Private Equity

Buyouts

Major Trends

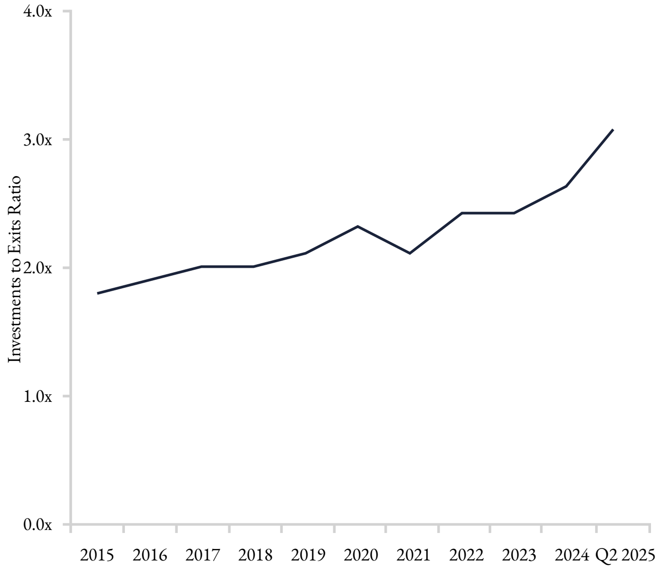
The DPI[1] drought has amplified the pressure for liquidity. Private equity investors are facing mounting pressure for liquidity as the industry continues to grapple with a prolonged distribution drought. Globally, capital calls have outpaced distributions in six of the past seven years.[2] This persistent imbalance has pushed the US investment-to-exit ratio to a ten-year high of 3.14x, as shown in Exhibit 1.[3] This indicates that firms are executing approximately three new investments for every portfolio company exited.[4] The US PE-backed company inventory has expanded to c. 13,000 portfolio companies as of Q3 2025, which implies roughly nine years of inventory at the current exit rate.[5] Generating liquidity whilst maintaining target returns will remain a key issue for private equity firms and investors for the foreseeable future and is causing a variety of responses, including increased utilisation of dividend recaps, increased secondary volume, and the growth of continuation vehicles. Reduced distributions from private equity are creating a number of issues. Firstly, limited partner commitment pacing models, which are based on an expectation of liquidity, have encountered operational issues and cash flow challenges. Secondly, private equity firms must now deal with the practicalities of having to manage a greater number of portfolio companies; having to manage questions over the validity of private equity fund valuations will persist until distributions meaningfully improve.

Hypothetical return expectations are based on simulations with forward looking assumptions, which have inherent limitations. Such forecasts are not a reliable indicator of future returns.

1 Distributions to Paid-In Capital
2 PitchBook Q3 2025 Global Private Markets Fundraising Report
3 PitchBook
4 Bain Private Equity Outlook 2025: Is a Recovery Starting to Take Shape?
5 Ibid
6 EBITDA CAGR is based on last 10 year growth; LMM - <$200M EV; MM - $201-$500M EV; Large Cap - $501M-$1.5B EV; Mega Cap - $1.5B+

Exhibit 1

US capital deployment continues as exits lag behind



Source: *PitchBook*

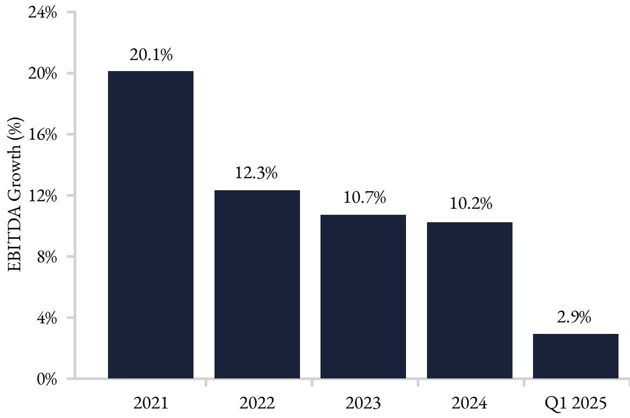
Forward-looking returns have shifted. As discussed in prior editions of Insights, we believe two of the three key PE return levers (multiple expansion and leverage) will be much less effective in the years ahead than in the post-GFC era. Even the third lever, earnings growth, may prove more challenging in a volatile macroeconomic environment. We do not believe this trend impacts all segments of the private equity industry equally. US Lower Middle Market (LMM) and Middle Market (MM) deals have both delivered +11% EBITDA growth over the past 10 years, versus +8% for US large cap deals and just +5% for US mega cap deals.[6] Our internal modelling aims to add a level of conservatism and calls for +8% per annum earnings growth for LMM and MM, +6% for large cap, and +5% mega cap. With other assumptions including cost of debt, entry and exit multiples, and fees (higher for LMM funds), we currently estimate that large cap and mega cap buyouts will hypothetically generate a +7.5% annualised net return, which we view as an insufficient premium over public equities.

At the same time, we believe the picture is more compelling across LMM buyouts, MM buyouts, and MM co-investments, producing hypothetical net returns of +12.8%, +10.2%, and +14.5%, respectively. As described later in this document, we are targeting these opportunity sets primarily because of lower entry multiples, higher earnings growth, and greater scope for alpha from manager selection.

