



Limited Partners Sentiment Survey

2025-2026 Edition

Retail Capital Focused Release



INSTITUTIONAL
LIMITED PARTNERS
ASSOCIATION

Top Takeaways From Retail Capital Focused Release

- *LPs view retail capital as the single greatest threat to alignment of interests. 35% of LPs selected the **growth of retail capital** as the **single greatest threat to the alignment of interests** between GPs and institutional LPs, beating out other longstanding threats such as **liquidity mechanisms** (e.g., CVs, NAV Loans) and **GP stake sales**.*
- *Retail capital's threat to alignment of interests is even greater for certain LPs. While 35% of all LPs selected retail capital, this figure rose to 42% for LPs planning to **shift away from large cap GPs**, 44% among **larger LPs**, and 50% for LPs with more focus on **co-investments**.*
- *Alignment features along with long-term performance views as top considerations for bringing a fund to the investment committee. On a scale of 1-5, LPs ranked **long-term track record** (4.73) as the leading consideration, followed by **repeatable alpha model** (4.62), and **alignment of interest** (4.49).*
- *LPs want to avoid GPs with significant retail capital assets. 84% of LPs indicated they are **less likely to invest** in a PE manager that takes in significant amounts of retail capital. 84% of LPs also indicated that they **have not invested** in retail vehicles and **do not expect to in the future**.*
- *LPs think the influx of retail capital will lead to sub-optimal outcomes across the industry. 73% of LPs agree that **PE GPs** that take in a significant amount of retail capital are likely to experience sub-optimal outcomes and 67% agree that **institutional investors** will be negatively impacted.*
- *LPs plan to meaningfully shift away from large cap and towards the mid-market. 47% of LPs expect to **decrease** their exposure to **large cap PE managers**, while 77% expect to **increase** their exposure to **mid-market PE managers**.*

Top Takeaways From First Release

Available [Here!](#) 



- *LPs are at or within target, with allocation expected to stay or grow.* Almost **90%** of LPs identified their current allocations to PE were either **at target or within range**, with an **average total investment allocated to PE** of **17%**. Looking ahead, **52%** expected their **portfolio allocation to PE to stay the same** over the next five years, with **38%** expecting an **increase**.
- *Return expectations remain stable, but more headwinds appear on the horizon.* While **61%** of LPs reported their **five-year net return PE program assumptions have not changed**, **33%** have **decreased** their return assumptions, compared to only **6%** that have **increased**. The average five-year net returns expected for PE came in at **15.7%**.
- *Programs will likely adjust over the next 12 months.* **72%** of LPs indicated they **will adjust their PE program** over the next 12 months. Across the **number of managers** and **commitment size**, LPs are much more likely to **increase** than decrease.
- *Negotiations remain a contentious topic for LPs.* **49%** of LPs reported **"somewhat" more negotiating leverage** with GPs compared to a year ago. Commenters indicated this is **far less than anticipated**, given the fundraising environment, with **top-performing managers** and **strong misalignment between LPs and their GP external counsel counterparts** identified as the top reasons.
- *GP behavior is worsening in concerning areas.* LPs identified overall that **Conflicts of Interest** is the area with the **worst shift in GP behavior**, with **Governance Terms** and **Valuations** also experiencing problematic shifts in GP behavior.

About the Survey

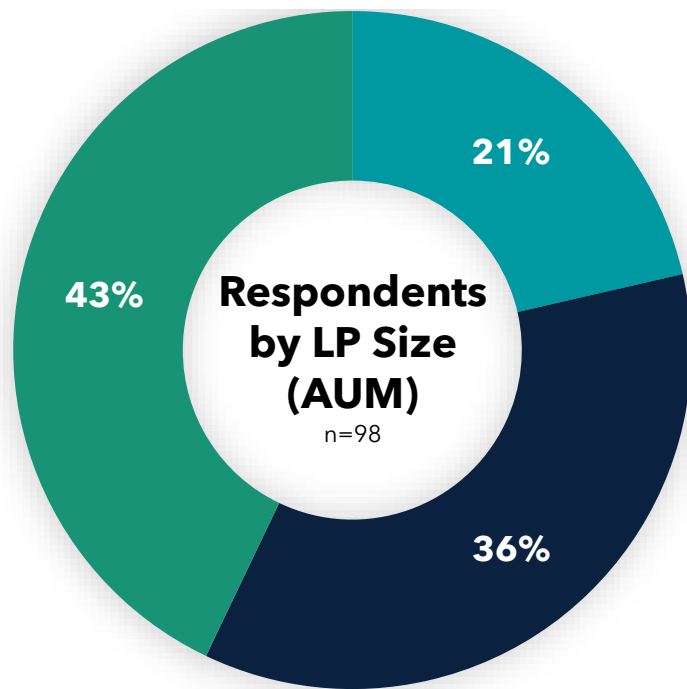
The latest survey was conducted in Q4 2025 and includes responses from senior-level investment professionals (Heads of PE) at ILPA member organizations. All responses were anonymized and aggregated to ensure confidentiality.

Profile of Survey Respondents

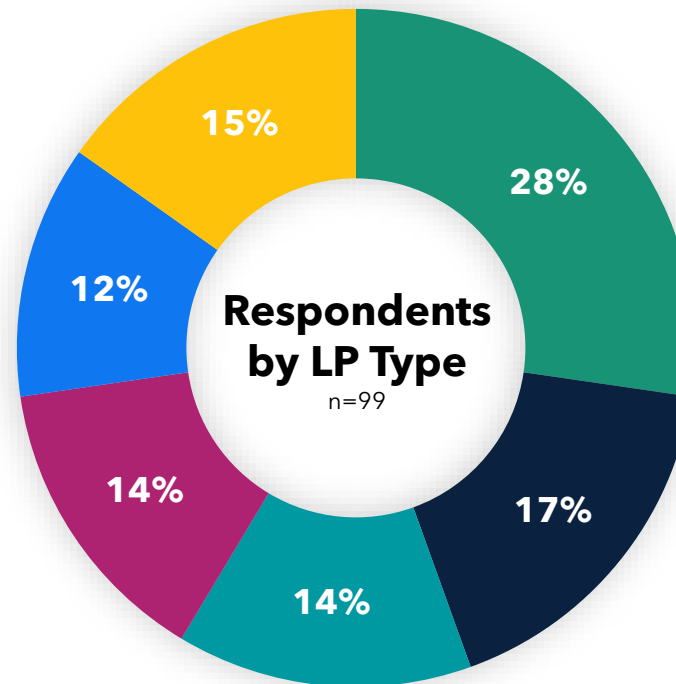
Heads of PE



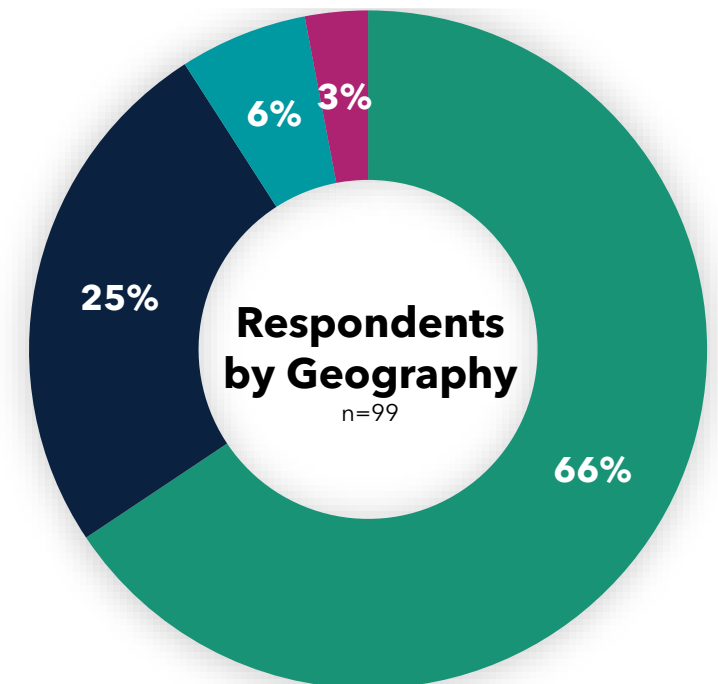
ILPA's **636** member organizations represent a diverse array of LPs by size, type, and geographic location. The survey sample of **99** respondents proportionally matched the makeup of the ILPA membership in these areas.



