

A large, semi-transparent geometric overlay covers the left side of the image. It features a grid of triangles in shades of blue and gold. A white triangle is positioned to the left of the main title text.

**PERSPECTIVES  
THAT DRIVE  
ENTERPRISE  
SUCCESS**

NOVEMBER 2025  
Private Equity Outlook

# Table of contents



[VERUSINVESTMENTS.COM](https://verusinvestments.com)

SEATTLE 206.622.3700

CHICAGO 312.815.5228

PITTSBURGH 412.784.6678

LOS ANGELES 310.297.1777

SAN FRANCISCO 415.362.3484

---

|                   |   |
|-------------------|---|
| Executive Summary | 3 |
|-------------------|---|

---

|                     |   |
|---------------------|---|
| Summary of findings | 4 |
|---------------------|---|

---

|           |   |
|-----------|---|
| Spotlight | 7 |
|-----------|---|

– Distribution Environment

---

|                    |    |
|--------------------|----|
| 2024 Market Update | 11 |
|--------------------|----|

---

---

|          |    |
|----------|----|
| Appendix | 28 |
|----------|----|

---

**Past performance is no guarantee of future results.** This document is provided for informational purposes only and is directed to institutional clients and eligible institutional counterparties only and is not intended for retail investors. Nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security or pursue a particular investment vehicle or any trading strategy. This document may include or imply estimates, outlooks, projections and other “forward-looking statements.” No assurance can be given that future results described or implied by any forward looking information will be achieved. Investing entails risks, including possible loss of principal. Additional information about Verus Advisory, Inc. is available on the SEC’s website at [www.adviserinfo.sec.gov](https://www.adviserinfo.sec.gov). Verus – also known as Verus Advisory™.

# Observations driving Verus outlook

## Executive summary

### **Deal activity increasing.**

Deal activity in Private Equity and Venture Capital has accelerated, driven by narrowing bid-ask spreads, rising public valuations, cheaper debt financing, and strong demand for select sectors and high-quality assets. 2025 activity may surpass all non-2021 years over the past decade, propelled by both opportunity and necessity as record levels of dry powder pressure managers to deploy and liquidity needs push sponsors and companies to transact.

### **Exit activity showing signs of potential recovery.**

Exit volumes are now on track to exceed all non-2021 years within the past decade for best-in-class assets and select sectors. Recent IPOs are broadly seeing market capitalization expansion, while Continuation Vehicles and strategic acquisitions (particularly in Artificial Intelligence and tech adjacencies) increase. Excluding continuation vehicles, sponsor to sponsor transactions are in line with 2023 – 2024 activity levels. Persistent macroeconomic conditions may accelerate exits.

### **Cost of debt decreasing.**

The declining cost of debt may be conducive to investment and exit activity. Should acquisition financing further cheapen through persisting spread compression and lowering base rates, an equity tailwind and credit headwind may occur. Equity segments that are more leverage dependent, such as large-caps, may be disproportionately supported relative to others. Less trafficked lending segments may warrant additional consideration as yields across corporate credits decline.

### **Venture valuations expanding.**

Venture valuations have rebounded, fueled by heightened investor enthusiasm for AI-driven opportunities and select sectors across public and private markets. While a subset of AI startups have demonstrated meaningful growth, the surge in activity has shortened diligence timelines and raises curiosity around the durability of elevated valuations and the authenticity of AI-labeled products and services.

### **Fundraising remains tepid.**

Fundraising is on pace for the lowest recorded levels since 2017, largely due to muted distribution activity. Exposure and dry powder to the asset class remain at historical highs, justifying the pullback in commitments. Furthermore, LPs are increasingly consolidating and re-balancing commitments towards larger, established managers. However, select sub-asset classes (retail-oriented credit products and secondaries) are seeing strength in response to muted equity distributions.

### **Untraditional methods of generating capital continue to proliferate.**

What were previously untraditional financings may be the new normal. Novel mechanisms of generating liquidity and capital across portfolios (e.g., structured capital, continuation vehicles, bridge financing, deferral of purchase and debt payments) and for GPs at the management company level (GP stakes, full ownership sales, NAV loans) are becoming commonplace. Their rise epitomizes the asset class's evolving sophistication, necessitating further LP examination and expertise.

# Summary of findings

# Summary of findings

## Outlook

| Unattractive                                                                        | Neutral                                                                             | Attractive                                                                          |
|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
|  |  |  |

| Strategy        | Stage       | '24          | '25                                                                                 | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-----------------|-------------|--------------|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Buyout          | U.S.        | Small Market |    | The small-market segment has historically offered the most potential for outsized alpha. Though companies of this scale are the most sensitive to idiosyncratic and cyclical risk, requiring closer scrutiny in uncertain macroenvironments, select managers can introduce a degree of resilience through deal selection and operational prowess. Pressured founders may concede to discounted pricing.                                                                                                                                                            |
|                 |             | Mid Market   |    | Middle-market companies offer a degree of resilience and robust value-creation opportunities through both organic operational improvements and M&A. The segment generates a breadth of deal flow across founder-led businesses, carveouts, smaller sponsor-to-sponsor trades, and take-privates through potentially less competitive channels, though the segment has increasingly become more competitive. The middle market is subject to the most exit optionality, with a slew of sponsors and strategics active in acquiring category leaders or adjacencies. |
|                 |             | Upper Market |    | Large-cap companies provide the greatest operational resilience to market volatility across the asset class. With IPOs experiencing recent success and debt financing becoming more affordable, allocations to large-cap are increasingly well supported, substantiated by 2025's significant uptick in deal activity. In parallel, a more permissive regulatory stance may increase the willingness to perform transformative add-ons, providing for an additional value lever and exit scenario.                                                                 |
|                 | Europe      |              |    | Discounted pricing relative to U.S. markets may offer multiple arbitrage potential, however, several structural constraints remain. Country-specific regulatory regimes, fragmented capital markets, proximity to relative geopolitical instability, and muted retail investor participation warrant added consideration. Exit activity is historically low, providing evidence of these obstacles. Still, the region has experienced an increase of U.S.-based firms expanding abroad to capitalize on less trafficked markets.                                   |
| Venture Capital | Early-Stage |              |  | Valuations have dramatically climbed, fueled by demand for AI's growth prospects. Despite elevated pricing, ownership of disruptors within large TAMs will prove beneficial.                                                                                                                                                                                                                                                                                                                                                                                       |
|                 | Late-Stage  |              |  | Valuation froth and prevalence of down-round exits limit the segment's risk-return prospects. Investors without differentiated deal flow and selectivity may produce reduced returns when faced with heightened competition and the dearth of potential zombie unicorns. Exits are often highly dependent on IPO markets, which have been less predictable.                                                                                                                                                                                                        |

# Summary of findings (cont.)

## Outlook

| Unattractive                                                                        | Neutral                                                                             | Attractive                                                                          |
|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
|  |  |  |

| Strategy       | Stage                       | '24                                                                                 | '25                                                                                 | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|----------------|-----------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Private Credit | Senior Debt                 |    |    | With the rebound in the broadly syndicated markets increasingly taking share back from direct lenders, spreads fell to seven-year lows. Furthermore, yields may further decrease as base rates decline. Borrower health has strengthened with interest coverage at its highest since 2023, while yields hover around ~8% as of June 2025. LPs seeking steady income stand to benefit from exposures to the segment, especially with less trafficked- strategies that command premium pricing.                                                                                                          |
|                | Subordinated Capital        |    |    | Though subordinated capital typically offers higher returns than senior debt, the riskier tranches requires additional consideration, especially in uncertain macroenvironments. The increased presence of non-cash paying debt securities further increases investment risks. Due to limited distributions, sponsors have been more inclined to pursue flexible, less-dilutive financing to bridge exit events. Negotiated warrants and conversion features can enhance return, though competition has risen with large direct lenders increasingly participating in unitranche opportunities.        |
|                | Credit Opportunities        |    |    | Underpinned by bank retrenchment and the growth of borrower acceptance of private capital solutions, asset based and esoteric strategies have offered spreads in excess of corporate credits. Specialized lenders continue to deepen their relationships with borrowers and are well positioned with increasingly competitive moats. These strategies offer complimentary return streams, collateral bases, and diversification to traditional corporate credit solutions.                                                                                                                             |
|                | Control Oriented Distressed |  |  | Including liability management transactions, U.S. loan defaults are trending toward COVID period levels, though headline default rates remain below the 10-year average. While secular dislocation and a looming maturity wall amidst elevated rates may result in a pipeline of “loan-to-own” opportunities, borrower resilience and availability of “amend-and-extend” loans have limited true distress. The expectation for declining interest rates may improve borrower health and limit market-wide distress, resulting in a more benign investment environment for control-oriented strategies. |
| Secondaries    |                             |  |  | Secondaries remain an effective tool for LPs seeking J-curve mitigation and immediate exposure to mature assets. Should traditional exit be constrained, secondary investors are positioned to capture an expanding set of actionable opportunities. Fundraising within secondary strategies has increased significantly in recent years due to investors seeking shorter duration strategies, resulting in heightened valuations for both GP and LP led transactions.                                                                                                                                 |

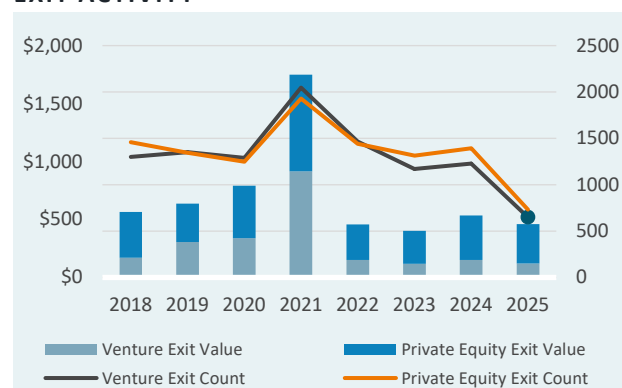
# Spotlight

# Spotlight – Distribution Environment

## Flight to quality...

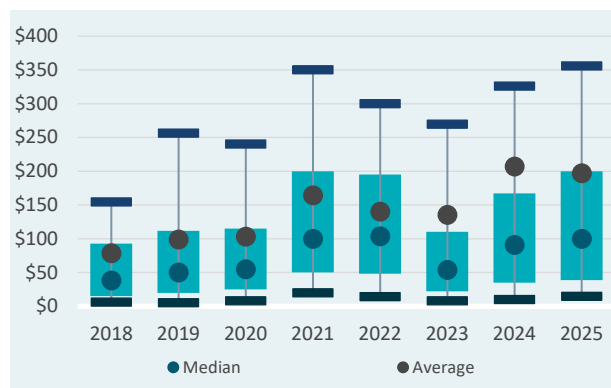
- Post-2021, bid-ask spreads tempered exit activity as asset owners opted to grow into valuations while waiting for improved conditions.
- Public market strength and easing financing cost have supported a rise in pricing and exits, but only for select asset quality and sectors.
- The rise in exits despite less rewarding valuation expansion underscores a reset but also marks early innings of renewed exit momentum.
- Despite rising distributions, company inventory remains high, resulting in emergent structural adaptations: continuation vehicles, direct secondaries, insider rounds, NAV loans, deferred payments, and “private-for-longer”.
- Top-tier, scaled venture-backed assets (and to a lesser degree PE-backed assets) are staying private for longer as they are finding sufficient funding and liquidity not subject to valuation resets and public market volatility / scrutiny.
- Though VC exits are trending towards pre-COVID levels and PE surpassing them, the rebound in exit activity has been limited to blue-chip assets with the optionality to either remain private for longer or be sold. Broadly, the acceleration of full realizations has yet to be observed.