Despite recent underperformance versus public markets, private equity backed companies continue to demonstrate healthy operating performance amid a challenging macro environment. Since Q2 2022, three-year rolling private equity returns of +6.5% have trailed the MSCI ACWI by 0.4% and the S&P 500 by 2.5%.[7] Across a middle market sample of more than six thousand companies, PE-backed businesses posted their 19th successive quarter of earnings growth in Q2, with around two-thirds of tracked companies delivering revenue and EBITDA expansion in line with Q1. According to the Lincoln Private Market Index (LPMI), this performance was supported by sustained EBITDA growth of +2.9% in Q1 (Exhibit 2), putting the index on pace for +12% annualised earnings growth at the current rate. While private market returns continue to trail public benchmarks due to ongoing multiple compression, the gap is narrowing. Over the last twelve months, the enterprise value of companies in the LPMI index increased +9.8%, compared with +11.0% for the broader S&P 500, and +9.5% when excluding the "Magnificent Seven". In one large sample, PE firms are currently carrying their existing portfolio companies at roughly four turns lower than the public markets, meaningfully below the long-term average difference of -2.3x.[8] We believe this indicates that PE firms have partially priced in differences in size, liquidity and business quality, after four years without a single quarter of increased carrying multiples.[9] We continue to believe PE performance remains more earnings-driven, while public market returns have been amplified by multiple expansion and the outperformance of the Magnificent Seven. The ability of PE-backed companies to sustain consistent earnings growth, despite persistent headwinds, particularly in the lower middle market, drives our view to retain private equity allocations.

Exhibit 2

US PE portfolio companies continue to generate strong earnings growth



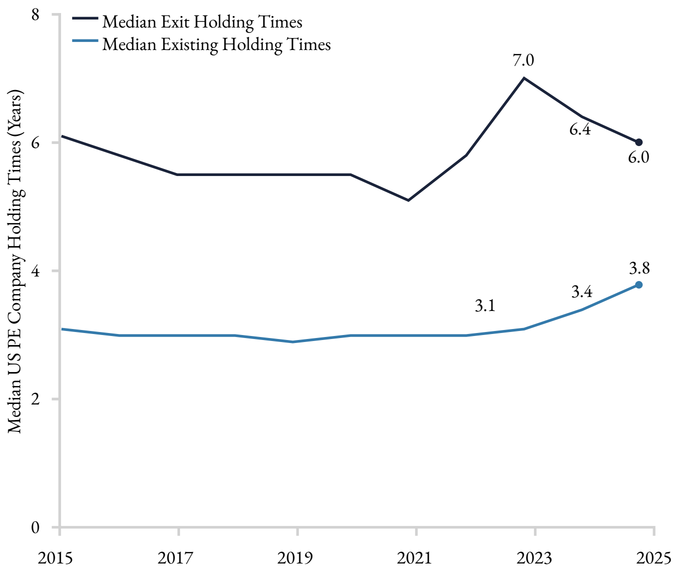
Source: *Q2 2025 Lincoln Private Market Index*

Deal and exit activity is showing early signs of stabilisation, but with large cap transactions more prevalent than small and middle market ones. Year-to-date through Q3 2025, US private equity deal activity totalled $869B, tracking for a +36.6% increase year-over-year from roughly $636B, driven primarily by an increase in large cap transactions.[10] Year-to-date through Q3 saw an estimated 6,862 deals, up +9.7% year-over-year.[11] US exit markets also strengthened.[12] As of Q3, $516B in exit value was recorded, surpassing the $380B total for all of 2024.[13] Exit count also increased, totalling 1,251 through Q3, compared to 1,390 for all of 2024. If this pace continues, 2025 would rank as the second-strongest year for exits since 2021 and generate roughly double the annual average exit value seen pre-COVID.[14] This is particularly impressive given that it includes the geopolitical volatility induced slowdown in Q2 2025. The increased activity within large cap private equity seems to be due to the fundraising environment of the last five years, which has become increasingly concentrated in the largest funds globally as a result of the combination of sovereign wealth fund activity and the growing participation of retail investors. While exit activity has improved, the broader liquidity picture remains uneven. As shown in Exhibit 3, median exit holding periods have begun to decline while median holding periods for existing portfolio companies continue to rise. This suggests a bifurcated market in which top tier assets are securing successful exits, while the more marginal portfolio companies are being retained due to valuation expectations not being achieved during sales processes or further operational improvement being needed prior to taking the asset to market. The rapid growth of the continuation vehicle (CV) market is contributing to this dynamic. CVs are dominated by large, higher quality assets managed by the larger private equity firms. CVs accounted for nearly $47B of secondary volume in H1 2025, up +68% year-over-year.[15]

7 Private Equity benchmarks from State Street as of 30 June 2025
8 SPI by StepStone, CapIQ, as of June 2025; Q2 2025 Lincoln Private Market Index
9 Ibid
10 PitchBook Q3 2025 US PE Breakdown
11 Ibid
12 Ibid
13 Ibid
14 Ibid. PitchBook Exit Activity Data showing years 2010 - 2025
15 Jefferies H1 Global Secondary Market Review

Exhibit 3

US exit holding times decline while existing investment holding times begin to increase



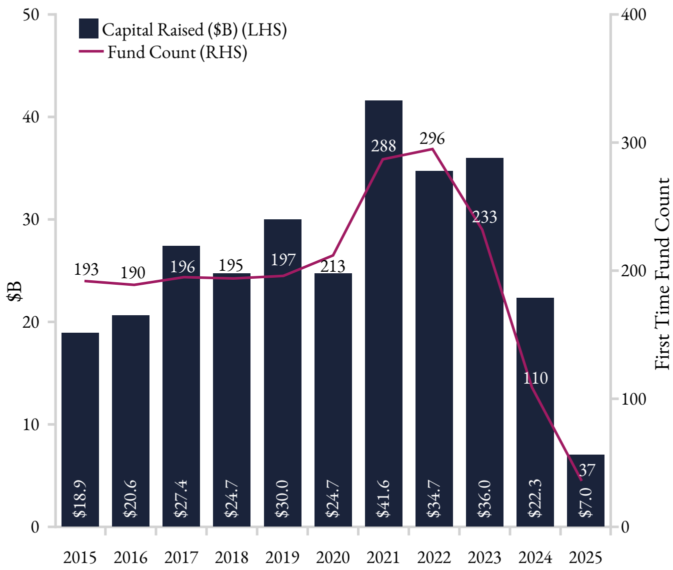
Source: *PitchBook Q3 2025 US PE Breakdown*

