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2026 Mid-Year Private Markets Outlook

Idiosyncronicity Decoded

The market is synchronous in cause. Idiosyncratic in consequence.

Executive Summary

How We Approached This Outlook

This year's Mid-Year Outlook is organized differently than in years past. Rather than moving asset class by asset class, we begin with the single idea that we see connecting everything — a market where causes are increasingly synchronized but consequences are increasingly idiosyncratic. From there, we examine how that dynamic is playing out across seven themes spanning venture, growth equity, buyout, private credit, infrastructure, and secondaries. Each theme follows the same structure: a short summary, the trends we see driving it, and our forward view. We have selectively added charts and graphs within the main narrative but for those who are number junkies, please turn to the Chart Pack in the back. Readers short on time can turn directly to the theme most relevant to their portfolio; readers looking for the full picture should start with the executive summary below.

Macro Forces are Increasingly Connected. The Consequences are Not.

We kept coming back to the same problem as we prepared this Outlook: no single word adequately described the environment we were trying to explain.

The defining feature of today's market is that macro forces including AI disruption, interest rates, geopolitical fragmentation, and pockets of credit stress are interacting in synchronized and mutually reinforcing ways.

A war in the Middle East puts pressure on interest rates; higher-for-longer rates amplify the AI disruption that was already taking place in the leveraged buyout software market; pressure on software buyout portfolios can spill into private credit; and concerns around private credit contagion contribute to redemption activity that tests liquidity mechanisms in evergreen structures. These are not isolated developments; they are components of a single, interconnected system influencing private markets both simultaneously and sequentially.

Yet while the causes are increasingly synchronized, the consequences are highly idiosyncratic. Not all software companies are affected by AI in the same way. Not all private credit portfolios are under pressure. Not all evergreen funds are gated. Outcomes depend on the sectors a portfolio owns, the valuation paid at entry, the capital structure supporting the investment, and the ability of the investor to see through the headlines to know where the truth lies. As a result, the severity, timing, and nature of the impact can vary dramatically across assets, managers, and strategies. In today's market, everything is connected, but very little is equally consequential.

The market is synchronous in cause. Idiosyncratic in consequence. There is no word for that. So we made one — idiosyncronicity.

Understanding private markets in 2026 requires holding both truths simultaneously. This is Idiosyncronicity Decoded.

Dictionary

Idiosyncratic
\i·di·o·syn·crat·ic\ *adj.*
An unusual, peculiar, or highly individual habit, mannerism, or feature characteristic of a specific person or thing. It refers to distinct, "one's own" behaviors or traits, often highlighting strange, eccentric, or unexpected qualities.

Synchronicity
\syn·chro·nic·i·ty\ *n.*
The coincidental occurrence of events, particularly psychic and external events, that seem related but are not explained by conventional causality.

Idiosyncronicity
\i·di·o·syn·cro·nic·i·ty\ *n.*
The condition in which systemic shocks—rising rates, geopolitical rupture, technological disruption, liquidity contraction—arrive in lockstep across markets, while their consequences fracture along the fault lines of individual businesses: capital structures, business model resilience, and operational adaptability. A market environment defined simultaneously by synchronized cause and idiosyncratic effect.

"In an era of idiosyncronicity, the macro sets the storm; the balance sheet determines who drowns."

We see two distinct but intersecting forces fostering this environment of idiosyncronicity:

1. External, Structural Shifts

A world fragmenting geopolitically from the integrated, unipolar post–Cold War order toward a multipolar landscape of competing blocs, sovereign industrial policy, and jurisdiction-specific risk.

2. An Asset Class Reset

A post-2021 reckoning with leverage, valuation, and the limits of financial engineering, now resolving into a market that rewards genuine operational capability and punishes its absence.

Together, these forces are reshaping which assets create value, which exit opportunities are available, and how portfolios are being built for the decade ahead. We see these changes playing out across seven themes spanning private market asset classes and geographies. Our Outlook dives into each of them.

7 Themes
Shaping Private Markets in 2026

1. **AI as an Asset Class** — Is AI the new asset class consuming all others? AI is best understood not as a technology trend but as a broad investment ecosystem spanning innovation, infrastructure, and industrial capacity.

2. **IPOs** — Will the health of the IPO market be determined by three companies valued at more than a trillion, or thirty valued at more than $1 billion?

3. **Performance & Value Creation** — What separates managers who own companies from those who build them? Public equity has outperformed private markets in the short term, largely on the back of Magnificent 7 concentration. Mean-reversion logic favors privates going forward, but only if GPs have actually made the shift to operational value creation.

4. **Liquidity & Distributions** — If you are not a market-leading company, is the exit window really open? Exit activity has recovered in absolute terms, but distribution ratios remain suppressed because NAV has grown so much since 2021. The exits that are happening are concentrated, with a handful of landmark deals masking thin volume beneath.

5. **Secondaries** — Has the secondary market become private markets' pressure release valve? The secondary market has matured into a core portfolio-management tool, with LP-led sales and GP-led continuation vehicles expanding across buyout, venture, private credit, and infrastructure.

6. **Evergreen Funds** — What do evergreen funds deliver, and what do they not? Capital flowing into evergreen structures brings operational simplicity and immediate diversification, but it does not change the liquidity of the underlying illiquid assets. The Q1 2026 redemption story clarified a misunderstanding the industry must address honestly.

7. **Market Share Shift** — Is the center of gravity in private markets shifting? Capital is flowing away from buyout and venture toward secondaries, private credit, infrastructure, and evergreen structures. 2025 was the year this became the majority, not a trend.

Before we dig into the themes, let's touch on the macro context that connects them all.

State of the Market: The Handoff from Macro to Micro

Graphics for illustrative purposes only. *Source: Chicago Board Options Exchange, CBOE Volatility Index: VIX [VIXCLS], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/VIXCLS, April 28, 2026. VIX measures market expectation of near term volatility conveyed by stock index option prices. Copyright, 2016, Chicago Board Options Exchange, Inc. Reprinted with permission.

2025 was dominated by the macro. Interest rates, inflation, tariff policy, AI, and sovereignty competed for attention throughout the year. As 2026 opened, stability appeared to be increasing, and the sense was that we had navigated the macro. Inflation was down from its peak, rates were expected to fall, and investors could finally return to fundamentals and the micro: revenue quality, balance sheet discipline, and other factors investors have more control over.

Then January turned to February, and it became clear the macro never left. Geopolitical conflict, sovereignty concerns, inflation, and interest rates were all loudly back on the table. Consider everything that occurred in the shortest month of the year:

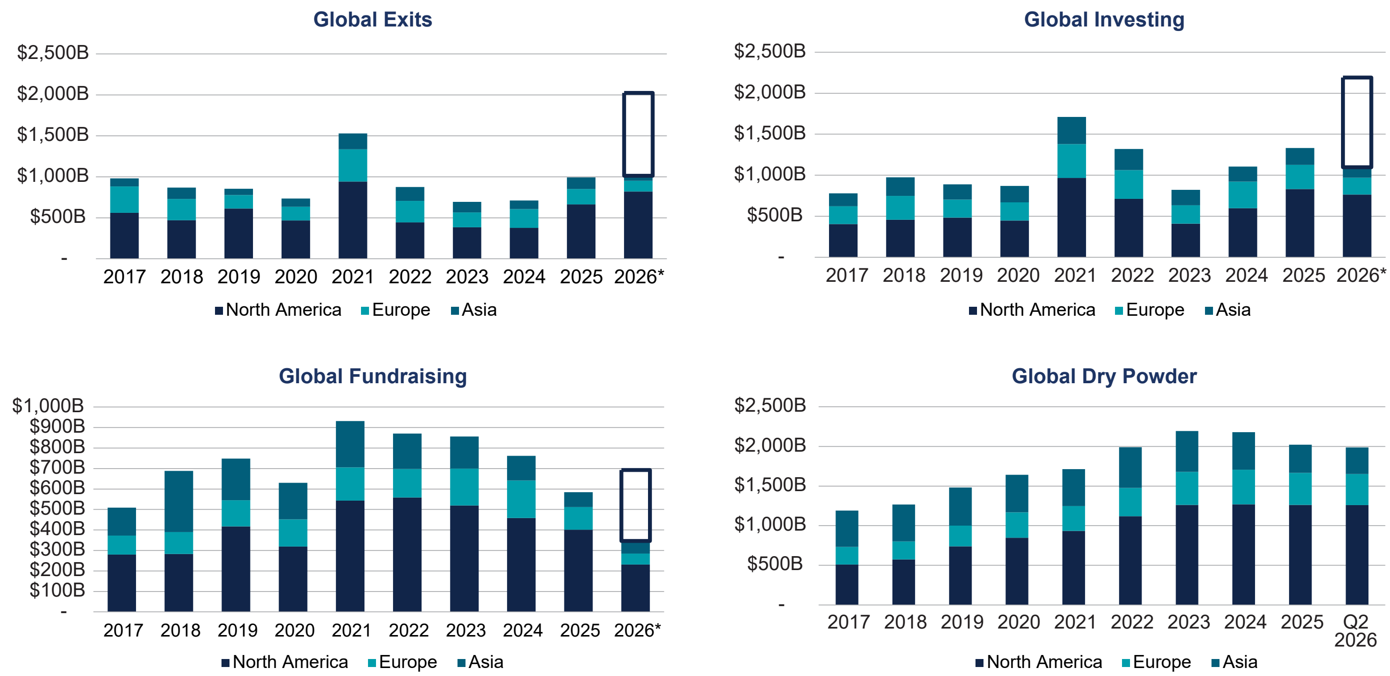
Early February	Mid-February	End of February
The Anthropic-induced SaaS-apocalypse immediately raised questions about the future of SaaS in the age of AI.	Gates went up on multiple private credit evergreen funds, generating headlines about whether this was private credit contagion or a signal of a structural liquidity mismatch the industry had been too slow to address honestly.	The war with Iran created an immediate macro overhang on energy prices, inflation expectations, and the acceptance that rates will remain higher for longer.

The handoff from macro to micro is never clean, and these three events, in the span of a single month, made that abundantly clear.

Private Markets Health Markers: A Positive Reading

Figure 1

Global Private Equity Indicators



North America includes the United States and Canada.
Global Exits, Global Investing, and Global Fundraising Source: PitchBook, as of June 30, 2026. Data includes venture, buyout, and growth. 2026 data is forecasted for the full year.
Global Dry Powder Source: Preqin, as of June 30, 2026.

Beneath the headlines, the fundamental health markers for private markets point to recovery, not distress. Private markets, like all markets, move in cycles, and the data suggests the current cycle bottomed in 2024. Over the past 18–24 months, the trend in both investment activity and exit activity has been upward.

One fact is often overlooked: when measured against 2021, 2025 looks like a recovery. Excluding 2021, however, 2025 actually saw record investment and exit activity. Momentum was so strong in the second half of 2025 and coming into 2026, that if 1H 2026's pace continued through the year, 2026 would be a record year including 2021. While market volatility has since tempered that trajectory, it underscores the strength of the recovery and the momentum the market carried into this year.

One notable exception to the recovery narrative is fundraising, which remains at cyclically low levels compared with the prior decade. 1H 2026 data came in strong, but whether that momentum carries through the second half remains to be seen.

Dry powder is the fourth indicator we track. It has been declining for two consecutive years, meaning capital is being deployed rather than accumulated — a sign the market is working through an inventory correction after the 2021 overhang.

The Second Order of Idiosyncronicity

In a world this unclear, increased dispersion is inevitable. Outcomes will be driven by informed portfolio construction, thoughtful diversification, asset-level decision-making, and a trusted set of hands.

The investors rewarded in this environment will not be the ones who called the macro correctly because macro forecasting in a world of idiosyncronicity is a low-yield exercise. They will be the ones who built portfolios diversified enough to absorb synchronized shocks, underwrote at the asset level with enough precision to distinguish the haves from the have-nots within a category, and partnered with managers who have the operational depth to build value when financial engineering no longer does it for them.

