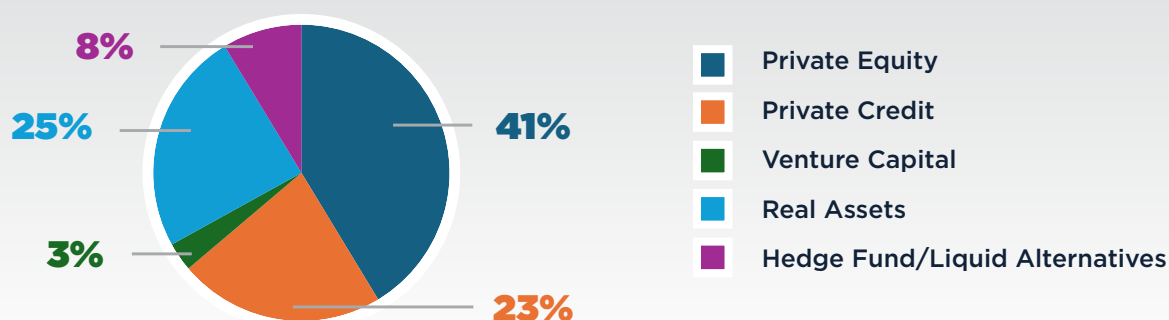
In the Dakota Quarterly Public Pension Allocations Report, the team provides a detailed analysis of pension allocation activity to private markets over the quarter. This includes analysis by asset and sub-asset class, as well as insights into how some of the largest allocators are deploying capital. 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 April 1 and June 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 in Q4 2024 or Q1 2025 appear here. Readers should therefore view the totals as a measure of reported activity during Q2—not a complete tally of dollars committed in that same window.

SUMMARY

Institutional pensions dialed up their private-market activity in Q2 2025, committing \$64.3 billion, which is up 22 percent from Q1. While Private Equity remained the largest target, the headline shift was a sizable jump in Hedge Fund/Liquid-Alternative tickets as investors re-balanced toward liquid alternatives after several quarters of heavy illiquid pacing. Real Assets and Private Credit also accelerated, whereas Venture Capital allocations cooled sharply after a Q1 burst.

Q2 ALLOCATION BY ASSET CLASS



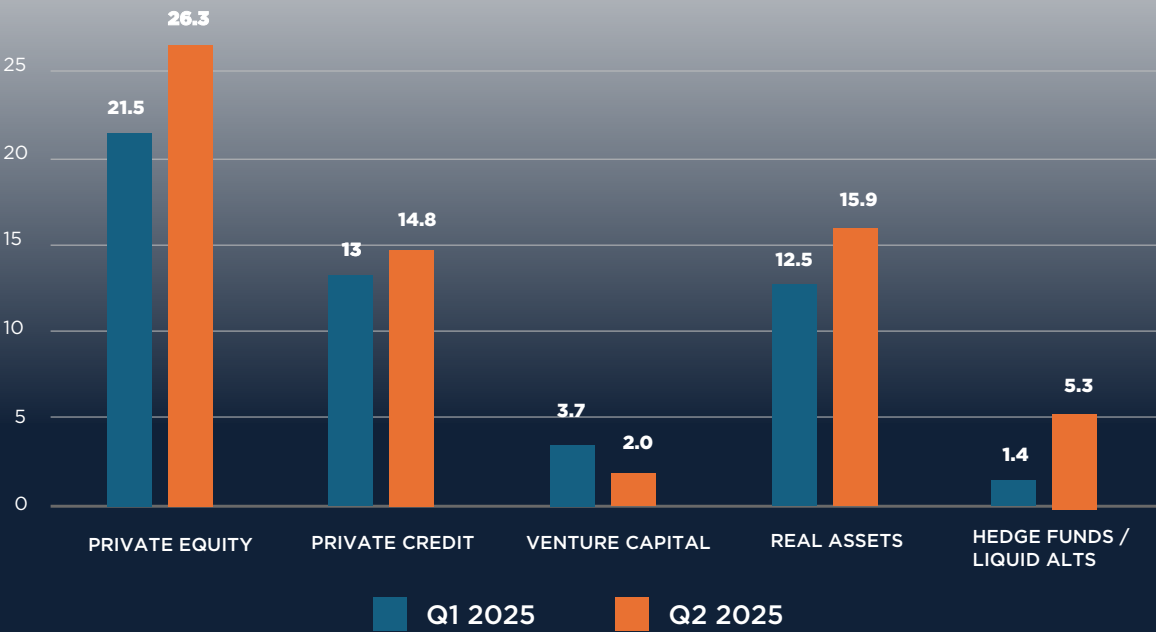
Beneath the top line, LPs favored middle-market and large-cap buyouts with robust co-investment pipelines, pouring over \$26 billion into control-oriented PE vehicles. In credit, demand centered on floating-rate, senior-secured and opportunistic mandates, highlighted by a \$1.2 billion asset-based-finance mandate from CalPERS. Real Asset flows gravitated to digital infrastructure, energy transition platforms and real estate debt strategies.