Fundraising in 2025 is polarised: a relatively small number of mega funds are capturing a greater share of capital, creating a difficult environment for emerging managers. Global private equity fundraising totalled $213B across 252 funds in H1 2025, putting the industry on track for its lowest annual fund close count in a decade.[16] At its current rate, 2025 fundraising is on track to total roughly $425B, down -32% from 2023 ($626B) and -35% from 2021 ($655B).[17] This pullback has been especially sharp for sub $1B funds, which have faced steeper declines as Limited Partner[18] (LP) commitments concentrate in mega funds.[19] Funds under $1B raised $48B in H1. If this pace holds, they would reach only $96B for the year, a steep drop from the $145B recorded in 2023 and $191B recorded in 2021.[20] Consequently, emerging managers have faced pressure, raising just $26B in H1 after collecting only $66B in 2024, down significantly from the $89B raised in 2023 and $121B in 2021.[21] As shown in Exhibit 4, this fundraising deceleration has disproportionately impacted first-time funds, reflecting LPs' preference for established managers amid heightened risk aversion.[22]

Fundraising timelines have lengthened, with the median time to close increasing to an average of 19.7 months in Q2 of 2025, an increase from 18.9 months in 2024 and 16.9 months in 2023.[23] As LPs consolidate around established managers, competition for limited allocations has intensified. With mega funds continuing to absorb an outsized share of commitments, emerging managers face prolonged fundraising timelines, smaller LP commitments, and a growing pressure to differentiate (through factors such as sector expertise, track record, and distinctive value creation capabilities) in order to secure LP interest. At the same time, new fundraising channels and structures like evergreen and retail vehicles are reshaping the landscape and are a key supporter of mega-fund platforms. The evergreen vehicle market is now estimated at $427B as of Q2 2025 with total assets projected to reach $1T within five years.[24] These vehicles have appealed to investors seeking flexibility and to managers pursuing permanent capital strategies that mitigate the cyclicality of traditional fundraising. We are increasingly seeing the establishment of two distinct markets in PE: (1) a 'retail' market comprising large cap exposures and a lower cost of capital and (2) 'institutional' LPs (endowments, family offices, OCIOs) moving down market into LMM funds and even pre-fund to invest in deals with lower prices, higher earnings growth, and greater scope for manager selection alpha. Collectively, these developments point to a more structurally diverse fundraising environment as managers continue to explore alternative pathways to raise capital.

Exhibit 4

The global fundraising slowdown has been particularly pronounced among first-time funds



Source: *PitchBook Q2 Global Fundraising Report*

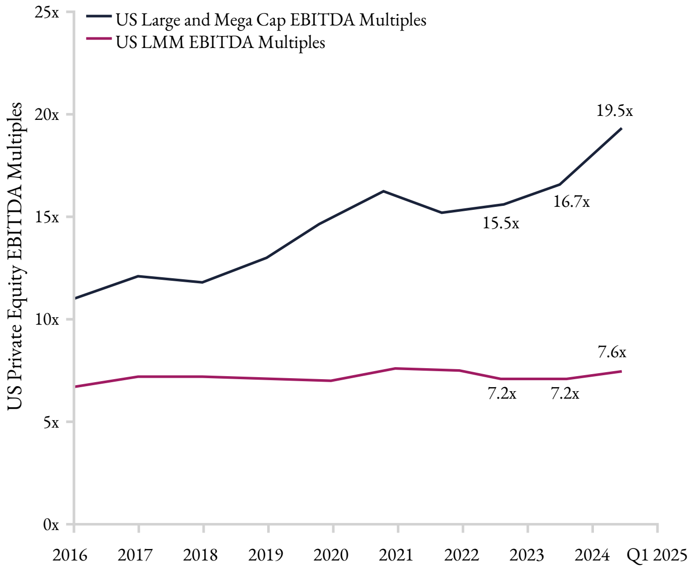
Purchase price multiples and leverage levels have stabilised. Global buyout multiples thus far in 2025 are 12.0x, down from 12.8x last year but still meaningfully elevated vs. the pre-Covid era.[25] We continue to see dispersion on pricing of larger and smaller deals. Large and mega cap US valuations reached 19.5x in Q1 2025, up from 15.5x in 2023 and well above the ten-year median of 13.0x.[26] Given lower transaction volume, this points to a market in which high quality assets continue to attract elevated valuations whilst weaker companies struggle with compressed multiples and prolonged sales timelines.[27]

16 PitchBook Q2 2025 Global Private Markets Fundraising Report
17 Ibid
18 The investor in a Private Equity fund who provides capital but has limited liability and no role in day-to-day management
19 Ibid
20 Ibid
21 Ibid
22 PitchBook Return of Evergreen Funds
23 PitchBook Q3 Q
24 Bain DealEdge
25 Ibid
26 Bain Private Equity Outlook 2025: Is a Recovery Starting to Take Shape?
27 PitchBook Article

By contrast, the average EV/EBITDA multiple for new acquisitions of LMM companies grew much more modestly to 7.6x in Q1 2025, up from the 7.2x average for 2024 and a new high since mid-2022, as shown in Exhibit 5.[28] Leverage levels also increased, with LMM total debt multiples increasing to 4.2x EBITDA in Q1 2025, compared with a longer-term average of around 3.7x.[29] More favourable credit conditions have reduced equity contributions to 48%, down from levels consistently above 50% over the prior three years.[30] This shift in deal financing has been facilitated by some moderation in borrowing costs, albeit from historically elevated levels. From Q1 2020 to Q1 2022, SOFR[31] hovered near zero (0-0.25%) before climbing to a peak of just over 5% by the end of 2023. Easing inflation and rising concerns over the health of the labour market have since led to a reduction in overnight rates to c. 4% as of November 2025.[32] Credit conditions have improved with leveraged borrowers seeing debt cost decline as both base rates and credit spreads compress.[33] By Q2 2025, all in borrowing costs were roughly 275 basis points lower than the 2023 peak.[34] While financing remains more expensive than pre-2022, this easing has revived transaction activity and improved prospective returns for new deals.