It also means that investor outcomes may look increasingly different from traditional benchmarks, and from their neighbors. Performance will be driven by what assets a portfolio owns, the valuations paid, the capital structures employed, and, ultimately, the ability to access market-leading companies and managers.

Now let's dig into the seven themes shaping 2026 so far.

THEME 1

AI as an Asset Class

Is AI the New Asset Class Consuming All Others?

AI Decoded

AI is no longer just a technology story, but increasingly a sovereignty story as well. As AI cuts across asset classes and reshapes industries and economies, we expect dispersion across companies, sectors, and asset classes to widen, creating both opportunity and risk for investors able to distinguish between the assets being disrupted and those positioned to benefit.

Although AI has been a topic of industry conversation for nearly a decade, it has rapidly gone from science fiction to industry vertical to asset class. Today, AI spans venture capital, buyout, private credit, infrastructure, and public equities, making it one of the few forces reshaping virtually every major asset class simultaneously. At the same time, AI is becoming a geopolitical asset. We previously outlined a shift from global convergence (“Pangea”) toward fragmentation (“Antipode”), where sovereignty increasingly outweighs efficiency and is no longer defined solely by physical borders, but is also moving into the digital world. Nowhere is this more visible than in AI, where the United States and China are building parallel ecosystems across semiconductors, data, and models, making energy security, semiconductor manufacturing, and digital infrastructure matters of national competitiveness, not just economic assets.

Below are the key trends we see making up this theme.

1. Venture Is Increasingly Funding the Innovation Layer
The venture market has increasingly become the primary channel through which investors gain exposure to AI innovation. AI venture funding reached $355.9 billion in 1H 2026, 86% of all venture dollars deployed, with megadeals greater than $50 million accounting for over 90% of capital deployed[1], most of it concentrated in AI leaders such as OpenAI, Anthropic, and xAI. Valuation expansion has followed, with median pre-money valuations more than doubling year-over-year and growth-stage companies experiencing some of the strongest upward revaluations seen in the last decade.

The opportunity set, however, extends beyond foundation models:

Where We See Opportunity Going Forward

Artificial Intelligence	Cybersecurity
AI presents compelling investment opportunities across all three layers of the stack: vertical applications powering agentic workflows that deliver measurable value directly to end users, the tooling and platforms enabling reliable enterprise adoption, and the compute infrastructure addressing fundamental constraints on AI scale.	As AI increases security risks, demand is growing for solutions that protect AI systems, cloud infrastructure, and corporate data.
Deep Tech & Robotics	**Drug Discovery & Biotech**
AI is transforming physical workflows across manufacturing, logistics, and industrial operations.	AI is helping accelerate drug discovery by improving efficiency, reducing costs, and shortening development timelines.

2. China Solidifies Its Place as the Second AI Ecosystem

No discussion of AI is complete without addressing China, whose ecosystem has matured well beyond large language models into semiconductors, enterprise software, industrial AI, and robotics. The most compelling opportunities there may emerge not in model development itself, but in commercially focused AI applications solving productivity and industrial-efficiency challenges.

China's AI story is not a monolith, though, and it is not without risk. As the DeepSeek and Meta/Manus examples illustrate, sovereignty dynamics cut in multiple directions. But we believe for investors with the right access and framework, the opportunity set is broad, the demand is structural, and the innovation cycle is moving fast. Ignoring it entirely is itself a portfolio risk.

3. Private Credit and Infrastructure Are Critical Enablers of the Physical Layer

What began as a software innovation cycle is rapidly becoming one of the largest physical infrastructure buildouts in recent history. As AI adoption accelerates, the key constraint for companies looking to scale is no longer talent or data, but access to power, compute, and the infrastructure required to deploy them at scale.

In the United States, AI-driven demand is expected to drive the strongest growth in power consumption seen in more than a decade.

Global energy infrastructure is expected to require an estimated $23 trillion of investment through 2040.[2]

While venture capital finances AI innovation, infrastructure and private credit finance the power plants, data centers, industrial capacity, and enabling infrastructure that bring it to market. Private credit has increasingly filled a gap, providing construction loans, infrastructure financing, and structured capital at a speed and scale traditional lenders often cannot match. Recent examples include Blue Owl and Meta's $27 billion financing of the Hyperion data center campus (the largest private credit deal ever) and the $40 billion investor-led acquisition and expansion of Aligned Data Centers (largest data center acquisition in history) to support growing AI compute demand.

Data center deals have dominated the headlines, but a more durable opportunity may lie one layer removed, in the enabling infrastructure that serves data centers regardless of which hyperscale customer wins. Examples include integrated power producers supporting grid reliability and the growing power needs of data center operators; fiber optic networks, particularly dark fiber solutions that enable high-capacity data center connectivity; and service providers and equipment suppliers serving utility, power, and data center customers, delivering everything from critical components to engineering and technical services. The picks-and-shovels logic applies here as much as anywhere: in a gold rush, the most reliable returns often come from those supplying the infrastructure of the rush itself. With valuations rising and speculative capital flowing into assets most directly tied to the AI boom, the best value and strongest downside protection may be found in these second-order business models, which are often more technology-agnostic and less dependent on meteoric growth to support their business plans.

At the same time, governments increasingly view energy security, semiconductor production, digital infrastructure, and critical supply chains as national priorities. Private capital is investing alongside sovereign industrial policy in sectors benefiting from subsidies, regulatory support, and strategic competitiveness initiatives.

The result is a powerful alignment between AI adoption, infrastructure investment, private credit financing, and sovereign priorities. This is a structural tailwind for infrastructure investing that was largely absent a decade ago.

4. AI Is Repricing Software Economics

While AI creates opportunity, it is also forcing investors to re-underwrite large portions of the existing software universe. Private equity spent 2015–2022 paying premium multiples for software under several assumptions: seat growth was expected to rise alongside employee growth, gross margins were assumed to remain structurally high, and recurring revenue was viewed as synonymous with durable value creation. Today, each of those assumptions is under pressure.

AI is creating two distinct cohorts that investors must evaluate differently: AI-native challengers building new markets and incumbent software companies attempting to defend existing ones.

Native Entrants	Incumbent Platforms
OpenAI ANTHROPIC CoreWeave databricks ANDURIL	Microsoft salesforce Adobe workday servicenow
Qualities • Built for AI-first workflows • Creating new categories • Capital intensive • Infrastructure dependent • Valuations assume future dominance	• Own distribution and customers • Embedded in enterprise workflows • Strong cash flows • Lower disruption risk today • Must defend existing economics

For illustrative purposes only. The General Partners and/or companies shown above are intended for illustrative purposes only. A reference to a specific General Partner and/or company does not constitute a recommendation to invest nor an indication that HarbourVest funds or accounts hold any specific General Partner and/or company. Companies discussed above represent many of the highest valued names in each category that HarbourVest believes are well known in the industry.

A key question moving forward: Will AI create new winners, strengthen incumbents, or shift economic value elsewhere in the stack? We can evaluate based on three variables:

Company Health = Business Model Resilience × Entry Valuation × Capital Structure

As AI lowers switching costs, automates functionality, and compresses differentiation across certain software categories, business model resilience has become increasingly important. Generally speaking, vertical software companies with proprietary data, embedded workflows, transaction-processing capabilities, and mission-critical functions are significantly more resilient to AI disruption because they are deeply integrated into operations and far harder to replace than less specialized horizontal software. Yet, business model durability is still only one dimension of the investment equation.

A durable business acquired at a reasonable valuation with conservative leverage remains attractive; a vulnerable business acquired at peak multiples with aggressive leverage may face substantial challenges. Valuation dispersion has already emerged in public markets with AI infrastructure, cybersecurity, and healthcare software commanding premium multiples, while commoditized horizontal software has compressed. Some software acquisitions from 2021–2023 relied on leverage that will require incremental equity as debt matures and refinancing tightens.

What we're watching: AI may be the most important investment theme of 2026, but it will not be a universal tailwind. In an increasingly idiosyncratic market, AI will reward precision and punish category-level thinking.

"AI is creating two very different underwriting problems: new entrants that may be indispensable but are consuming staggering amounts of capital, and incumbents that may look protected until AI starts attacking the economics they were built on. The winners will not be the companies with the best AI story. They will be the ones where AI actually captures the economics."

— Scott Voss, Managing Director, Senior Market Strategist

THEME 2

IPOs

Will the Health of the IPO Market Be Determined by 3 Companies Valued at More Than a Trillion, or 30 Valued at More Than $1 Billion?

IPOs Decoded

The IPO market is reopening, but not evenly. A small number of mega-scale companies are driving headlines and sentiment, while much of the broader market remains selective, creating a growing divide between category-defining assets and the rest of the IPO pipeline.

The IPO market in 2026 is defined by a paradox: headline activity has never looked stronger, yet broad-based market normalization remains elusive. SpaceX's June 2026 IPO became the largest in history, by both capital raised ($85.7 billion) and valuation ($1.7 trillion), while Medline Industries[3] and Verisure[4] became the largest private-equity-backed IPOs in U.S. and European history, respectively. Looking ahead, Anthropic and OpenAI represent the most anticipated IPO cohort since the dot-com era. Yet beneath these headline transactions, U.S. IPO volume outside a handful of standout companies remains muted and post-IPO performance has been mixed. And speaking of headlines, Asia deserves more attention than it is receiving.

1. The Mega vs. the Masses, and a Shift Toward Sovereignty-Driven Sectors
A handful of mega-venture companies are entering public markets at a scale with no historical precedent. SpaceX's IPO valuation was roughly 17 times the formerly largest U.S. IPO (Meta, 2012), and 3 times the formerly largest IPO capital raise (Saudi Aramco, 2019). As Figure 14 in our Chart Pack illustrates, global PE- and VC-backed IPOs raised approximately $104 billion across roughly 534 listings in all of 2025[5]; SpaceX alone has already raised more than $85 billion, and OpenAI[6] and Anthropic[7] are each reportedly pursuing IPO valuations approaching $1 trillion. Together, these three companies could raise more capital than the entire global PE- and VC-backed IPO market did in 2025.

These three potential successful IPOs represent more than a liquidity event; they are a referendum on private market valuations and the AI investment thesis. The downside scenario is equally significant. If these offerings disappoint, the consequences would extend well beyond the companies themselves, further delaying distributions, prolonging the liquidity drought that has tested LP patience since 2022, and raising difficult questions about valuations across the broader private AI ecosystem.

For LPs, this underscores the value of vintage-year diversification. While few companies will match the scale of SpaceX, OpenAI, or Anthropic, the next generation is already emerging across AI, robotics, defense, infrastructure, and drug discovery, seeding the next wave of private market value creation.

SpaceX, OpenAI, and Anthropic tell us what is possible. Stripe, Chime, Databricks, and Canva will tell us whether the exit market is actually back.

The Mega	The Masses
• SpaceX • OpenAI • Anthropic	• Stripe • Chime • Databricks • Canva
Signal: Validation	**Signal:** Breadth
1. Public market capacity 2. AI valuation durability 3. Liquidity creation	1. Valuation discipline 2. Investor appetite 3. Market accessibility

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The largest IPOs are also moving beyond consumer internet and SaaS, with capital shifting toward companies enabling the physical economy, including AI compute, power generation, industrial systems, healthcare logistics, and security infrastructure. At the same time, scaled, PE-backed businesses with predictable cash flows are gaining traction as public investors prioritize visibility and risk-mitigated earnings.

The Top 10 IPOs of the Last 18 Months – Broken Out by Theme[8]

The IPO market is reopening across multiple secular growth themes – not just AI, but also energy, healthcare, financial services, and consumer IP.