### EXIT ACTIVITY



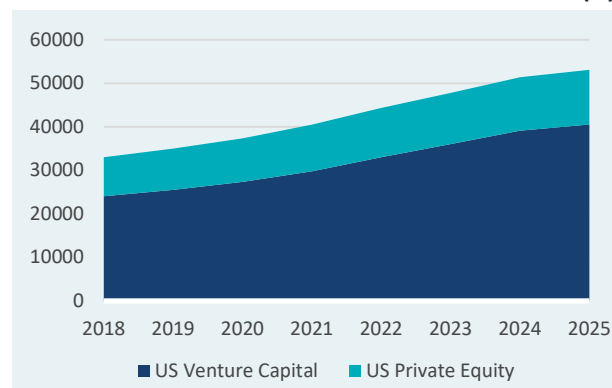
Source: Pitchbook Q2 2025

### US VC SERIES D DEAL VALUE



Source: Pitchbook Q2 2025

### CUMULATIVE PRIVATELY HELD COMPANIES (#)



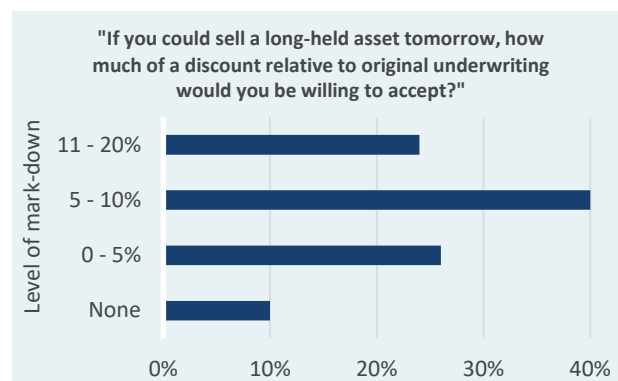
Source: Pitchbook Q2 2025

# Spotlight – Distribution Environment

## Back to reality for most...

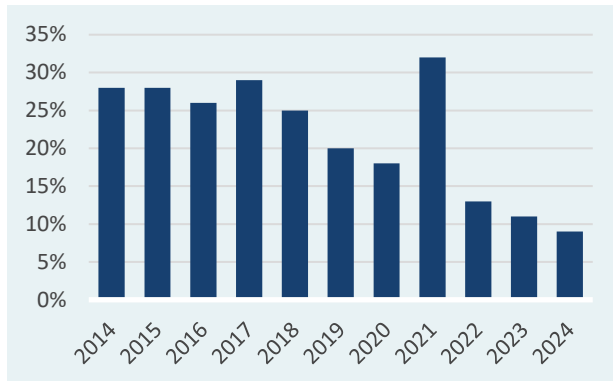
- Sub-blue-chip privates, especially 2021-valued unicorns, don't have buyer demand and/or aren't willing to stomach mark-downs.
  - This dynamic has led to record backlog of unrealized companies, with distribution as a % of NAV at historic lows.
  - Between 2022 and 2024, buyout exits were sold at valuations lower than assets still held in portfolios (on a median basis).
- Exit activity will be defined by recalibration from 2021's exuberance as asset owners concede price for liquidity and future value accretion.
- Increasing LP demand for liquidity and GP fundraising pressures has expedited the acceptance of current fair market values, while partial realizations have prolonged it.
  - Global Buyouts are trading at their lowest since 2016.
  - 2024 distributions surpassed contributions for the first time since 2019, partly due to the increase of interim monetization.
- This distribution environment will illuminate aggressive unrealized marks, the ability to identify and build quality assets, and dependencies on multiple expansion and leverage to generate investment returns.

### PRIVATE EQUITY BIDS (MARK-DOWNS)



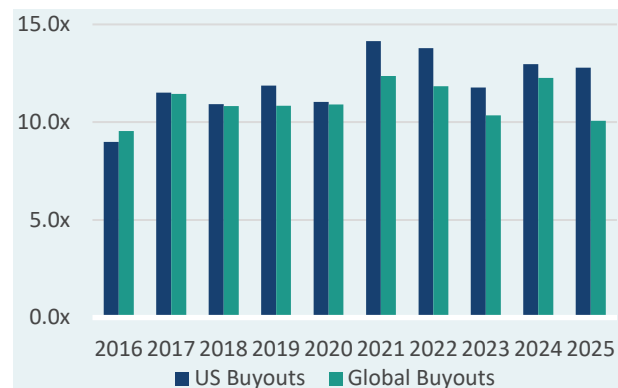
Source: E&Y Q2 2025 PE Survey

### GLOBAL BO DISTRIBUTIONS (% OF NAV)



Source: Preqin, Bain 2024

### US & GLOBAL BUYOUT PURCHASE PRICE (EV/EBITDA)



Source: Pitchbook Q2 2025

# Spotlight – Distribution Environment

## Rebound from trough...?

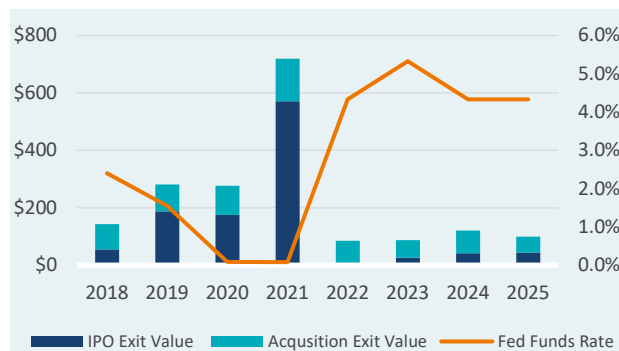
- Though distributions are not yet industry wide, the persistence of 2025's activity and backdrop will eventually enable it.
- In 2025, VC-backed M&A and IPOs rose materially and should continue to as rates decrease and comparables expand further.
  - 13 U.S. unicorns IPO'd for \$86B vs. 8 for \$57B in 2024. Freshly minted IPOs are experiencing modest gains, though perhaps not at material step-ups to late-stage rounds.

| IPO Year | Average Gain | IPOs /w positive gain |              | IPOs /w negative gain |              |
|----------|--------------|-----------------------|--------------|-----------------------|--------------|
|          |              | Count                 | Average Gain | Count                 | Average Gain |
| 2025     | 12%          | 103                   | 18%          | 21                    | -17%         |
| 2024     | 56%          | 69                    | 105%         | 34                    | -43%         |

- M&A totaled \$84B across 22 transactions in '25 vs. \$68B across 29 in '21, signaling strategic interest in acquiring new technology.

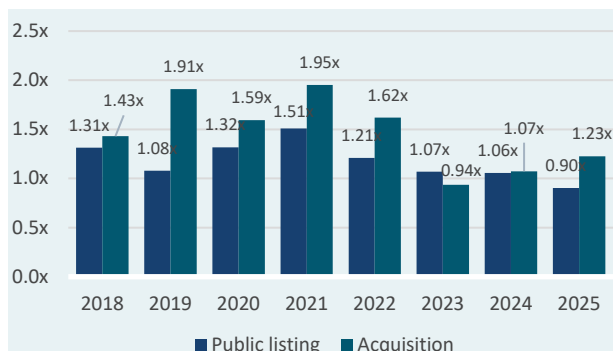
- PE exits are run-rating at their strongest since 2015 (excluding 2021).
  - Deregulation tailwinds have accelerated PE-related corporate acquisitions for strategics looking to compliment organic growth and endure headwinds.
  - Continuation vehicles have become a key driver of exits, increasing LP agency in longer-held assets. Dry powder for CVs continue to rise.
  - Traditional sponsor to sponsor sales have yet to exceed 2023 – 2024 activity but may eventually should bid-asks narrow.
- The increasing prioritization of distributions by both GPs and LPs may expedite the deal-making cycle and spur further distributions.

### US VENTURE EXIT TYPE



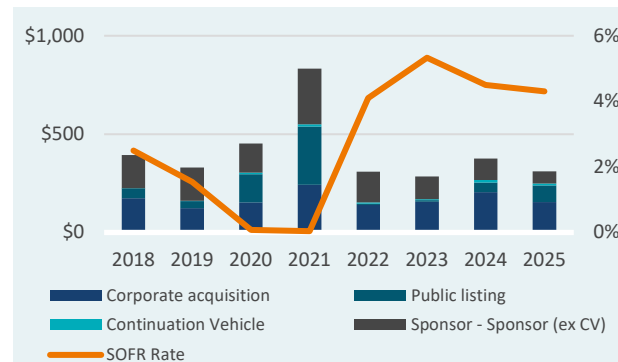
Source: Pitchbook Q2 2025

### US VENTURE STEP UP BY EXIT



Source: Pitchbook Q2 2025

### US PRIVATE EQUITY EXIT TYPE

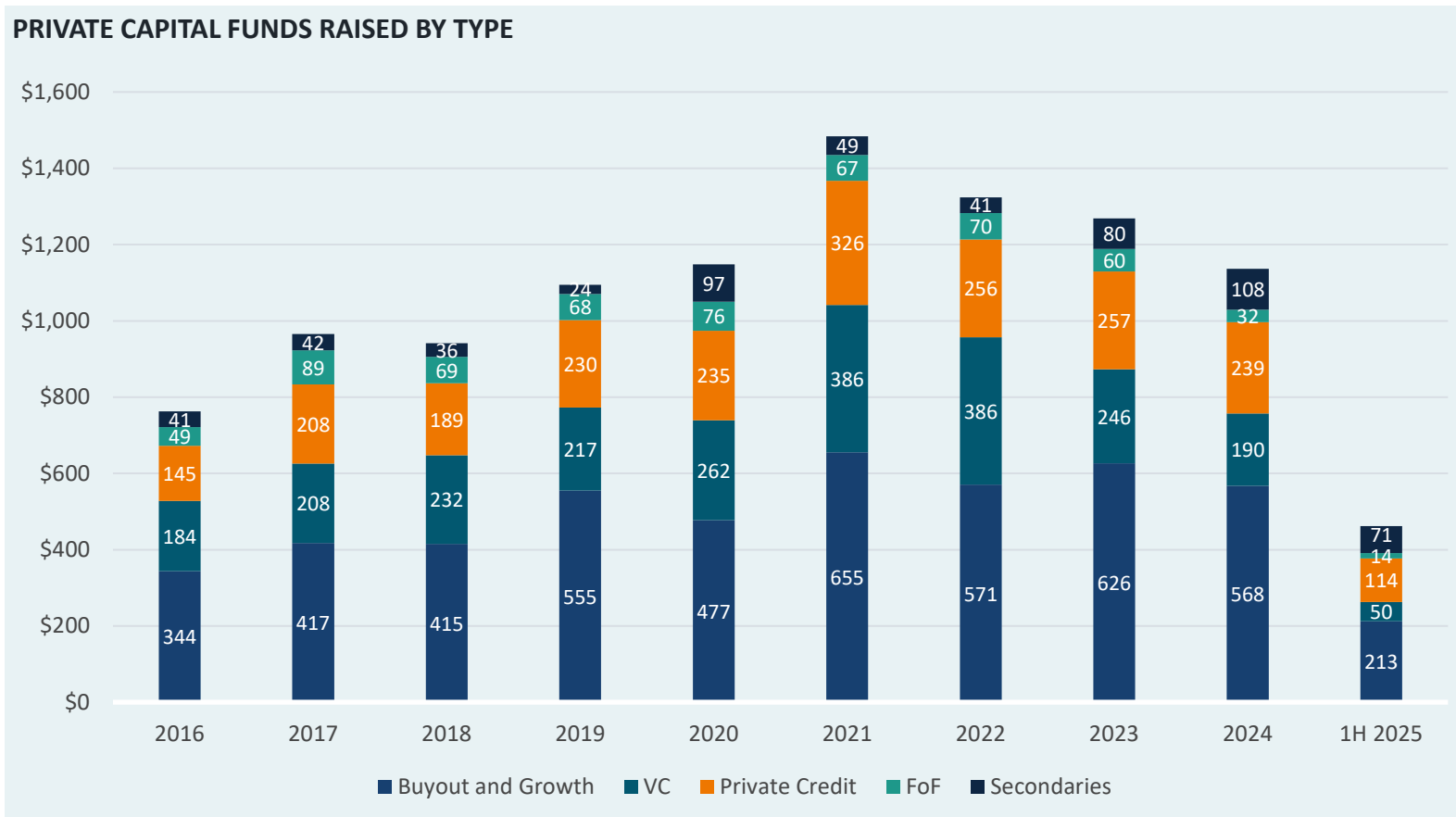


Source: Pitchbook Q2 2025

# Appendix – Market Data

# Global fundraising environment

## Private equity and private credit strategies



Fundraising slowed due to lack of distributions.