Exhibit 5

US lower middle market valuation multiples have increased slightly in Q1, though significantly below US large and mega cap multiples



Note: US Large and Mega Cap multiple data from DealEdge, US LMM multiple data from CIBC US Middle Market Monitor Q2 2025 (LMM data measuring EBITDA multiples for $10M - $500M LBOs).

Source: *Bain DealEdge and CIBC US Middle Market Monitor Q2 2025*

28 CIBC US Middle Market Monitor Q2 2025
29 Ibid
30 Ibid
31 Secured Overnight Funding Rate
32 Federal Reserve Bank of St. Louis
33 Capstone
34 Ibid
35 The typical pattern of private equity fund returns, where early negative performance due to fees and investment costs is followed by rising returns as investments mature and are realised
36 Think again: busting the emerging managers myths, Unigestion, 20 May 2025

Golden Rules

Our golden rules for investing in buyouts are unchanged from prior years:

1. Invest with managers who have demonstrated post-acquisition operational value-add capabilities.
2. Invest in lower middle market strategies where the greatest market inefficiency resides and where there is greater potential for asymmetric returns.
3. Invest with sector specialists who have competitive advantages in sourcing and value creation due to deep industry insights.
4. Invest with young, hungry teams trained by top-tier private equity firms or who are former business owner-operators.
5. Co-invest with those whom we believe to be best-in-class managers to increase returns through avoiding fees and carry, to mitigate the 'J-curve',[35] and to concentrate exposure in what we view as exceptional investments.

Sub-Asset Class Positioning

We are focusing capital on the following sub-strategies where we see the greatest opportunities for strong forward-looking returns:

- **Anchoring to emerging managers:** Our overarching strategy is to build meaningful investment positions with top tier managers focused on the lower middle market where earnings growth potential is higher, leverage and purchase prices are lower, and the scope for outperformance through manager selection is greatest. We believe these characteristics are particularly prevalent in managers launching first or second time funds, where we strive to be among a manager's largest and most value-added capital partners. First and foremost, we view the emerging manager space as an alpha opportunity. We have found that emerging managers are more accessible given the prevailing fundraising environment. Paradoxically, we also see greater potential for alpha, as the drivers of success among emerging managers tend to be more easily identifiable in due diligence than those of their more established counterparts. We believe emerging managers have several other advantages: 1) strong alignment of interest, both financial and behavioural, 2) lack of a legacy portfolio to manage and 3) better prospects for relationship building, as we often underwrite a three-fund relationship, participate on the advisory committee, and offer a viable partner for co-investing. A data sample of c. 2,600 realised deals from Unigestion reflects our historical experience in emerging manager investing: 1) higher top quartile returns (in 16 of the past 20 vintages) vs established funds, 2) far less reliance on leverage (28% debt to EV vs. 55% for established funds) and 3) stronger contribution from EBITDA growth (72% of returns through earnings growth vs. 43% for established managers).[36]

- **Scaling our exposure to growth equity:** Across our portfolio, we seek opportunities to invest in companies benefitting from accelerating AI adoption. Our top conviction allocation to achieve this aim within PE (outside VC, which is covered in a separate chapter) is growth equity. As detailed in Insights 2025, our growth equity investment spec consists of three core criteria:
1) non-control or control investments in high-growth tech or tech-enabled companies that are breakeven or approaching profitability (i.e., companies that sit between late-stage venture capital and buyouts), 2) focus on first institutional capital opportunities sourced through proprietary and/or proactive sourcing and 3) a value creation approach more equivalent to buyout than VC (i.e., hands-on engagement by dedicated operating professionals). These are typically niche, vertical software-as-a-service assets with clear 'systems of record' that we believe will enable these companies to more effectively adapt to the AI age. Tech growth equity fits many of the parameters for our programme including: 1) focus on smaller companies (generally <$500M EV), 2) high percentage of returns through operational improvements (100% of returns through revenue exposure) and 3) attractive risk-adjusted returns with both high top quartile returns and relatively low losses (37% aggregate top quartile gross IRR with only 17% of deals marked at <1x MOIC).[37]

Expanding ex-US exposure: We see a clear and compelling opportunity to increase exposure to funds based in Europe and Japan. The case for each geography is distinct. In Japan, the case is a 'back to the future' deal market, similar to the US decades ago; with 70% debt to value and 3.5% interest rates, sponsors only need to grow earnings by 5% per annum to achieve **hypothetical 15%+ net returns**. Moreover, many funds in Japan are generalists focused on LMM companies in complex situations (broken auctions, stressed situations, and transition from family ownership), which aligns well with our core themes in other geographies. In Europe, we see a clear macro and micro case for expanding our existing exposure. Europe is not only a deep and highly fragmented market with a larger percentage of deals in the LMM (76 %[38]) and lower entry valuations (11.2x vs. 12.8x[39]), but also a market with increasingly high quality LMM funds aligned with our core themes. Areas of focus include Northern European software, which we believe to consist of deep, highly fragmented markets with increasing technological adoption, and LMM complex situations and buy-and-build in Germany and surrounding countries, taking advantage of recent economic dislocations (e.g., energy crisis) and a large number of founder succession situations creating primary buyout opportunities. We plan to make at least 2-3 new ex-US fund commitments in 2026.[40]

Strategic Priorities

1. **Focus on LMM and sector specialist buyout firms with exceptional operating capabilities.** We continue to believe that investing in LMM firms and sector specialists will be critical to generating outperformance in the future. LMM companies have consistently grown earnings faster and provided higher scope for alpha from professionalising smaller companies. We believe specialists have specific clear competitive advantages across all stages of the investment process: advantaged sourcing with stronger relationships with intermediaries and funnels for proprietary deal flow, improved pattern recognition to inform deal underwriting, and, most importantly, the ability to construct dedicated operating teams purpose built for a specific vertical. A core element of our strategy continues to be backing managers with a proven record of accelerating earnings growth across their portfolio companies. Over more than a decade, leveraging our own data as well as data partnerships, we have built a proprietary database of roughly 55,000+ companies, providing us with a differentiated view into which managers are most effective in this area. As other investors increasingly seek to identify managers with these skills, we believe Partners Capital must remain differentiated in both sourcing and evaluating managers who have genuine value creation capabilities. We continue to refine our toolkit to increase our ability to assess sponsor value creation and improve performance for our clients.