The outsized \$4 billion CalPERS allocation to an Arrowstreet custom alpha extension dominated hedge-fund headlines and underscored renewed appetite for scal-able systematic equity exposure.

Strategically, portfolios are tilting toward “engineered liquidity”, blending evergreen credit, traditional drawdown equity funds and hedge overlays to manage capital call timing and dampen mark-to-market swings. Investors continue to consolidate relationships into a smaller roster of high-conviction managers, leveraging co-investments and secondaries to mitigate J-curves, while real-asset and specialty credit sleeves remain core hedges against sticky inflation and an eventual rate cut cycle.

ALLOCATIONS BY ASSET CLASS (\$B)



PRIVATE EQUITY

Q2 Allocations	\$26.3 billion
Quarter-over-Quarter Growth	+22%
Share of Total Q2 Allocations	~41%

Private Equity remained the anchor of public-pension portfolios in Q2 2025, attracting \$26.3 billion in fresh commitments, up from \$21.5 billion in Q1 and almost double the Q4 2024 tally. The pickup underscores investors' conviction that control-oriented strategies continue to offer the most reliable path to long-term returns even as exit markets remain patchy.

LEADING SUB-ASSET CLASSES

Middle Market Buyout —————> **\$8.7B**

Fragmented-industry playbooks and hands-on operating models resonated with LPs.

Large Buyout —————> **\$5.9B**

Blue-chip sponsors closed \$6 B+ with hefty re-ups from pensions looking for scale and proven distribution records.

Growth Equity —————> **\$5.3B**

Institutions leaned into growth equity due to its exposure to structural innovation themes without the binary risk profile of early-stage venture.

THEMES DRIVING ALLOCATION BEHAVIOR

1. Efficiency & Margin Upside

LPs rewarded sponsors that can deliver operational improvements rather than simply riding macro tailwinds.

2. Continuation-Fund Liquidity

Several pensions rolled proceeds from GP-led secondaries straight back into successor vehicles, using continuation funds to crystalize interim DPI without losing exposure to high-conviction assets.

3. Green Alpha Mandates

Buyout platforms targeting carbon-reduction tech (industrial electrification, smart-building retrofits) saw outsized re-ups, reflecting a push to marry returns with climate-transition objectives.

NOTABLE ALLOCATION

Evergreen Park Investment Fund (Fisher Lynch Capital) - \$1,000,000,000
Investor: Washington State Investment Board (WSIB)

WHY IT MATTERS:

1. Diversified, Fee-Efficient Exposure

By owning a slice of multiple underlying funds and their direct co-investments, Evergreen Park delivers vintage-year diversification and lower fee drag versus traditional primary commitments.

2. Open-Ended Structure = Flexible Pacing

The fund's evergreen design lets WSIB dial commitments up or down as liquidity and opportunity sets shift, which is an attractive feature amid uncertain exit markets.



