Limited Partners Sentiment Survey

2025-2026 Edition

Paths to Liquidity

INSTITUTIONAL
LIMITED PARTNERS
ASSOCIATION

Top Takeaways From "Paths to Liquidity" Release

- **LPs strongly favor long-term returns over near-term liquidity**. **60%** of LPs prioritize long-term returns; this preference is most pronounced in mid-size and large LPs, while smaller LPs are more divided.
- **Conventional exits remain the clear preferred path to liquidity; there is a limited appetite for alternative liquidity solutions**. **59%** of LPs favor a conventional exit, below marks if necessary; **21%** consider this the only acceptable outcome. **44%** of LPs prefer their GPs to hold their investments until the exit environment improves; **28%** selected only this option.
- **Liquidity mechanisms are a leading threat to LP/GP alignment, particularly among smaller LPs**. **26%** of respondents identified liquidity mechanisms as the greatest alignment risk, with smaller LPs most frequently highlighting this concern.
- **LPs' long-term orientation drives both their expectations and evaluation criteria**. Most LPs consistently prioritize long-term track records and repeatable alpha models over short-term track records and metrics like DPI.
- **LPs & GPs offer different rationales for pursuing a CV.** Industry data suggests that GPs are using continuation vehicles (CVs) "mainly to provide DPI to existing LPs", whereas LPs often sell, not due entirely to a desire for greater liquidity, but because of issues with the inherent conflicts, weak commercial rationale, limited transparency into pricing, overuse of the tool, and a lack of process integrity.
- **Improved reporting of portfolio company metrics offers an alignment opportunity for LPs and GPs.** **77%** of LPs cited portfolio company data as an area needing further transparency, highlighting LPs' desire for more proactive insight into the difficulties GPs face in the current exit environment.

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.

Top Takeaways From Retail Capital Focused Release

Available Here!

- **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.

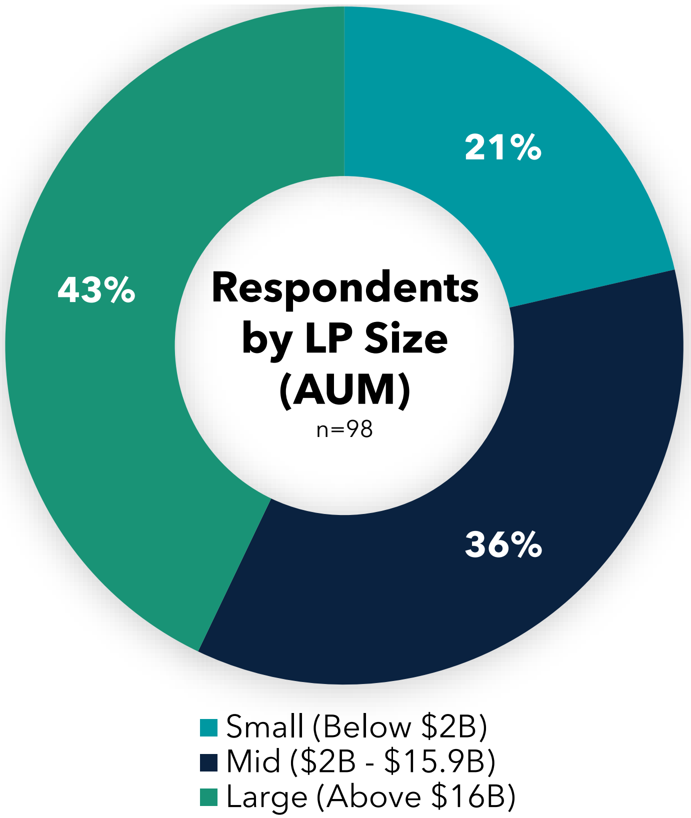
About the Survey

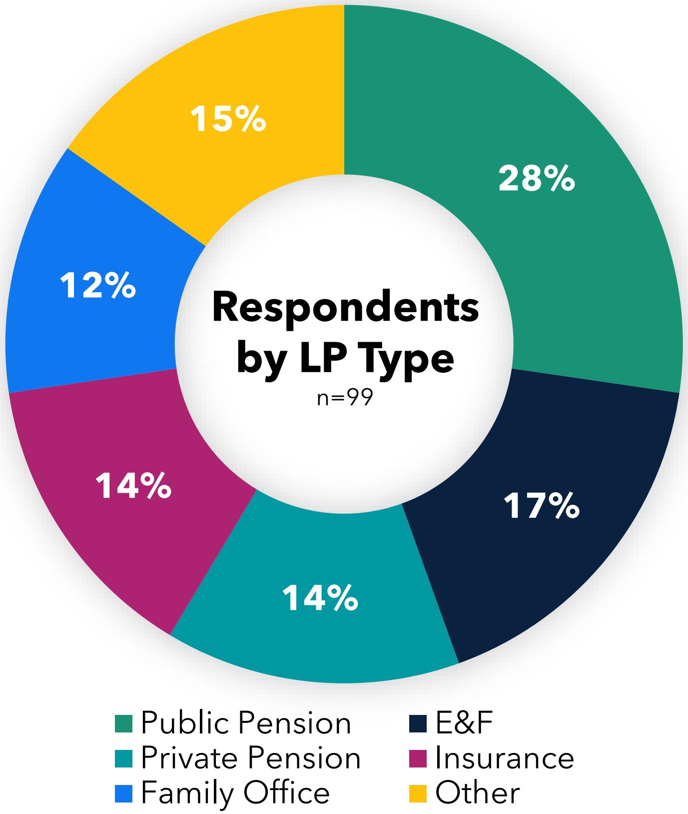
The latest survey was conducted in Q4 2025 and includes responses from senior-level investment professionals (Heads of PE) at ILPA member organizations. All responses were anonymized and aggregated to ensure confidentiality.

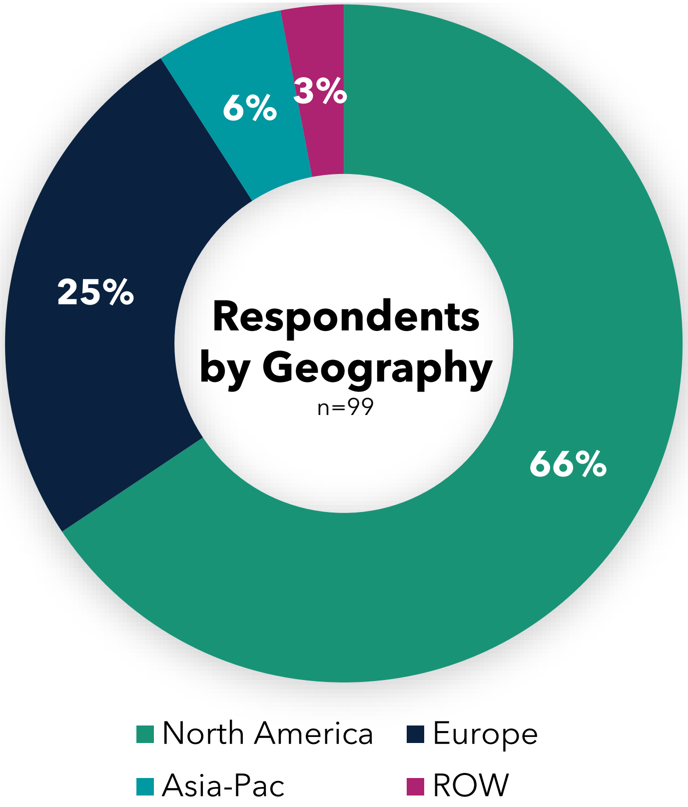
Profile of Survey Respondents

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.