AI, Energy, and Critical Infrastructure	Essential Services and Resilience	Financial Services Modernization	Brands, Content, and Consumer Engagement
The infrastructure required to power modern economies—from AI compute and connectivity to energy generation and electrification.	*Mission-critical healthcare and security services benefiting from recurring demand and the need for greater resilience.*	*Expanding access to capital, credit, and financial services as wealth creation and financial systems evolve.*	*The enduring value of proprietary content, intellectual property, and engaged consumer communities.*
• SpaceX • Cerebras Systems • INNIO • Huadian New Energy • Fervo Energy	• Medline • Verisure	• SBI Shinsei Bank • Tata Capital	• Asmodee

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2. Post-IPO Performance Is Giving Mixed Signals

CoreWeave (NASDAQ: CRWV), Medline (NASDAQ: MDLN), Figma (NYSE: FIG), and Klarna (NYSE: KLAR) represent recent IPOs that fall into the "masses" category: the broader $1 billion to $30 billion cohort that provides the clearest read on IPO market health through issuance volume, capital raised, and post-listing performance.

Yet, we see some of these listings have traded below offer price within the first year, and the correlation between a first-day pop and twelve-month performance has weakened. This is evidence that public-market investors are pricing listings more carefully rather than momentum-chasing, particularly where AI may erode revenue durability. CoreWeave and Medline illustrate the winners: strong AI-infrastructure and healthcare demand, respectively. Figma and Klarna illustrate the laggards: sharp reversals on valuation, AI, and credit-risk concerns.

3. Asia's IPO Outperformance Stands Out

Amid all the discourse on mega-IPOs, some of the most impressive IPO activity of the past 18 months has unfolded quietly in Asia. This is not a broad reopening, but for high-quality technology, advanced manufacturing, and biotech assets, Asia's public markets have become a credible and increasingly attractive exit route.

Market	Scale & Momentum	Performance
Hong Kong[9]	$37–38B raised, 119 listings in 2025 (+218% YoY); 1H 2026: 87 listings, $27B raised (+98% YoY)	+61% average first-day return; AI and hard-tech names led
India[10]	PE/VC exits reached $32.9B in 2025, the second-highest on record	Domestic IPOs now core to the underwriting case, not a fallback
Japan[11]	Deep capital market ranking 3rd globally by market capitalization	KIOXIA (TSE: 285A.T) listed at ~$5B, appreciated 50x to become Japan's most valued company

For LPs, the takeaway is straightforward: Asia has meaningfully expanded the IPO toolkit at a moment when the U.S. window remains selectively open. While headlines often focus on U.S. AI champions, companies such as Moonshot AI, creator of Kimi foundation models and assistant products, illustrate how Asia is producing its own category leaders, reinforcing the region's importance as both a source of innovation and an increasingly viable exit market. Moonshot is among the AI companies to watch in Asia heading into the second half of the year, highlighting the depth of innovation emerging across the region.

What we're watching: The IPO market is open, but not democratically. It is open for scarcity, quality, strategic relevance, clean earnings visibility, and increasingly for the right geography. And there is another dynamic worth watching that the traditional IPO frame doesn't capture at all: the most mature private companies are no longer simply waiting for public markets to provide an exit. The reported Stripe-Advent bid for PayPal suggests that select venture-backed market leaders have accumulated enough scale and valuation credibility to pursue public assets themselves, inverting the conventional relationship between private and public markets entirely. Whether that bid ultimately closes or not, the strategic ambition it represents is its own signal. The line between private and public markets is blurring in both directions.

"The trillion-dollar IPOs will get the headlines, but the real market test is the pipeline behind them. If the next wave of scaled companies can price well, trade well, and sustain performance, the window is open. If they cannot, then we do not have an IPO recovery; we have a market willing to make exceptions for the exceptional."
— Carolina Espinal, Managing Director, Primary IC Chair

THEME 3

Performance & Value Creation

What Separates Managers Who Simply Own Companies From Those Who **Build** Them?

Performance Decoded

Over the past three years, public market performance has been largely concentrated in a handful of exceptional companies, while private markets have operated in a more challenging environment. This has masked an important shift: private market value creation is becoming increasingly idiosyncratic. As returns are driven more by operational value add, dispersion is likely to increase, elevating the importance of manager selection, asset-level underwriting, and access.

The performance conversation in private markets today can be broken down into two related, but different perspectives.

There's the well-known, short-term narrative in which public equities have outperformed. Then there's the structural argument about what drives private market returns over a full cycle, and whether those drivers have fundamentally changed.

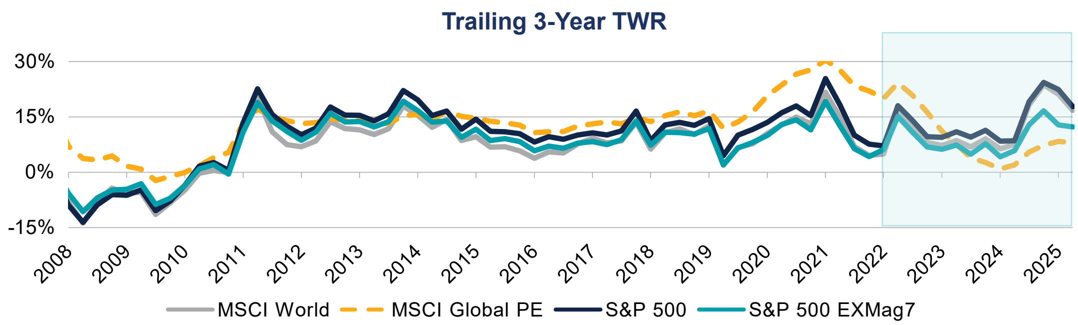
1. Public vs. Private: The Recent Gap and Mean Reversion Logic
Public equity gains over the past three years have been driven less by broad market participation than by concentration in a handful of mega-cap technology companies. The Magnificent 7 have at various points represented more than 30% of the MSCI USA by market capitalization and an even larger share of index returns.[12] Comparing that benchmark to a diversified private markets portfolio is effectively comparing diversified exposure to a concentrated technology bet. Private markets, meanwhile, faced both fundamental headwinds — higher financing costs and slower realizations — and an unusually demanding comparison set. Mean reversion is not a forecast, but as public market returns normalize and private markets work through the 2021-vintage overhang, today's performance gap may prove to be a moment in time.

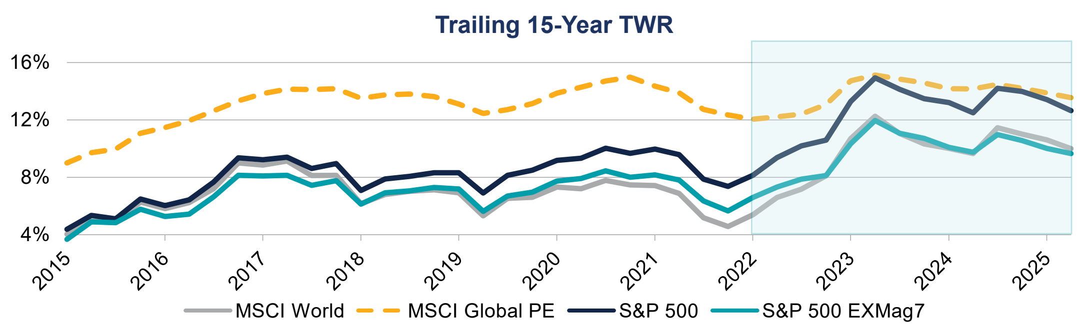
Private markets lagged in the short term but remain consistent over the long term, while publics are currently running above trend.

Figure 8: A Tale of Two Time Horizons

Private markets are below historical trends in the short term but remain aligned with long-term performance patterns, while public markets continue to outperform on both measures.

Historically, periods of performance divergence have not been permanent, creating a potentially favorable setup for private markets if returns normalize over time.





As of March 31, 2026.
Source: MSCI Private Capital Solutions, CapIQ, and Bloomberg. Statements concerning financial market trends are based on current market conditions, which will fluctuate.

While median private markets returns have faced near-term pressure, access to top-quartile managers has continued to generate meaningful outperformance. This reinforces our view that manager selection and asset selection remain critical drivers of long-term excess returns. Figure 9 in our Chart Pack illustrates this opportunity by comparing top-quartile private market returns with the MSCI All Country World Index public market equivalent[13], highlighting the significant performance advantage available through access to leading managers.

2. The Shift to Operational Value Creation

The period when private equity returns could be meaningfully enhanced through inexpensive leverage and multiple expansion has largely passed. An illustrative LBO bridge highlights the change: under 2016 market conditions, a company growing EBITDA at 5% annually could generate a 2.5x MOIC and ~20% IRR. Under today's higher-rate, higher-entry-multiple environment, the same operating performance produces only 1.7x MOIC and ~12% IRR. To achieve a 2.5x MOIC today, EBITDA growth would need to increase to 12% and margins would need to expand by roughly 760bps, underscoring how returns that were once driven by financial engineering must now be earned through operational value creation.

As a result, the ability to drive operational improvements is becoming increasingly concentrated among leading managers, further widening the gap between top-quartile and median performance.

Figure 15

The same operating performance no longer delivers the same outcome. Higher entry valuations, elevated financing costs, and lower leverage levels have raised the return hurdle, making operational execution a far more important driver of value creation.

Illustrative LBO Scenario	2016 Market Structure	2026 Market Structure	2026 Required to Hit 2.5x
Revenue CAGR	5%	5%	5%
Margin	20%	20%	27.6%
EBITDA CAGR	5%	5%	12%
Entry Equity Required	$1,000M	$1,800M	$1,800M
MOIC	2.5x	1.7x	2.5x
IRR	~20%	~12%	~20%

Sources: PitchBook; Bain analysis. Methodology: This model is an illustrative reconstruction based solely on Bain's published assumptions. Because Bain does not disclose the underlying model, some metrics are implied and/or derived. Bain assumptions: Illustrative US example; interest rates estimated using US large-corporate LBO yields (EBITDA of $50 million or more), at 6% for 2015 and 8% for 2025; leverage ratios defined as debt divided by enterprise value, estimated at ~50% for 2015 and ~36% for 2025; entry and exit multiples based on industry benchmarks for fully realized deals, estimated at 10.0x entry/12.5x exit for 2015 and 14.0x entry/15.0x exit for 2025.

3. What Operational Value Creation Actually Looks Like

The term gets used loosely. What separates managers who genuinely create value from those who describe it well is specific: dedicated operating resources deployed at the asset level, not a centralized "portfolio operations" team advising from headquarters; full-potential plans and measurable KPIs that exist before close; and the credibility of having done it repeatedly in the same sector.

Here are three examples:

MONTERRO

Monterro, a Nordic software specialist, has built a 35-person growth excellence and dedicated AI team that embeds AI and agentic capabilities directly into portfolio companies to accelerate growth by transforming local champions into pan-regional European leaders.

PACIFIC AVENUE CAPITAL

Pacific Avenue Capital, a leading US industrial specialist focused on complex carveouts, stands up acquired businesses as genuinely independent companies, installs professional management, and drives process improvement to expand EBITDA margins. This is the kind of operational heavy lifting that requires real expertise, not just capital.

Allegro

Allegro, an Australian mid-market specialist, deploys dedicated operating executives who often take on interim leadership roles at portfolio companies and execute defined company-building strategies to reposition assets and transform their operations.

For illustrative purposes only. The General Partners and/or companies shown above are intended for illustrative purposes only. A reference to a specific General Partner and/or company does not constitute a recommendation to invest nor an indication that HarbourVest funds or accounts hold any specific General Partner and/or company.