Hypothetical return expectations are based on simulations with forward looking assumptions, which have inherent limitations. Such forecasts are not a reliable indicator of future returns.

Past performance is not indicative of future returns, your capital is at risk and you may not get back the full amount you invested.

37 Bain DealEdge, all realized and unrealized growth equity deals since 2009
38 2025 PitchBook Q2 EU Quarterly PE Breakdown
39 2025 PitchBook Q2 EU Quarterly PE Breakdown

40 In H1 2025 in the US, 1,535 of 3,483 buyout deals completed were <$25M in size and 71% of all deals by count were LMM (<$100M). 10% of deal volume was LMM vs 50% mega cap (>$1B deal value)

2. **Accelerate our commitments to emerging managers.** Fundraising dynamics continue to weigh heavily on many smaller managers, creating a rare opportunity to support high-quality firms earlier in their lifecycle. We intend to increase both the pace and scale of our emerging manager programme. Our focus will be on sector specialists in our five priority verticals: technology, healthcare, industrials, consumer, and energy transition. We will also target differentiated lower middle market generalists pursuing a 'buy complexity' thesis. We have staffed a dedicated team focused on emerging manager underwriting and further deepened our coverage of intermediaries. We plan to drive our sourcing primarily by leveraging our existing managers for potential introductions. Three other core deal sources are: 1) relationships with intermediaries to ensure we continue to be a "partner of choice" for first time funds, 2) triangulation with other LPs, and 3) seeking 'best ideas' from our clients. Another key element of our strategy is moving into pre-fund investing to drive proprietary deal flow. Beginning in 2026, we will also expand our approach by investing in pre-fund structures such as bespoke investment programmes and independent sponsors. These commitments will allow us to engage with managers earlier, often before their flagship funds are raised, giving us priority access, enhanced economics, and greater ability to shape our portfolio construction. The aim is to provide visibility into top tier next generation emerging managers well ahead of the broader market.
3. **Expand commitments to European and Japanese Buyouts.** In Europe, we are focused on managers pursuing spinouts from larger platforms, generalists targeting industrials and business services, funds with industrial decarbonisation and infrastructure-adjacent strategies, and software specialists across the Nordics, Benelux, and DACH. In Japan, we continue to expand our manager relationships and grow investments to increase our exposure to this relatively small but structurally favourable buyout market. We believe applying our value creation centred approach in these markets will position us ahead of peers as these ecosystems continue to mature.
4. **Increase co-investments.** Co-investing remains one of the most powerful levers in our private equity toolkit, allowing us to scale exposure to the highest quality opportunities while reducing net effective fees and strengthening investor protections. Whilst our programme will continue to be primarily focused on the managers where we already have meaningful fund commitments, we will continue to expand our sourcing via select managers with whom we have not yet invested. Co-investing not only enhances returns through fee savings and scope for deal selection alpha but also provides critical insight into how our managers source, underwrite, and execute transactions in real time, ultimately reinforcing the quality of our primary programme.
5. **Establish a dedicated secondaries platform.** Earlier this year we hired a dedicated secondaries team. In Q4 2025, we launched a secondaries pooled vehicle that will focus on 1) GP-led continuation vehicles, both single-asset and concentrated multi-asset, where we have strong conviction in the underlying companies and in many cases a pre-existing relationship with the GP and 2) purchases of LP secondary interests with attractive risk-adjusted return profiles. In CVs, we will underwrite company fundamentals and the forward value-creation plan, prioritise alignment (fee/carry resets, rollover terms, governance rights), and insist on robust conflict management processes. In LP secondaries, we will target both tail-end and mid-range vintage portfolios available at attractive pricing and seek to use structured mechanisms that enhance net returns and give us better control of liquidity and pacing. We focus on situations where we have differentiated knowledge about assets and access to sponsors through our broader platform. Secondaries complement our primary and co-investment programmes by deepening our access to attractive assets, improving liquidity management for clients, and widening our entry points into managers we like to partner with.

Private Equity

Co-Investment

Co-investing provides LPs the opportunity to reduce the burden of management fees and carried interest paid to private equity managers, concentrate private equity portfolio exposure in high conviction assets, and mitigate the impact of the J-curve relative to traditional fund commitments.

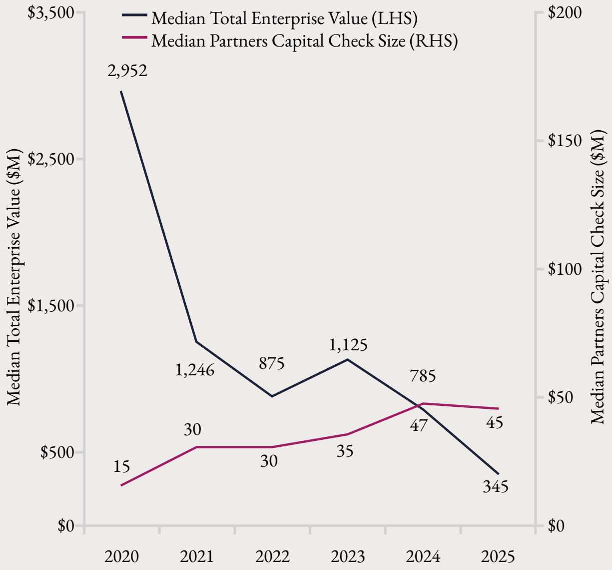
Partners Capital's co-investment programme invests alongside those we deem to be top private equity managers as an aligned equity partner on single-asset investments, typically with near-zero management fees and carried interest paid to the manager. We focus primarily on co-investing in lower middle market and middle market buyouts in which General Partners[41] (GPs) need more equity capital than their fund or existing resources can practically provide. In these situations, GPs require highly certain capital under very short time constraints to meet acquisition timelines while minimising the burden on the GP's staff and optimising for potential future fundraising relationships with the co-investing partners. We believe that we are one of a small number of co-investors who have middle market focused primaries programmes and the ability to commit up to $75M of discretionary co-investment capital before a manager has won exclusivity with a seller. We use our scale dedicated co-investment team, and the speed of our due diligence and approval process, combined with our strong private equity primary funds programme, to win what we believe to be differentiated opportunities with few direct competitors and improved investor protections.