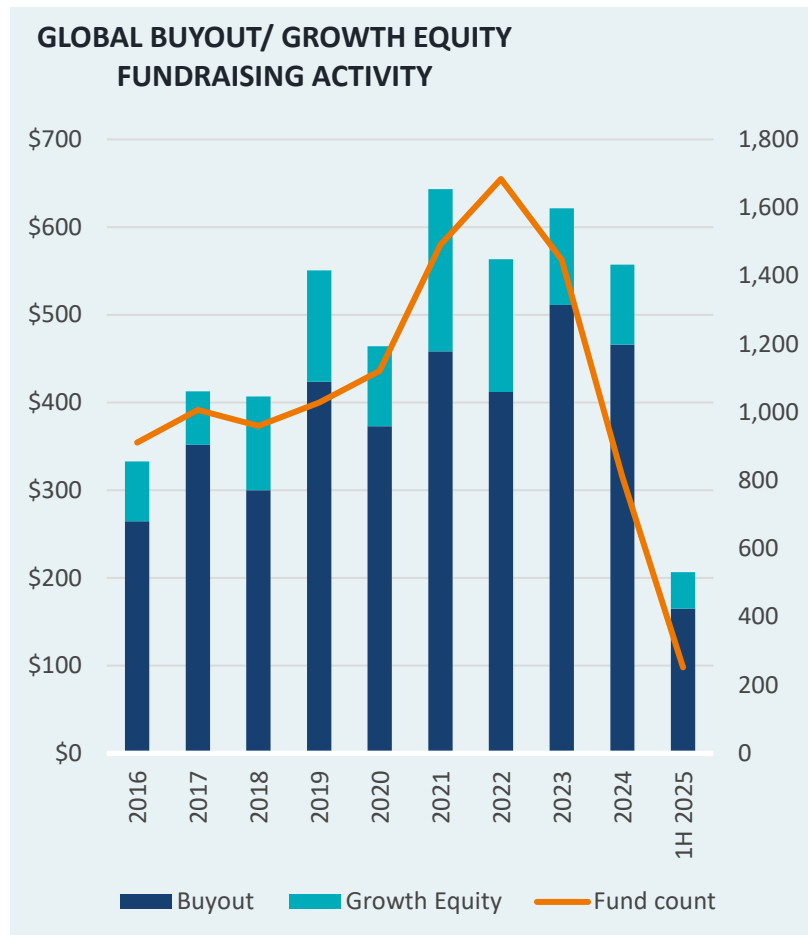
Secondaries trending at historical pace with demand for GP-led.

Retail bolstered Credit fundraising, despite pricing compression.

Source: Pitchbook

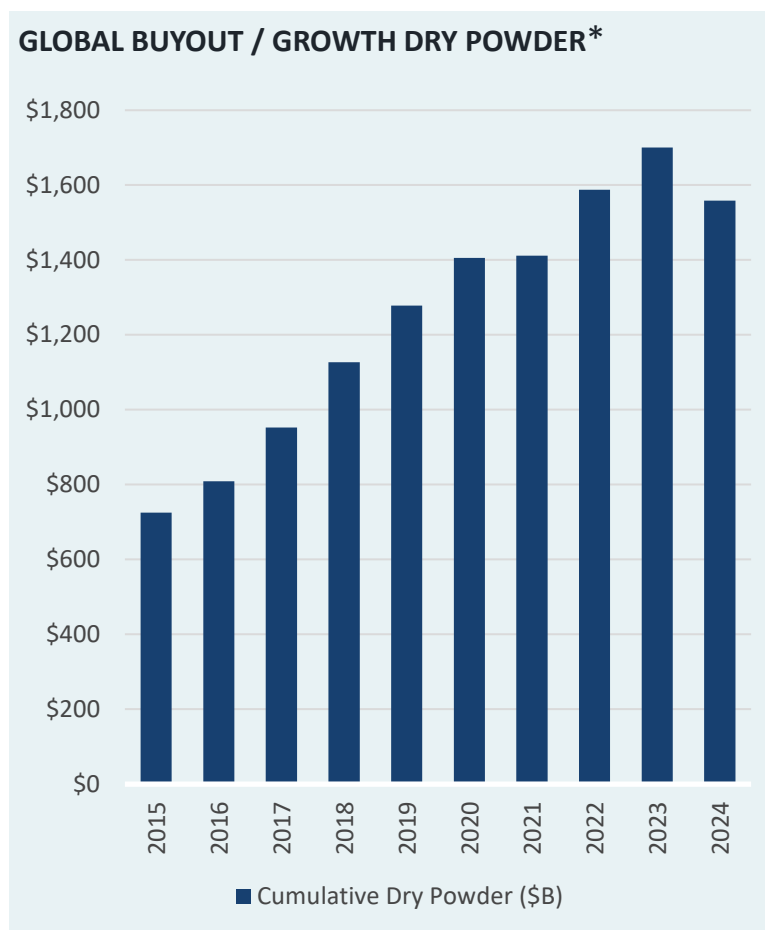
# Global Buyout / Growth Equity

## Fundraising activity and dry powder



Source: Pitchbook

\* Global BO / Growth Dry Powder as of 12/31/2024.



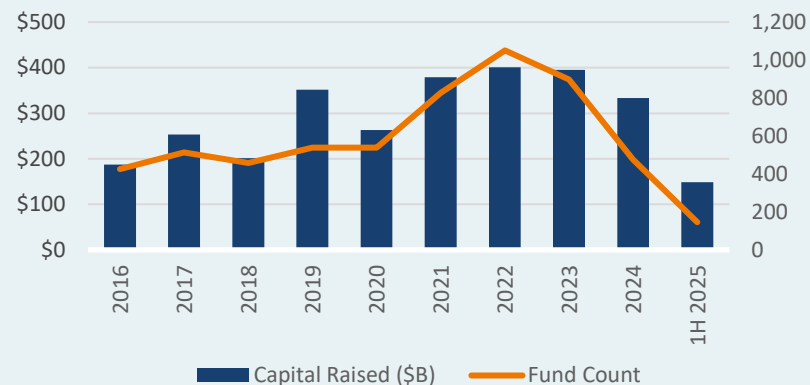
LPs decreased new commitments and leaned into existings.

Emergings found difficulty raising, with elevated dry powder and exposures.

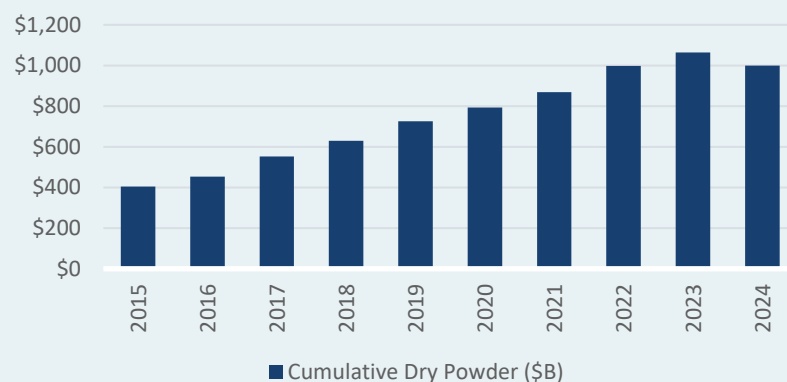
# U.S. Buyout / Growth Equity

## Fundraising and transaction activity

U.S. BUYOUT / GROWTH FUNDRAISING ACTIVITY

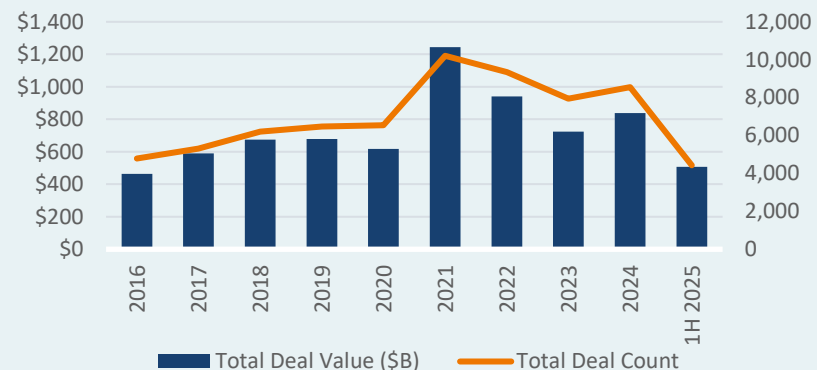


U.S. BUYOUT / GROWTH DRY POWDER\*

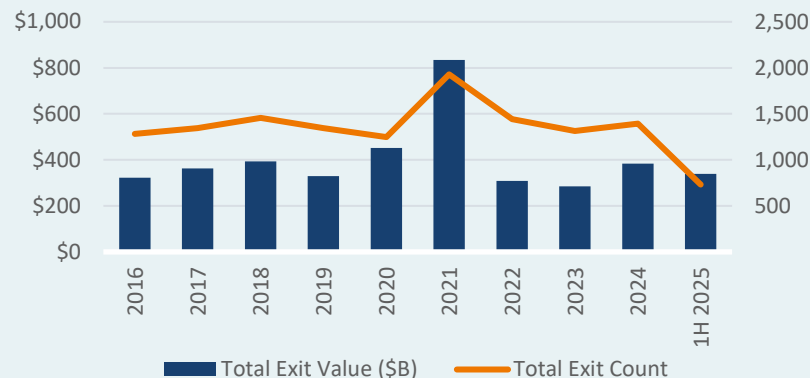


Deal activity rose, trending higher than prior years.

U.S. BUYOUT / GROWTH DEAL ACTIVITY



U.S. BUYOUT / GROWTH EXIT ACTIVITY



Persistence of deal activity may spur fundraising activity.

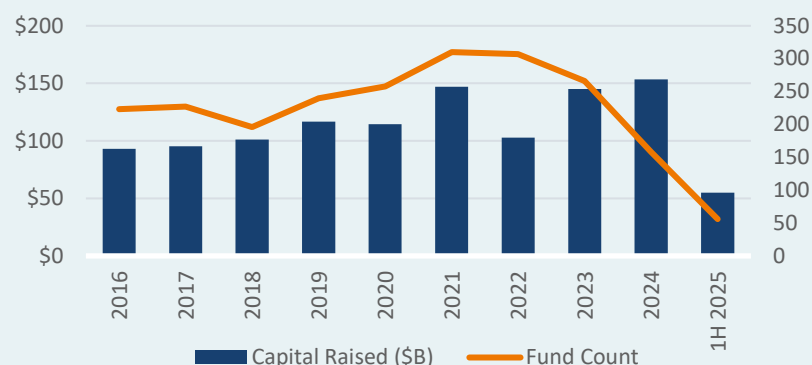
Source: Pitchbook

\* US BO / Growth Dry Powder as of 12/31/2024.