Europe as a Case Study in Operational Alpha[14]

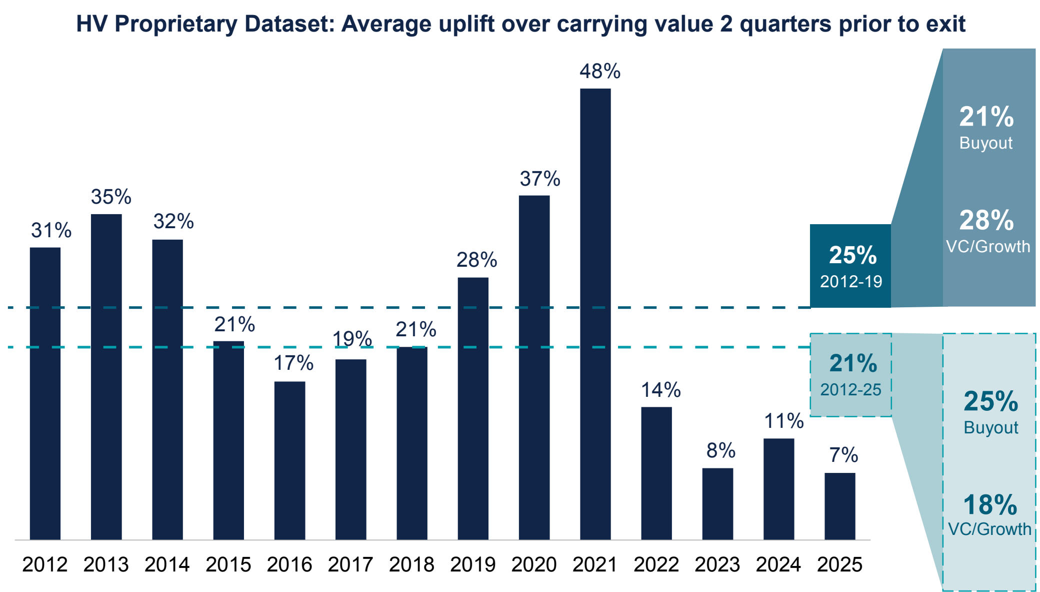
Deal activity held up in Q2 2026 in Europe even as it contracted sharply in the US, highlighting Europe as a relative bright spot. Europe offers a compelling example of how idiosyncratic outcomes are emerging across regions. While the same macro forces are pressuring private markets globally, Europe has shown relative resilience, supported by lower entry valuations, fragmented markets, and a larger opportunity set for operational improvement. The implication is not that Europe is immune to volatility, but that markets with greater inefficiencies may offer skilled managers more opportunities to create value through specialization, digital adoption, and operational execution.

4. The Access Premium

As exit multiples have compressed, average uplift at exit has fallen from a peak of 48% in 2021 to just 7% in 2025. Yet a select group of market-leading companies continues to achieve exit premiums at or above historical averages, suggesting value creation has not disappeared, but become increasingly concentrated. While buyout uplift has remained relatively resilient, increasing from 21% for exits between 2012-2019 to 25% for exits between 2012-2025, venture and growth uplift has declined from 28% to 18% over the same period.

Figure 10

Average exit uplift has compressed, but the best assets continue to realize significant premiums at exit. The challenge is identifying and gaining access to those assets.



As of December 31, 2025. Source: HarbourVest investment, monitoring, and due diligence activities. Not representative of any HarbourVest fund, account, and is not representative of any HarbourVest investment experience. Gross of management fees and carried interest. Includes primary and secondary holdings where HarbourVest held exposure to a deal during the last two quarters prior to an exit. Past performance is not a reliable indicator of future results.

In this environment, manager and asset selection is a prerequisite. Returns are increasingly determined by what you own, not simply where you are invested. This is one reason co-investments have become an increasingly important performance lever. Unlike blind-pool fund commitments, co-investments allow investors to underwrite individual companies and concentrate capital in opportunities where conviction is highest. As dispersion widens and AI reshapes competitive dynamics across industries, the ability to identify exceptional businesses, access top managers, and evaluate value creation at the asset level may prove to be one of the most important drivers of future performance.

HarbourVest's Quantitative Investment Science team has built proprietary investment-level benchmarks from over 65,000 transactions across 25+ vintages, bringing public market-style analytical rigor to private equity. We believe our data allows us to make more informed investment decisions in this increasingly complex environment.

Learn more about our benchmarks.

What we're watching: The tailwinds that lifted many assets over the last decade are fading. We expect operational execution, manager selection, and access to increasingly drive outcomes as return dispersion widens across private markets.

"Investors today are operating in a market where public equities have outperformed private assets in the short term, liquidity remains constrained, and past success – often driven by financial engineering – is less predictive of future returns. In this environment, skilled asset selection is no longer a competitive advantage, it is a requirement for generating excess returns."
— Greg Stento, Managing Director, Head of Investments

THEME 4

Liquidity & Distributions

If You Are Not a Market-Leading Company, Is the Exit Window Really Open?

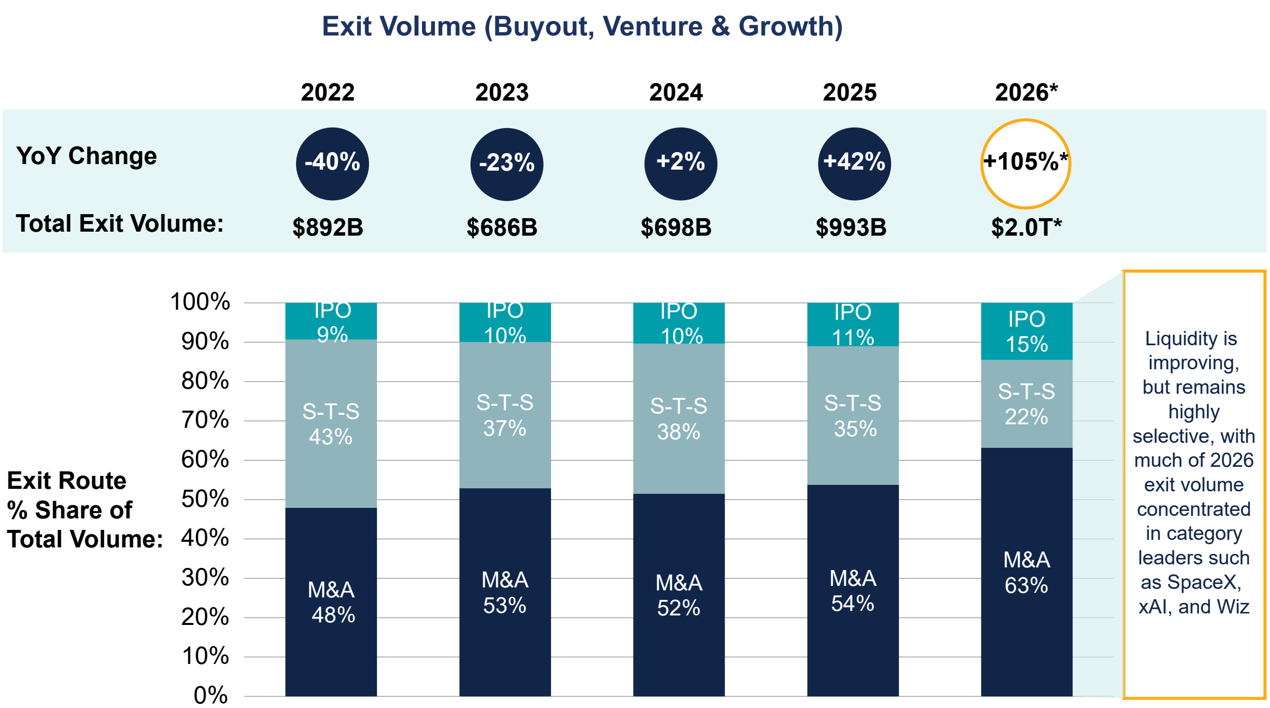
Liquidity Decoded

Liquidity is returning, but not evenly. Today's cash distributions are being driven by two distinct sources: a small number of market-defining, category-leading companies commanding exceptional exit values, and the lower end of the buyout market, where multiple exit pathways continue to support consistent realizations. The broad middle of the market remains constrained, making quality and exit flexibility the primary determinants of liquidity.

Exit activity rebounded significantly in 2025 and accelerated further in Q2 2026 to just over $1 trillion, fueled primarily by M&A. Additionally, IPO activity in 1H 2026 already exceeds full year 2025. This is a pace that, annualized, would suggest roughly $2 trillion for the year. The headline figures mask significant concentration, however: three transactions alone — SpaceX's IPO *and* acquisition of xAI, and Google's acquisition of Wiz — accounted for over one-third of exit activity in the first half of the year.

Figure 3

Global Private Equity Exits



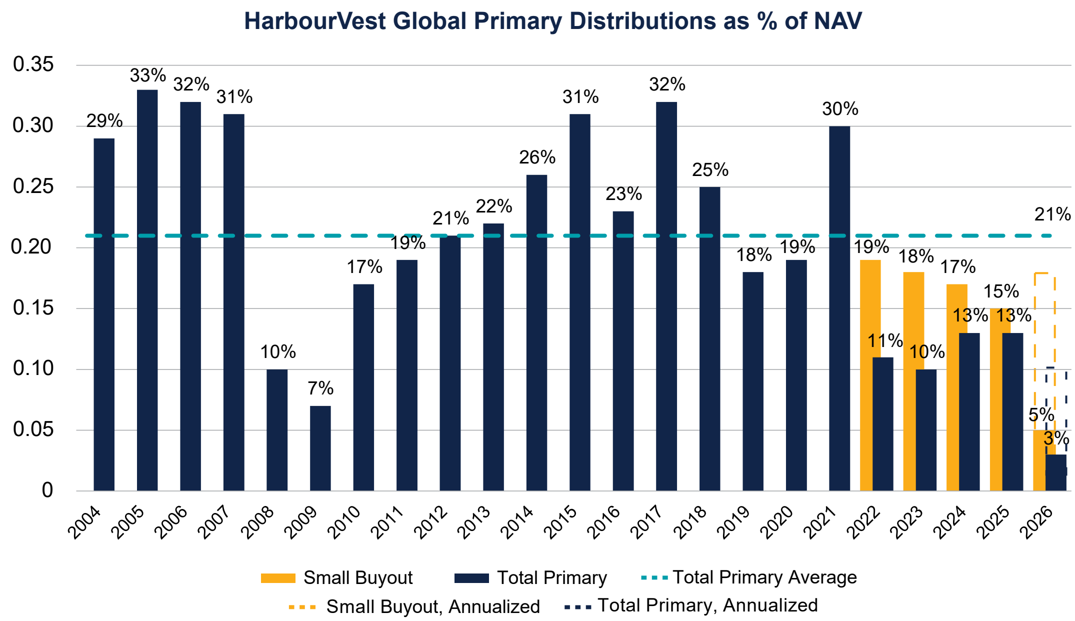
Source: PitchBook as of June 30, 2026. Note: Exit Route Data excludes “Other” which represents <5% across all time periods. *2026 Annualized projection as of Q2 2026. Statements concerning financial market trends are based on current market conditions, which will fluctuate.

Measured relative to the size of the industry, the recovery looks far less complete: distribution yields (the percentage of private market net asset value (NAV) converted into cash distributions each year) have been running at roughly half their historical average for four consecutive years. The industry has grown its asset base dramatically since 2021, but its ability to return capital to LPs has not kept pace, largely because many 2021-vintage investments still require additional growth before managers can realize acceptable returns, and higher financing costs continue to complicate price discovery except for the highest-quality assets.

Figure 5

Global distributions as a share of net asset value continue to lag historical average.

Among venture and buyout strategies, **small buyout** has remained one of the most consistent drivers of distributions, supporting liquidity even in a challenging exit environment.



Source: Aggregated portfolio holding calls, distributions and NAVs across the HarbourVest global primary portfolio (excl. SMAs) as of March 31, 2026. Small buyout includes the distributions as a percentage of the NAV of small buyout commitments. Past performance is not a reliable indicator of future results.

What is clear is that exit activity is concentrated in two places: at the very top of the quality spectrum and, as this chart highlights with the yellow bars, at the lower end of the size spectrum where exit optionality is greatest.

Two other metrics are worth examining in this environment:

- **DPI progression.** Funds raised between 2018 and 2021 are currently tracking roughly one year behind the DPI trajectories of comparable vintage funds from prior cycles at the same stage of their development (Figure 6, Chart Pack).[15] However, when isolating small buyout funds, the picture is notably more encouraging, with recent vintages tracking broadly in line with historical DPI patterns.