■ Small (Below \$2B)
■ Mid (\$2B - \$15.9B)
■ Large (Above \$16B)



■ Public Pension
■ Private Pension
■ Family Office
■ E&F
■ Insurance
■ Other



■ North America
■ Europe
■ Asia-Pac
■ ROW

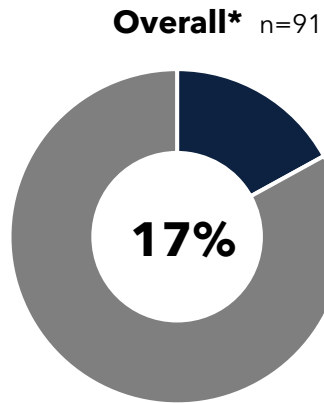
*Other includes DFI, Sovereign Fund, Investment Company, and Banks

Landscape of Allocations and Check Sizes

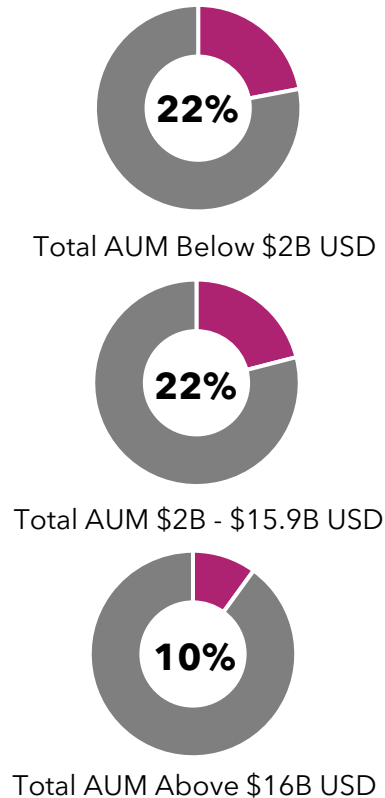


For the survey, **Private Equity** was defined as buyout, growth, and venture.

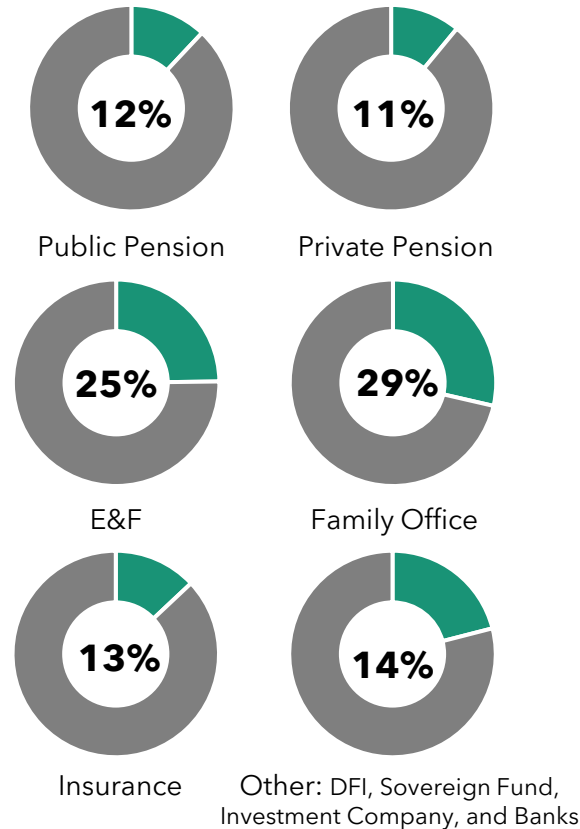
Average % of Total Investment Allocated to PE



By LP Size* n=90



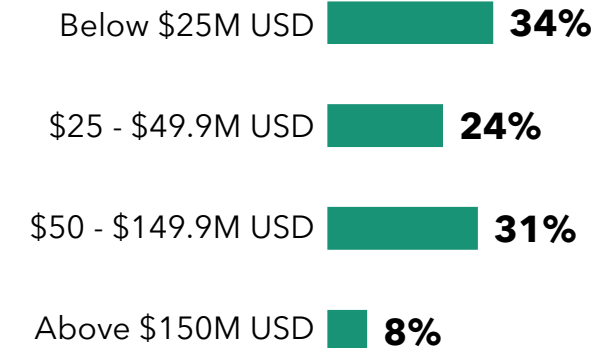
By LP Type* n=91



Average Five-Year Net Returns Expected for PE

1.9x Net MOIC n=87
15.7% Net IRR n=91

Average Current Commitment Per Buyout Fund n=98



We Do Not Invest in Buyout Funds, i.e., Only Growth Equity or Venture Capital **4%**