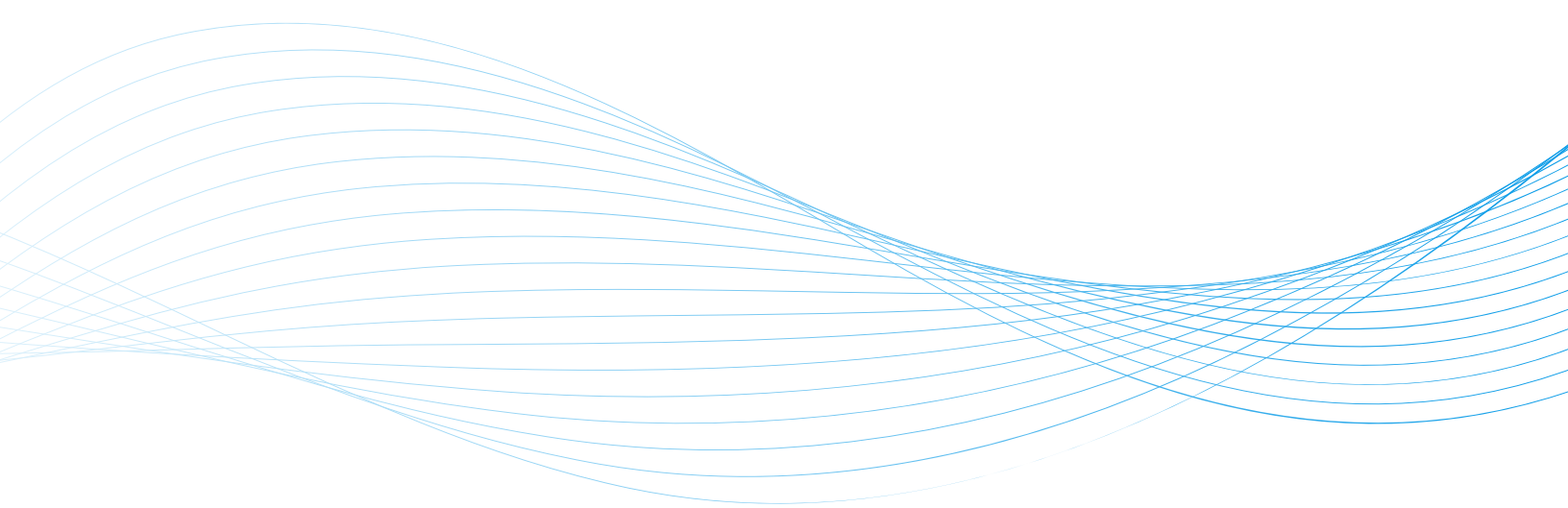
3. Platform-Level Alignment

Because the vehicle co-invests only with GPs where WSIB is already an LP, governance rights, information flow, and deal access are tightly aligned with the pension's broader private-equity program.

Taken together, the allocation signals that large pensions are treating specialized co-investment platforms not as one-off opportunities, but as core building blocks for scaling private-equity exposure while safeguarding fee budgets and maintaining deployment flexibility.

OUTLOOK

With commitments rising, institutions appear poised to keep nudging Private Equity pacing higher through the second half of 2025, but with sharper emphasis on efficiency and resilience rather than sheer deployment volume. Expect continued appetite for control-oriented buyouts that embed margin-expansion levers, larger anchor tickets that secure co-investment pipelines, and an expanding toolkit of fee-dampening structures (GP stakes, continuation funds, ever-green co-investment sleeves) that can generate cash yield while exit markets remain uneven.



PRIVATE CREDIT

Total Allocations	\$14.8 billion
Quarter-over-Quarter Growth	+13%
Share of Total Q2 Allocations	~23%

Institutions deployed roughly \$14.8 billion into private credit in Q2 2025, which is up roughly 13 percent from the previous quarter. Opportunistic credit captured the lion's share as flexible "go-anywhere" funds locked in double-digit coupons ahead of an expected 2026 rate pivot. Special-situations and distressed strategies drew fresh interest as investors positioned for the 2025-26 refinancing wall. First-lien direct lending mandates remained a core sleeve, offering covenant-heavy, sponsor-backed loans that combine yield with downside protection. The mix signals a continued hunt for high current income assets, but one tempered by a clear preference for structures that preserve liquidity and senior security in case macro conditions turn choppy.

LEADING SUB-ASSET CLASSES

Opportunistic Credit

—————→ **\$5.3B**

Pensions and endowments funneled the largest share of dollars into broad-mandate "go-anywhere" funds that can pivot between secondary loan purchases, structured capital solutions and short-dated bridge loans.

Special Situations / Distressed

—————→ **\$2.2B**

These allocations target stressed capital structures ahead of 2025-26 refinancing cliffs, emphasizing rescue and liability-managment plays. For institutions, the approach offers downside protection should a soft landing devolve into credit market dislocation.

Direct Lending

—————→ **\$1.4B**

Senior secured, sponsor-backed unitranche and first-lien loans remained a core building block, but LPs focused on managers with access to top-tier private-equity deal flow and strict documentation standards.



THEMES DRIVING ALLOCATION BEHAVIOR

1. Yield-Capture Before The Rate Pivot

With short-term rates still elevated but widely expected to decline in 2026, institutions accelerated commitments to opportunistic and floating-rate mandates that lock in double-digit coupons today while mitigating exposure to future rate cuts. Funds able to pivot quickly—buying secondary loans at discounts, writing short-dated bridge facilities, or structuring high-spread asset-backed deals—captured the most attention.