- **The ratio between capital calls and distributions.** A direct measure of whether private markets are acting as net consumers or net generators of cash for LPs. While the ratio remains above 1.0x, it has yet to return to the favorable conditions that characterized much of the 2011–2018 period[16], when distributions consistently and meaningfully exceeded capital calls across many private equity portfolios (Figure 7, Chart Pack).

1. Smaller Assets Remain Better Positioned

As the yellow bars in Figure 5 above illustrate, small buyout strategies continue to produce more consistent liquidity than large-cap peers, benefiting from a broader range of exit pathways, less leverage, and lower entry valuations. The traditional playbook of professionalizing founder-owned businesses and selling to strategics still works well here. 2025 did see improvement in large-cap exits (Medline, Verisure, Worldpay), but these remain exceptions rather than a fully reopened market.

2. Exits for A++ Assets See Success, in Any Market

Top 10 Private Markets Exits by Deal Size 2025 – 1H 2026

Companies	Deal Size ($M)	Post Valuation ($M)	Deal Type
xAI	250,000.00	250,000.00	Merger/Acquisition
SpaceX (NAS: SPCX)	86,250.00	1,776,491.80	IPO
Aligned Data Centers	40,000.00	40,000.00	Buyout/LBO
X (Social/Platform Software)	33,000.00	33,000.00	Merger/Acquisition
Wiz	32,000.00	32,000.00	Merger/Acquisition
Calpine	21,835.00	21,835.00	Merger/Acquisition
Hologic	20,503.00	20,503.00	Buyout/LBO
Groq	20,000.00	20,000.00	Merger/Acquisition
Worldpay	16,977.80	16,977.80	Merger/Acquisition
IFS World Operations	16,318.86	2,705.24	Sponsor-to-Sponsor

Source: PitchBook, as of July 29, 2026.

At the upper end of the market, a series of landmark transactions reinforces a clear theme: truly exceptional businesses can achieve successful exits regardless of broader market conditions. SpaceX exemplifies the concentration shaping today's market: its $250 billion acquisition of xAI, record-setting $1.7 trillion IPO, and subsequently announced $60 billion acquisition of Cursor collectively represent three of the largest venture-backed transactions ever completed. Google's acquisition of Wiz for $32 billion (Google's largest acquisition ever) sits at the convergence of AI, cloud computing, and cybersecurity. Worldpay and Aligned Data Centers show the same pattern on the buyout side: category-leading companies continue to attract significant buyer interest despite macro uncertainty.

What we're watching: Liquidity is likely to become less constrained, but not less selective. As the 2021 vintage matures, we expect dispersion in exit outcomes to remain high, with category leaders continuing to command a disproportionate share of liquidity.

"LPs are rightly asking when the exit window will reopen. In our view, it has reopened, but only for high-quality assets. The market is telling us which companies it wants to buy and leaving all other companies with fewer and less desirable liquidity options."
— Ian Lane, Managing Director, Direct Co-Investment IC Chair

THEME 5

Secondaries

Has the Secondary Market Become Private Markets' Pressure Release Valve?

Secondaries Decoded

Secondaries are no longer a niche liquidity solution. They have become a permanent and increasingly important portfolio management tool, providing liquidity, price discovery, and portfolio construction flexibility across private equity, infrastructure, private credit, and venture. More broadly, private markets are increasingly developing many of the mechanisms long associated with public markets. Secondaries are at the center of this evolution, helping make private markets more transparent, flexible, and efficient. Success is increasingly driven by underwriting asset quality and transaction structure rather than simply purchasing assets at a discount.

Secondaries: No Longer Niche

$225B+ in transaction volume in 2025.	Infrastructure secondaries:	Private credit secondaries:
1H 2026 transaction volume reached $120B, outpacing 1H 2025[17]	$13B → $20B (2021–2025)[18]	$4B → $20B (2021–2025)[19]

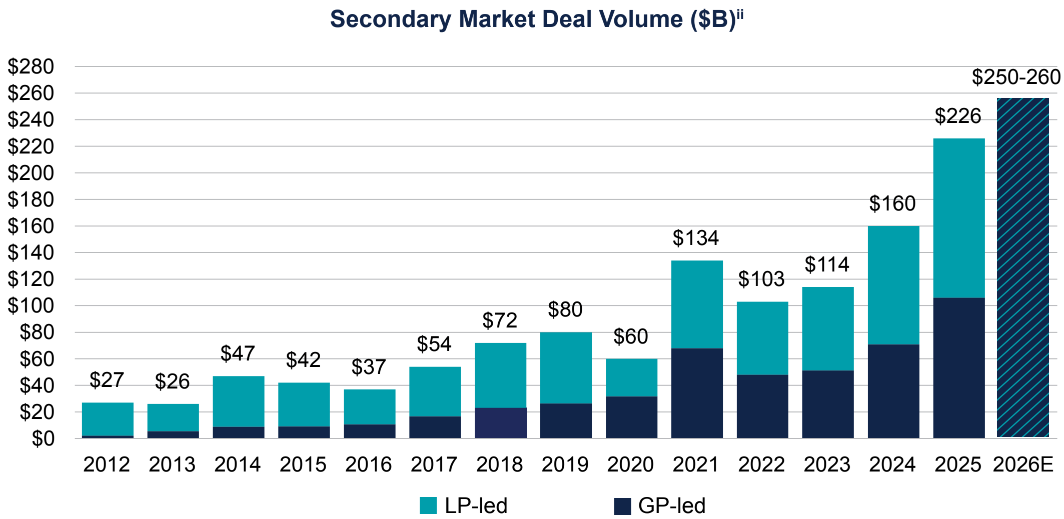
Private equity continues to be the largest and most mature part of the secondary market for private funds.

The secondary market has evolved from a niche, distress-driven corner of private markets into one of the industry's most important liquidity and portfolio-management tools. Activity in 1H 2026 continued to accelerate across both LP-led and GP-led transactions spanning private equity, infrastructure, private credit, and other asset classes. While recent growth has been supported by a prolonged slowdown in IPO and M&A activity, the evidence suggests secondaries have become a durable feature of the landscape rather than a cyclical response. Even during the highly active exit environment of 2021, secondary transaction volumes reached record levels.

Figure 16

Secondary Market Growth

Growth of private markets - $12.3 trillion in Private Markets NAV[i]



i. As of December 2025. Source: Pitchbook (private markets capital NAV) ii. As of June 30, 2026. Source: Evercore H1 2026 Secondary Market Survey Results (secondary data). Statements concerning financial market trends are based on current market conditions, which will fluctuate.

1. Market Broadening

With traditional exit channels still falling short of historical distribution yields, LPs managing overweight exposures and GPs holding high-conviction assets past their fund's natural lives are increasingly turning to the secondary market as an active portfolio management tool.

- **LP-led transactions** help investors actively manage portfolios and generate liquidity by rebalancing exposures, reducing concentration risk, and creating capacity for new commitments. Secondary pricing itself has become a powerful form of price discovery, with stronger portfolios trading near NAV. The LP-led secondary market continues to expand beyond buyout, with co-investment, infrastructure, and venture assets driving activity in 1H 2026.

- **GP-led continuation vehicles,** meanwhile, provide a mechanism to extend value creation in high-conviction assets: at their best they let investors generate liquidity while retaining exposure to quality assets with real remaining upside; at their worst they may represent an exit of last resort. GP-led secondaries remained the primary driver of secondary market growth in 1H 2026, accounting for more than half of total market volume.

2. Flight to Quality

During 1H 2026, LP-led and GP-led deal activity was defined by a pronounced flight to quality, with growing pools of capital competing for a limited set of high-conviction assets, while an expanding investor base and rising activity across credit, venture, infrastructure, and real assets supported larger and more sophisticated transactions.

This increased competition is most pronounced at the smaller end of the market on the GP-led side. GP-led deals rose from 5% of PE exits in 2020 to 14% in 1H 2026.[20] Around 75% of GP-led buyers invest less than $150 million per deal, while only 7% invest more than $400 million[21]— a scale that lets them negotiate portfolio composition, alignment, and economic terms.

For LPs, it is becoming increasingly complex and time-consuming to evaluate CVs. See the Appendix for a helpful checklist on evaluating a CV from an LP perspective (“A1. Secondaries: LP Underwriting Checklist for Continuation Vehicles”).

3. The Evolution of the Secondary Market, and Returns: Quality > Discount

The secondary market has evolved through three phases: a distress-driven early era (1980s–2000s) of steep discounts and stigma; institutionalization in the 2010s, as dedicated funds brought scale and pricing efficiency; and, since 2018, a phase defined by GP-led innovation, with continuation vehicles transforming secondaries into a core mechanism for active portfolio management. Returns have evolved alongside this structure: historically, discount capture was the primary source of value creation, but today asset quality matters more than entry discount. Buyers are increasingly focused on resilient companies and assets with multiple exit pathways rather than relying solely on discounts.

4. A Market Mature Enough to Produce Its Own Next Generation

One of the strongest indicators of the industry’s transition from niche to mainstream is the growing number of spin-outs and specialist investment managers emerging from both large-cap secondary platforms and leading private markets organizations. The competitive landscape is beginning to bifurcate along a fundamental fault line: on one side, specialists whose claim to differentiation is deep asset-class expertise built inside the venture, buyout, infrastructure, and private credit organizations that originated the assets they now trade; on the other, established secondary platforms whose advantage is incumbency, transaction volume, and decades of intermediary relationships. Both claims are legitimate. Both will be tested as the market matures and allocators become more sophisticated about what they are actually buying.

This evolution is structural. The firms being built today are not cyclical responses to deal flow—they are the talent infrastructure of a market that has permanently outgrown its niche origins.

The scale and complexity of the three largest transactions over the last 18 months illustrate the market's maturity:

Single-asset continuation vehicles are reaching unprecedented scale, as demonstrated by Vista's $5.6 billion continuation fund for Cloud Software Group.
Largest Single Asset CV:
Deal Size: $5.6B
Company: Cloud Software Group

Multi-asset continuation vehicles are gaining scale beyond private equity, as demonstrated by Crescent's $3.2 billion private credit continuation vehicle.
Largest Multi Asset CV:
Deal Size: $3.2B
Manager: Crescent

LP-led secondary transactions are also reaching unprecedented scale, as demonstrated by NYCERS' $5 billion portfolio sale, which streamlined exposure across 125 funds and 450 commitments while allowing the pension system to strategically reposition its private equity portfolio for long-term performance.
Largest LP-Led:
Deal Size: $5.5B
LP: NYCERS

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What we're watching: The secondary market has become private markets' pressure release valve, but increasingly it is also a mechanism for extending ownership of high-conviction assets. As private markets mature and asset holding periods lengthen, we expect secondaries to play a growing role in portfolio construction, capital formation, and value creation across private equity, infrastructure, and private credit. More broadly, secondaries are becoming foundational infrastructure for private markets, helping support the efficient recycling of capital and the continued institutionalization of the asset class. The mechanisms once exclusive to public markets – price discovery, recapitalization, and ownership transfer – are increasingly native to private ones.

"Public and private markets have always differed in fundamental ways, but perhaps none more consequential than liquidity. Secondaries are closing that gap. The question is no longer whether private markets will develop public market mechanisms, it's whether investors are building portfolios that take advantage of them."
— Jeff Keay, Managing Director, Secondary IC Chair

THEME 6

Evergreen Funds

What Do Evergreen Funds Deliver, and What Do They Not?

Evergreens Decoded

Private markets should be treated as an illiquid asset class regardless of how investors access them. The structure may change the investor experience, but it does not change the liquidity profile of the underlying assets.

The rise of evergreen and semi-liquid fund structures is one of the most notable developments in private markets over the past decade, expanding access for individual investors and accumulating hundreds of billions of dollars in assets. Their growth reflects a compelling value proposition: immediate portfolio exposure, automatic reinvestment, reduced J-curve effects, and greater operational flexibility than traditional drawdown structures. Importantly, outcomes remain highly dependent on manager decisions around portfolio construction, valuation governance, and fundraising discipline.