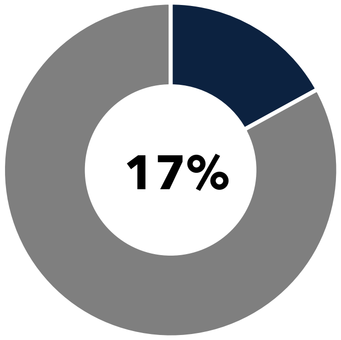
*Other includes DFI, Sovereign Fund, Investment Company, and Banks

Landscape of Allocations and Check Sizes

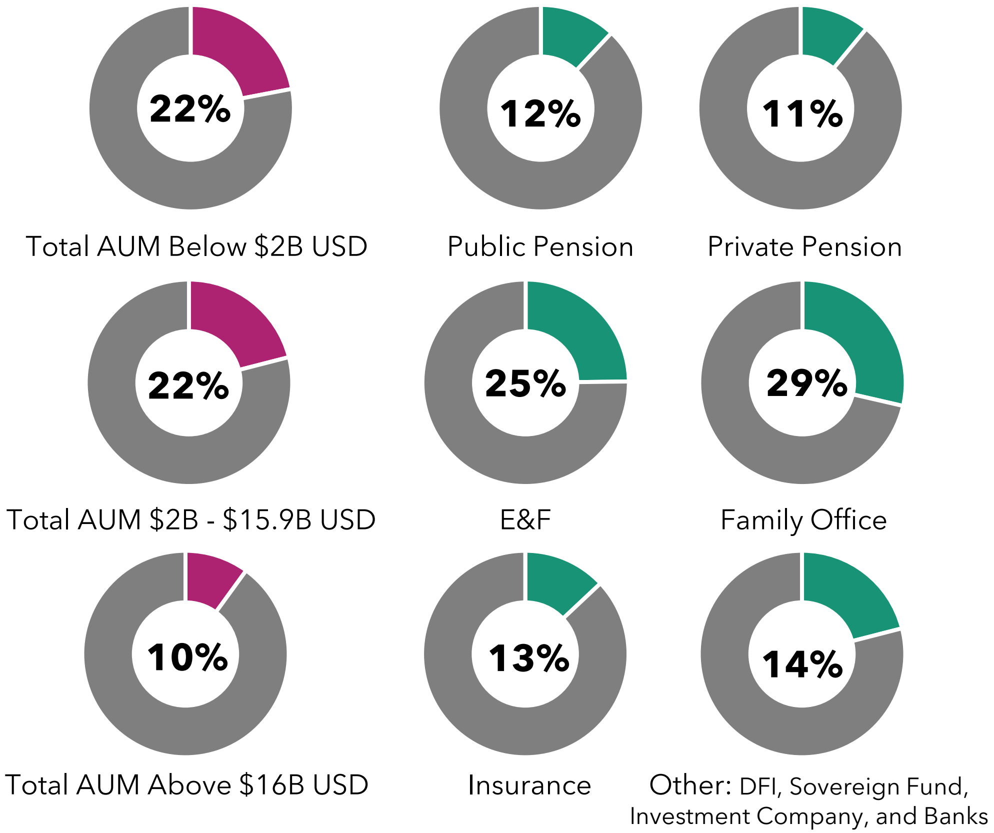
For the survey, **Private Equity** was defined as buyout, growth, and venture.

Average % of Total Investment Allocated to PE

Overall* n=91



By LP Size* n=90 **By LP Type*** n=91

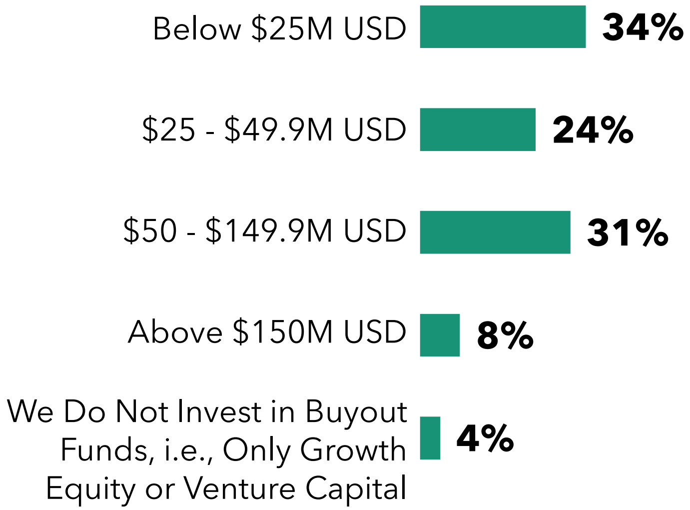


Average Five-Year Net Returns Expected for PE

1.9x Net MOIC n=87

15.7% Net IRR n=91

Average Current Commitment Per Buyout Fund n=98



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

Key Findings

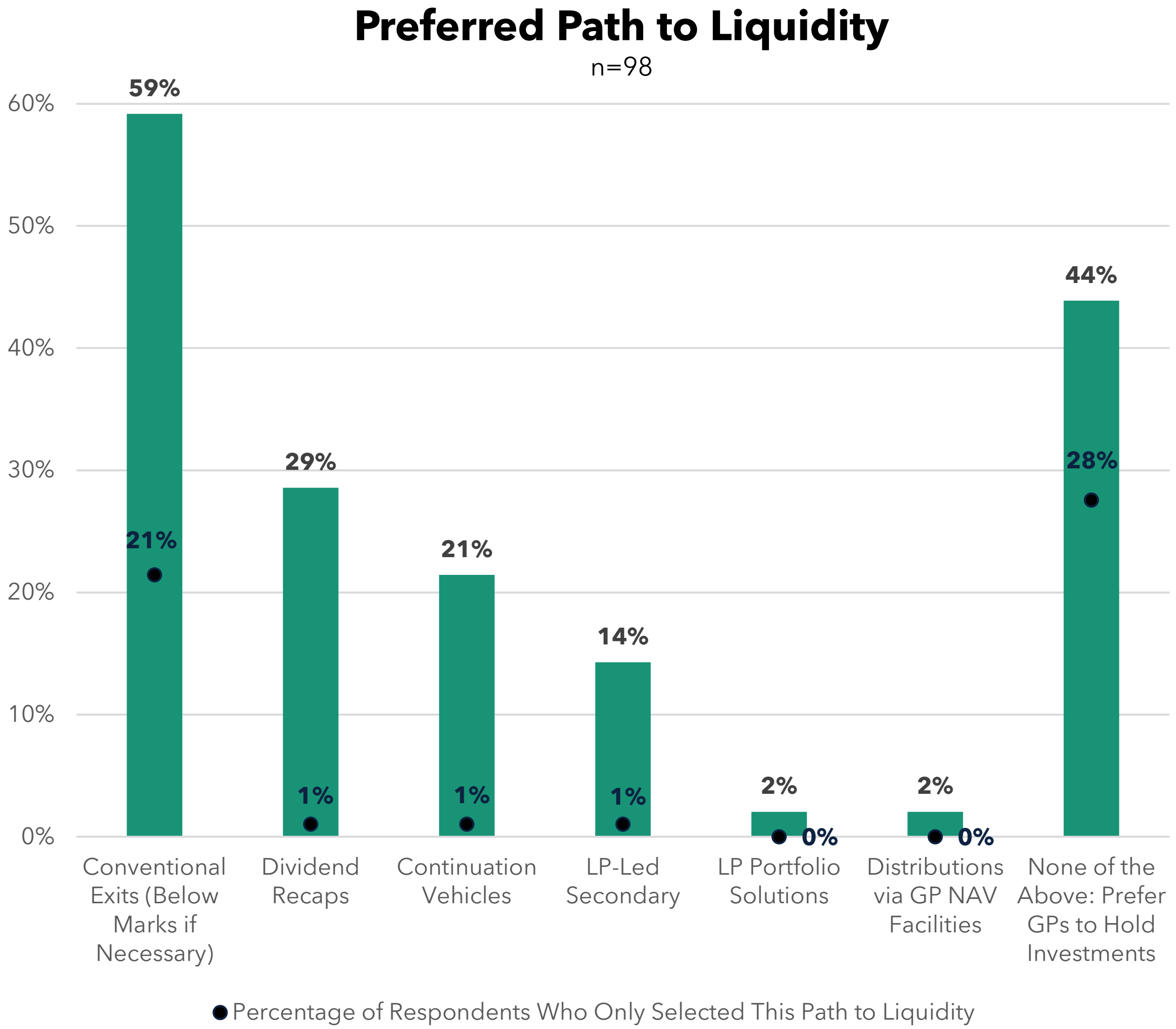
LPs Strongly Prefer Conventional Exits and Patience Over Alternative Liquidity Paths