Co-investor landscape institutionalising and consolidating. The universe of co-investors is steadily institutionalising as large programmes from sovereign wealth, pension and top endowment funds build dedicated co-investment teams with trained direct investors who are empowered to invest discretionary capital. While these large programmes are growing, smaller endowments and other capital constrained private equity programmes are reducing their direct co-investment programmes. Many lower middle market and middle market managers are therefore finding that their LP bases have retreated from co-investing, leaving these managers more dependent on fewer parties to help them close transactions.[42, 43]

Partners Capital has increased its co-underwriting activity to improve due diligence access, improve transparency, and secure capacity and investor protections by helping managers solve their capital inadequacy problem early. As a result, Partners Capital's year-to-30 September 2025 buyout co-investment opportunity set is 37% greater than the equivalent period in 2024, as more managers seek Partners Capital out to support transactions despite a decline in US buyout deal volumes of 9% over the same periods.[44] Our median co-investment per transaction has increased from $15M in 2020 to $45M in 2025, while the median total enterprise value of the transactions in which we participate has declined from $3B in 2020 to $345M in 2025.

Exhibit 6

Partners Capital buyout co-investments have increased check size in smaller TEV opportunities



Source: *Partners Capital*

Co-investing with emerging, lower middle market and middle market buyout managers. Co-investments are particularly important to emerging, lower middle market and middle market sponsors. Managers focused on the lower middle market and middle market represent the fund size range that has seen the greatest drop in funds raised over the last year and whose smaller investors are pulling back due to liquidity constraints more than the investors investing behind large-cap and mega-cap managers, as noted in our section on Private Equity fundraising dynamics.[45] As a result of these fundraising dynamics, many managers with strong track records and established expertise lack sufficient capital to execute transactions that align with their core strategy and target deal size. Co-investors enable these managers to complete these transactions that they would otherwise be unable to execute due to fund size limitations rather than lack of conviction or capability. Small funds also typically have small fundraising teams and limited investment team bandwidth, which makes raising co-investment capital on a short timeline particularly challenging compared to large, heavily staffed managers.

41 The Private Equity manager responsible for making investment decisions and managing the fund's portfolio
42 Chronograph. Trends Shaping the Private Equity Co-Investment Landscape (Apr-2025)
43 Ropes & Gray. Negotiating Economics: What are the Different Advantages of Co-Investment for GPs and LPs?
44 PitchBook. US Private Equity Market Report (Q3 2025)
45 PitchBook. Q2 2025 Global Private Markets Fundraising Report

Partners Capital's role as an anchor or large primary fund investor amongst emerging, lower middle market, and middle market private equity managers, combined with our ability to be the largest co-investor or co-underwriter, creates opportunities to participate in transactions that are not available to smaller co-investors.

Growing opportunity to secure investor protections for the largest co-investors. Managers that depend on large co-investors providing certain capital commitments to win transactions are often required to provide enhanced investor protections to those partners which are not extended to other participants in co-investment syndications. In exchange for scale, speed and certainty to help win a transaction, the largest one or two co-investors in a transaction may win certain exclusive terms, including board observation and information rights, liquidity rights, and sharing of certain transaction expenses amongst all capital providers. Partners Capital actively negotiates for and secures these types of investor protections. These are most frequently achieved in our target lower middle market and middle market buyout co-investments when we are the largest or second largest co-investor or are providing more capital to the transaction than the manager.

Exhibit 7

Partners Capital has leveraged strategic partnerships to secure investor protections in buyout co-investments year-to-date through September 2025

		Strategic Value				Investor Protections		
Co-Investment	Manager	Leverage Primaries Programme	Engage Pre-Close	Scale	Speed and Certainty	Exclusive Minority Rights	No/Low Fee	Board Observer Seat
DAWGS Vacant Property Security	Riverside	√	√	√	√	√	√	√
Maple Donuts	SPC Swander Pace Capital	√	√	√	√	√	√	√
residence	Gemspring Capital	√	√	√	√		√	
quorum Energy Suite	FP Francisco Partners	√	√		√		√	
AVI-SPL	26North	√	√		√		√	
PYP Auto Parts Pick Your Part	Pacific Avenue Capital	√	√	√	√	√	√	√

Note: Reflects all closed buyout co-investments in YTD September 2025.

Source: *Partners Capital*

Strategic Priorities

1. **Increase maximum discretionary co-investment size.** Partners Capital frequently sources middle market buyout opportunities for which the manager is raising \$100M-\$175M of co-investment capital. By increasing our maximum discretionary co-investment ticket size to a level at which we can speak for all or nearly all of a manager's co-investment capital requirement, Partners Capital has expanded its opportunities to be the lead co-investor alongside its highest conviction managers, enabling early and deep due diligence and attractive investor protections. Partners Capital completed a second close of its co-investment pooled vehicle at \$892M, increasing our discretionary capital scale and making us a significant partner in middle market co-investments. Increased scale is a key driver of our growing discretionary ticket size and enhances our ability to engage early, and often exclusively, with middle market sponsors.
2. **Expand list of high conviction co-investment partners especially among middle market sponsors.** Partners Capital leverages its primaries platform and reputation as a co-investor to build 'first-call' sourcing relationships and repeat co-investment partnerships with an expanding set of high-quality sponsors. Private equity managers typically prioritise co-investment partners who offer strategic value to the manager's business. Important criteria include co-investment speed, certainty and scale, and a primaries programme that either is an investor or could potentially become an investor in the future. Softer attributes include the market reputation of the co-investor and the ease of doing business with the team. We focus our co-investment partnership efforts on middle market sponsors where we see higher-returning deal opportunities and have a strong franchise as a firm.