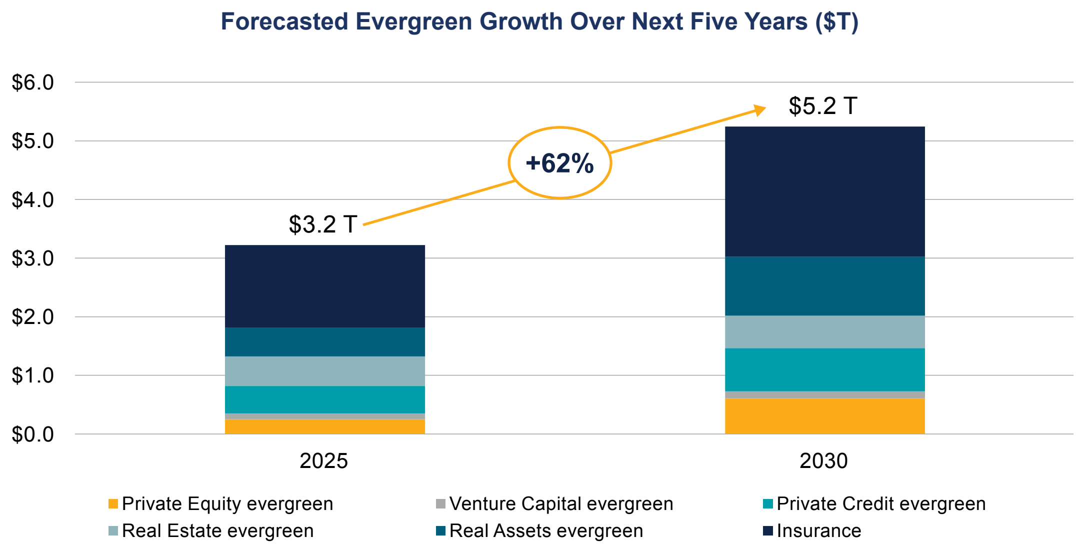
Recent redemption gates across several evergreen funds, however, have highlighted a common misunderstanding: gates are often read as distress when they are functioning as intended, protecting long-term investors when redemption requests temporarily exceed available liquidity.

Growth in Evergreen Funds
Private credit evergreen fund net AUM increased from approximately $167 billion in 2022 to over $400 billion by year-end 2025, with direct lending the primary engine. Over the next five years, private equity and real assets are expected to be the fastest-growing segments. Private equity benefits from expanding wealth and retirement channel access combined with NAV compounding from capital recycling, while real assets are supported by secular demand for infrastructure tied to AI, energy, and industrial modernization.

Figure 11

Evergreen vehicles are expected to be a major driver of private markets growth over the next five years.

As investors seek greater flexibility and accessibility, evergreen structures are expanding across private equity, credit, infrastructure, real estate, and venture capital.



Source: Pitchbook, 2030 Private Market Horizons as of May 1, 2026. Statements concerning financial market trends are based on current market conditions, which will fluctuate.

1. Evergreen and Mature Drawdown Portfolios May Deliver Similar Liquidity Over Time
Evergreen funds may change how liquidity is delivered, but they do not change the liquidity of the underlying assets. Investors should view redemption features as a limited mechanism, not access to capital on demand.

This distinction becomes clearer when comparing evergreen funds with a mature, diversified portfolio of drawdown funds that has been invested across vintages and market cycles. While evergreen strategies are often perceived as significantly more liquid, the difference may be smaller than many investors realize. HarbourVest's global portfolio of drawdown venture and buyout funds has historically distributed roughly 21% of NAV annually through realizations, while many evergreen funds offer redemption capacity of up to 20% of NAV annually (Figure 5, Chart Pack). The difference is not the amount of liquidity, but how it's delivered: an individual investor in an evergreen fund may redeem 100% of their investment during periods of modest redemption activity, whereas a drawdown fund investor generally must wait for realizations. At the portfolio level, though, both structures ultimately depend on the same underlying assets.

2. The Forces Behind the Recent Redemption Wave

The recent increase in redemption requests reflects several factors rather than one catalyst: contagion concerns, muted distributions, a retail base more reactive to sentiment, and manager-specific performance. Together, these can create a feedback loop where concern drives requests, increasing the likelihood that redemption limits activate.

Pressure on 2021-vintage investments	Private credit structures facing their first real test	Evergreen funds entering a period of stress-testing	AI-driven uncertainty across software portfolios
Companies acquired at peak valuations with inexpensive debt financing now confront higher financing costs and lower valuation multiples.	Tools like NAV lending and liquidity solutions have supported sponsors, but many have yet to be tested through a prolonged downturn.	Retail-focused vehicles have grown rapidly, and newer programs have not previously faced sustained periods of elevated redemption demand.	AI is forcing investors to reassess which software businesses will benefit from, or be disrupted by, the technology.

3. Separating Liquidity Concerns from Portfolio Deterioration

Redemption pressure should not automatically be read as broad portfolio deterioration. Consistent with the idiosyncronicity theme running through this Outlook, we expect greater dispersion moving forward rather than a uniform decline in fundamentals: managers with disciplined underwriting and conservative construction may perform very differently than those exposed to challenged sectors or aggressive leverage. The relevant lens is not "in crisis" vs. "not," but which portfolios are built to perform across a range of environments versus those built on assumptions of low rates and elevated valuations.

What we're watching: The key question for evergreen funds is shifting from whether they can provide access to private markets (the answer: yes) to which ones are best positioned to manage liquidity, portfolio construction, and investor expectations through more challenging environments. As the industry matures, expect greater scrutiny around diversification, valuation governance, and fundraising discipline.

"The first chapter of the evergreen story was about expanding access to private markets. The next chapter is about figuring out which managers can balance growth, liquidity, and portfolio quality through a full market cycle, and which ones were just renting the label."
— Monique Austin, Managing Director, Head of Evergreen Solutions

THEME 7

Market Share Shift

Is the Center of Gravity in Private Markets Shifting?

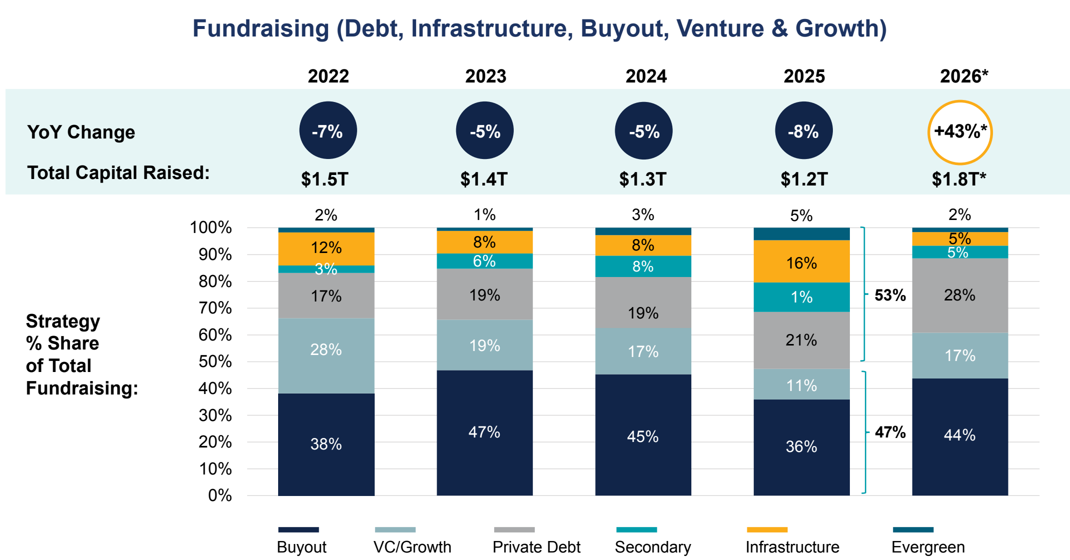
Market Share Decoded

For decades, buyout and venture capital served as the foundation of most private markets programs. Today, that foundation is broadening. As private credit, infrastructure, and secondaries have matured into core allocations, institutional investors are increasingly diversifying capital across a broader range of strategies rather than concentrating exclusively in buyout and venture. This shift reflects not a retreat from private equity, but an evolution in portfolio construction as investors seek income, diversification, liquidity solutions, and exposure to structural growth themes.

Figure 4

Global Private Markets Fundraising

The private market toolkit now extends beyond buyout and venture, with investors allocating across strategies, structures, and liquidity profiles through primary, secondary, evergreen, and closed-end vehicles.



Source: PitchBook, as of June 30, 2026. Infrastructure includes infra, oil & gas, timber, metals, and agriculture. *2026 projections include Evergreen funds through Q1 2026, annualized. Statements concerning financial market trends are based on current market conditions, which will fluctuate.

For the first time, in 2025 **traditional buyout and venture strategies accounted for less than half of private markets fundraising** as investors allocated more capital to private credit, infrastructure, secondaries, and evergreen vehicles.

This migration does not represent a retreat from buyout and venture investing, but rather the continued evolution of private market portfolios as the opportunity set expands. As private credit and infrastructure have matured into core allocations, investors are increasingly accessing these markets through a range of channels, including primary and secondary investments and both closed-end and evergreen structures.

The shift reflects a rational response to several structural forces reshaping the asset class. Three drivers, in particular, warrant attention.

1. The Rise of the Physical Economy

Infrastructure has evolved from a niche institutional allocation into a mature, increasingly indispensable asset class. It aims to deliver a rare combination of equity-like returns, diversification, and downside protection across cycles, as private managers apply PE-style value-creation strategies to asset-intensive businesses.

While AI-driven data center demand has emerged as the highest-profile driver, broader opportunity increasingly lies in rebuilding the physical economy: energy security, electrification, and industrial reshoring. Governments are reinforcing these trends through policies aimed at strengthening economic competitiveness and domestic production.

Additionally, a powerful partnership between infrastructure and private credit has emerged, with one owning the assets and the other financing their development. Infrastructure's appeal extends beyond growth: its asset-level characteristics (inflation linkage, inelastic demand, contract-based revenue) are genuinely differentiated in a volatile macro environment, and notably, it has been the highest-returning private markets asset class over the past three years.[22] See the Appendix for more detail on infrastructure's growth and return profile.

2. The Rise of Private Credit as a Core Financing Source

Private credit has steadily gained share from syndicated bank lending as speed, certainty of execution, and flexible documentation make it an increasingly attractive financing partner. As the market has matured, the opportunity set has expanded well beyond traditional LBO financing to include recapitalizations, NAV facilities, and continuation vehicles. While AI-driven data center demand has emerged as one of the most visible growth outlets, the opportunity extends far beyond that headline trend to encompass a broad range of sponsor-backed middle-market businesses, including those enabling AI adoption, as well as many businesses and assets whose investment case is less reliant on AI adoption.

Recent headlines including defaults, retail redemption gates, and AI risk to software borrowers warrant scrutiny, but fundamentals remain more durable than the noise suggests. Roughly 80% of private credit capital sits in institutional structures without redemption features, and 97% of investors surveyed in early 2026 plan to maintain or increase allocations.[23] See the Appendix for a fuller discussion separating structural evolution from cyclical stress in this asset class.

Beyond these drivers, private credit and infrastructure's recurring income and contractual cash flows are increasingly attractive to pensions, insurers, and other liability-driven investors. This capital migration reflects a broader evolution in how LPs construct portfolios, not just cyclical conditions.

3. The Institutionalization of the Secondary Market

A prolonged slowdown in IPO and M&A activity has accelerated adoption of the secondary market as a permanent liquidity solution, as detailed in Theme 5: Secondaries. Rather than waiting for traditional exit windows to reopen, LPs and GPs are increasingly using secondary transactions as active portfolio management tools, evolving secondaries from an opportunistic strategy into a core allocation for many investors. The ability to deploy capital more quickly, gain exposure to more mature assets, and reduce J-curve effects has attracted significant incremental LP demand.