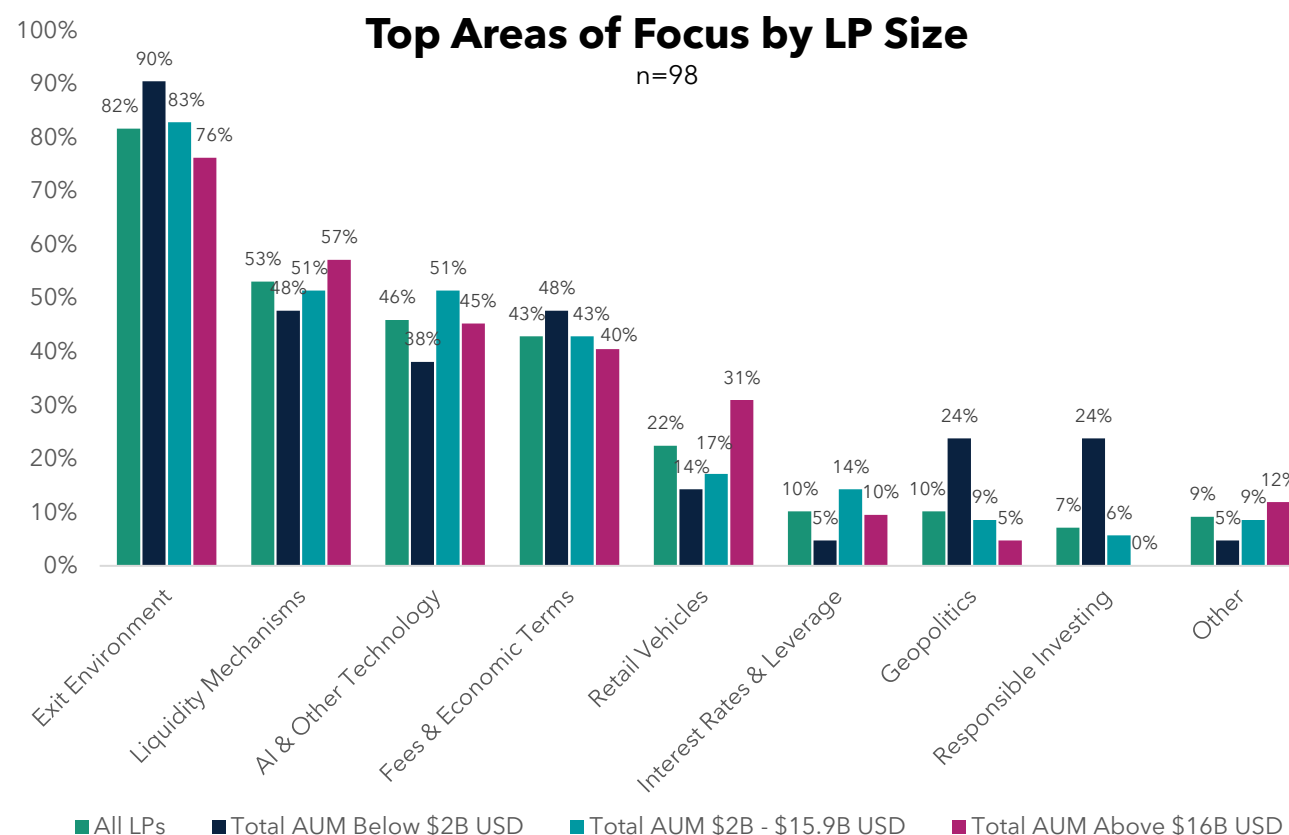
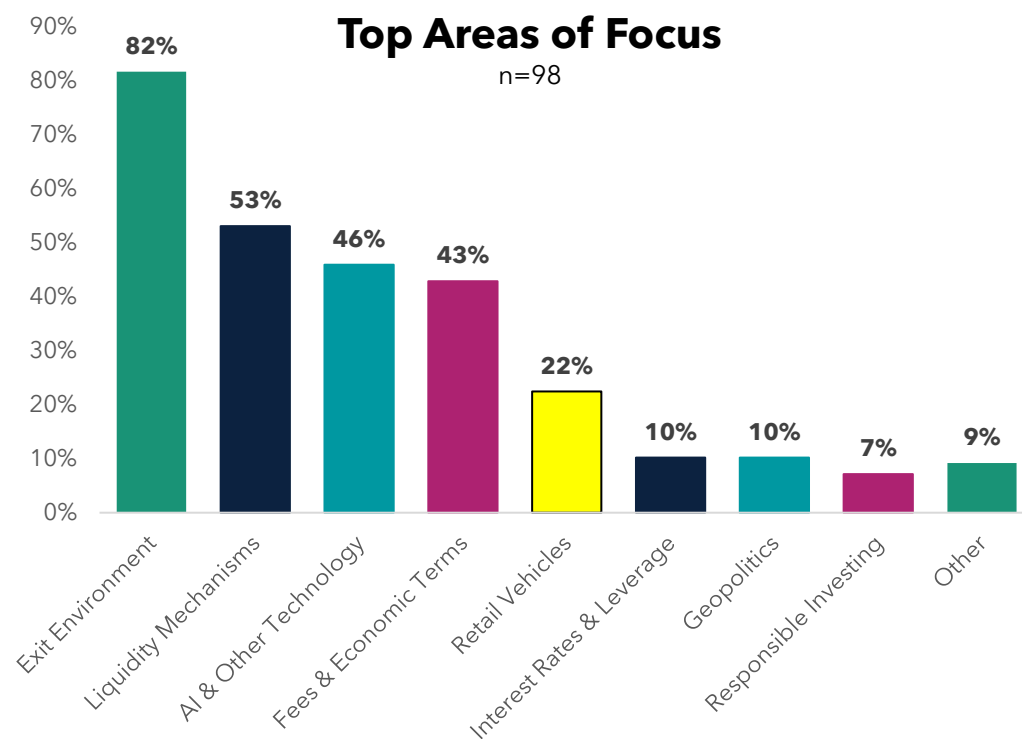
*For smoothing, excluded 7 respondents who reported being 100% allocated to PE, the majority of whom were from the 'Other' category.

Key Findings

Retail Capital Continues to Capture LP Attention



Although the current **exit environment** ranks as the **single most important topic for LPs** of all sizes, **retail capital** cannot be overlooked. Nearly a quarter (**22%**) of survey respondents ranked **retail vehicles** as a **top three area of focus**.



Concern Lingers as Retail Capital is Viewed as Greatest Threat to LP/GP Alignment



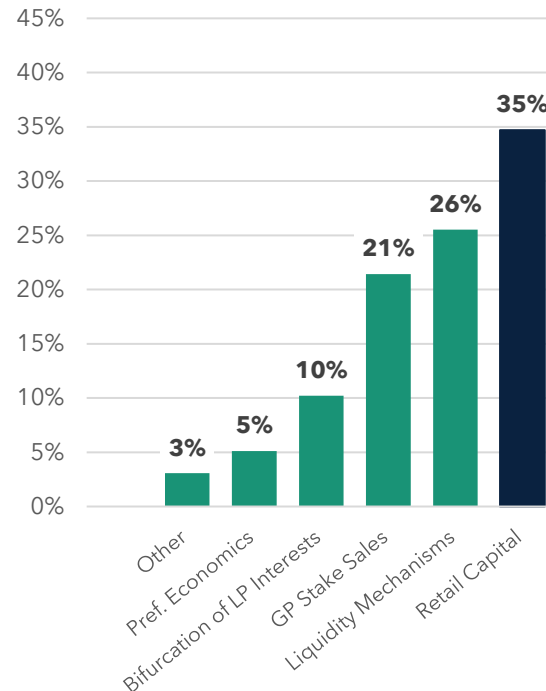
35% of LPs selected the **growth of retail capital** as the **single greatest threat to the alignment of interests** between GPs and institutional LPs. **Large LPs** especially selected retail capital as the most prominent threat.

“Retail may further increase a GP’s ability to execute on imbalanced fund terms.”

“Retail and wealth management are problems as they are term takers and potentially squeeze out **co-investments**.”