Across all respondents, **59% prefer a conventional exit** (below marks if necessary) over other paths to liquidity; **21%** selected only this path to liquidity.

Overall, **21%** of respondents express acceptance of CVs as an alternative exit strategy; just **1%** consider CVs as the only preferred exit mechanism.

There is limited appetite for other liquidity mechanisms; in fact, **44%** of respondents would prefer their GPs to continue to **hold their investments until the exit environment improves**, with **28%** selecting only this option.

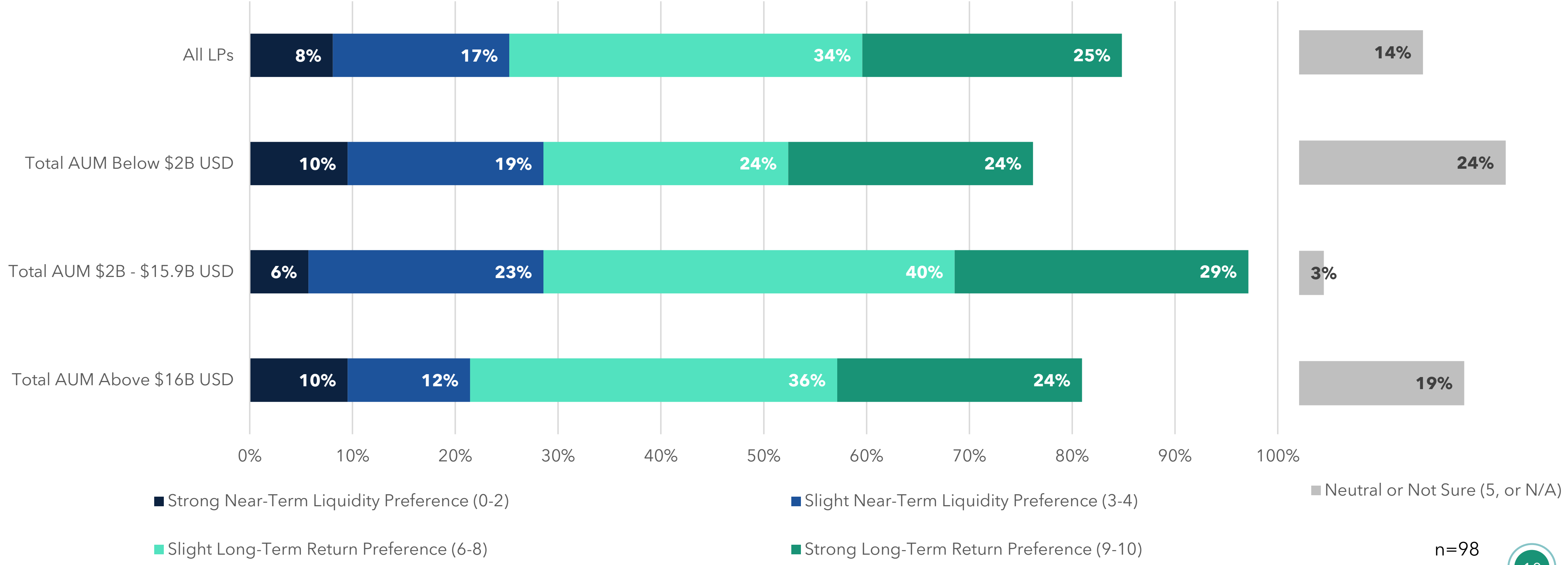
All told, LPs have a clear preference for **"traditional" exits** over CVs – either through conventional exits (below marks if necessary) or by holding onto assets until the exit environment improves, to then pursue conventional exits.



Trading-Off Near-Term Liquidity and Long-Term Returns

Across all respondents, **60%** of LPs **preferred long-term returns**, compared with only **25%** who preferred **near-term liquidity**. This preference is most pronounced in mid-size and large LPs, while smaller LPs are more divided.

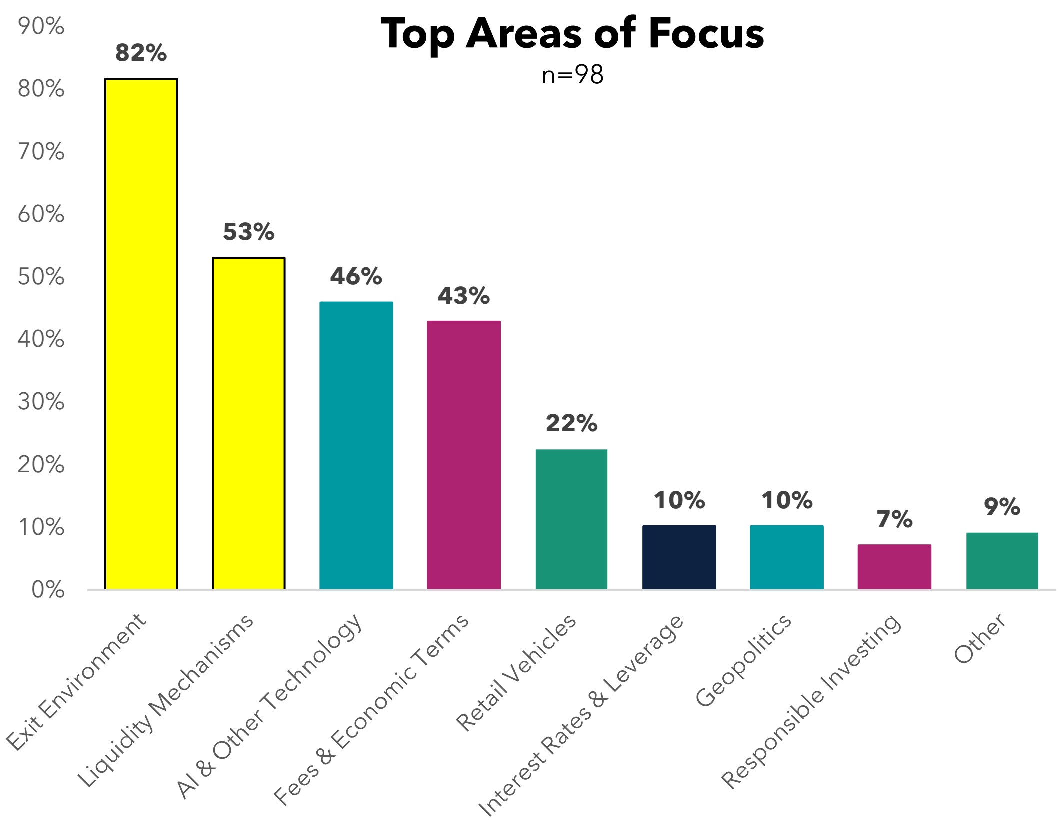
? On a scale of 0-10: When thinking about the trade-off between near-term liquidity and longer-term cash-on-cash returns, what would you most like to see from your GPs?