2. Refinancing-Wall Solutions and Balance-Sheet Repair

A wave of maturities in 2025-26 has sponsors and CFOs hunting for fresh capital. Therefore, LP's favoured special-situations and distressed managers that can step into rescue-finance, liability-management and "amend-and-extend" transactions. These strategies offer equity-like return potential through fees, PIK toggles and upside kickers while providing downside protection via senior security or covenant control.

3. Flight To Downside Protection with Co-Investment Optionality

Despite the search for income, investors insisted on senior secured exposure, robust covenant packages and sponsor equity cushions, hence the continued demand for first-lien direct lending funds plugged into top-tier PE deal flow. Many tickets were paired with co-investment sleeves, letting LPs scale exposures to high-conviction credits quickly while keeping headline fee drag in check.

NOTABLE ALLOCATION

Ares Sports, Media and Entertainment Finance II – \$390,000,000
Investor: California Public Employees Retirement System (CalPERS)

WHY IT MATTERS:

1. Diversification Beyond Mainstream Corporate Credit

Cash flows tied to league media deals, streaming subscriptions and live-event ticketing have shown low correlation to GDP cycles, offering downside protection if traditional loan books face spread compression or rising defaults.



2. Proof of the “Verticalization” Trend in Private Credit

The allocation highlights a broader institutional shift toward niche, expertise-driven credit sleeves, such as life-sciences royalties, aviation finance, and now sports/media rights. Specialist managers can command premium spreads without excessive leverage.

3. Strategic Partnership Leverage

By anchoring Ares’ second SME fund, CalPERS secures co-investment rights and early looks at marquee transactions, enhancing fee efficiency and giving the pension a front-row seat to the monetization of global sports and entertainment assets.

At \$1 billion, this is one of the quarter’s largest single tickets and cements CalPERS as a first-mover in the fast-growing market for financing broadcast-rights, team acquisitions and music catalogs. The fund targets floating-rate loans and revenue-share structures secured by high-visibility cash flows, giving CalPERS double-digit yield potential with collateral anchored in long-term media contracts.

OUTLOOK

Institutional appetite for private credit is likely to stay robust through the back half of 2025 as investors rush to lock in higher yields before the Fed’s anticipated 2026 easing cycle. Expect the marginal dollar to favour opportunistic “all-weather” mandates that can swing between secondary loan purchases, rescue financings and asset-backed solutions, while balance-sheet-repair demand from the 2025-26 refinancing wall fuels special-situations allocations. First-lien direct lending funds plugged into top-tier sponsor deal flow should remain a core building block, but primary fund commitments will increasingly be paired with co-investments.



REAL ASSETS

Total Allocations (Combined)	\$15.9 billion
Quarter-over-Quarter Growth	+27%
Share of Total Q2 Allocations	~25%

In Q2, institutions committed \$15.9B to real assets, reflecting broad demand for income, inflation protection, and portfolio defensiveness. Infrastructure allocations were driven by strong interest in core/core-plus strategies across utilities, transport, and digital infrastructure, positioning the asset class as a stable alternative to fixed income. In real estate, LPs leaned into core and credit strategies, but also re-engaged with opportunistic funds, which drew \$2.5B, highlighting renewed interest in distressed and transitional assets. Capital remained concentrated in re-ups with established managers, as institutions prioritized yield visibility and selective dislocation plays over broad risk-on deployment.

LEADING SUB-ASSET CLASSES

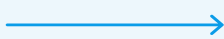
Core/Core+ Infrastructure



\$3B

LPs favored yielding, inflation-linked assets in sectors like utilities, digital infrastructure (fiber/towers), and transportation. They see this segment of the market as a rate-stable alternative to bonds, especially attractive with public fixed income still volatile.

Real Estate Debt



\$2.7B

Elevated base rates made real estate debt funds highly attractive, often yielding 9–11% with lower risk than equity. Institutional allocators treated this as a defensive way to stay exposed to real estate without taking valuation risk.

Opportunistic Real Estate



\$2.5B

Interest here was driven by investors selectively leaning into dislocation plays with clearer pricing resets. Most capital went to trusted re-ups focused on areas like office distress, hospitality, and transitional assets. While this marks a pickup from previous quarters, LPs remain highly selective, favoring managers with proven track records over broad risk-on exposure.



THEMES DRIVING ALLOCATION BEHAVIOR

1. Defensiveness & Downside Protection

Across both real estate and infrastructure, capital flowed into core or core-plus strategies with stable, long-duration cash flows. LPs favored assets with inflation-linkage and resilient income rather than development or opportunistic plays.

