ILPA Sentiment Survey 2025-2026 Edition
Retail Capital Focused Release

The second installment of the *ILPA Sentiment Survey 2025-2026 Edition* centers on retail capital.

Retail capital is upending industry dynamics given the inherent issues with the "right strategy, wrong structure" design, which leads to challenges for LPs across core focus areas for ILPA - transparency, governance, and alignment of interests.

To further support LPs, ILPA released a resource exclusively for members focused on Legal Language in Retail Capital, aimed at helping LPs more directly identify and mitigate potential conflicts.

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**.