What we're watching: The shift in fundraising is unlikely to reverse simply because exit markets improve. Many of the forces driving capital toward private credit, infrastructure, and secondaries appear structural rather than cyclical. The key question is not whether buyout and venture will remain important, but how private market portfolios evolve as these strategies command a larger share of investor capital.

"The story is not that buyout and venture matter less than they once did. The story is that the private markets universe has become much larger, giving investors more tools to pursue growth, income, diversification, and liquidity objectives."
—Peter Lipson, Managing Director, Private Credit IC Chair

"While AI and data centers have captured the spotlight, many of the most compelling opportunities sit one step removed from the headline – the rebuilding of the physical economy. The infrastructure, industrial assets, and essential services that power and enable AI adoption can provide exposure to the theme without relying on the success of any single technology, company, or facility."
—Michael Dean, Managing Director, Infrastructure

Final Thoughts

The market is synchronous in cause.
Idiosyncratic in consequence.

We opened this Outlook with that idea, and everything we have examined across seven themes has reinforced it. AI is reshaping every asset class simultaneously, but not every company equally. Liquidity is returning, but not to every portfolio. The secondary market is growing, but not every manager is built for what comes next. Evergreen structures are proliferating, but not every one of them will navigate a full market cycle well.

The common thread running through all of it is this: benchmark returns are not portfolio returns. They never were, but the gap between the two is widening. As return dispersion increases across assets, managers, geographies, and strategies, the performance of any given portfolio will be defined less by broad private markets exposure and more by the specific decisions made around portfolio construction and asset selection. What you own and how you own it matters more than where you are invested. Who manages the asset matters more than which asset class it belongs to.

The recovery in exit activity is real, but it is concentrated in a handful of exceptional assets. The structural growth in private credit, infrastructure, and secondaries reflects genuine expansion of the opportunity set, but not every manager is positioned to capture it. And the managers building businesses to deliver operational value creation, rather than relying on the financial engineering that worked for a decade, are demonstrating that the alpha is still there, but it is being earned by fewer hands than before.

The exit recovery, the growth, and the alpha are all real, but none of them are evenly distributed. And that is the point.

In an environment of idiosyncronicity, the investors who will outperform are not the ones who called the macro correctly. They are the ones who built portfolios diversified enough to absorb synchronized shocks, underwrote at the asset level with enough precision to distinguish the haves from the have-nots, and partnered with managers who can build value when financial engineering no longer does it for them.

That has always been the case in private markets. In 2026, it is simply more consequential than ever.

Appendix

A1. Secondaries: Illustrative LP Underwriting Checklist for Continuation Vehicles

LP sophistication has caught up; quality continuation vehicles are now well understood, and scale LPs are considering negotiating terms upfront rather than accepting them at the time of a transaction.

Underwriting & Process

- Underwriting / diligence — Request full data room access, including CIM, LBO model, GP underwriting (base/upside/downside), hold period assumptions, and supporting company, industry, and process materials. Assess credibility of the go-forward business plan and exit path vs. original underwriting.
- CV rationale / process — Why is the GP pursuing a CV vs. a third-party sale? Was a competitive process run (e.g., third-party bidders)? What outcome is the GP trying to achieve, and is this aligned with LP interests?

Economics & Valuation

- Proceeds / election economics — Request a proceeds model to understand cash vs. roll outcomes under different scenarios.
- Reference date & pricing — What is the reference date NAV and transaction price? How does pricing roll forward relative to the latest reported NAV?
- Go-forward valuation — How will the asset be valued in the CV? If priced at a premium/ discount, will the position be stepped down/up vs. reference date NAV?
- Fairness opinion / valuation support — Was a fairness opinion obtained, and how does it align with third-party valuation work, bidding dynamics, and observed market comps?

Structure, Terms & LP Optionality

- Terms & LP optionality — Is a "status quo" option available? If not, why? Evaluate CV terms, fees, carry, and overall economics relative to the original fund.
- Unfunded — Is additional unfunded required for rolling LPs? Are there options to roll on a cashless or reduced commitment basis?

Alignment & Governance

- GP alignment — Is the GP rolling 100% of crystallized carry? If not, what is the rationale? Is the GP committing incremental capital alongside the CV? Is portfolio company management participating?
- LP rights & governance continuity — Will existing side letters and reporting standards transfer to the CV? Are there any changes to LP protections, governance rights, or control dynamics?

A2. Special Topic: The Rise of Credit Secondaries

Of all the strategies gaining market share, credit secondaries may be the least understood and the most structurally compelling. Three themes define the market today.

First, liquidity needs in private credit are structural, not cyclical. LP inflows into private credit have grown materially faster than distributions back to those LPs for several consecutive cycles. Direct lending funds raised in the 2016 vintage, now ten years old, have only recently returned investors' committed capital, let alone delivered full liquidity. What LPs expected to be a cash-generative allocation has behaved far more like a long-duration private equity asset — creating rebalancing needs, denominator effects, and pacing challenges with no natural exit valve. Credit secondaries exist precisely to address that structural imbalance.

Second, the market has emerged at scale, fast. In 2025, GP-led credit secondary volume alone was larger than the prior two years combined. Transaction volume has nearly doubled year-over-year, and growth is accelerating into 2026.[24] The credit secondary market remains meaningfully undercapitalized — dry powder represents less than one year of deal flow — creating a genuine buyer's market: better pricing, more investor-friendly structures, and discounts driven by scarcity rather than credit deterioration.

Third, the return profile is structurally attractive. Credit secondaries sit at the intersection of two distinct return streams: yield, seniority, and downside protection from private credit, and accelerated cash flows with meaningful J-curve mitigation from the secondary discount. Senior portfolios are pricing in the mid-90s; opportunistic portfolios in the mid-80s. Add cash netting and structuring flexibility, and the return premium over primary private credit is estimated at 200–300 basis points, without additional leverage or risk-taking — a premium that comes from pricing inefficiencies, complexity, and the value of providing scarce liquidity when it is most needed.

The risk dynamic is also frequently misunderstood. Newly originated loans carry the most risk: peak leverage, aggressive addbacks, loose covenants, and unproven capital structures, with default probability front-loaded in the first few years of a loan's life. Purchasing seasoned portfolios explicitly avoids this period, letting buyers access attractive yields and spreads while stepping into the phase of the credit lifecycle where risk has already declined materially. Combined with the selectivity a well-resourced secondary buyer can apply — rejecting 80%+ of the market on quality, age, or adverse-selection grounds — and the diversification inherent in portfolios of dozens of underlying exposures, credit secondaries offer a risk-adjusted improvement over primary private credit that the headline return premium understates.

A3. Special Topic: Infrastructure — The Fastest-Growing Private Market Asset Class

Infrastructure is either the fastest- or second-fastest-growing private markets asset class today, depending on how you measure it — a distinction it shares only with private credit. Nearly $1 trillion[25] has been raised in infrastructure over the past five years, with secondaries becoming an increasingly important part of the market. Secondary transaction volume reached approximately $20 billion in 2025[26] and continues to grow.

The growth is sector-specific in ways that matter for portfolio construction. The long-standing pillars of infrastructure, including renewables, energy, transport, and telecom, continue to grow steadily. Since 2021, digital and telecom volumes have more than doubled, and power and renewable volumes are each up over 50%, driven by the data center buildout for AI and compute demand alongside broader electrification trends. Growth has also been fueled by the continued maturation of the asset class, as the infrastructure investment universe has expanded in both breadth and sophistication. These managers have applied value-creation lessons from private equity to both drive operational improvements and enhance infrastructure characteristics of business models, including increasing cash flow predictability, diversifying revenue streams, reducing correlation to the business cycle, and simultaneously increasing inflation linkage and reducing commodity-price impact.

Infrastructure's appeal in the current environment extends beyond sector growth, though. In a time of macro volatility, geopolitical uncertainty, and compressed liquidity from traditional exit paths, infrastructure's asset-level characteristics are genuinely differentiated: inflation protection through both contractual linkage to inflation measures and the capital-intensive-to-build, low-variable-cost-to-operate nature of infrastructure assets; and downside protection through inelastic demand profiles and contract-based revenue models with investment-grade counterparties.

On returns, infrastructure delivered the second-highest absolute returns among private markets asset classes over ten years, behind only private equity, and was even stronger over five years. Over the past three years, infrastructure has been the highest-performing private markets asset class.[27] Risk-adjusted, it delivers return profiles approaching private equity with volatility closer to private debt, which is an unusual combination that explains why institutional allocations have been rising.

As noted above, the infrastructure secondary market reached $20 billion in deal volume in 2025[28], with a roughly equal balance of GP-led and LP-led activity, and pricing has shown discounts in the 90s consistently, aside from the 2021 anomaly. The core insight for secondary infrastructure investing is to enter portfolios at a point where most value creation lies ahead but most of the risk and holding period has already occurred; discounts improve the risk-adjusted return on that entry point, and the asset class's liquidity consistency and return predictability make exit underwriting more reliable here than in most other secondary strategies, which is a structural advantage that compounds the discount benefit.

A4. Special Topic: Private Credit — Separating Fact From Fiction

Private credit was described as "a beacon of stability" as recently as last year. Today the headlines tell a different story: defaults, retail redemption gates, AI risk to software borrowers, and elongated DPI cycles have all attracted scrutiny. It is right to ask the questions. But the fundamentals of the asset class are more durable than the noise suggests, and understanding the distinction between structural evolution and cyclical stress is the work.

On defaults: losses will happen. No asset class bats a thousand, and the extraordinarily low default rates of the past decade were anomalous. A correction is expected and, in a well-underwritten portfolio, manageable. The more important dynamic is what the growth of the market has created — a bifurcation between asset aggregators deploying indiscriminately to capture fees and disciplined investors with genuine underwriting infrastructure. That bifurcation will determine who the haves and have-nots are as the credit cycle turns.

On software and AI: AI's impact on software borrowers is multidimensional and context-dependent — in some cases a tailwind, in others an existential challenge to the revenue models underpinning the credit. Investors can no longer be tourists in software credit; the same AI diligence discipline described in the AI theme applies here — go asset by asset, model seat-count durability and gross-margin sustainability, and demand the same from every GP reporting to you.

On liquidity: the private credit asset class is illiquid by design, and the retail redemption wave, while it caught market participants off guard in its pace, is a function of investor expectation mismatch, not asset impairment, as discussed further in Theme 6: Evergreen Funds. Roughly 80% of private credit capital remains in institutional fund structures without redemption features, and 97% of investors surveyed in early 2026 indicated plans to maintain or increase their private credit allocations over the next 12–18 months.[29] Institutional confidence has not wavered; what will need to change is how the industry manages liquidity expectations for the retail channel as it matures.

On DPI: when investors committed to 2019-vintage direct lending funds, they expected their capital back within six years. Seven years later, that is not the experience. Elevated rates helped private credit returns but simultaneously suppressed the buyout and refinancing activity that would have generated repayments — a duration mismatch between asset behavior and investor expectation that is creating exactly the new market opportunity credit secondaries are designed to capture.

The next phase of private credit growth will not reward managers for simply showing up in direct lending; the days of outsized returns from market participation alone are fading. Alpha in this environment belongs to managers who can navigate dislocation, deploy flexibly across the capital structure, leverage long-tenured lending relationships, and bring a multi-strategy toolkit to generating differentiated returns. Volatility creates opportunity, and history has consistently demonstrated that the most attractive private credit entry points follow periods of public market dislocation. Patient, disciplined, and flexible is the posture this market rewards.

Endnotes

[1]Source: PitchBook, Q1 2026 AI VC Trends Report.

[2]Source: McKinsey & Company, The Infrastructure Moment: Investing in the Expanding Foundations of Modern Society, September 2025.

[3]Source: Simpson Thacher & Bartlett LLP, "Medline Completes Largest Healthcare IPO in History," December 18, 2025.

[4]Source: PitchBook, Verisure goes public in oversubscribed IPO, Europe's largest since 2022. October 8, 2025.