2. Yield & Rate-Driven Rebalancing

Both real estate and infrastructure benefited from a shift away from fixed income due to lingering interest-rate volatility. Investors sought bond-like return profiles with equity upside, especially in infrastructure.

3. Focus in Targeted Sectors

While broad allocation remained cautious, LPs showed selective enthusiasm for targeted themes within real assets. In real estate, capital continued to flow into data centers, life sciences, and last-mile logistics. In infrastructure, renewables and energy transition platforms drew interest, particularly those with decarbonization themes.

NOTABLE ALLOCATION

Blackstone Real Estate Partners Europe VII - \$542,000,000

Investor: CPP Investments

WHY IT MATTERS:

1. Size and Sponsor Strength

Blackstone's European flagship opportunistic real estate series is the largest dedicated pool of capital ever raised for European properties. CPP's backing signals continued LP confidence in Blackstone's ability to deploy into complex, pan-European value-add and distressed opportunities, especially amid regional macro uncertainty (ECB rates, FX volatility, etc.).

2. Re-engagement with Opportunistic RE

This commitment marks a strategic re-engagement by CPP with large-scale, higher-beta real estate, contrasting with the broader LP trend of conservatism. It suggests CPP is willing to lean into dislocation, especially in Europe where pricing corrections have been more aggressive than the U.S.



3. Thematic Exposure in Transitioning Markets

The fund is expected to target themes like urban logistics, data infrastructure, and office-to-residential conversions, all areas where Blackstone has operating experience. CPP's allocation positions it to benefit from repricing and sectoral shifts as European real estate pricing improves.

OUTLOOK

The outlook for real assets allocations in the second half of 2025 and into 2026 is cautiously optimistic, with infrastructure expected to remain a leading destination for capital. Core and core-plus infrastructure strategies continue to attract strong interest due to their inflation-linked cash flows and role as a defensive alternative to traditional fixed income. Thematic areas like digital infrastructure, energy transition, and regulated utilities are especially appealing as LPs seek real yield and long-duration stability. In private real estate, allocations are more selective. Core and credit strategies will remain supported for their income and downside protection, while opportunistic real estate is starting to re-emerge, driven by dislocation plays such as distressed office, urban logistics, and asset conversions. However, activity is concentrated in trusted managers and targeted themes rather than broad risk-on exposure. Overall, allocators are expected to stay disciplined and relationship-driven, with deployment influenced by public market performance, rate policy, and the pace of liquidity returning through secondaries and exits.



HEDGE FUNDS/LIQUID ALTS

Total Allocations	\$5.3 billion
Quarter-over-Quarter Growth	+378%
Share of Total Q2 Allocations	~8%

In Q2, hedge fund and liquid alternatives allocations rose sharply to \$5.3B, up from just \$1.4B in Q1, marking a strong rebound in commitment activity. LPs showed a clear preference for liquid, risk-managed exposure, using hedge funds to navigate persistent macro uncertainty and equity market volatility. Rather than broad programmatic expansion, most commitments were concentrated re-ups into platforms with strong recent performance and differentiated strategies. Public plans in particular leaned into hedge funds as a diversifying complement to private markets, offering alpha potential without illiquidity. The significant quarter-over-quarter increase underscores a tactical re-engagement, not a structural shift. Allocators remain selective and focused on scalability and downside protection.

LEADING SUB-ASSET CLASSES

Long/Short → \$4.05B

The largest area of hedge fund allocations came from just one ticket: CalPERS \$4B commitment to Arrowstreet. We provide more color on that below, but CalPERS looks to be leaning into directional strategies that offer equity exposure with embedded downside.

Multi-Strat → \$720M

LPs sought diversification in one vehicle, accessing multiple uncorrelated strategies (credit, macro, equity arb, etc.) under one risk-managed umbrella. These funds typically feature centralized risk control and capital allocation, which appeals to ICs looking for capital efficiency and smoother return profiles.



THEMES DRIVING ALLOCATION BEHAVIOR

1. Return of Liquid Alpha

After a muted Q1, LPs re-engaged with hedge funds as a source of tactical alpha with liquidity, committing \$5.3B in Q2 vs. just \$1.4B the prior quarter. Allocators leaned into strategies like long/short equity and multi-strat that offer differentiated return streams and portfolio flexibility without locking up capital in illiquid drawdown vehicles.

2. Selective Scaling of High-Conviction Managers

Allocations were highly concentrated, with most capital flowing to a small group of trusted, established managers. Rather than expanding hedge fund programs, LPs selectively scaled relationships where performance, process, and risk infrastructure aligned with institutional standards, particularly in volatile macro conditions.