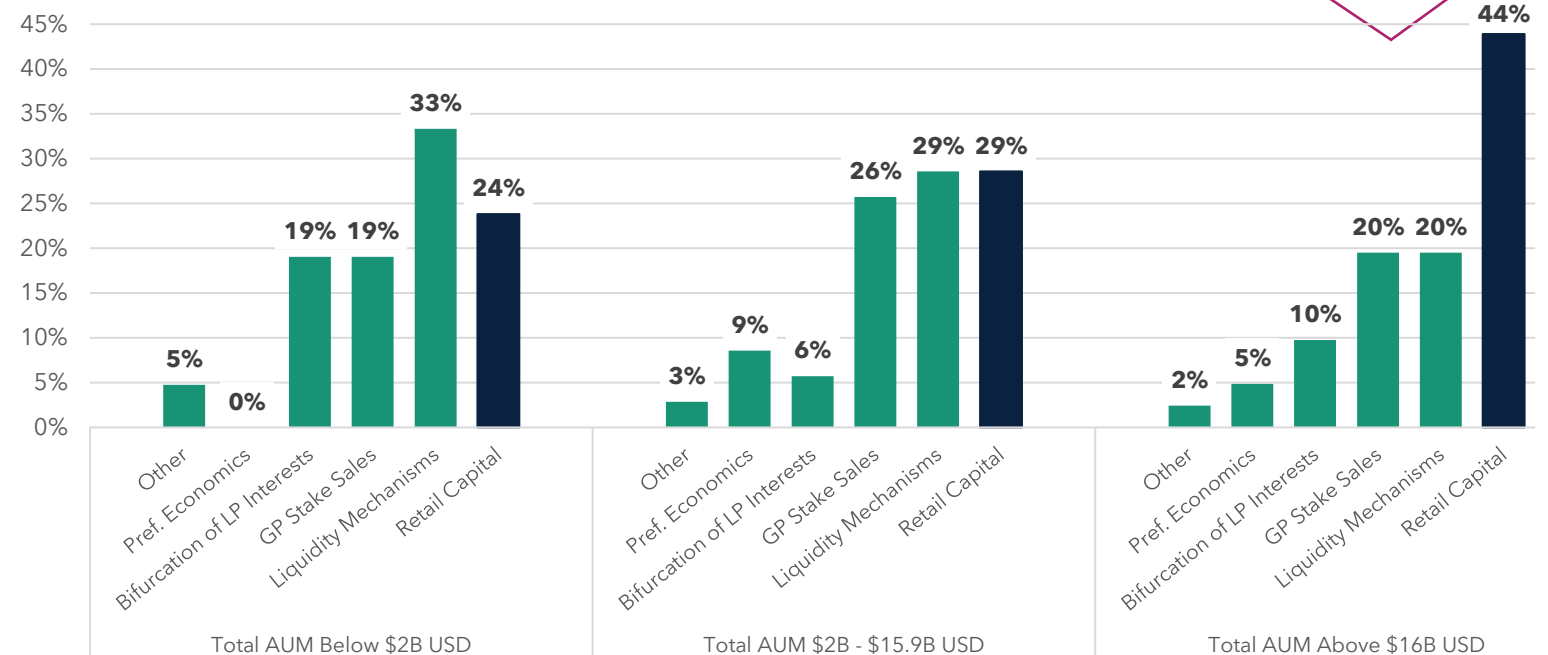
Threats to LP/GP Alignment All LPs

n=98



Threats to LP/GP Alignment by LP Size

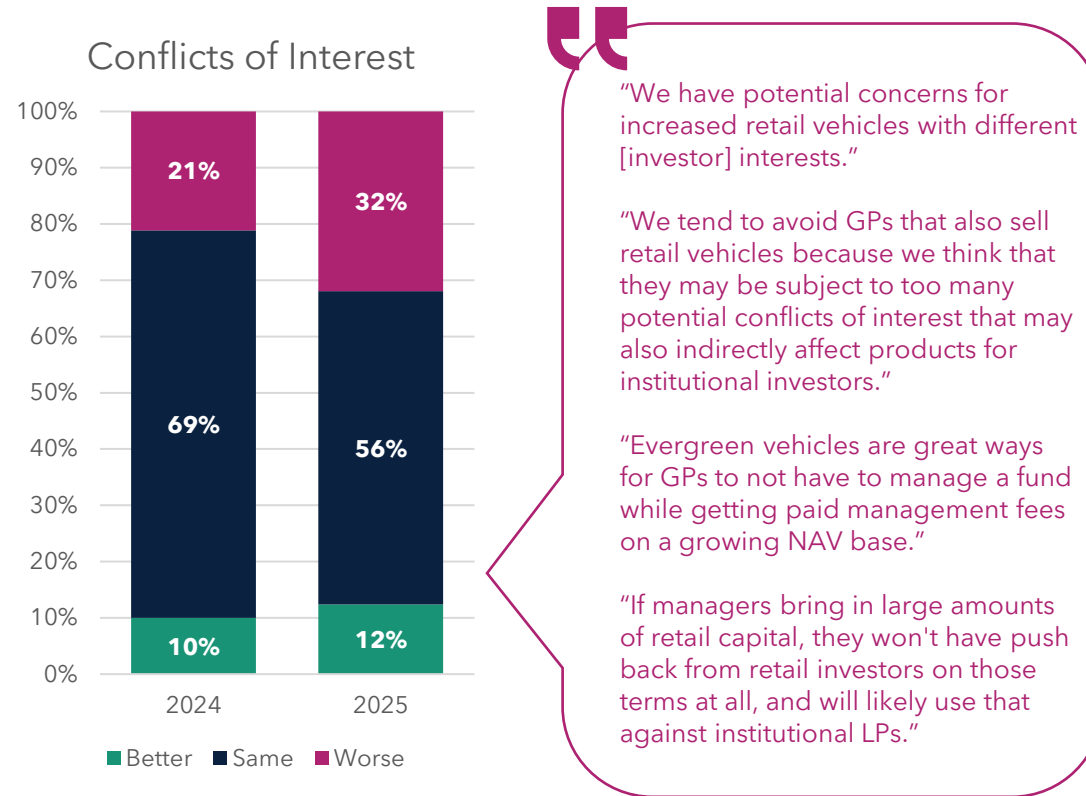
n=97



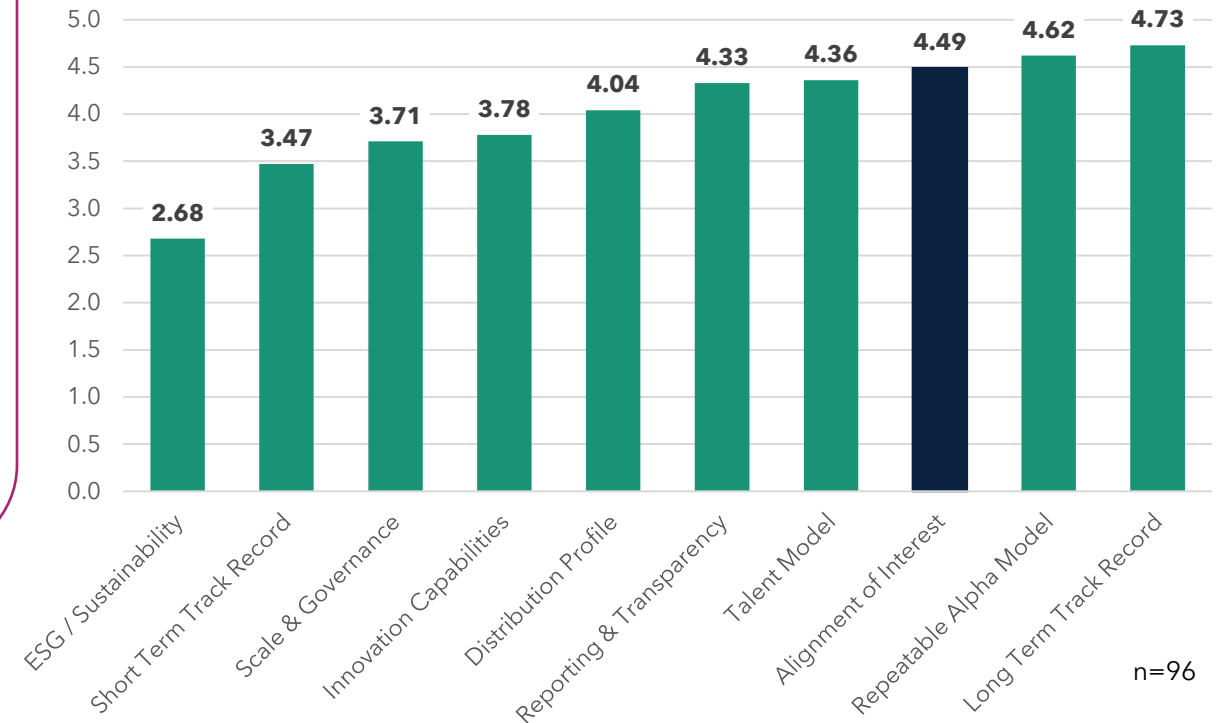
Conflicts of Interest Trending in Wrong Direction



Even **in the early stages of retail capital entering the PE market**, LPs are already noting a **worsening** of GP behavior regarding Conflicts of Interest.