[5]Source: PitchBook, PE- and VC-backed IPO proceeds and volume by region, as of June 30, 2026.

[6]Source: Reuters, "OpenAI files for US IPO after Anthropic as AI giants head to public markets," June 8, 2026.

[7]Source: Reuters, "Anthropic weighs new funding round at valuation exceeding $900 billion," April 29, 2026.

[8]Source: PitchBook, as of July 29, 2026. Includes the top 10 IPOs by deal size, defined as capital raised in the IPO, for IPOs completed from January 1, 2025 through June 30, 2026.

[9]Sources: EY, Chinese Mainland and Hong Kong IPO Report, June 2026; PwC Hong Kong, 2026 Hong Kong IPO Market Mid-Year Review and Outlook, July 2, 2026; HKEX, Hong Kong ECM 2025 Recap: Liquidity, Listings and Record-Scale Equity Issuance, February 9, 2026.

[10]Source: EY-IVCA, Private Equity and Venture Capital Trendbook 2026, March 2026.

[11]Sources: Goldman Sachs Asset Management, The Japanese Paradox: A Systematic Path to Alpha, May 15, 2026; Nikkei Asia, Kioxia caps years of uncertainty to become Japan's most valuable company, June 13, 2026.

[12]Source: MSCI, as of March 31, 2025. Past performance is not a reliable indicator of future results.

[13]Source: MSCI Horizon returns as of December 31, 2025. Past performance is not indicative of future performance.

[14]Source: PitchBook, as of Q2 2026. Europe and U.S. private market deal activity data.

[15]Source: Aggregated portfolio holding calls, distributions and NAVs across the HarbourVest global primary portfolio (excl. SMAs) as of March 31, 2026. Small buyout includes the distributions as a percentage of the NAV of small buyout commitments. Past performance is not a reliable indicator of future results.

[16]Source: Aggregated portfolio holding calls and distributions across the HarbourVest global primary buyout portfolio as of March 31, 2026.

[17]As of June 30, 2026. Source: Evercore H1 2026 Secondary Market Survey Results (secondary data).

[18]Source: Campbell Lutyens, FY2025 Secondary Market Overview, February 12, 2026.

[19]As of June 30, 2026. Source: Evercore H1 2026 Secondary Market Survey Results (secondary data).

[20]Source: Dealogic estimates for sponsor-backed exit deal volume, including M&A and IPO proceeds. Percentage represents CV transaction volume (numerator) over sponsor-backed exit deal volume (denominator). Cited in Jefferies 2026 Report.

[21]Source: Lazard, 2025 Secondary Market Report, February 2026. Figures may not sum to 100% due to rounding.

[22]As of March 31, 2026. Source: MSCI.

[23]Sources: Campbell Lutyens, March 2026; Campbell Lutyens, Private Credit Market Report: 2026 Outlook, January 2026.

[24]Source: Evercore, 2025 Credit Secondary Market Survey, as of January 2026.

[25]Source: Preqin Infrastructure in 2026 Report as of May 2026.

[26]Source: Campbell Lutyens, 2025 Secondary Market Full Year Report, as of December 31, 2025.

[27]As of March 31, 2026. Source: MSCI Private Capital Solutions.

[28]Source: Campbell Lutyens, 2025 Secondary Market Full Year Report, as of December 31, 2025.

[29]Sources: Campbell Lutyens, March 2026; Campbell Lutyens, Private Credit Market Report: 2026 Outlook.

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Illiquidity of Interests; Limitations on Transfer; No Market for Interests. An investor in a private markets fund or account will generally not be permitted to transfer its interest without the consent of the general partner of such fund. Furthermore, the transferability of an interest will be subject to certain restrictions contained in the governing documents of a closed-end fund and will be affected by restrictions imposed under applicable securities laws. The interests should only be acquired by investors able to commit their funds for an indefinite period of time, as the term of the closed-end fund could continue for over 14 years. In addition, there are very few situations in which an investor may withdraw from a private equity closed-end fund. The possibility of total loss of an investment in a fund exists and prospective investors should not invest unless they can readily bear such a loss.

Risk of Loss. There can be no assurance that the operations of a strategy will be profitable or that the strategy will be able to avoid losses or that cash from operations will be available for distribution to the limited partners. The possibility of partial or total loss of capital of the strategy exists, and prospective investors should not subscribe unless they can readily bear the consequences of a complete loss of their investment.

Leverage. The strategy may use leverage in its investment strategy. Leverage may take the form of loans for borrowed money or derivative securities and instruments that are inherently leveraged, including options, futures, forward contracts, swaps and repurchase agreements. The strategy may use leverage to acquire, directly or indirectly, new investments. The use of leverage by the strategy can substantially increase the market exposure (and market risk) to which the strategies' investment portfolio may be subject.

Availability of Suitable Investments. The business of identifying and structuring investments of the types contemplated by the strategy is competitive and involves a high degree of uncertainty. Furthermore, the availability of investment opportunities generally will be subject to market conditions and competition from other groups as well as, in some cases, the prevailing regulatory or political climate. Interest rates, general levels of economic activity, the price of securities, and participation by other investors in the financial markets may affect the value and number of investments made by the strategy or considered for prospective investment.

Reliance on the General Partner and Investment Manager. The success of the strategy will be highly dependent on the financial and managerial expertise of a fund's general partner and investment manager and their expertise in the relevant markets. The quality of results of the general partner and investment manager will depend on the quality of their personnel. There are risks that death, illness, disability, change in career or new employment of such personnel could adversely affect results of the strategy. The limited partners will not make decisions with respect to the acquisition, management, disposition or other realization of any investment, or other decisions regarding the strategies' businesses and portfolio.

Market Risk. Private equity, as a form of equity capital, shares similar economic exposures as public equities. As such, investments in each can be expected to earn the equity risk premium, or compensation for assuming the non-diversifiable portion of equity risk. However, unlike public equity, private equity's sensitivity to public markets is likely greatest during the late stages of the fund's life because the level of equity markets around the time of portfolio company exits can negatively affect private equity realizations. Though private equity managers have the flexibility to potentially time portfolio company exits to complete transactions in more favorable market environments, there's still the risk of capital loss from adverse financial conditions.

Secondary Investing Risk. Secondary market transactions may impose higher costs than other investments and may require a fund to assume contingent liabilities associated with events occurring prior to the Fund's investment. The overall performance of an Underlying Portfolio Fund acquired through a secondary transaction will depend in large part on the purchase price paid. In addition, a fund will generally not have any ability to negotiate terms with respect to interests in Underlying Portfolio Funds invested in through secondary market transactions.

Direct Co-Invest Strategy Risks. Direct co-investments result in HarbourVest holding a minority equity interest in portfolio companies where HarbourVest does not expect to be able to protect its portfolio investments or to control or influence effectively the business or affairs of such entities. In such investments, HarbourVest will rely on the existing management and board of directors of such companies, which could include representatives of other financial investors with whom HarbourVest is not affiliated and whose interests could at times conflict with HarbourVest's interests. Such investments involve additional risks not present in investments where HarbourVest has control, including the possibility that such other investors have financial difficulties resulting in a negative impact on such investments or take actions contrary to the investment objectives of HarbourVest. A portion of HarbourVest's assets are expected to be invested outside of the United States. Non-US securities involve certain factors not typically associated with investing in US securities, including risks related to greater price volatility in and less liquidity of some non-US securities markets. This risk could be greater for investments made in developing or emerging markets.

Venture Capital Investing Risks. Venture capital investments involve a high degree of business and financial risk that can result in substantial losses. The most significant risks include the risks associated with investments in (i) companies in an early stage of development or with little or no operating history; (ii) companies operating at a loss or with substantial fluctuations in operating results from period to period; and (iii) companies with the need for substantial additional capital to support or to achieve a competitive position.

Primary Investing Risk. An investment in leveraged buyouts of companies; such leveraged investments are inherently sensitive to declines in portfolio company revenues and increases in portfolio company expenses and to increases in interest rates. Investments in growth equity and venture capital investments; such investments involve a high degree of business and financial risk that can result in substantial losses. Investments in small-cap opportunities are subject to higher volatility and lower financial resources than large-cap investments. The markets for these securities are also less liquid than those for larger companies. Investments in portfolio companies involved in the technology industry which is challenged by various factors including rapidly changing market conditions, new competing products, changing consumer preferences, and short product life cycles. Secondary market transactions may impose higher costs than other investments and may require the assumption of contingent liabilities associated with events occurring prior to the investment. In addition, investments in secondary market transactions may be based on information that may be incomplete or inaccurate.

Evergreen Investing Risk. An evergreen fund is an alternative investment fund that has an indefinite life span and continuously raises capital rather than having a predetermined fundraising period and lifecycle, as do traditional private equity or venture capital funds. Prospective investors should be aware that an investment in an alternative investment is speculative and involves a high degree of risk. Alternative Investments often engage in leveraging and other speculative investment practices that may increase the risk of investment loss; can be highly illiquid; may not be required to provide periodic pricing or valuation information to investors; may involve complex tax structures and delays in distributing important tax information; are not subject to the same regulatory requirements as mutual funds; and often charge high fees. There is no guarantee that an alternative investment will implement its investment strategy and/ or achieve its objectives, generate profits, or avoid loss. An investment should only be considered by sophisticated investors who can afford to lose all or a substantial amount of their investment.

Credit Strategy Risks. A fundamental risk associated with credit investments is credit risk, which is the risk that a borrower will be unable or unwilling to make principal and interest payments on its outstanding debt obligations when due. Investments in subordinated or junior debt investments, should an issuer trigger an event of default, depending on the capital structure and the issuer's financial situation, a loss of the entire value of the investment is possible. Adverse changes in the financial condition of an issuer or in general economic conditions (or both) could impair the ability of such issuer to make payments on its debt and result in defaults on, and declines in, the value of its subordinated debt more quickly than in the case of the senior debt obligations of such issuer.

Infrastructure Strategy Risks. Investments in infrastructure and real assets entail certain specific risks, including fluctuations of commodity prices, uncertainty of reserves, exploration and development risks, uncertainty in the developing alternative energy markets and technology, and governmental support and regulations. Infrastructure strategies may be exposed to substantial risk of loss from environmental claims arising in respect of its investments. Furthermore, changes in environmental laws or regulations or the environmental condition of an investment could create liabilities that did not exist at the time of its acquisition and that could not have been foreseen. Investments in natural resources and energy services companies, including mining and oilfield service, product manufacturing, and technology businesses that are involved in the preparation, drilling, completion, production, and abandonment of oil and gas wells and mines could be subject to fluctuations in the demand for their services based on commodity prices, the macroeconomic environment, customer concentration, availability of alternative technologies or services and political or market pressures favoring these alternatives. Environmental groups could protest about the development or operation of infrastructure assets, which might induce government action to the detriment of the Fund.

Credit Secondaries Investing Risks. As the Fund intends to make secondary investments in Underlying Portfolio Funds focusing primarily on senior secured credit investments, risks related to both secondary market transactions generally as well as risks specific to such credit investments will apply with respect to the Fund. Secondary market transactions may impose higher costs than other investments and may require the Fund to assume contingent liabilities associated with events occurring prior to the Fund's investment. The overall performance of an investment in an Underlying Portfolio Fund acquired through a secondary transaction will depend in large part on the purchase price paid. In addition, the Fund will generally not have any ability to negotiate terms with respect to interests in Underlying Portfolio Funds acquired through secondary market transactions. The Fund's investments in senior secured credit investment portfolios through its Underlying Portfolio Fund investments will expose it in particular to credit risk, which is the risk that a borrower will be unable or unwilling to make principal and interest payments on its outstanding debt obligations when due. Adverse changes in the financial condition of a borrower and general economic conditions (or both) could impair the ability of a borrower to make payments on its senior debt and result in defaults on, and declines in, the value of such debt as well as, potentially, the collateral securing it. There is no assurance that such collateral will be sufficient to mitigate the losses incurred as a result of defaults.

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