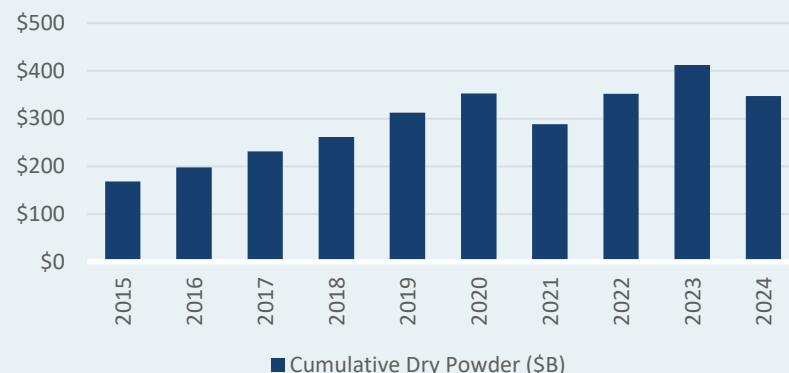
# Europe Buyout / Growth Equity

## Fundraising and transaction activity

EUROPE BUYOUT / GROWTH FUNDRAISING ACTIVITY

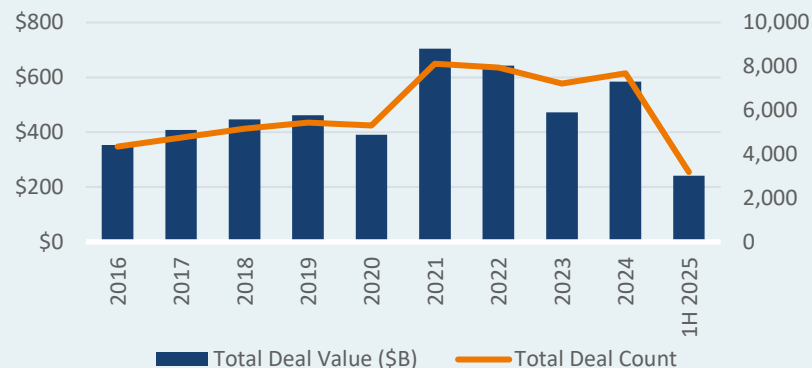


EUROPE BUYOUT / GROWTH DRY POWDER\*

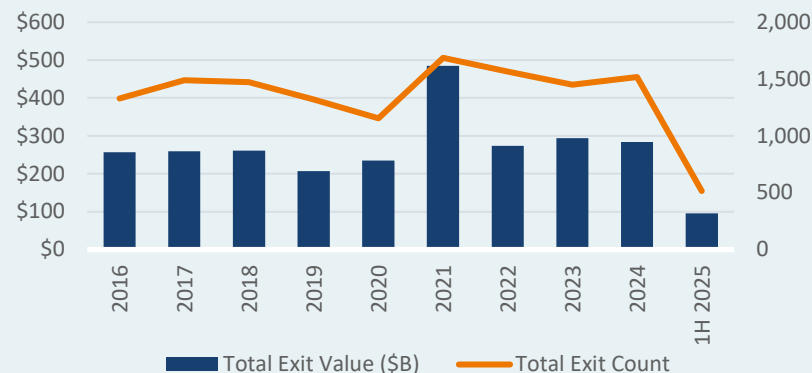


European deal activity muted relative to U.S. markets.

EUROPE BUYOUT / GROWTH DEAL ACTIVITY



EUROPE BUYOUT / GROWTH EXIT ACTIVITY



The less robust & fragmented capital markets deter exits.

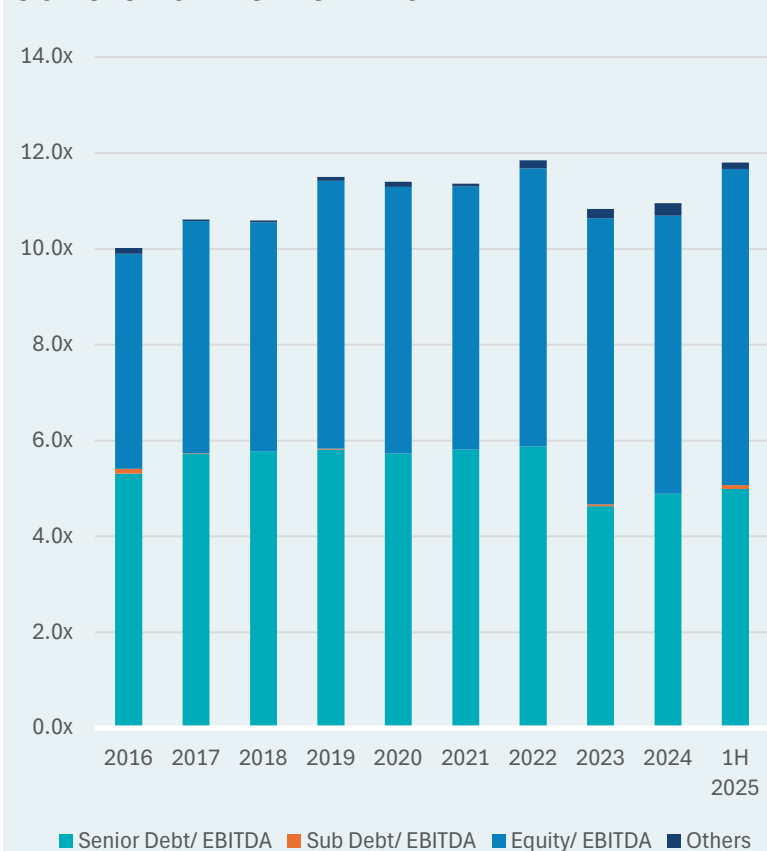
Source: Pitchbook

\* Europe BO / Growth Dry Powder as of 12/31/2024.

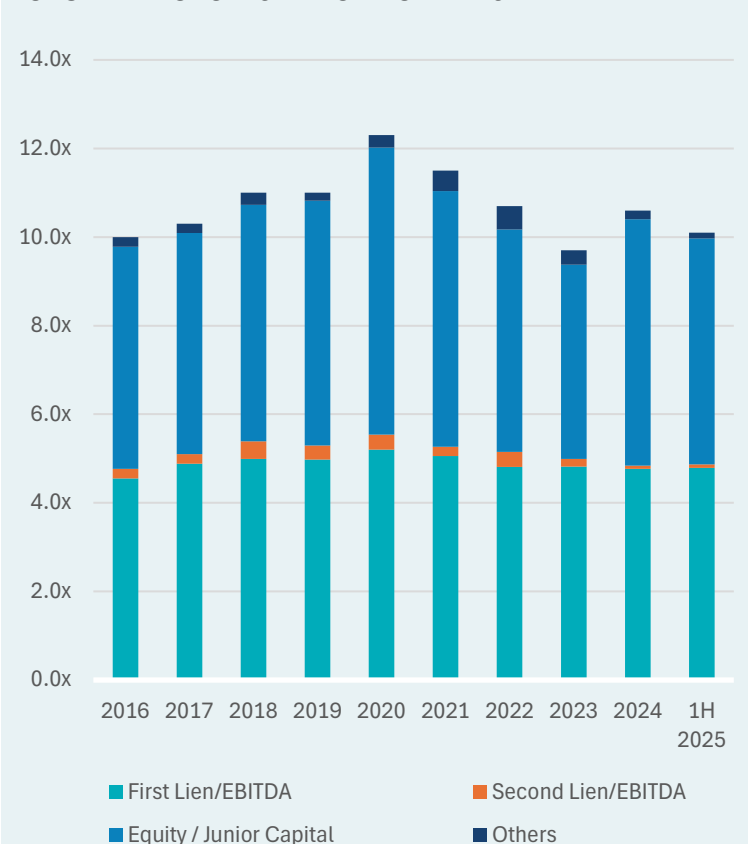
# U.S. and European buyouts

## Purchase price activity and contributions

U.S. PURCHASE PRICE MULTIPLES



EUROPEAN PURCHASE PRICE MULTIPLES



Premium assets and select sectors drove price uptick.

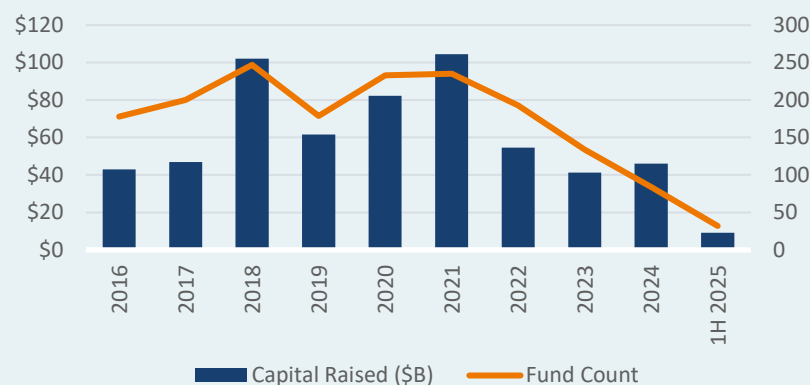
European valuations suggest pricing arbitrage opportunities.

Source: Pitchbook

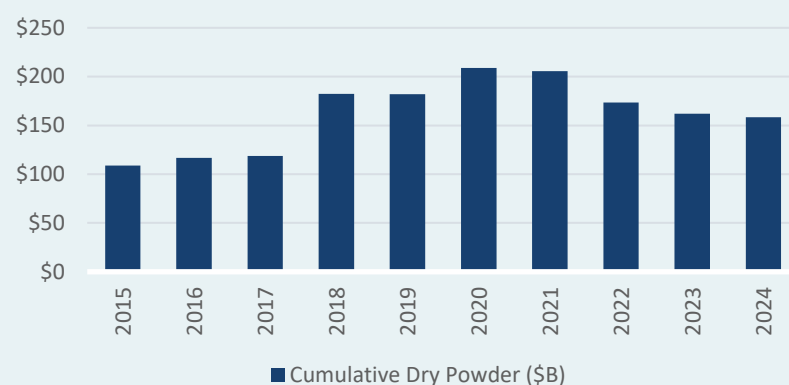
# Asia Buyout / Growth Equity

## Fundraising and transaction activity

ASIA BUYOUT / GROWTH FUNDRAISING ACTIVITY

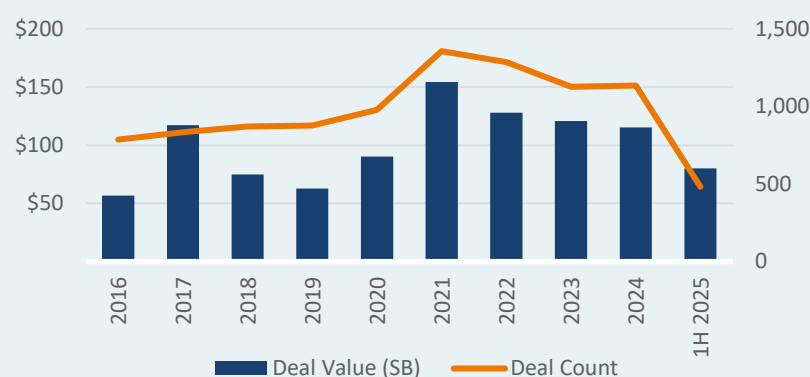


ASIA BUYOUT / GROWTH DRY POWDER\*

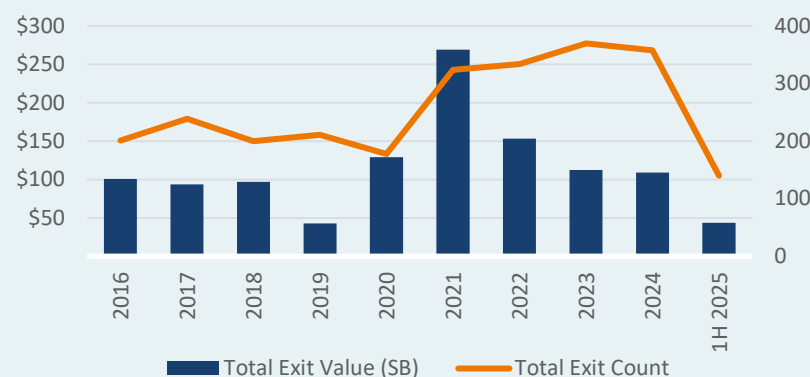


Asian fundraising and exits materially compressed.