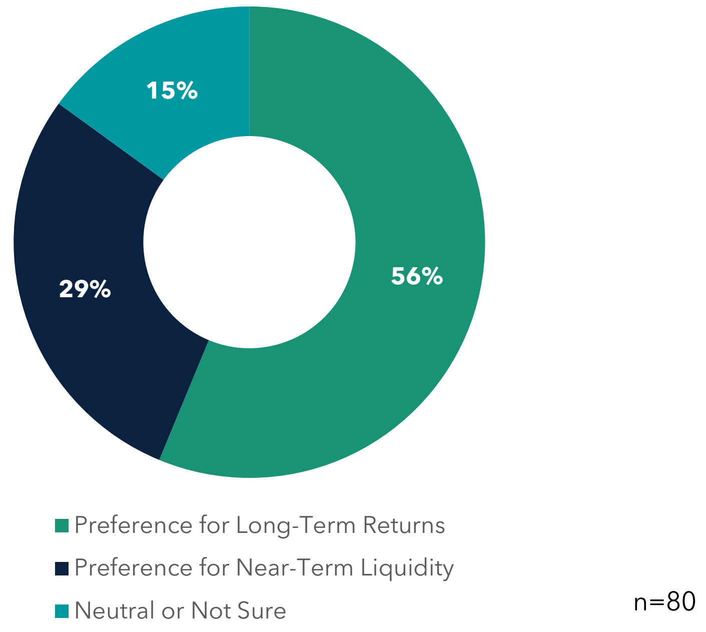
n=98

The Current Exit Environment Continues to Dominate LP Attention

The current **exit environment** ranks as the **single most important topic for LPs** of all sizes, followed by **liquidity mechanisms** (i.e., NAV loans and continuation vehicles).



While LPs are concerned with the exit environment, they generally do not prioritize liquidity at the expense of performance, with **only 29%** of the group who selected "Exit Environment" preferring **near-term liquidity** compared to **56%** who prefer **long-term returns***.

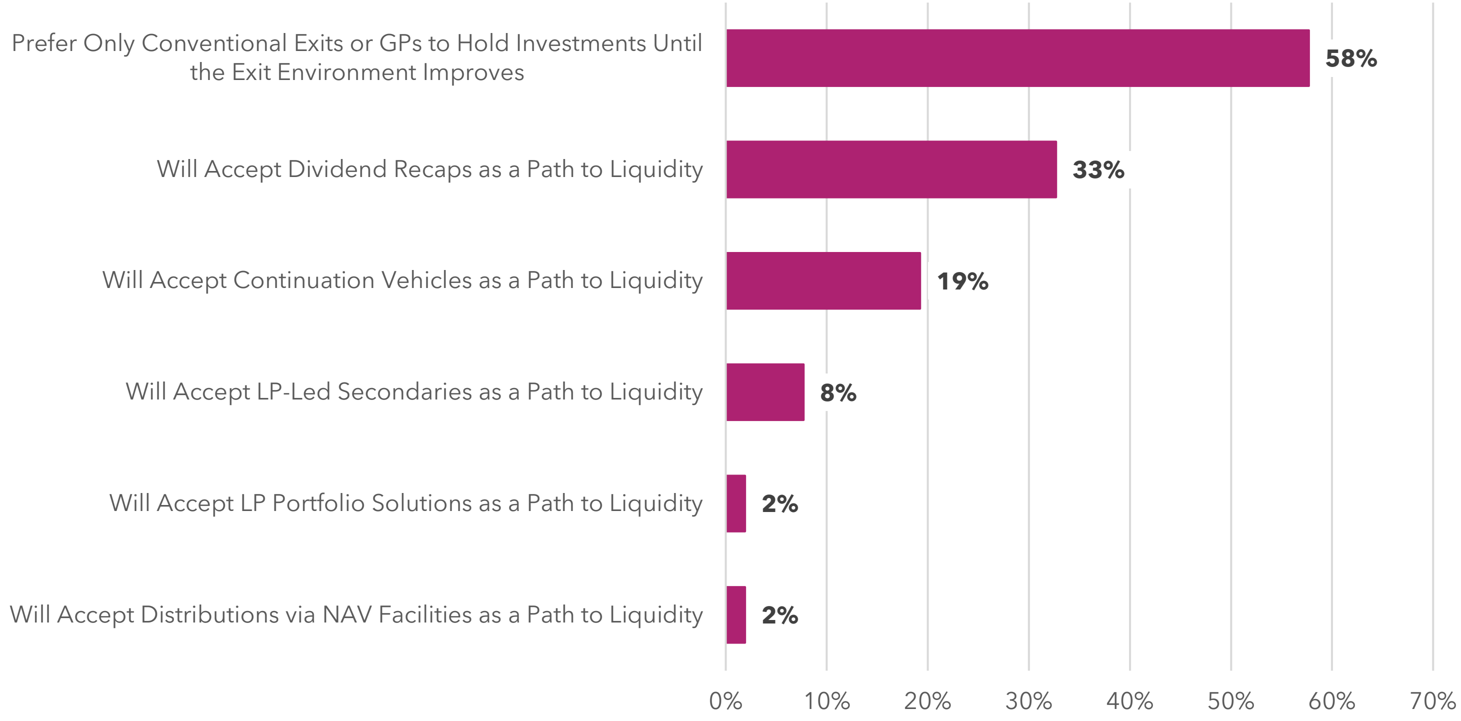


*The results presented above (%s and n counts) only include LPs who selected "Exit Environment" as a top area of focus.