This trend is notable given that **Alignment of Interest** is one of the top 3 criteria LPs use when deciding whether to bring an investment opportunity before the **investment committee***.

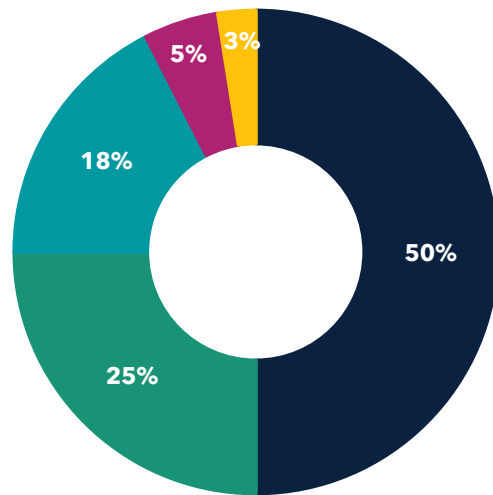


*We will review the data on investment committee considerations further in future releases from the lens of Continuation Vehicles and investments more broadly.

Is Retail Capital Squeezing Institutional Capital Out of Co-Investment Opportunities?

Of LPs who have **dedicated co-investment resources**, or who **co-invest through a dedicated vehicle**, **50%** view **retail capital** as the **largest threat** to LP/GP alignment.

This **same group** consistently ranks **Alignment of Interest** among the top criteria when deciding whether to bring an investment opportunity before the **investment committee**.

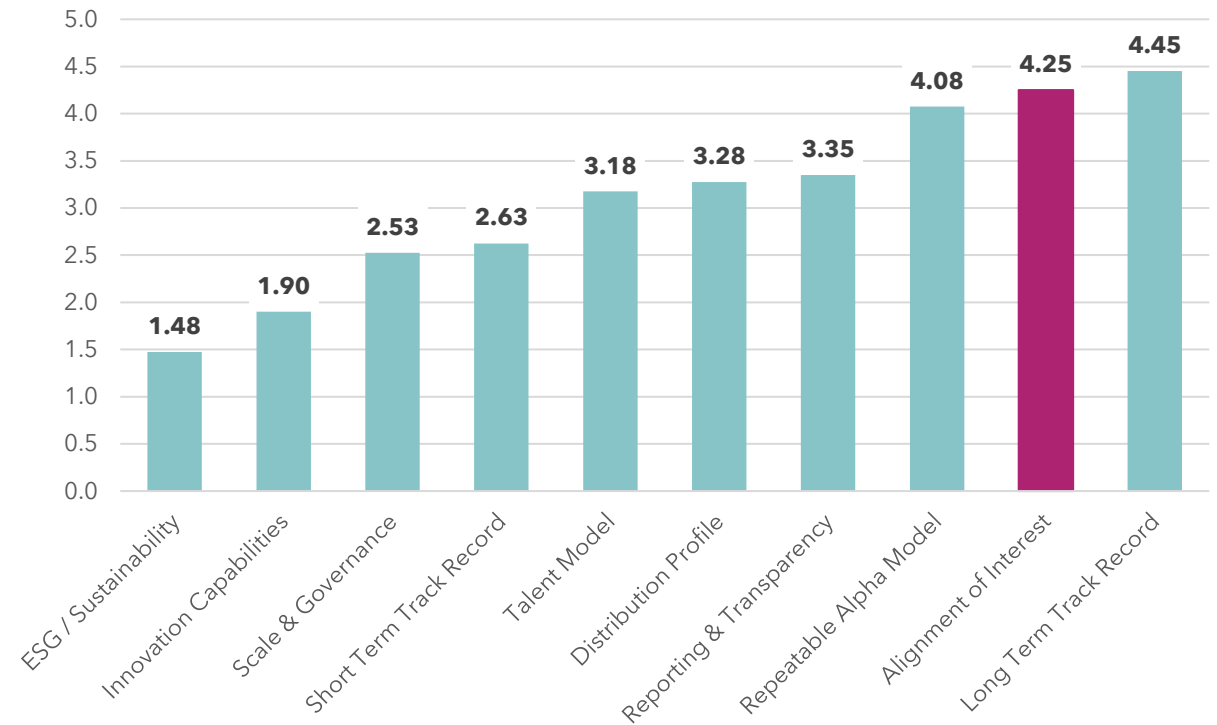


■ Retail Capital
■ GP Stake Sales
■ Liquidity Mechanisms
■ Pref. Economics
■ Bifurcation of LP Interests

n=40

On a Scale of 1-5...

n=40



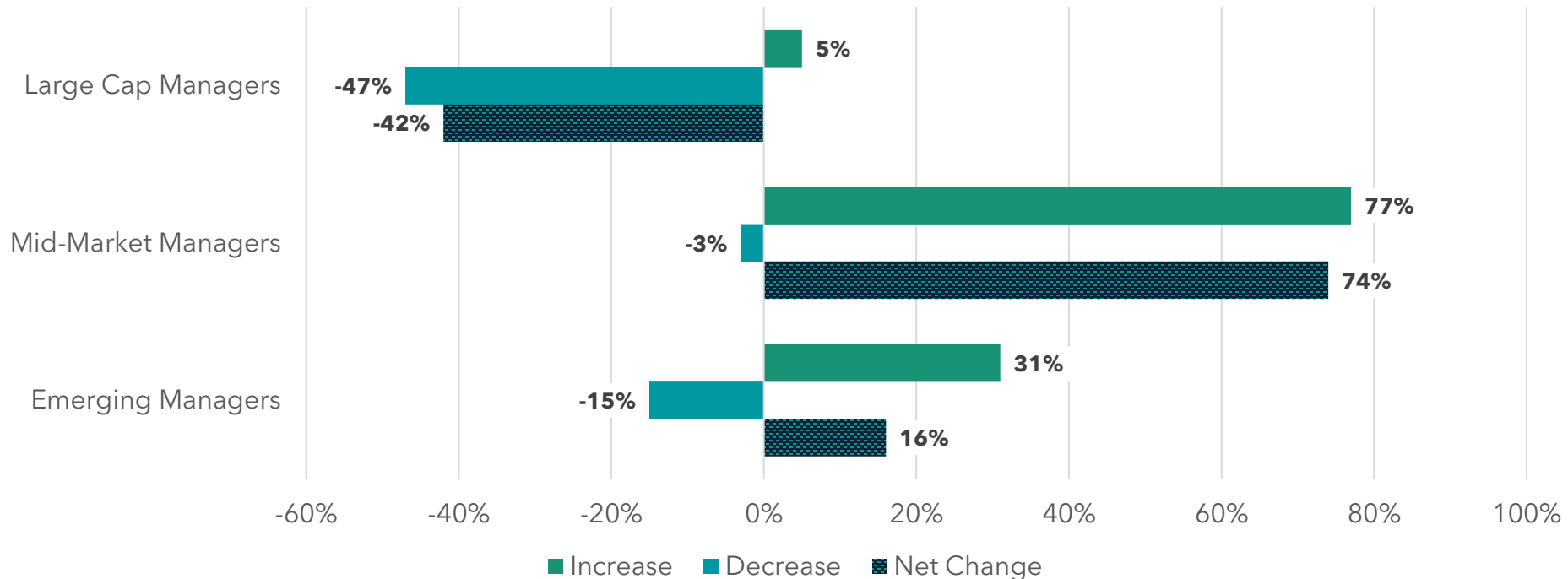
LPs are Shifting Their Private Equity Manager Exposure in Meaningful Ways



Across all respondents, almost **half** of LPs expect to decrease their exposure to large cap PE managers over the next 12 months, while **over 75%** expect to increase exposure to mid-market PE managers. This trend – while not fully attributed to retail capital – is a byproduct of growing concerns among LPs around alignment and ability to deliver performance from large cap managers.