3. Downside Management in Risk-On Portfolios

Hedge funds are increasingly used as shock absorbers in broader portfolios, especially as equities rally and private markets remain illiquid. Strategies like long/short equity and macro/relative value were favored for their ability to provide exposure with embedded risk control, helping LPs stay invested while managing tail risk.

NOTABLE ALLOCATION

Arrowstreet Custom Alpha Extension Fund Q L.P. - \$4,000,000,000
Investor: CalPERS

WHY IT MATTERS:

1. A Supersized, Concentrated Bet From a Famously Fee-Sensitive Plan

CalPERS rarely writes multi-billion-dollar checks to a single external manager, so a \$4 billion mandate signals very high conviction. The fund now represents one of the largest individual hedge fund allocations ever made by a U.S. public pension, giving Arrowstreet immediate scale while underscoring CalPERS' willingness to pay for differentiated alpha when the risk-/cost-return trade-off looks compelling.



2. A Tailored, Liquid “Alpha Extension” Strategy That Bridges Passive and Active

The mandate is not a traditional long/short hedge fund but a custom 130/30-type equity extension designed around CalPERS’ benchmarks, factor limits, and fee targets. It aims to outperform public-equity indices with modest leverage and tight risk controls, delivering portable alpha without locking up capital in illiquid drawdown vehicles. For other pensions, the structure offers a roadmap for adding scalable active risk while preserving daily liquidity and transparency.

3. Marks a Strategic Pivot in Calpers’ Hedge Fund Journey

After fully exiting hedge funds in 2014, CalPERS has tiptoed back through smaller, bespoke mandates. This marquee ticket confirms that the plan is selectively rebuilding a liquid-alpha sleeve—but on its own terms. The move may encourage peer funds to revisit quant and “engineered liquidity” solutions as a complement to their growing illiquid private-market books.

OUTLOOK

The outlook for hedge fund allocations in the second half of 2025 is cautiously optimistic, with LPs expected to maintain or modestly grow exposure to liquid, risk-managed strategies like long/short equity, multi-strategy, and macro. Following a sharp rebound in Q2 allocations, hedge funds are regaining favor as flexible tools for alpha generation and downside protection amid elevated public markets and lingering macro uncertainty. However, capital will remain concentrated in a small set of high-conviction managers, as allocators continue to prioritize performance consistency, transparency, and strong risk infrastructure. The bar for new allocations remains high, with hedge funds needing to clearly demonstrate uncorrelated alpha and a differentiated edge to win capital in a selective environment.



VENTURE CAPITAL

Total Allocations	\$2 billion
Quarter-over-Quarter Growth	+46%
Share of Total Q2 Allocations	~3%

Venture Capital (VC) allocations tempered in Q2 2025, falling to roughly \$2 billion—about half the Q1 amount and just 3 percent of the overall private-market total. The slowdown doesn't signal a wholesale retreat; rather, it reflects a pause for digestion after Q1's catch-up spree and a pivot toward tighter underwriting standards. Investment committees sharpened their focus on burn multiples, capital efficiency and clear paths to Series C mark-ups. Against a backdrop of still-resetting valuations, LPs concentrated dollars in a narrow set of technical specialists they believe can buy into the next innovation cycle at attractive entry prices.

LEADING SUB-ASSET CLASSES

Early-Stage

Nearly the entire VC wallet share went to seed-through-Series B vehicles targeting AI, cybersecurity, and life-sciences.

THEMES DRIVING ALLOCATION BEHAVIOR

1. Tier-1 Concentration

The majority of allocations went to well-known, established VC managers. For example, over a quarter of institutional dollars tracked by Dakota went to Khosla. This underscores a “flight to quality” that leaves emerging managers competing for a shrinking slice of the pie.



2. Early-Stage Dominates Lower Commitments

LPs remain wary of late-stage marks that still need a robust IPO window to exit; they prefer resetting portfolios at the earliest entry point where pricing is already corrected ~40-50% from 2021 peaks.

3. Re-Ups For Risk Reduction

Investment committees have leaned on re-ups to avoid launching full diligence on new managers. In an environment where exits are still muted and mark-to-market values remain uncertain, familiarity carries weight.

In short, institutional VC flows remain alive but highly selective, early-stage-heavy, and efficiency-driven, positioning LPs to capture upside from the next wave of tech and biotech breakthroughs without repeating the 2021 deployment frenzy.