LPs Emphasize the Right Path to Liquidity, Rather than Liquidity Itself

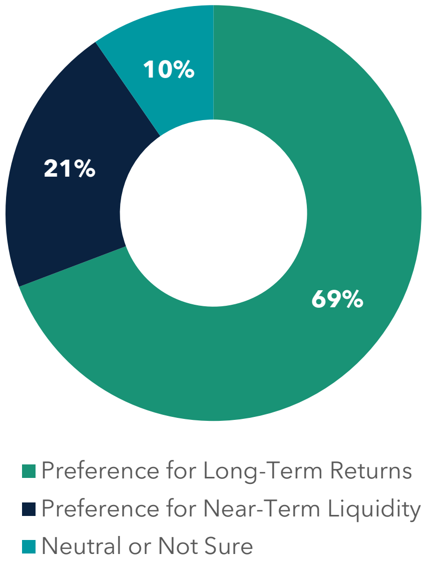
Data Subset: LPs Who Selected "Liquidity Mechanisms" as a Top Area of Focus

Of the respondents concerned with liquidity mechanisms, **less than 20%** prefer Continuation Vehicles, with **58%** preferring **conventional exits** (below marks if necessary) or for GPs to **hold investments** until the exit environment improves.



n=52

Only 21% of the group concerned with liquidity mechanisms **prefers near-term liquidity** compared to the **69%** that prefer **long-term returns**.



n=52

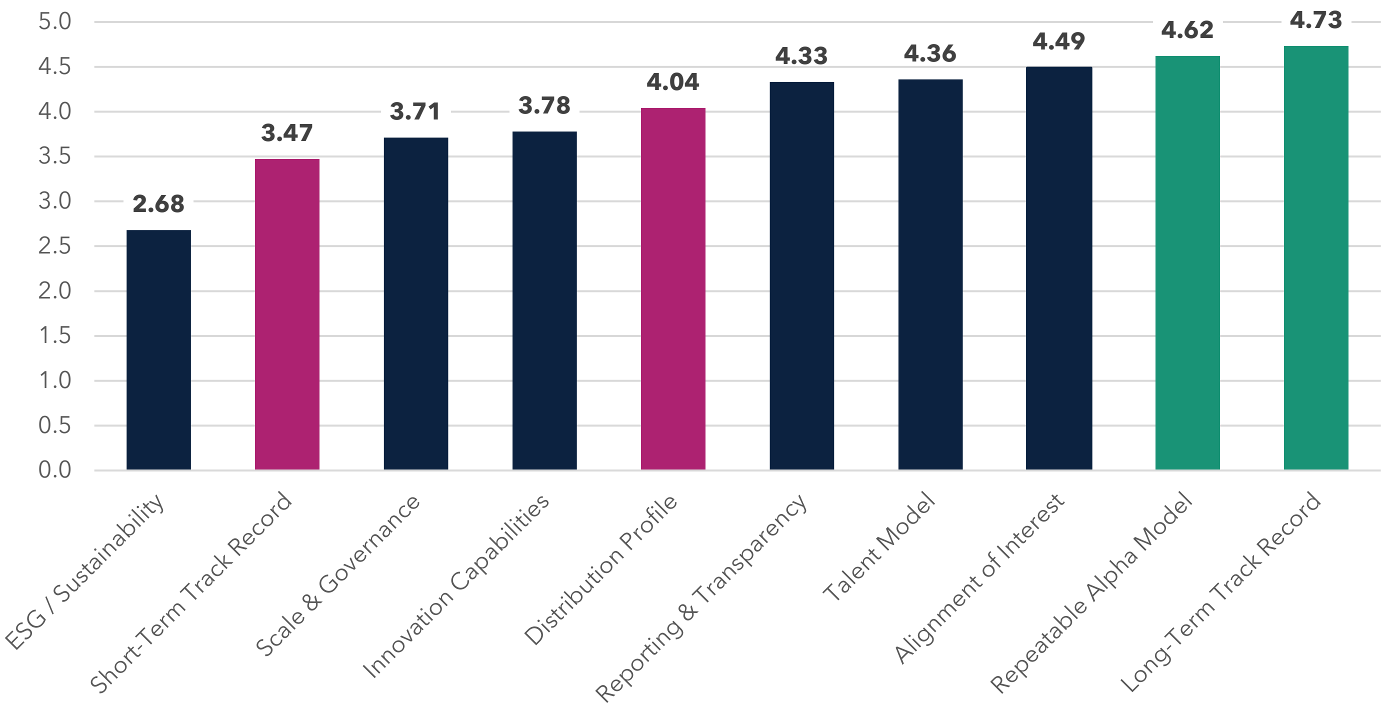
The results presented on this slide (%s and n counts) only include LPs who selected "Liquidity Mechanisms" as a top area of focus.

LPs Prioritize Long-Term Performance Over Short-Term Metrics When Evaluating Opportunities

LPs take exit strategy into consideration when evaluating opportunities, but with greater focus towards long-term, repeatable performance rather than on distributions or short-term performance. Across all respondents, GPs with evidenced **Long-Term Track Records** and **Repeatable Alpha Models** consistently outrank GPs with shorter evidenced **Short-Term Track Records** or **Distribution Profiles** (i.e., DPI) as factors when deciding whether to bring an opportunity before the Investment Committee.

Criteria Considered When Bringing an Opportunity Before the IC

n=96



"We are increasing our exposure to managers who have a longstanding and positive performance track record."

"Delivering sustainable, consistent, and high performance is most important…"

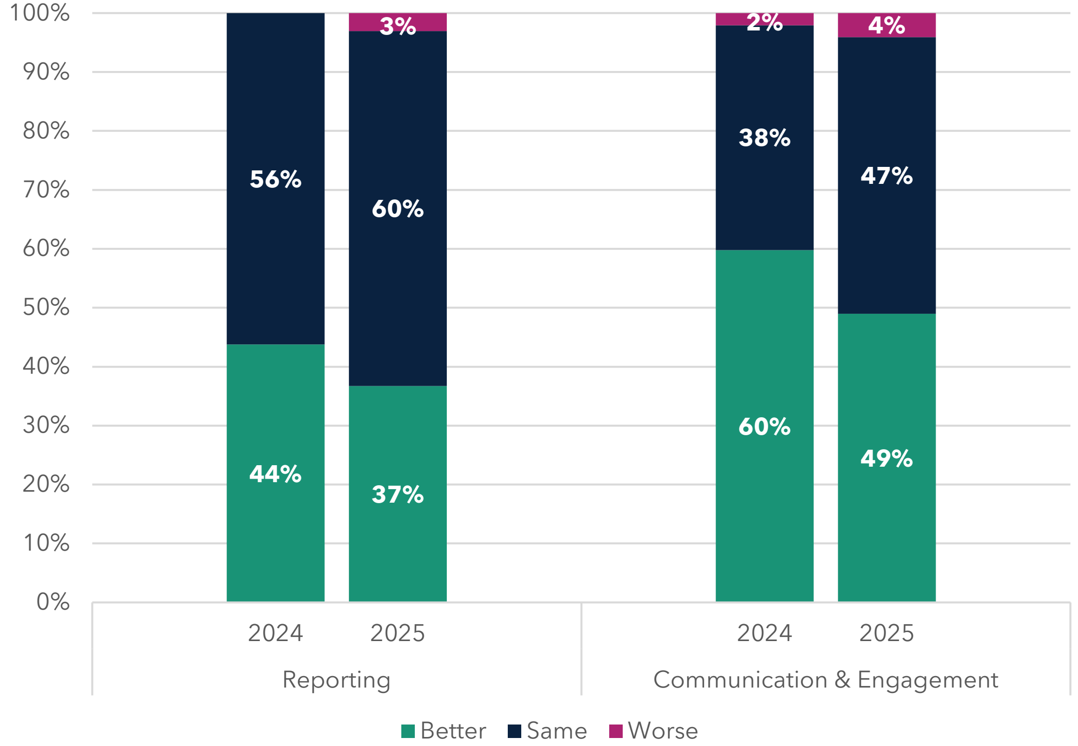
"History of CVs and conflicts is considered."

Reporting and Communication Still Has Room for Improvement

LPs also identified **Reporting** and **Communication & Engagement** as behaviors that experienced declines relative to 2024. When asked, **77%** of LPs called out **Portfolio Company Data** as an area needing further transparency. This highlights LPs' desire to understand the difficulties GPs are facing in the current exit environment before any continuation vehicle process kicks off.