ASIA BUYOUT / GROWTH DEAL ACTIVITY



ASIA BUYOUT / GROWTH EXIT ACTIVITY



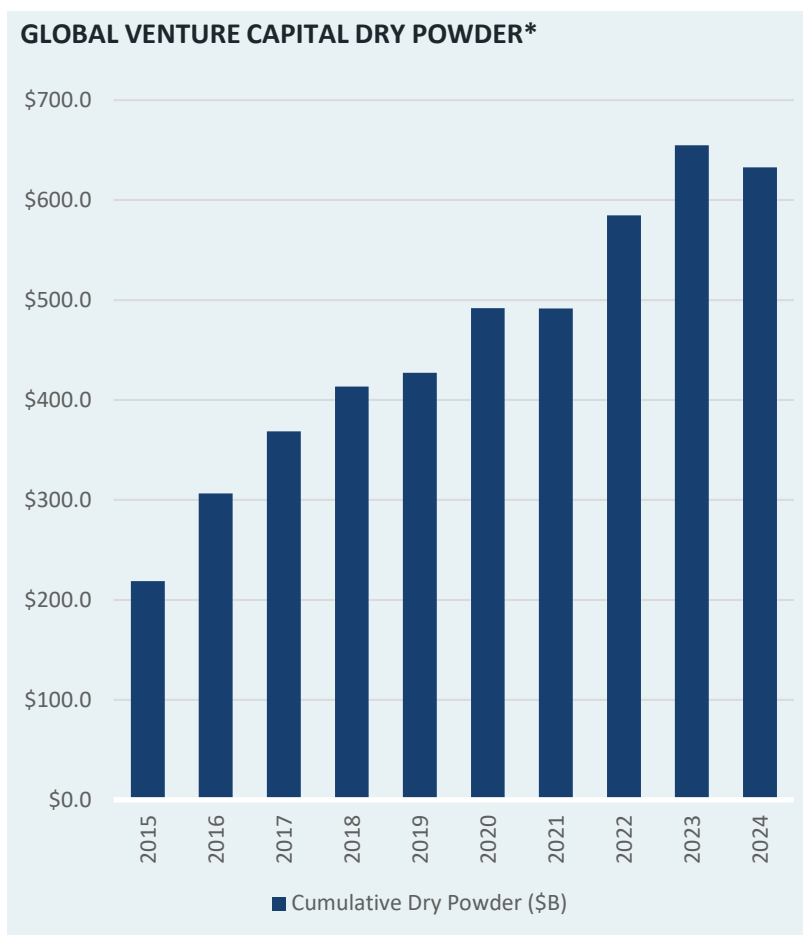
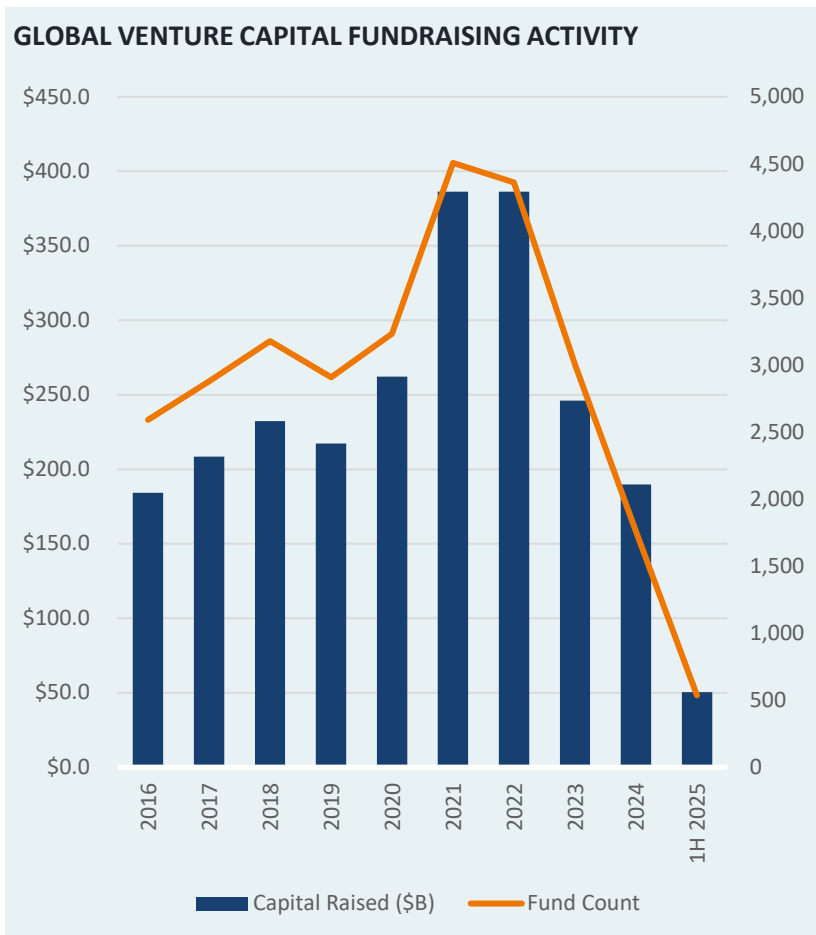
Deal activity trends towards 2021, though in part due to select mega deals.

Source: Pitchbook

\* Asia BO / Growth Dry Powder as of 12/31/2024.

# Global Venture Capital

## Fundraising and dry powder



VC distributions muted due to intentional prolonged ownership.

Global dry powder high despite AI demand.

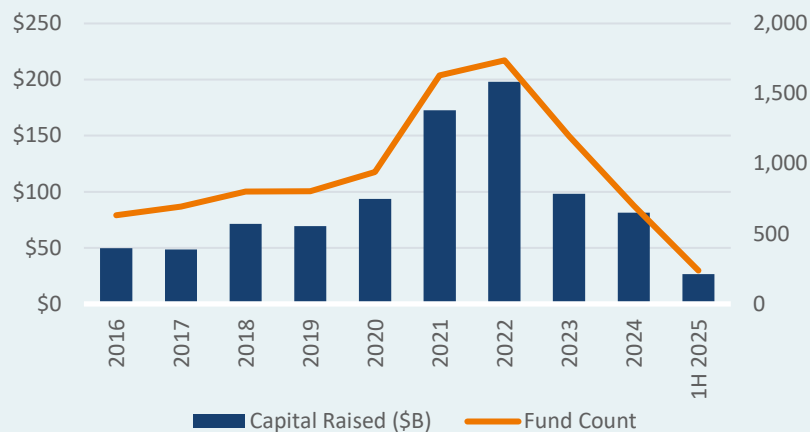
Source: Pitchbook

\* Global Venture Dry Powder as of 12/31/2024.

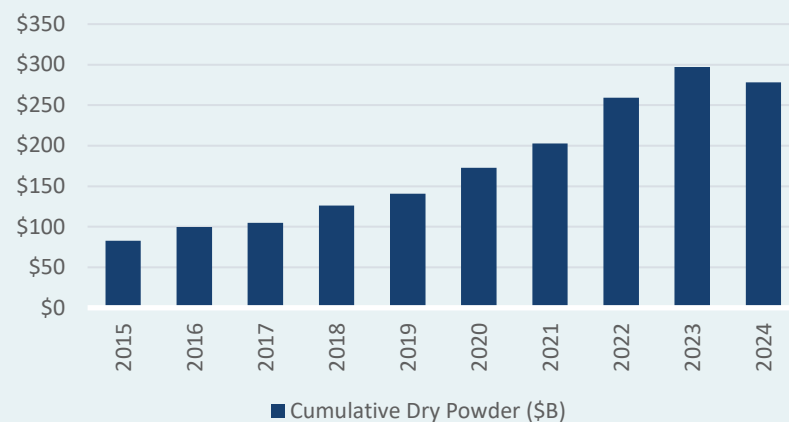
# U.S. Venture Capital

## Fundraising and transaction activity

U.S. VENTURE CAPITAL FUNDRAISING ACTIVITY

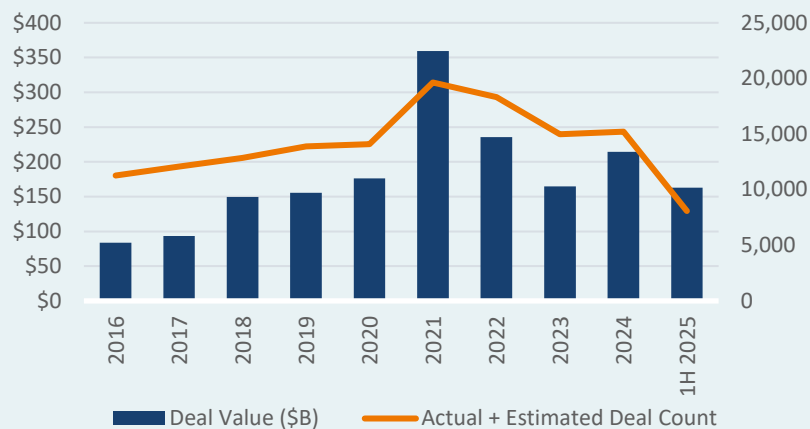


U.S. VENTURE CAPITAL DRY POWDER\*

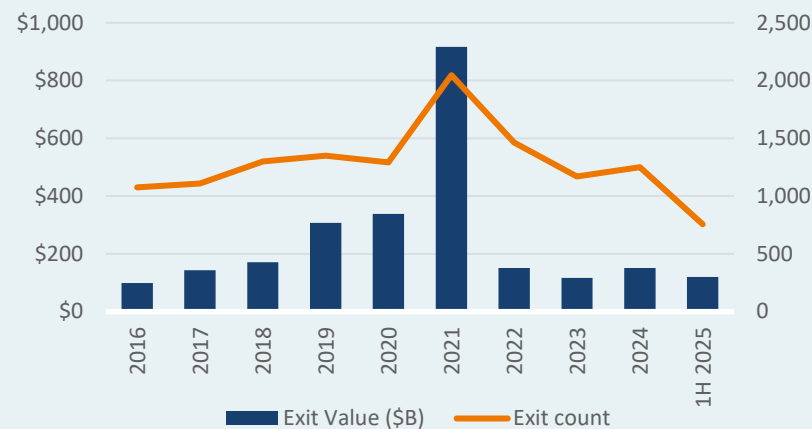


Deal activity increased.