NOTABLE ALLOCATION

Greenoaks Capital Opportunities VI - \$75,000,000

Investor: New Mexico State Investment Council (NMSIC)

WHY IT MATTERS:

1. A High-Conviction Venture Comeback

After several quiet quarters for large public pensions in venture, NMSIC is putting a meaningful \$75 million behind a single GP rather than sprinkling smaller tickets across multiple funds—signalling that institutions are willing to lean back into VC when there is high conviction.

2. Backing a “Generation-Defining” Playbook

Greenoaks’, targeted \$2.2 billion flagship, will continue its strategy of making long-duration, concentrated bets on category-creating technology companies—an approach that produced winners such as Coupang, Databricks and Wiz.

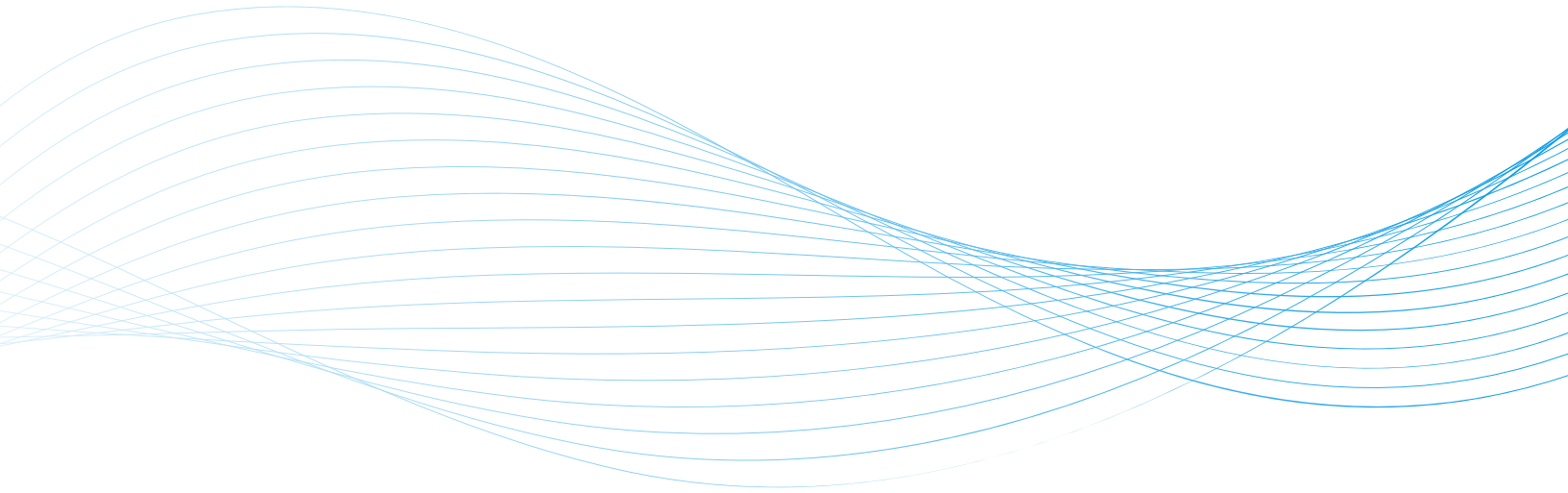
3. Strategic Alignment With Liquidity Optionality

Because Greenoaks stays on the cap table through IPO and beyond, the commitment gives NMSIC a bridge to the eventual public-market exit wave many LPs expect in 2026-2027, while still capturing private market alpha today.



OUTLOOK

Institutional venture capital pacing looks set to remain measured but steady through the rest of 2025: after surging to roughly \$3.7 billion in Q1 as investors re-entered the market at reset valuations, commitments normalized to about \$2 billion in Q2, signalling that the catch-up phase is over and a more disciplined deployment cadence is taking hold. Expect the marginal dollar to stay focused on early-stage, capital-efficient managers in AI infrastructure, cybersecurity, biotech and fintech, with fund sizes kept tighter and reserve ratios higher to extend runway. Growth- and late-stage allocations will likely remain opportunistic until IPO and secondary markets reopen, while top-quartile franchises should continue to capture the lion's share of capital as investment committees "barbell" quality and price discipline.



LP SPOTLIGHT: VIRGINIA RETIREMENT SYSTEM

OVERVIEW

In Q2 2025, the Virginia Retirement System (VRS) committed over \$1.9 billion across private markets, with a strong emphasis on private credit and private equity strategies. More than \$750 million was allocated to credit strategies spanning mezzanine, direct lending, and opportunistic capital, reflecting a focus on yield, flexibility, and downside protection. VRS also committed over \$575 million to private equity, backing large, institutional managers like Bain, CVC, and Audax with a tilt toward growth and middle-market buyout strategies. Real assets exposure was selective, featuring \$250 million to opportunistic real estate via a Hamilton Lane SMA and \$100 million to core infrastructure in renewables.