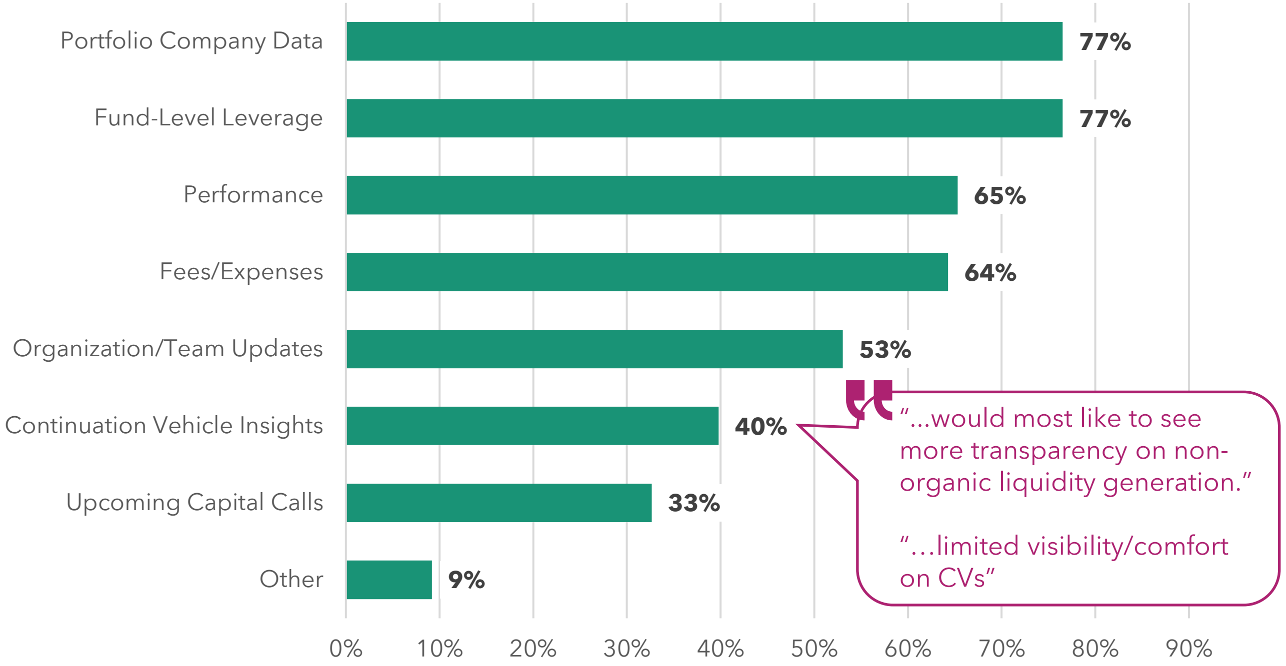
Observed Shifts in GP Behavior in 2024 and 2025

n = 98 (2025) n = 104 (2024)



Most Sought-After Information by LPs

n=98



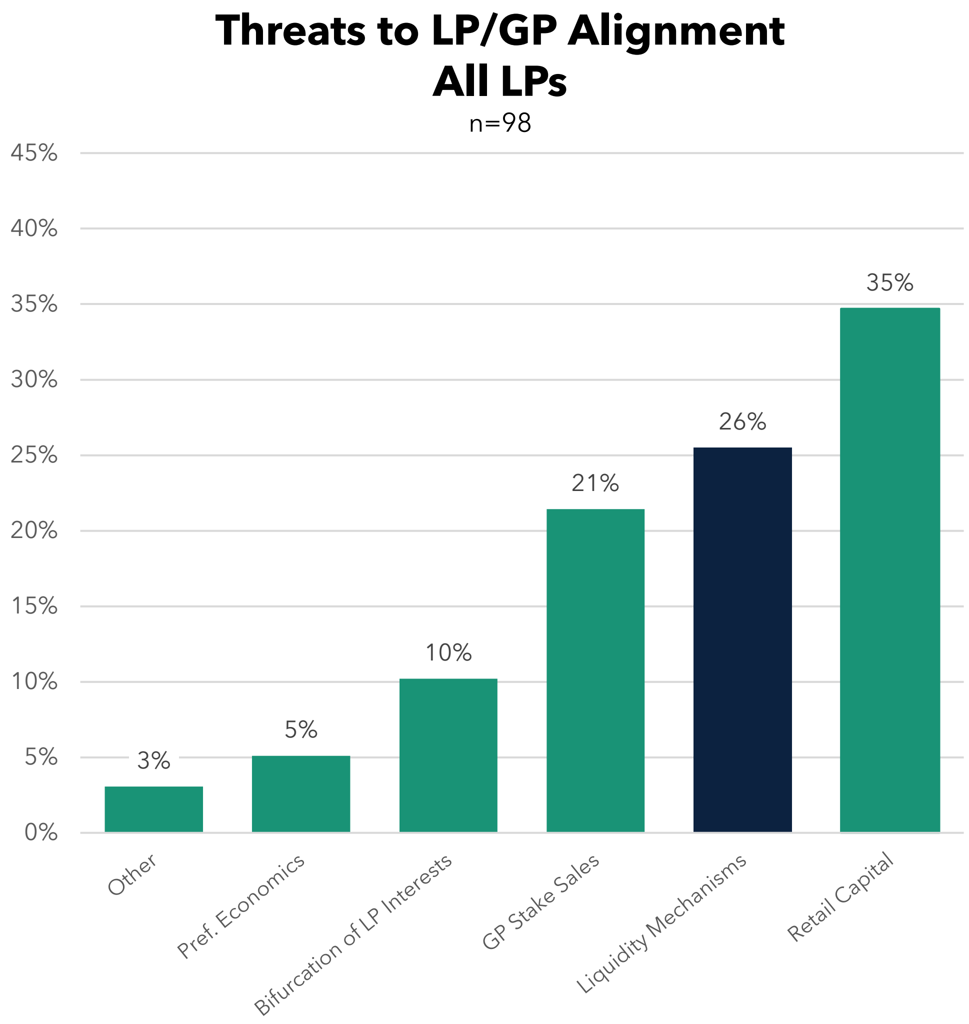
Continuation Vehicles are a Leading Driver of LP/GP Misalignment

In reviewing LP sentiment across these points, a clear picture emerges of why LPs ranked liquidity mechanisms as the second greatest threat to LP/GP alignment, behind only retail capital (see Retail Capital Focused release for more details).

Notably, this perspective stands in stark contrast to the findings presented in the *Bain Global Private Equity Report 2026*, which highlights that 53% of GPs say they use CVs "mainly to provide DPI to existing LPs".