Private Equity

Secondaries

The need for liquidity in private assets continues to grow after four years of record-low distributions as a percentage of NAV and a record backlog of unrealised portfolio companies. Combined with extended hold periods and an expansion in private markets AUM, this trend has led many investors to utilise the secondary market not only as a liquidity solution but also as a sophisticated portfolio management tool. As a result, we made it a priority in 2025 to build a dedicated secondaries team in-house to execute on what we have observed to be an increasingly attractive and growing opportunity set within the secondaries market. By offering this capability in-house, we aim to leverage our platform to participate in attractive deals primarily in the middle market and to realise meaningful fee savings for clients on a significant portion of their secondaries exposure. In 2025, our team has been productive on both the sourcing and investment fronts, having committed over $170M of capital into secondaries across 15 unique transactions as of this writing, demonstrating early progress.

Secondaries can play a complementary role in client portfolios by providing attractive risk-adjusted returns with reduced duration and low volatility. Historical data shows that secondaries have delivered strong, consistent returns with less volatility and lower dispersion than other areas of private markets. Between 2000-2019, secondaries delivered a 15% median net IRR compared to private equity at 14%, while being the only private markets asset class to return positive fourth quartile returns.[46] We believe this higher median return and lower dispersion in secondaries is due in part to reduced blind pool risk in underlying portfolios, an ability to cherry pick assets at discounts, and the ability of buyers to price-in the risk of delayed exits from underlying portfolio companies. Relative to other private market segments, secondaries have generated faster DPI and have proven to be a useful tool to shorten the duration of private equity portfolios. Secondaries have returned capital back to investors at 6-7 years on average, compared to 10-11 years for a typical primary programme and 7-8 years for co-investments.[47]

We believe there are compounding benefits to making consistent commitments to secondaries. A single commitment to secondaries can soften an investor's J-curve, provide vintage diversification, and generate short-term distributions. Recurring allocations can raise a programme's time-weighted IRR over the longer term, while a consistent secondaries allocation can provide ongoing cash flows for investors to recycle and re-invest across their primary, secondaries, and co-investment portfolios. Executing on secondaries requires careful evaluation of underlying asset quality, purchase price, and duration risk, which is why we believe a secondaries allocation that is paired alongside a portfolio of well-selected Private Equity managers will be accretive to client portfolios. We believe most client portfolios benefit from a 10-20% allocation to secondaries and are targeting a 12.5% allocation within our flagship Partners Capital Private Equity pooled vehicles.

Our secondaries approach is to be a liquidity provider to both LPs and GPs, with a tilt towards our core focus in lower and middle market buyout. Our secondaries investment strategy takes a balanced and flexible approach to providing both 1) GP liquidity solutions, primarily by investing in single-asset and multi-asset continuation vehicles and 2) LP liquidity solutions, primarily by purchasing diversified portfolios of LP interests from investors in private funds.

GP Liquidity Solutions

Within GP liquidity solutions, we seek to acquire the highest quality, assets that are owned in legacy funds by providing a liquidity solution directly to GPs. We typically invest in these companies through continuation vehicles (CVs), where we aim to partner with high quality sponsors and often see meaningful GP alignment and reinvestment alongside us. Our underwriting in these transactions focuses primarily on company fundamentals and valuation, the viability of the forward looking value-creation plan, and our assessment of the GP's alignment.

46 Median Net IRR by asset class as of Q2 2023, vintage years 2000-2019, as shown in Bain & Company, Global Private Equity Report 2024
47 Blackrock, The Case for Secondaries, H1 2024

In most CVs that we evaluate, we believe the GP is pursuing the transaction to retain and grow their highest quality assets, which often have repeatable value creation plans that would benefit from additional time and capital that CVs can provide. Regarding alignment, nearly all CV transactions have active members of the GP rolling 100% of their economics and making an incremental out of pocket commitment, and we often see an investment from their latest flagship fund as well. While all transactions require careful review of these factors (i.e., asset quality, GP alignment, and motivations for pursuing the CV), we believe most CVs have these positive characteristics as evidenced by the strong performance of CVs to date, where we have observed both median and top quartile single- and multi-asset CVs demonstrating stronger MOIC and IRR profiles than their equivalent buyout fund counterparts.[48] Continuation vehicles, though, are not without potential concerns. Existing LPs have concerns about GP-led transactions, given the inherent conflict that arises when sponsors are on both sides of the deal. These LPs worry that such transactions may be driven more by a motivation to enhance GP economics than by an intent to maximise value for existing fund investors. However, we like the exit optionality that CVs can provide when pursued for the right reasons – namely, more time and capital to compound value – and when they provide existing LPs with a fair rollover option to participate. We endeavour to actively screen out situations by identifying deals where we see 1) GPs selecting their highest quality assets, 2) the ability for secondary buyers to price-in the impact of reasonable fees, 3) attractive entry valuations relative to intrinsic value, 4) shorter expected duration than typical buyout investments and 5) meaningful GP alignment alongside sponsors.

We continue to see a robust opportunity set within GP liquidity solutions as transaction volume has grown from $26B in 2019 to $71B in 2024, growing at 22% annually.[49] In 2024, this growth accelerated to 40% year-over-year, a meaningful uptick.[50] We believe this growth has been driven by two key factors, pressure on GPs to provide liquidity to existing LPs in what has been a challenging exit environment, and secondly the ability for GPs to double down on their highest conviction assets, while earning fees on new capital in what has been a challenging fundraising environment. Given these dynamics, we expect the opportunity set to continue its growth trajectory, particularly within the lower and middle market specifically, where GPs managing concentrated portfolios are highly incentivised to retain their top assets. As a result, 80% of sponsors recently surveyed in the lower and middle market expect CV transactions to accelerate.[51] Notably, this trend has resulted in CVs representing 13% of sponsor-backed exits in 2024, compared to only 5% in 2020.[52] We plan to continue investing in our team to expand our sourcing and evaluation capabilities as this opportunity set grows.