Expected Shift in Private Equity Manager Exposures

n=95



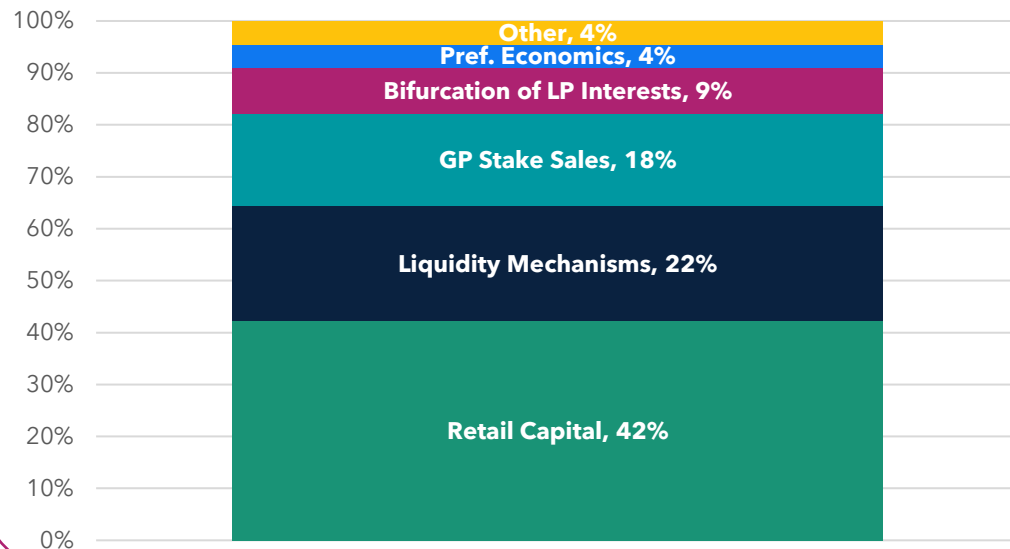
LPs are Responding by Considering Mid-Market Managers, Moving Away from Large Cap



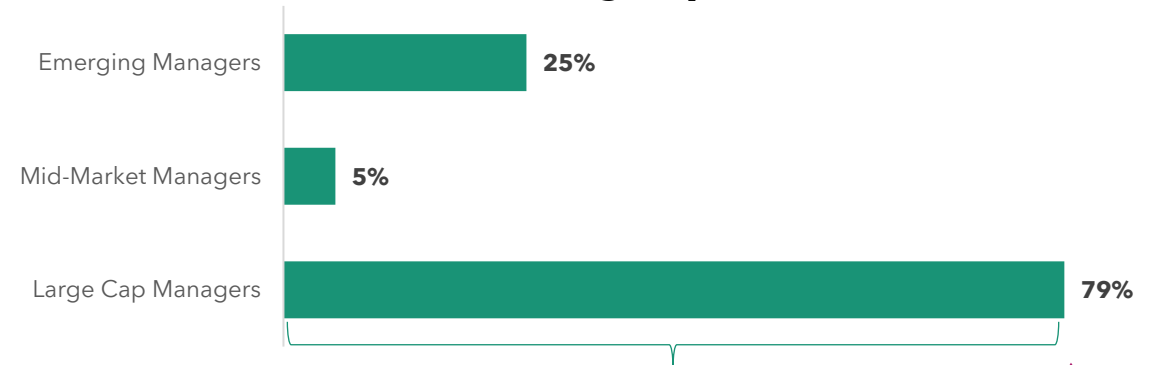
Of those LPs opting to **make adjustments*** with the size of GPs with whom they invest, **79%** are planning to **decrease** the number of relationships with **large cap PE managers**.

Of these, **65%** plan to **increase** the number of relationships with **mid-market PE managers**.

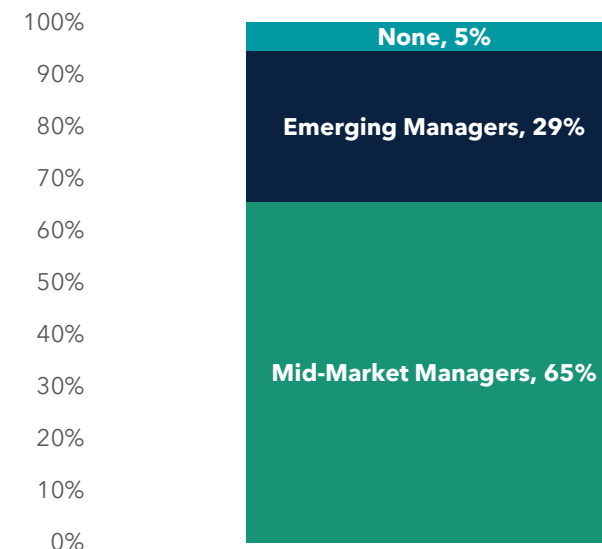
LPs who are shifting away from large cap PE managers view retail capital as the biggest threat to alignment of interest.



Decreasing Exposure from:



Increasing Exposure to:



"We are consolidating our position to GPs with smaller funds that don't grow as aggressively and ideally don't do evergreens."

n=57

*Relative to the previous slide, the results presented here (%s and n counts) do not include LPs that said "None of the Above" when asked about the size of PE managers where they expect to decrease exposure.

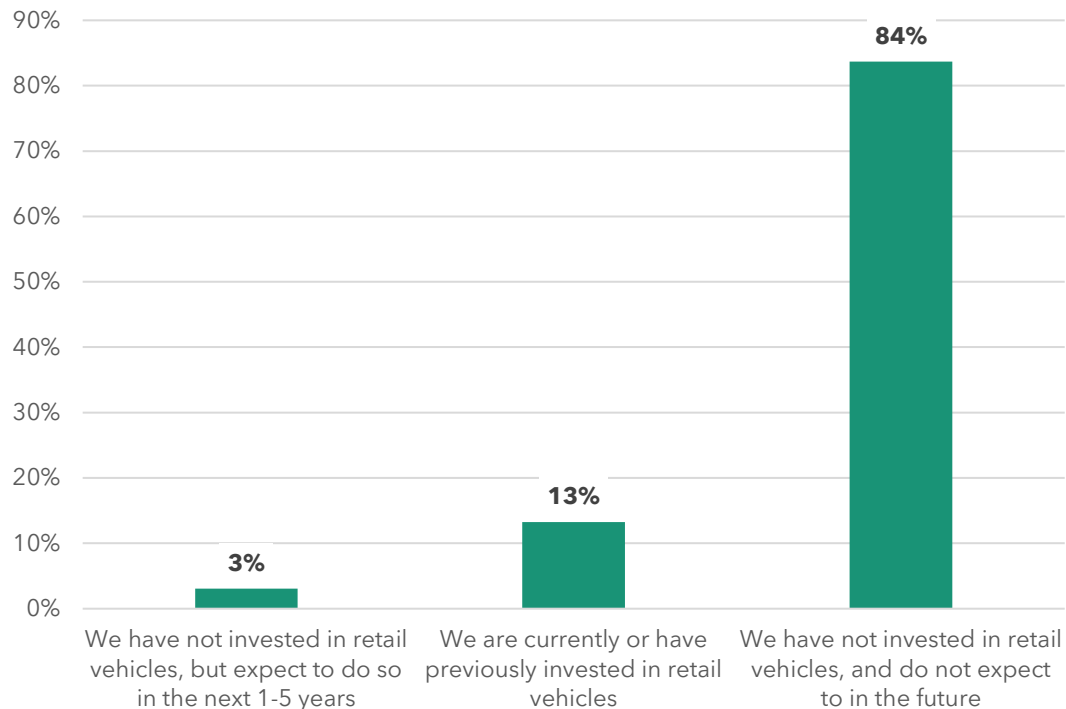
Most LPs have not Participated in Retail Vehicles, Suitability for PE Remains an Issue



84% of LPs have neither invested in a retail vehicle nor intend to do so in the future. **16%** of LPs either have experience with retail vehicles or plan to invest soon.