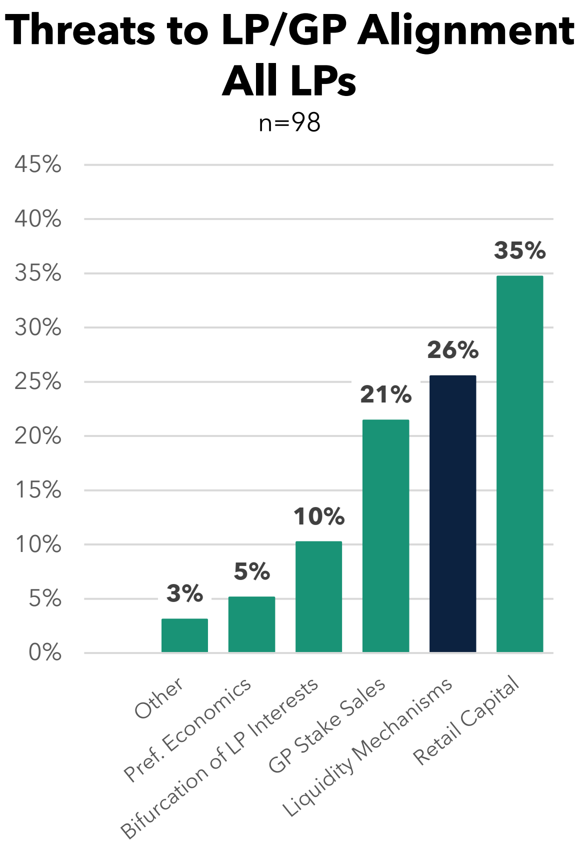
This divergence between GPs' and LPs' views on the reasons to use CVs is a persistent source of misalignment. The oft-cited sell/roll ratio (ranging from 80/20 to 90/10) is frequently misunderstood. LPs selling at such high rates signal a process failure, not an overarching preference for liquidity.

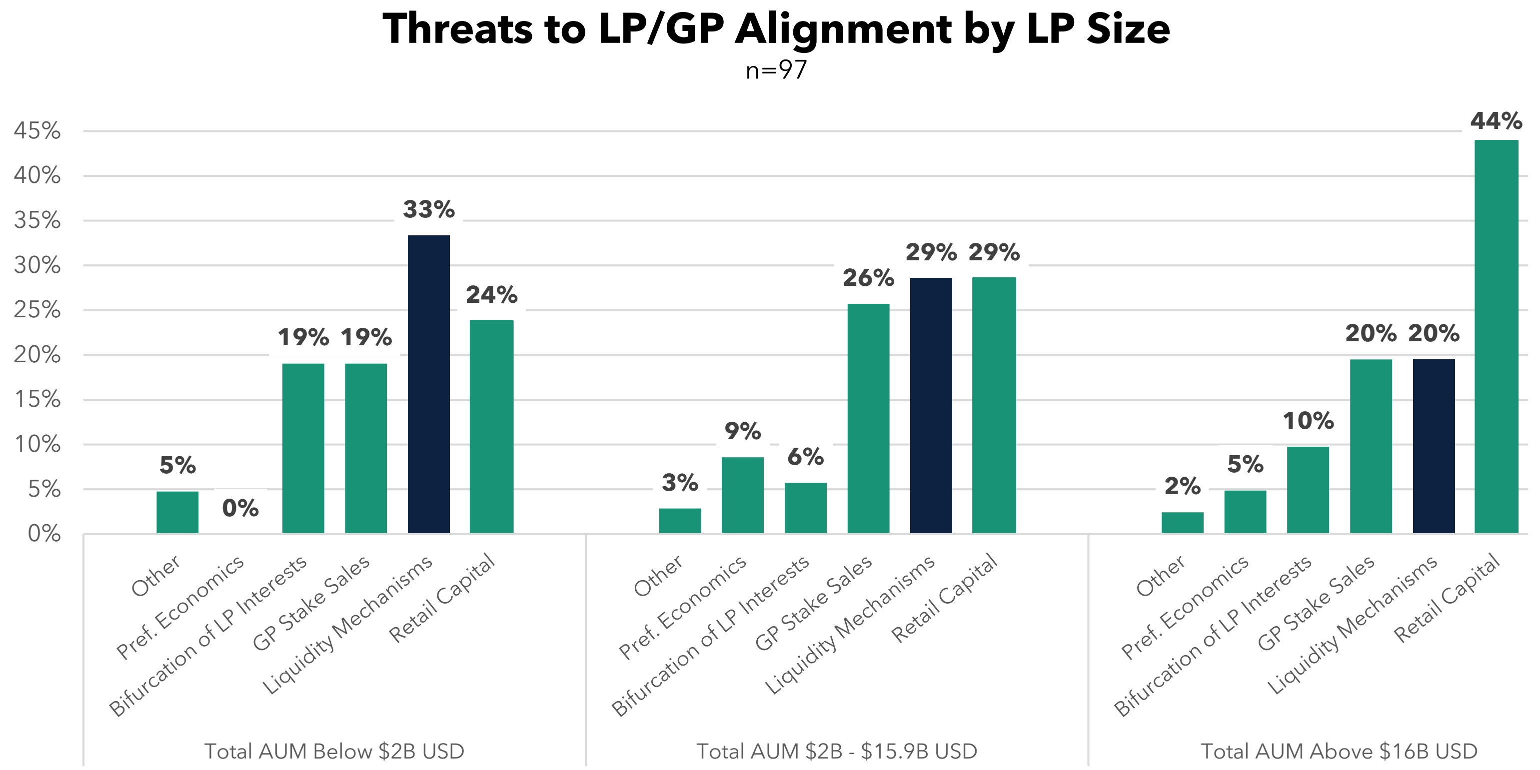
LPs prefer "traditional" exits and long-term returns. While decisions are multi-factorial and some CV sell decisions are driven by liquidity needs and low conviction in the GP/asset(s), the heavy tilt towards sell is more clearly driven by inherent conflicts, weak commercial rationale for the CV, limited transparency into pricing, overuse of the tool, and a lack of process integrity that does not allow LPs to be truly informed participants in these transactions.



LPs View the Use of Financial Engineering as a Threat to Alignment

26% of LPs selected **liquidity mechanisms** as the **greatest threat to the alignment of interests** between GPs and institutional LPs. **Smaller LPs** especially selected liquidity mechanisms as the most prominent threat.



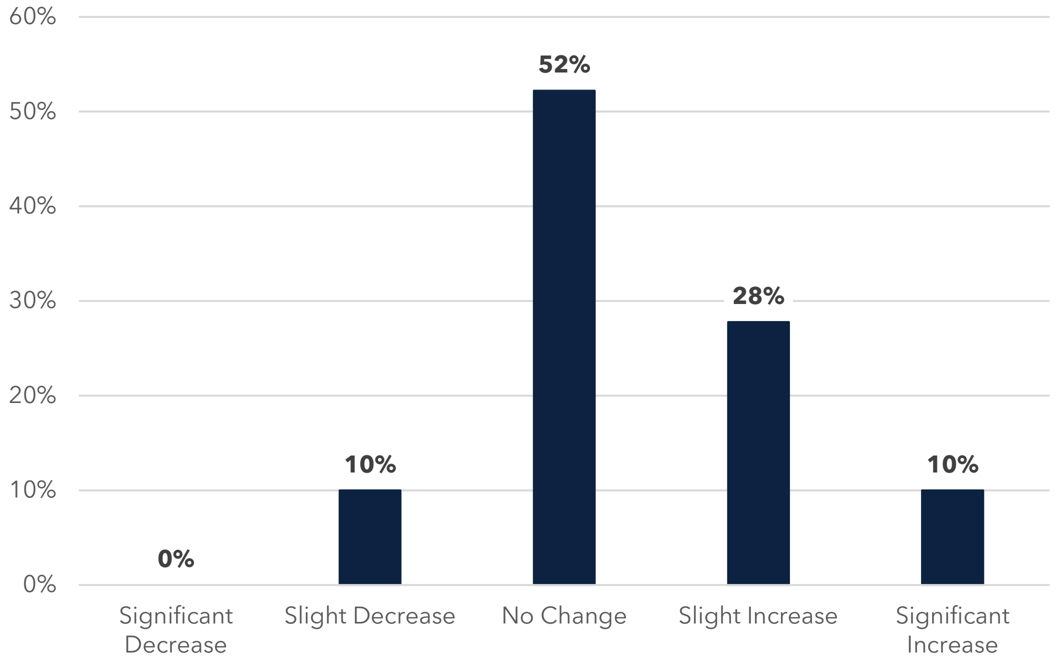


Exit Environment is Unlikely to Cause a Reduction in Allocation to PE

Despite the current challenging environment, confidence in private equity remains strong across respondents. Only **15%** of LPs intend to decrease their commitment size per fund, only **16%** of LPs intend to reduce the number of managers in their portfolio, and only **10%** of LPs are expecting to trim their overall private equity allocation.