U.S. VENTURE CAPITAL DEAL ACTIVITY



U.S. VENTURE CAPITAL EXIT ACTIVITY



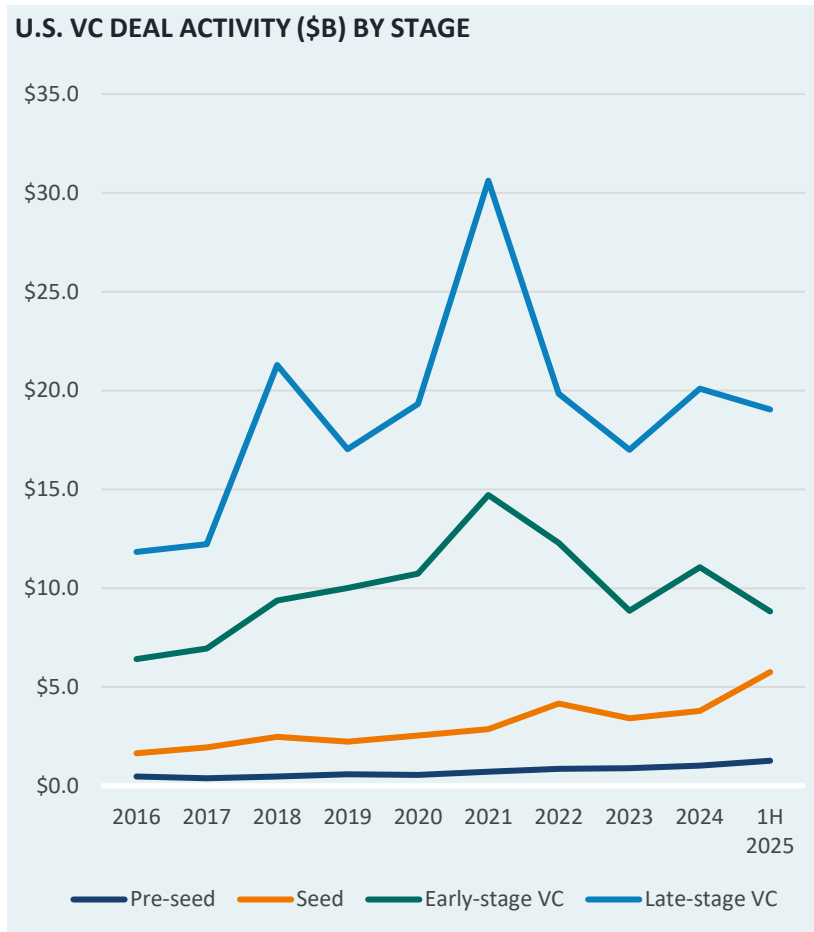
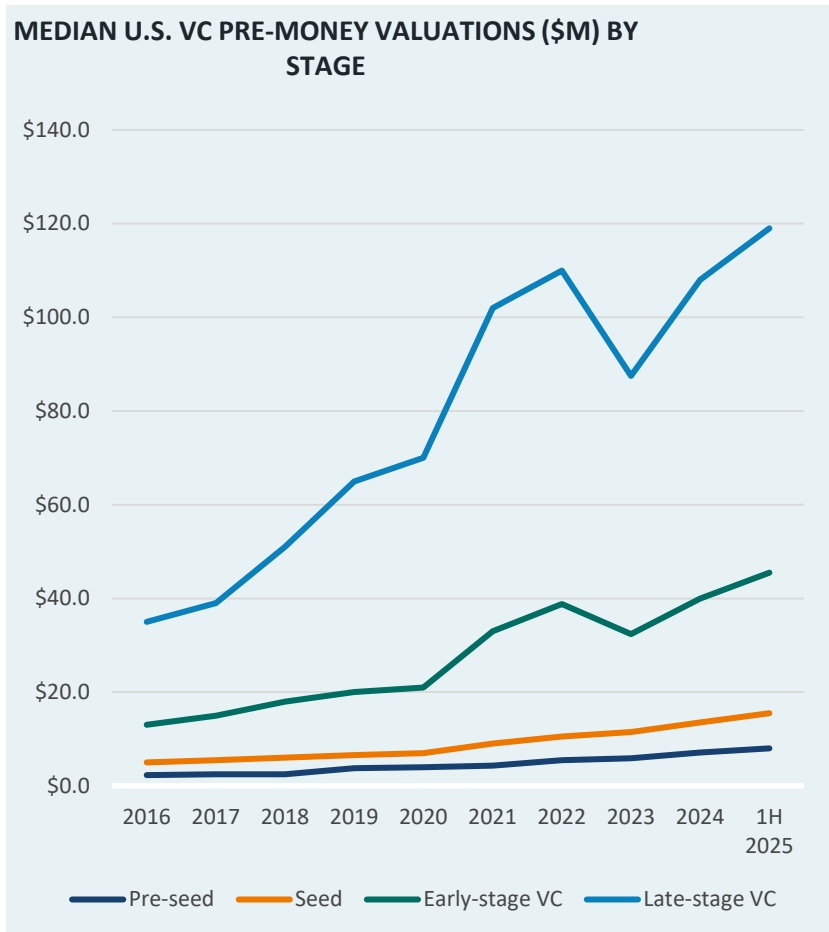
Exits may pickup as runways dissipate and rates decrease.

Source: Pitchbook

\* US Venture Dry Powder as of 12/31/2024.

# U.S. Venture Capital

## Valuation and deal size

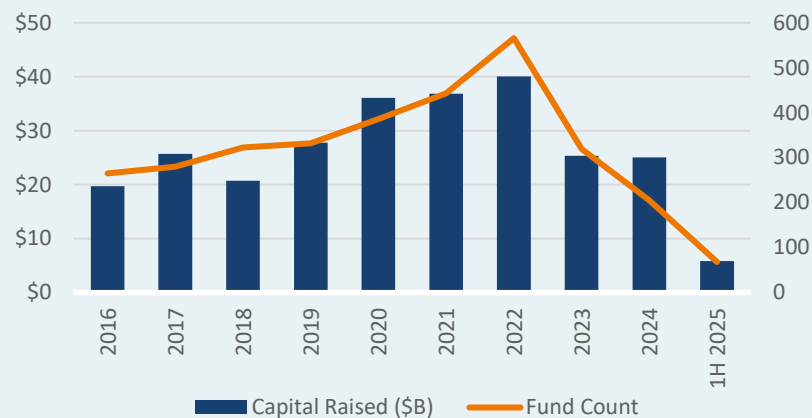


Valuations climbed, reaching highs across all stages.

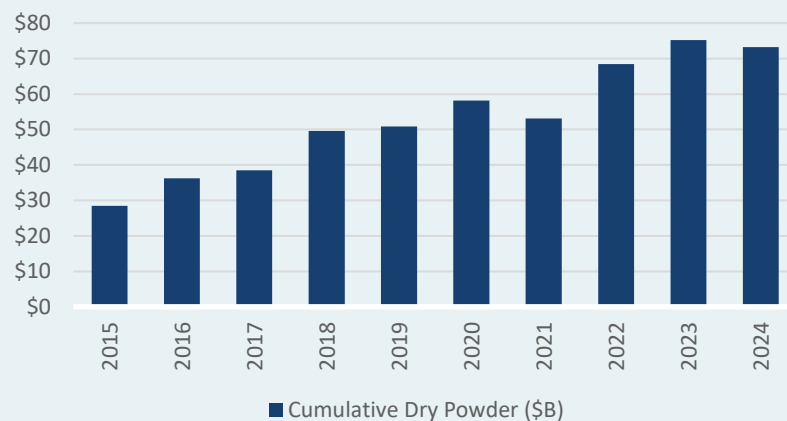
Source: Pitchbook

# Europe Venture Capital

EUROPE VENTURE CAPITAL FUNDRAISING ACTIVITY

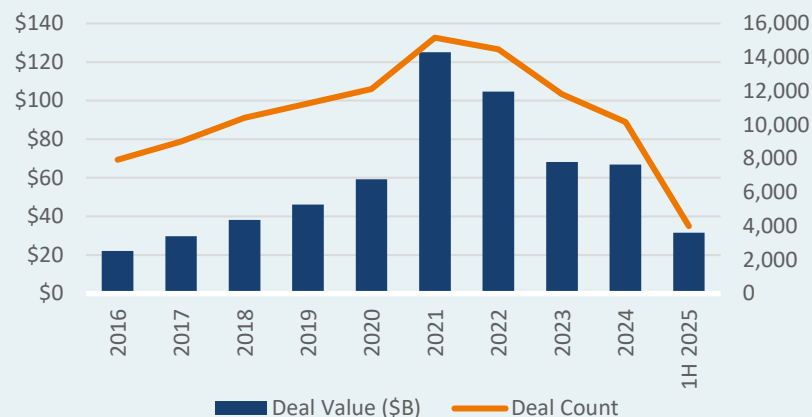


EUROPE VENTURE CAPITAL DRY POWDER\*

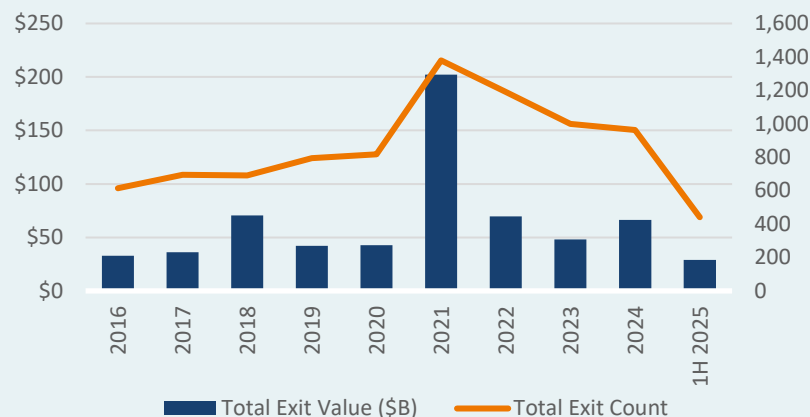


European VC muted across fundraising, investment, and exits.

EUROPE VENTURE CAPITAL DEAL ACTIVITY



EUROPE VENTURE CAPITAL EXIT ACTIVITY



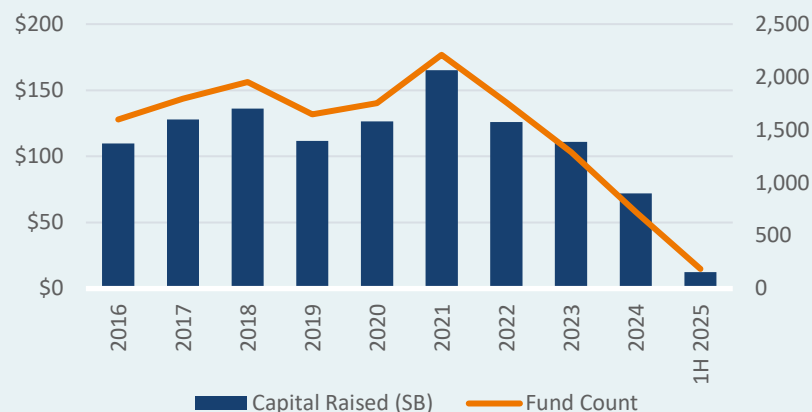
The European markets remain less robust in capital and talent.

Source: Pitchbook

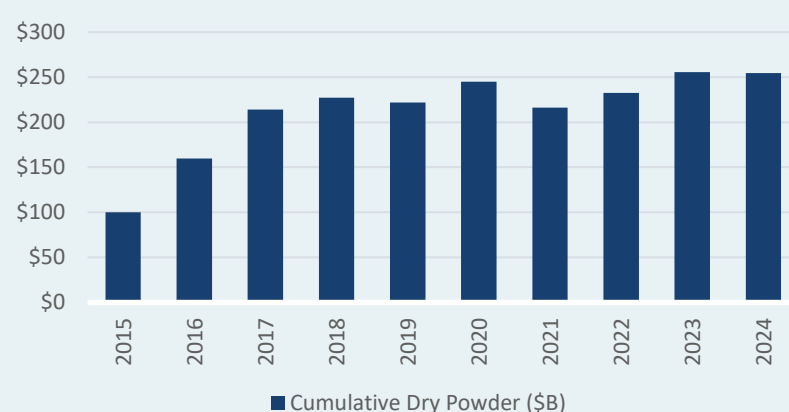
\* Europe Venture Dry Powder as of 12/31/2024.

# Asia Venture Capital

ASIA VENTURE CAPITAL FUNDRAISING ACTIVITY

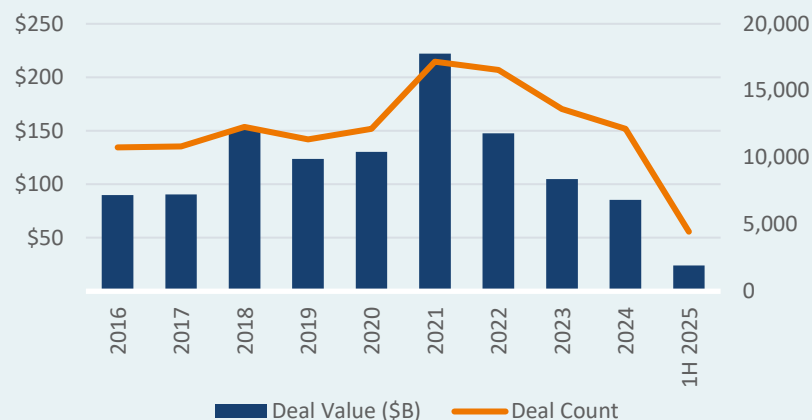


ASIA VENTURE CAPITAL DRY POWDER\*

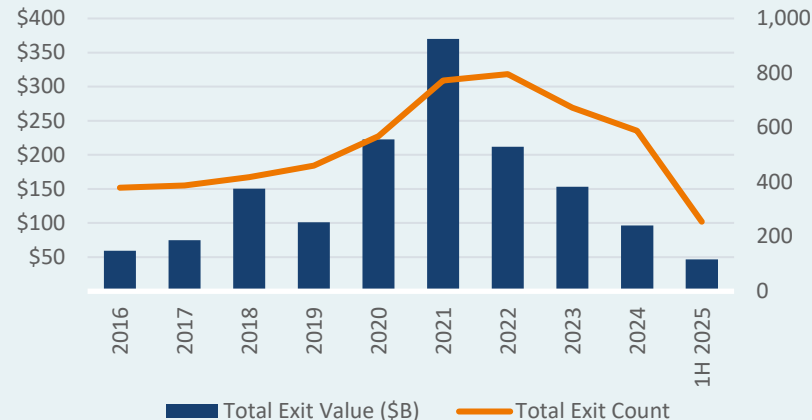


Asian VC slowed significantly.