LP Liquidity Solutions

Within LP liquidity solutions, we seek to offer investors in private funds early liquidity in exchange for their LP stake. Typically, we target diversified portfolios of LP stakes sized between $50-200M, where we believe there is a lack of broadly approved secondary buyers with unrestricted information and access to GPs. Many secondary buyers do not have a scaled primary platform, which serves as a foundation for achieving broad-based GP approvals. For secondary buyers with a scaled primary programme, broad GP access and approval provide a competitive advantage, enabling deeper underwriting insights and the ability to deliver a single, full-portfolio solution to sellers. We believe that our primary platform, with over 200 GPs and more than c. $2B in committed capital per year, positions us well from both an underwriting and GP approval perspective. We leverage our platform to pursue opportunities where we can provide a full portfolio solution to a seller, targeting both tail-end and mid-range vintage portfolios available at attractive discounts or with structured terms that enhance net returns and give us better control of liquidity and pacing.

The LP liquidity solutions market has grown 11% per year since 2019, from $54B to $89B in 2024.[53] In 2024, the market saw a meaningful uptick in year-over-year growth to 41%. This accelerating growth has been driven by two key market factors including 1) a challenging exit environment for IPOs and M&A and 2) increased programmatic selling from sophisticated LPs who have begun utilising the secondaries market as a regular portfolio management tool. LPs are increasingly using the secondaries market proactively and programmatically, having realised its benefits beyond liquidity-driven events. Many sophisticated LPs are now implementing a regular cadence of portfolio sales, in efforts to rationalise manager relationships, adjust strategy allocations, and focus on core vintages, sectors, and geographies. In 2024, approximately 70% of LP sales in the secondaries market were portfolio management (vs liquidity) driven[54], up from just 30% five years ago.[55] This trend has moved down-market from large corporate and pension schemes to smaller LPs in the last year, specifically Endowments and Foundations (E&Fs), who have been the leading contributor to the growth in the number of sellers in 2025.[56]

48 Evercore Private Capital Advisory, Q2 2025 Continuation Fund Performance Report, October 2025
49 Evercore Private Capital Advisory, FY 2024 Secondary Market Survey Results.
50 Churchill, Middle market private equity firms cautiously optimistic on M&A, exits and returns: Mid-year 2025 private equity survey
51 Ibid
52 Jefferies Private Capital Advisory, Global Secondary Market Review, January 2025
53 Evercore Private Capital Advisory, FY 2024 Secondary Market Survey Results
54 Lazard Private Capital Advisory, Secondary Market Report 2024
55 Lazard Financial Sponsor Secondary 2019 Year-End Review
56 Evercore Private Capital Advisory, H1 2025 Secondary Market Review

Having reviewed the portfolios of several E&F sellers over the past year, our observation is that these sophisticated LPs are increasingly using the secondary market to rotate out of large cap and legacy relationships, freeing up dry powder to commit to more attractive lower middle market and emerging managers during a period of historically low distributions.

This growth in supply has created a large and attractive opportunity set of quality assets and funds available for secondary buyers. However, we have observed challenges in underwriting large scale portfolios that consist of well-known buyout funds with younger vintages (3-5 years old). We believe that competition among buyers for these younger vintages is driving prices higher and eroding the alpha opportunity for these types of transactions. However, we contend that there are two segments of the LP-led market that remain meaningfully inefficient and where we have not yet seen increased pricing competition erode returns. These are 1) smaller portfolios of less than $200M, often comprised of middle market funds, where there are few buyers seeking to offer full portfolio solutions to sellers and 2) tail-end secondary portfolios which have historically been less competitive but provide the potential for attractive returns and near-term distributions.

Additionally, a smaller allocation of our secondaries strategy will continue investing with certain external managers who we believe offer our clients complementary exposure to attractive segments of the secondaries market that we do not cover as well internally. Given our long-term partnerships, size, and scale with certain external managers, we believe we can unlock fee savings for our clients in these investments. In 2025, we made a firmwide commitment of c. $500M to a large tail-end focused secondaries specialist. We have invested with the manager for more than a decade and successfully used our scale and long-standing relationship to secure a 0.5% reduction to the annual management fee (a -33% reduction to the headline management fee).

The expanding opportunity in secondaries is being fuelled by a large and growing primary market, combined with increasingly active portfolio management by GPs and LPs. The secondary market is a derivative of the primary market, which has grown substantially in the last decade as private asset AUM has expanded to $14.3T of assets.[57] We expect this trend to continue as private market AUM is forecasted to reach $30T by 2030, expanding the need for creative liquidity solutions which we aim to provide.[58]

Strategic Priorities

1. **Increase our discretionary capital base.** Secondary transactions are complex and fast-paced, where nimble and flexible capital is required to guarantee transaction certainty to counterparties. In order to be a competitive buyer, Partners Capital is focused on expanding our pool of discretionary capital focused on secondary transactions. We are actively raising our first pooled vehicle dedicated to secondaries, which we believe will increase our competitive edge and enhance our ability to pursue our core transaction types across the asset class in an effort to generate alpha for our clients.
2. **Disciplined execution within targeted smaller and middle-market deals.** Partners Capital is focused on maintaining a high level of deal selectivity and focusing on our “sweet spot” of smaller and middle-market deals where we believe we have an access, information and underwriting advantage due to our platform. We anticipate sourcing a broad funnel of opportunities as our secondaries business scales and as both GPs and LPs bring a growing supply of deal flow to the market. We plan to maintain price discipline in our investments, underwrite to conservative NAV growth and distribution timing assumptions, and focus on deals where we believe we have a platform advantage.

57 Bain & Company, 2025 Global Private Equity Report
58 Preqin, Future of Alternatives 2029 Report

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