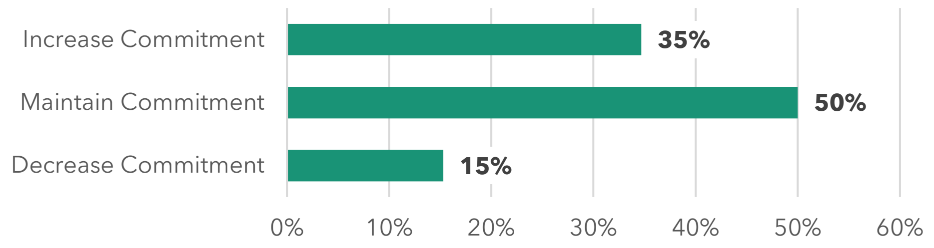
Expected Change to Total PE Allocation

n=90*



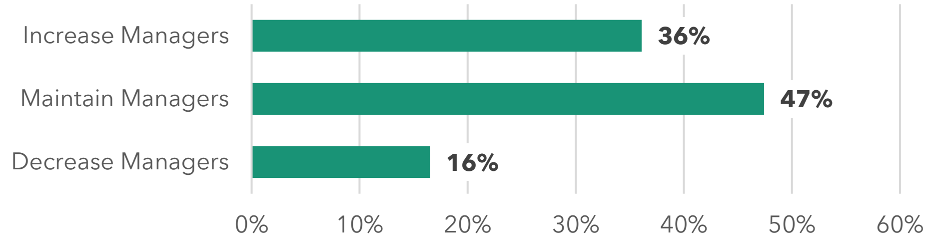
Expected Change to Commitment Sizes

n=98



Expected Change to Manager Relationships

n=97



*For smoothing, excluded 7 respondents who reported being 100% allocated to PE

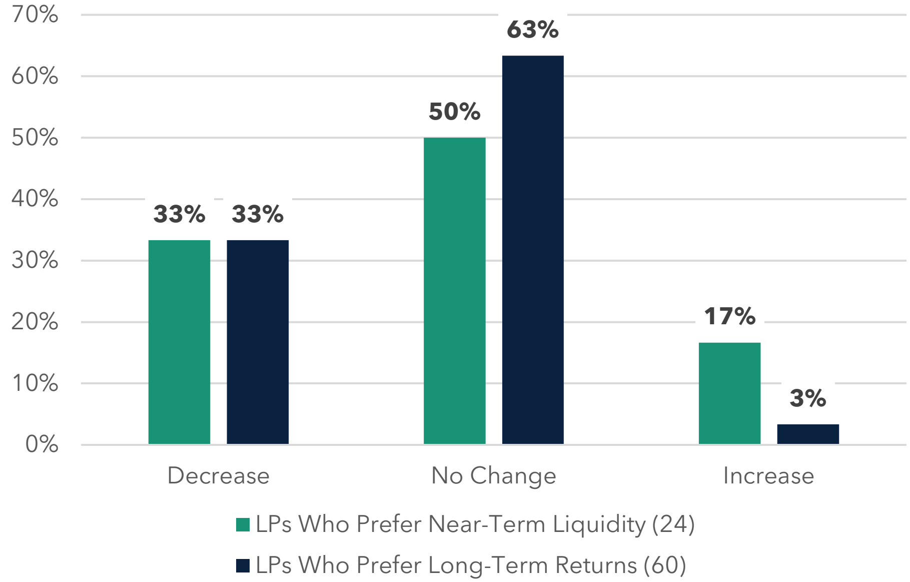
LPs Favor Patient Exit Strategies Despite More Pessimistic Return Outlook

LPs are broadly pessimistic regarding performance expectations. **33%** anticipate a decrease in returns over the next five years. LPs who prefer Long-Term Returns are also less likely to anticipate an increase.

58% of LPs who prefer long-term returns prefer **Conventional Exits** (below marks if necessary) or for GPs to **hold investments** until the exit environment improves, indicating LP awareness of the drivers of returns.

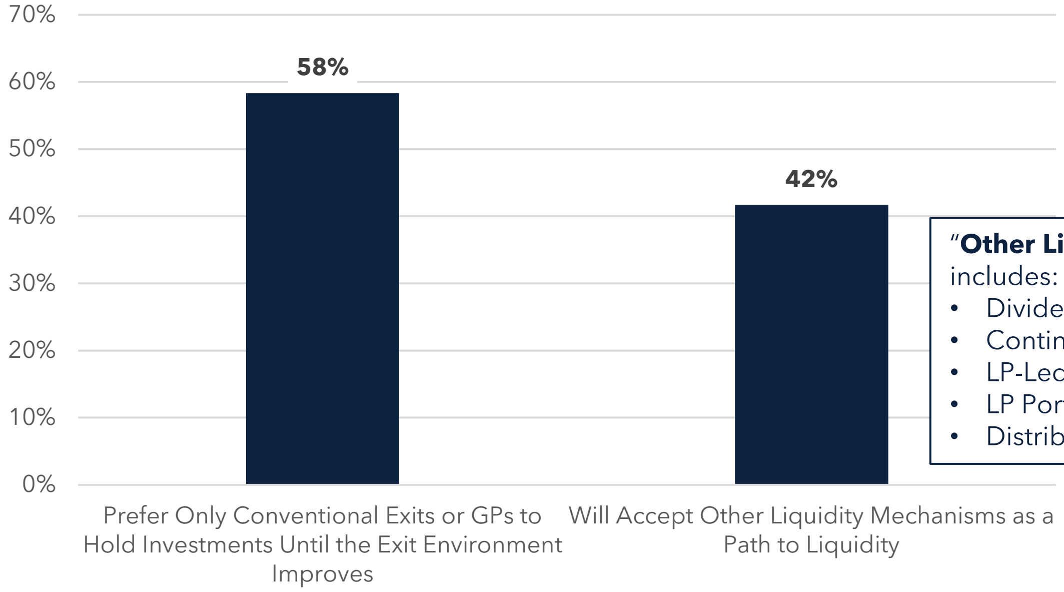
Return Expectations Over the Next Five Years

n=84



Preferred Path to Liquidity

n=60*



"**Other Liquidity Mechanisms**" includes:

- Dividend Recaps
- Continuation Vehicles
- LP-Led Secondaries
- LP Portfolio Solutions
- Distributions via NAV Facilities

*The results presented above (%s and n counts) do not include LPs who preferred "Near-Term Liquidity" over "Long-Term Performance"

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