ASIA VENTURE CAPITAL DEAL ACTIVITY



ASIA VENTURE CAPITAL EXIT ACTIVITY

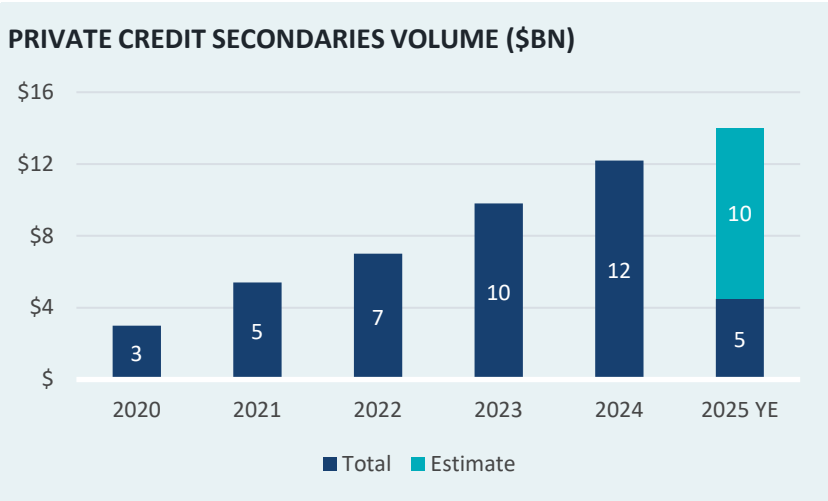
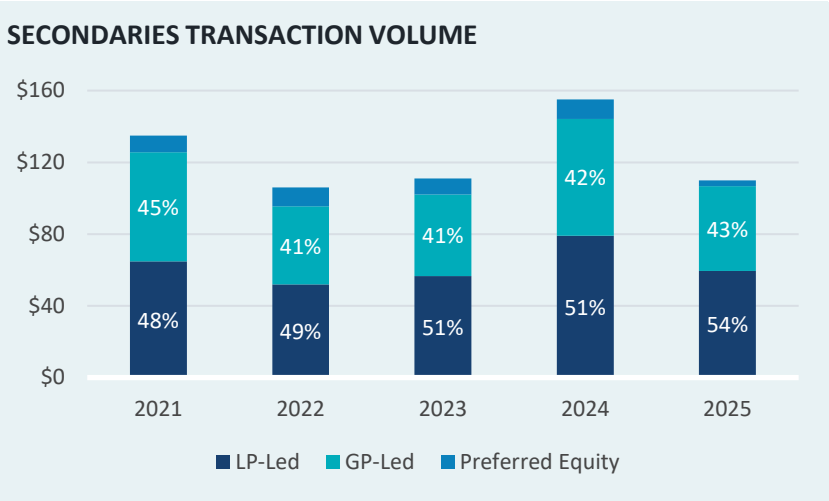


The Asian VC ecosystem has become more robust.

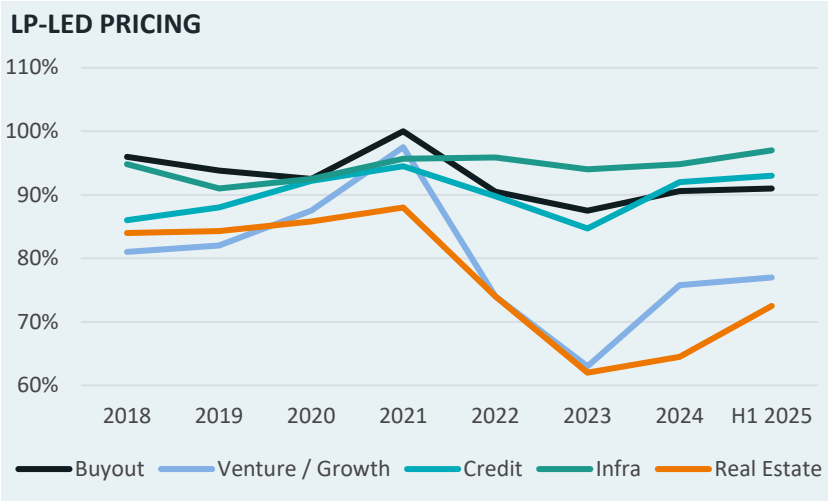
Source: Pitchbook

\* Asia Venture Dry Powder as of 12/31/2024.

# Secondaries



Transaction volume rose, especially in Credit.



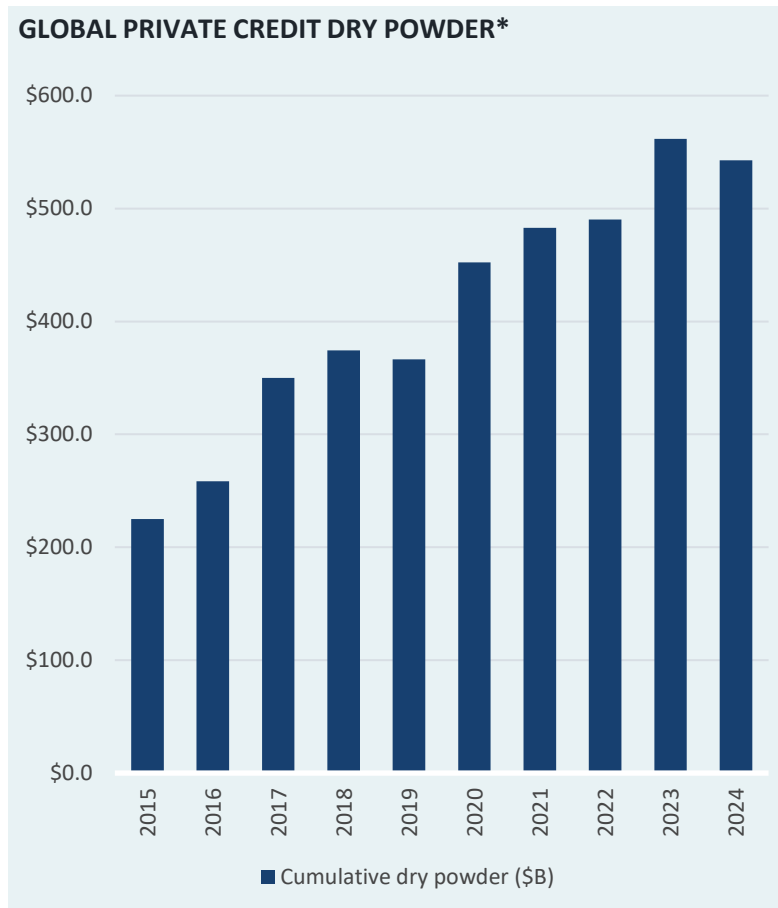
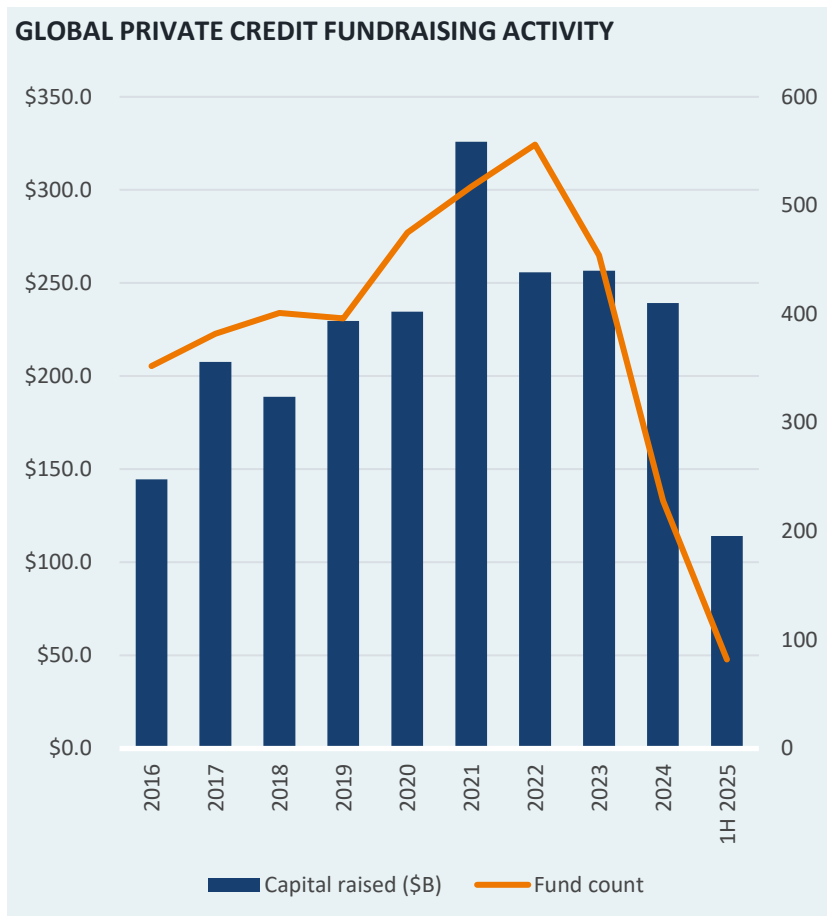
GP-Led closer to par while LP-Led relatively unchanged.

Source: Cambell Lutyens

Source: Cambell Lutyens & Evercore

# Global Private Credit

## Fundraising and dry powder



Fundraising normalized since 2021.

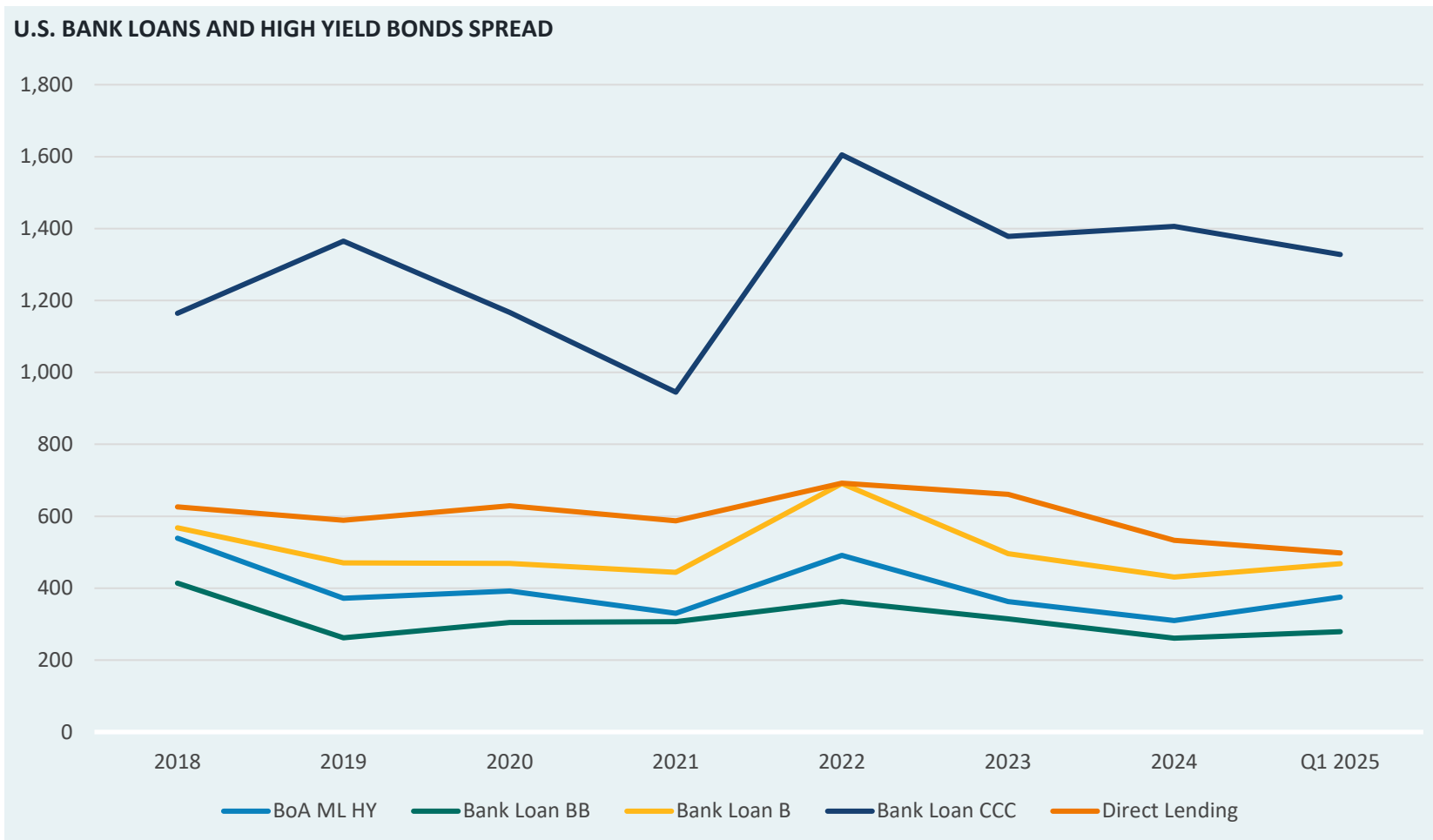
2025 fundraising trending low.