LP Experience Investing in Retail Vehicles

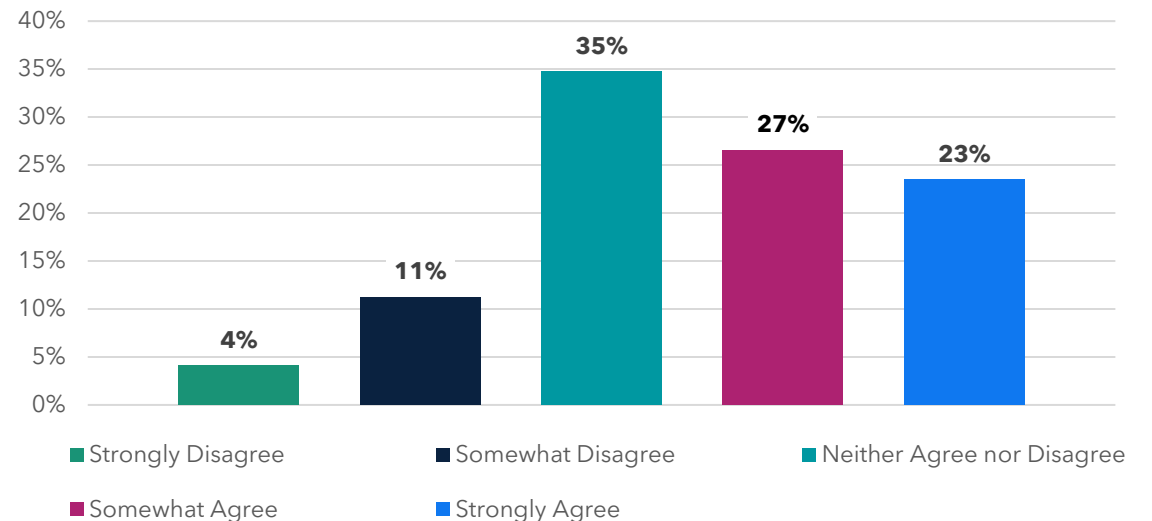
n=98



Half of LPs agree that PE is less suitable for retail capital than other asset classes, with only **15%** disagreeing with the view.

Private Equity is Less Suitable for Retail Investment than Other Private Market Strategies - Agree or Disagree?

n=98

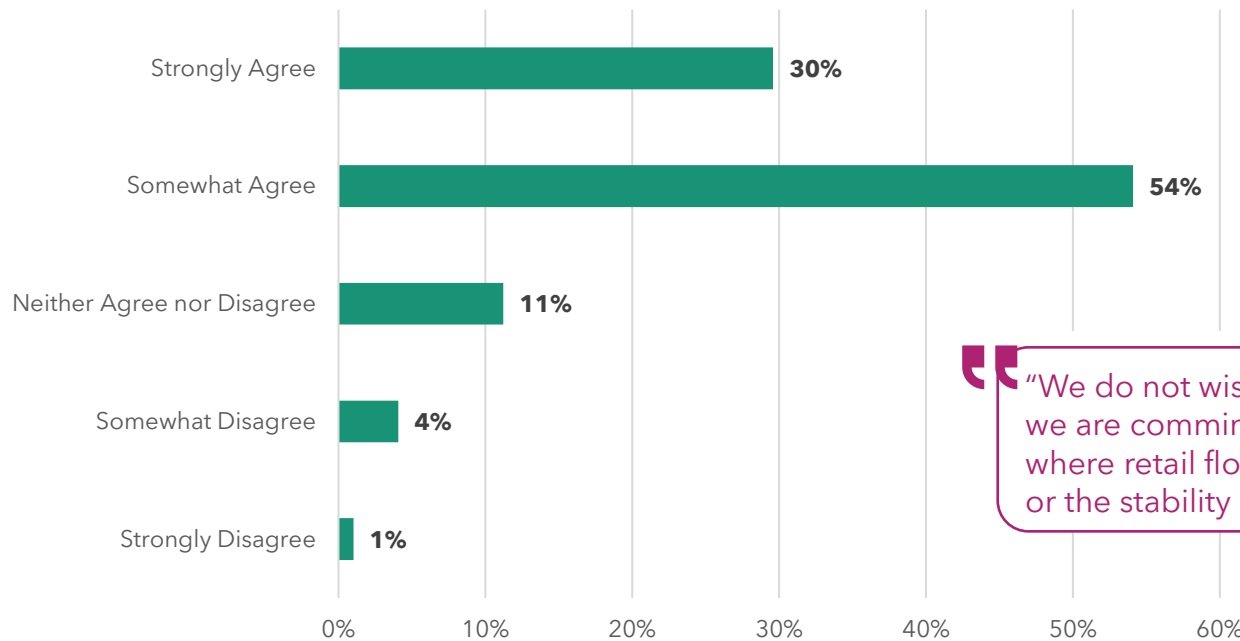


LPs are Less Likely to Invest with a PE GP that is Taking in Significant Amounts of Retail Capital



I am less likely to invest with a private equity fund manager if, all other things being equal, they were to take in significant amounts of retail capital - Agree or Disagree?

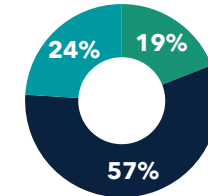
N=98



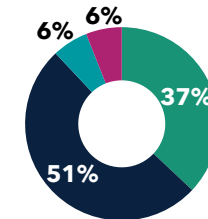
“We do not wish to be in funds where we are commingled with retail and where retail flows could impact results or the stability of the GP.”

84% of LPs would prefer not to invest with a GP that is taking in significant amounts of retail capital. This trend holds true across **all LP sizes**, with **76%** of small LPs, **88%** of mid-sized LPs, and **81%** of large LPs being less likely to invest.