NOTABLE ALLOCATIONS

HPS Strategic Investment Partners VI

—————→ \$275 million

This fund is part of HPS Investment Partners' flagship opportunistic credit platform, focused on complex, flexible capital solutions across the capital structure. It targets idiosyncratic, event-driven opportunities globally—often in dislocated markets or bespoke situations—blending elements of mezzanine debt, rescue financing, and asset-backed lending. VRS's large ticket reflects confidence in HPS's deep sourcing network and ability to navigate nuanced credit situations.

Ares Special Opportunities Fund III

—————→ \$275 million

This Ares strategy focuses on opportunistic and distressed investing, with capital deployed across non-traditional credit, private equity-like rescue financings, and transitional situations. The fund aims to generate high absolute returns by stepping into complex capital needs where traditional lenders are constrained. Ares leverages its multi-asset platform and underwriting depth to act quickly and creatively in volatile markets.

Bain Capital XIV

—————→ \$225 million

This is Bain's flagship global private equity fund, targeting control-oriented investments in upper middle-market to large-cap companies. The strategy blends operational value creation with thematic sourcing, focusing on sectors like healthcare, technology, industrials, and financial services. Fund XIV continues Bain's approach of combining deep diligence, sector specialization, and hands-on portfolio support to drive long-term equity returns.



KEY INVESTMENT THEMES

1. Credit-Led Defensiveness With Flexible Capital

VRS leaned heavily into private credit, allocating over \$750 million across mezzanine, direct lending, and opportunistic strategies. This reflects a clear preference for income-generating, downside-protected capital in a higher-rate, uncertain macro environment.

2. Selective Growth Equity Exposure Through Scale Platforms

Rather than broad private equity diversification, VRS concentrated capital in large, institutional growth equity funds. This suggests a focus on long-duration, compounding equity with established managers who can navigate market cycles.

3. Targeted Real Assets Deployment in Resilient Sectors

VRS maintained real assets exposure through opportunistic real estate (Hamilton Lane SMA) and core infrastructure (True Green Capital), signaling a selective approach focused on dislocation and energy transition themes rather than broad market re-entry.

STRATEGIC TAKEAWAYS

1. Private Markets Still Lead, But Credit Is Closing The Gap

Investors put about \$26 billion into private equity, or roughly 41 percent of all new money. Private credit pulled in about \$15 billion, or 23 percent, a clear jump from a year ago. Lenders that offer floating-rate, senior loans are getting the most interest.

2. Buyouts Remained The Core Of Private Equity, But Growth Deals and Co-Investments Are Gaining Share

Middle-market and large buyouts took in more than \$14 billion. Still, growth equity added about \$5 billion, and co-invest sleeves drew almost \$4 billion. Investors want extra upside and lower fees, so managers that can share deals directly with limited partners should see more demand.

3. Income-Oriented Real Assets Beat Traditional Equity Plays

Real-estate debt and opportunistic real estate each raised around \$2.5 billion, outpacing core real-estate funds. In infrastructure, core-plus funds gathered more than green-field projects. Steady cash flow with downside protection is winning over pure development risk.



4. Large Tickets Follow Specialized or Crossover Themes

The biggest single commitment was a \$4 billion mandate to Arrowstreet for a hedge-style equity extension strategy. Other big checks went to PIMCO's Asset Based Finance strategy (\$1.2 billion) and Ares's sports and media credit fund (\$1 billion). Investors will write nine-figure checks when a strategy offers clear differentiation.

FINAL THOUGHTS

Public pensions continue to lean into private markets, but they are reshaping their playbook. Traditional buyouts still anchor portfolios, yet capital is flowing faster into private credit, income-oriented real assets, and a select set of liquid hedge strategies that can provide a ballast when public markets are challenged. Big checks are going to a smaller circle of managers, often paired with co-invest rights and evergreen or continuation structures that smooth cash flows and cut fees. Venture allocations remain cautious and early-stage-focused after last year's reset, while the surge in hedge fund tickets shows pensions want liquid "shock absorbers" to balance their illiquid books. Taken together, the quarter signals a move toward flexible, yield-rich assets and relationship-driven scale, positioning portfolios to capture upside but keep liquidity and risk in check.

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