Retail to contribute to future in flows.

Source: Pitchbook

\* Global Private Credit Dry Powder as of 12/31/2024.

# U.S. Bank Loans and High Yield Bonds Spreads



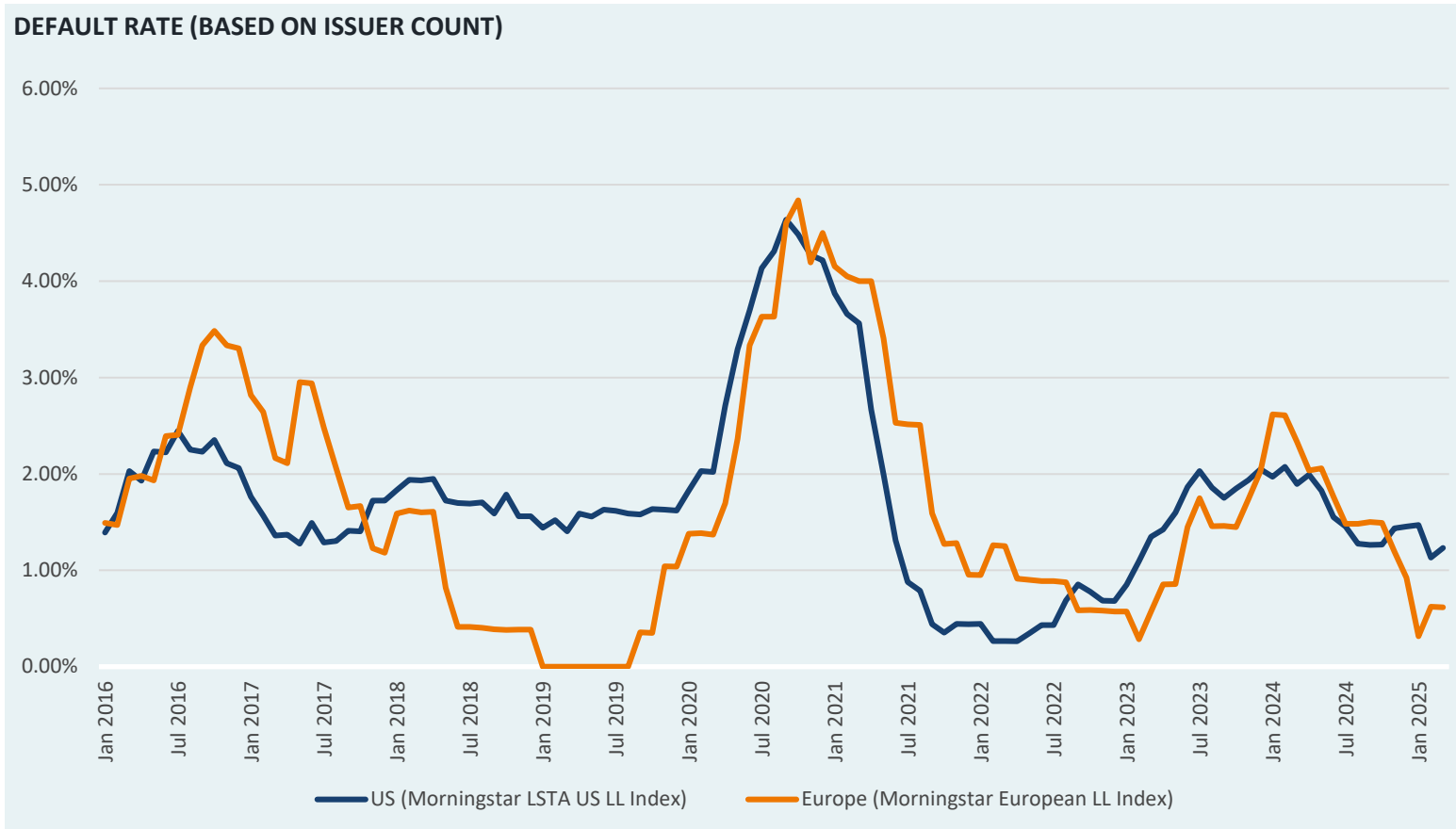
Spreads continue to fall from 2022, with slight YoY uptick across HY, BB, and B.

U.S. Credit competitive with uptick in BSLs.

Source: Guggenheim and Pitchbook

# Default Rates

## Leveraged loans in U.S. and Europe relative to private debt



Defaults up but below historic averages.

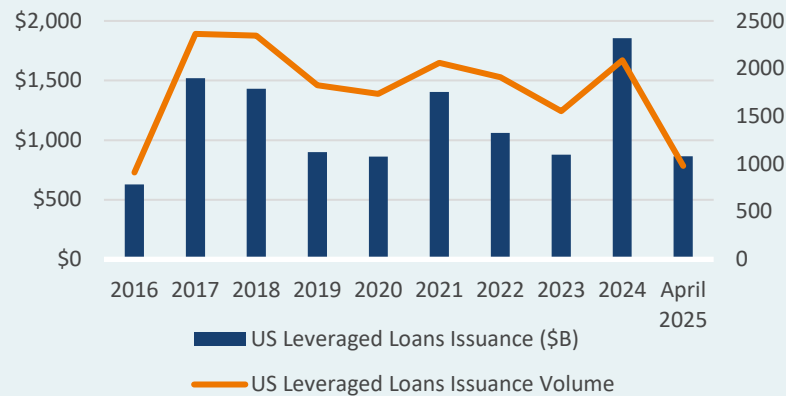
European defaults lower than the U.S.

Source: Pitchbook for Morningstar LSTA and Proskauer for Private Loan data, through April 2025.

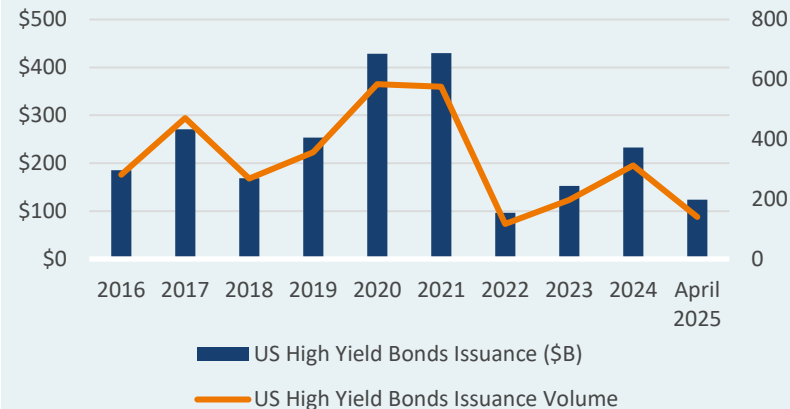
# Leveraged Loans and High Yield

Leveraged loans in U.S. and Europe relative to private debt

U.S. LEVERAGED LOANS

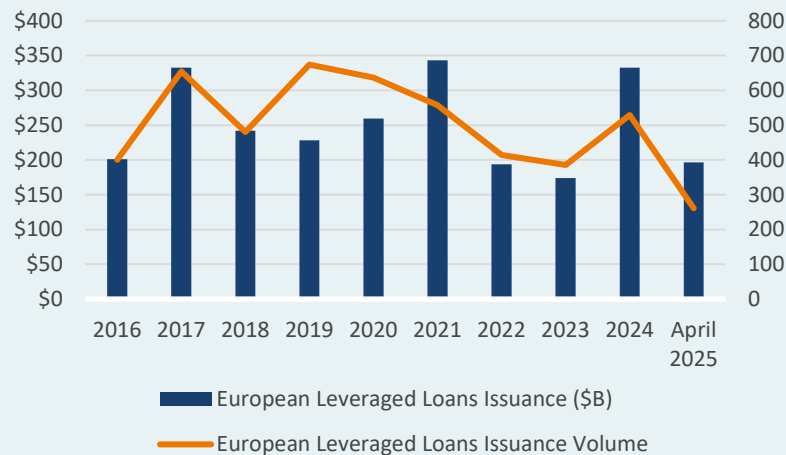


U.S. HIGH YIELD BONDS

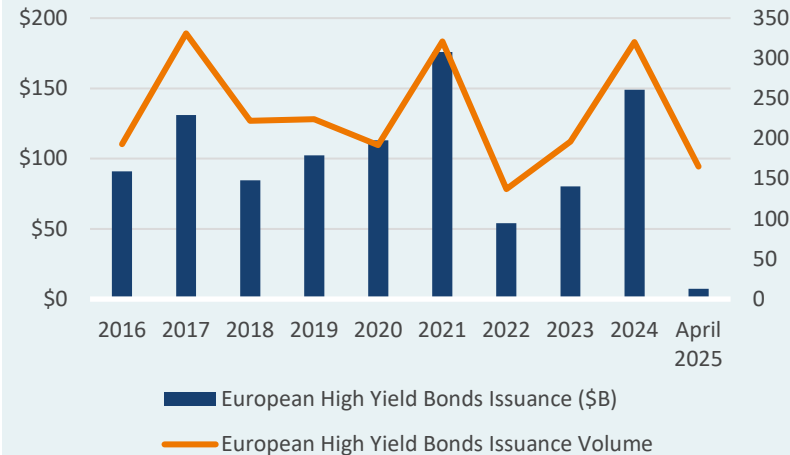


Lev. loan issues rebound with softer rates and friendlier pricing.

EUROPEAN LEVERAGED LOANS



EUROPEAN HIGH YIELD BONDS



European HY significantly muted.

Source: Guggenheim High-Yield Bank Loan Outlook (Q2 2025)

# Appendix - Framework

# Verus private equity philosophy

- Private equity is a long-term asset class:
  - Funds deploy capital into new investments over a three- to five-year period
  - After investment, portfolio companies are held for a period of four to seven years on average prior to exit
  - This typical investment course drives discrete fund lives to often last beyond 10 years, during which significant changes can occur
- To address this phenomenon, investors generally “average in” to the market by building portfolios of discrete private equity funds over multiple vintage years
- For these reasons, significant tactical shifts are not easily implemented in private markets portfolios
- Our top-down review of the asset class incorporates current trends, which if sustained, can potentially impact returns over the long term

We believe that careful manager selection is the primary driver of returns

That said, macro and top-down conditions have the potential to impact portfolio returns over the long term