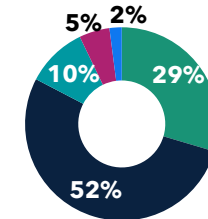
Total AUM Below \$2B USD



Total AUM Between \$2B - \$15.9B USD



Total AUM Above \$16B USD

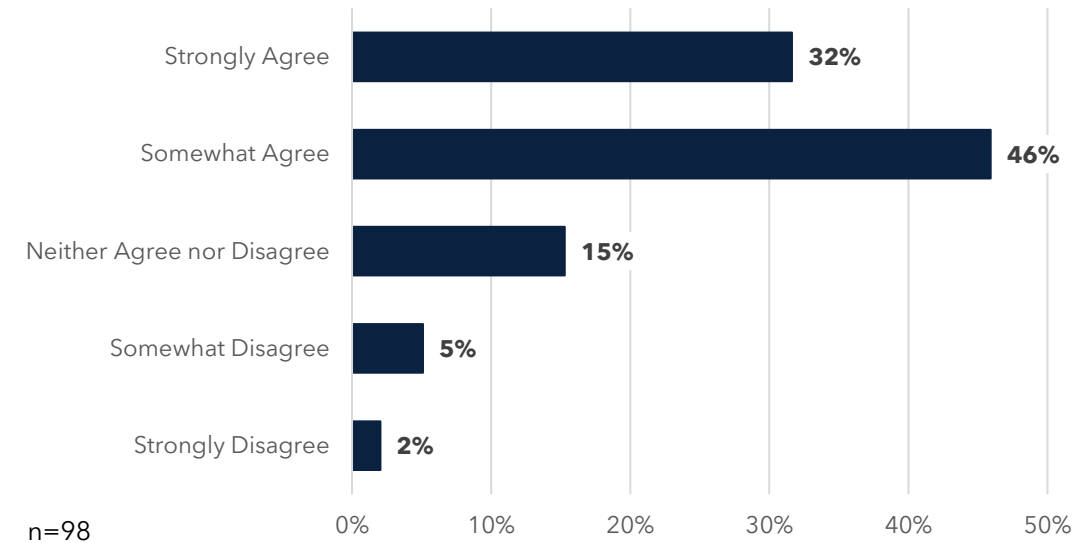
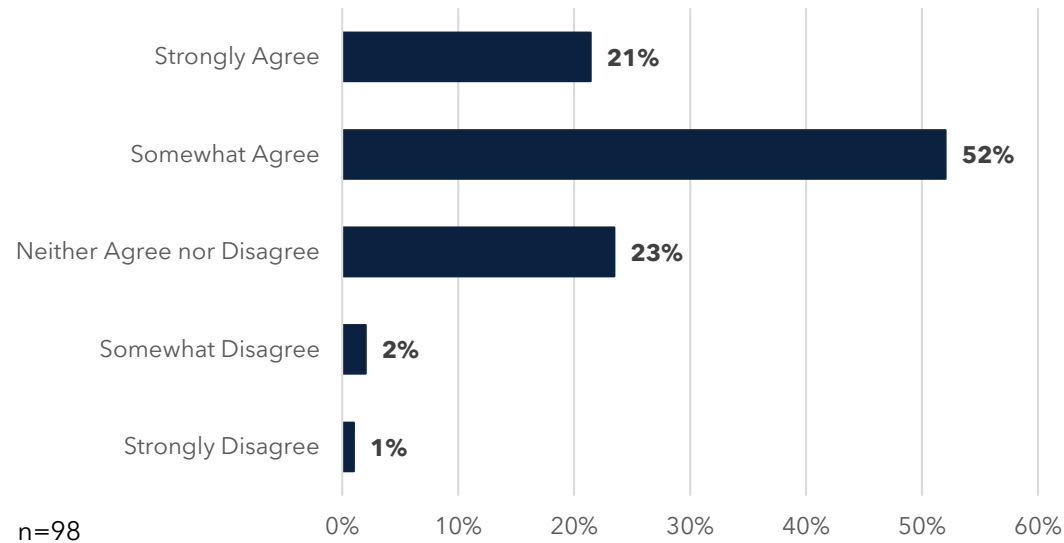


Most LPs Agree: Sub-Optimal Outcomes are to be Expected with the Advent of Retail Capital



73% of LPs agree that PE fund managers who take in a significant amount of retail capital are likely to experience sub-optimal outcomes.

Similarly, **78%** of LPs agree that retail investors investing in PE are likely to experience sub-optimal outcomes.



"We believe these vehicles will be lower returning in the long term."

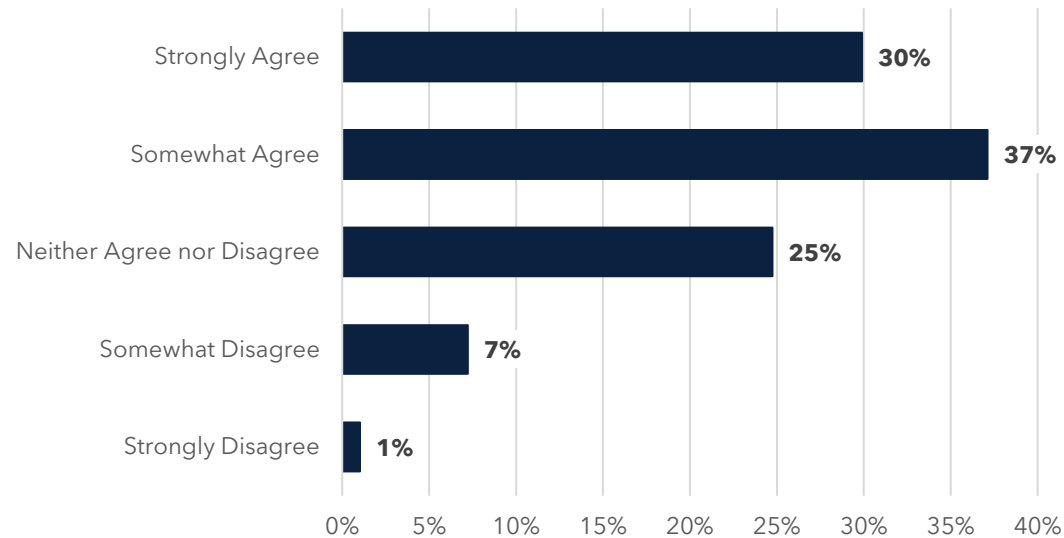
"...worse performance for only modest liquidity gains..."

Most LPs Agree: Retail Capital will also Impact the Long-Standing Institutional Investor



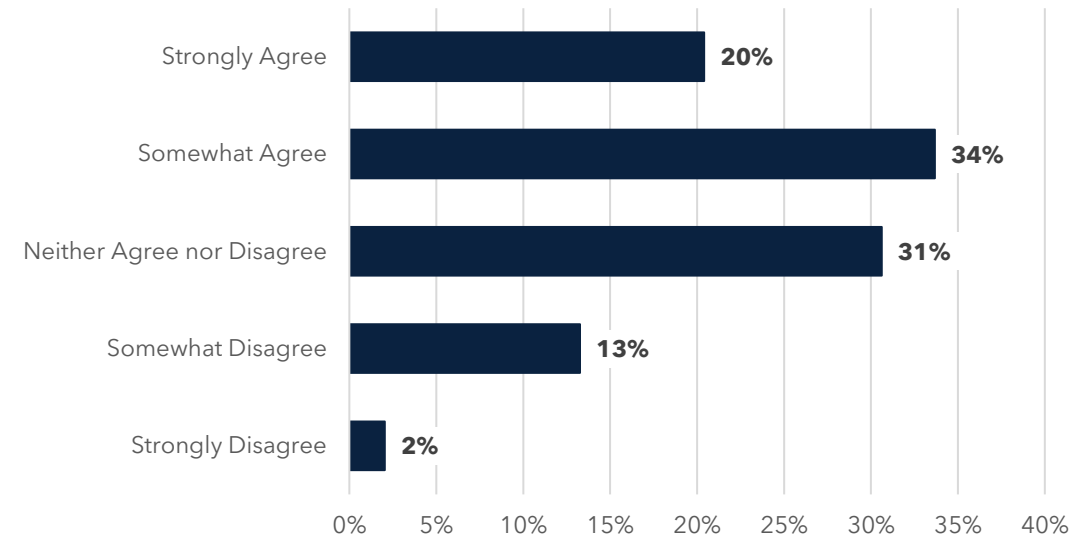
But the jury is still out as to whether retail capital will impact the industry holistically

67% of LPs agree that a significant influx of retail investment into PE would have a negative impact on more institutional investors, compared to only **8%** that disagree.



n=97

54% of LPs agree that a significant influx of retail investment would impact the stability of PE, compared to only **15%** that disagree.



n=98



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