



Firms & Funds

Split screen: fundraising outcomes divide sharply on DPI lines

A new dynamic is driving private equity fundraising. In an increasingly bifurcated market, success will be yours according to whether you've returned capital to LPs.

Kirk Falconer - 8 hours ago

When [Bain Capital](#) launched its 14th flagship fund in 2024, David Humphrey, co-head of North America private equity, was clear on the winning formula in a tough market.

“We appreciated,” he tells *Buyouts*, “how realizations of track record were important to LPs.”

Humphrey was confident his firm would produce the necessary proof points. While he didn't then know the level of distributions the portfolio would generate, he felt sure Bain's strategy had built “operating businesses that were strong and performing” and able to deliver realizations at a high return. “DPI [distributed to paid-in capital] for the sake of DPI is not helpful to LPs.”

It's right. Despite the subdued exit environment, Bain returned a
returning \$12.5 billion of capital to investors between January 2024 and last
fall, enabling **Bain Capital XIV** to close at \$14 billion, surpassing its \$10 billion
target.

Bain's story calls attention to a key narrative of slow fundraising over the past
four-plus years.



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LP overallocation to private equity, starting in 2022 with the denominator effect, created a liquidity squeeze that forced institutions to be more selective about committing capital to funds. In addition, overallocation was coupled with reduced distributions from GPs, as macro shocks like high inflation and rising interest rates cut deeply into exit opportunities.

Since then, LPs have struggled to overcome liquidity challenges, in part by adjusting allocation strategies and targets and, periodically, by utilizing the

secondary market. They have also leaned heavily on GPs to find new and innovative ways to return capital.

The problem is not all GPs have fully satisfied investors on this count. Across the global industry, private equity funds have in the current fundraising cycle made distributions much more slowly than in previous cycles, according to PEI Group data.

For example, median DPI for 2022-vintage buyout funds that are three years into their lifecycle stands at .01x, well shy of the .09x for 2019-vintage funds and 2016-vintage funds at the same points in their lifecycles.

Within the data, there is a major gap in the experiences of managers, with some, like Bain Capital, recently harvesting substantial cash from monetized investments, and others finding themselves hard-pressed to do the same. This gap – between **GPs with solid DPI track records** and those without – has introduced a new dynamic to fundraising.

Haves and have-nots

“We’re seeing bifurcation in fundraising,” Afsaneh Lebel, head of funds, private equity, at **CPP Investments**, says. Unlike much of the industry, which must contend with elongated fundraising, she says, “Those GPs who generate distributions while maintaining strong returns will be able to raise capital in quicker timeframes.”

Chris McDonough, chief investment officer of Investment Performance Services (and ex-CIO of New Jersey Public Employees’ Retirement System), agrees. “GPs that are succeeding in this environment are those who can demonstrate outperformance on a DPI basis, which has given them a clear advantage in a cash-constrained market,” he says.

“Managers who have consistently returned capital, are starting conversations from a position of credibility.”

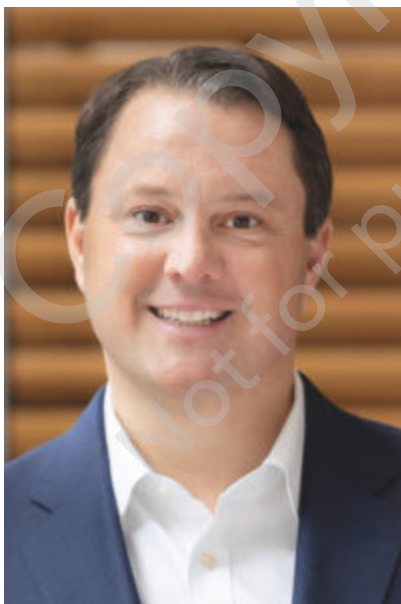
Some GPs are the “haves” of bifurcated fundraising, Scott Voss, managing director at [HarbourVest Partners](#), says. The “have-nots” are those “where maybe the performance is middling and the cash hasn’t come back. For them, there’s no urgency for the LPs who might have been longtime loyal investors with those managers to re-up to their funds.”

The bifurcation of fundraising owes to the length and severity of the liquidity squeeze, something that has taken private equity firms by surprise. “Nobody predicted, I certainly didn’t, it would go on for four years,” Hugh MacArthur, chairman of Bain & Company’s global private equity practice, says.

In the years prior to 2022, GPs were used to long stretches of benign conditions for dealmaking, which fed into performance and continuous growth in fundraising. But in today’s market, past strategies – including strategies for realizing portfolio assets and returning capital – are perhaps less effective.

“A lot of the industry has been stuck in the old-school thinking of ‘we’re ready for an exit when the deal MD decides it’s time to exit,’” MacArthur says.

“That’s the way the industry always was.”



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Drew Schardt, Hamilton Lane

Now, he says, "they're getting a sharp wake-up call from LPs saying, 'Hey, this is four years. We can't sit here and just have you tell us it's going to be fine anymore. We need to see the three-year plan, your assets and your cash-out strategy.'"

"LPs are encouraging GPs to adopt formalized processes for exits, which in some cases includes preparing for exits of assets even as soon as they buy them," Lebel says. "This marks a shift as more GPs are realizing the importance of planning along with transparency around distributions and targets."

How soon is now?

All this is happening when market fortunes have reached a low ebb.

Last year, private equity funds in the North American market raised a total of \$508 billion, down 14 percent from the \$590 billion secured a year earlier, [according to PEI Group data](#). In fact, capital inflows in 2025 were the lowest recorded since pandemic-roiled 2020.

On the other hand, fund closings, totaling 1,634 in 2025, were flat year-on-year – marking a contrast with the early days of the slowdown. But several things are likely contributing to this, including the decision of some GPs to delay or forgo fund launches due to market conditions.

How soon will things turn around? It is hard to say. Early last year, the industry was feeling bullish about dealmaking with the potential to inject life into fundraising, only to see Liberation Day create fresh uncertainty. But accelerated investing later in 2025, enabled by interest rate cuts and other macro boosts, has renewed GP optimism about the year ahead.

“... months’ song, ‘How Soon Is Now?’ was the question over the last two years,” Drew Schardt, co-head of direct equity investments at [Hamilton Lane](#), says. “Now we’re starting to see a lot of green shoots across the industry. The pipeline is as big right now heading into 2026 as it’s ever been for us on the dealmaking side. It’s starting to happen.”

In addition, he says, “If you think of the fundamentals, growth of revenue earnings at the asset level and the backdrop of macro rate policy are supporting an uptick in exit activity.”

HarbourVest’s Voss is also optimistic about healthier transacting this year that can result in a significant liquidity premium. “If the world remains stable, and markets can function like they need to, and investors can lean in on valuations and assumptions and deal underwrites,” he says, “I think we could see really nice liquidity here.”

All of this, of course, suggests managers will have more chances to generate realizations and make distributions. Helping them along will be a broader array of exit options, Voss says, including “headline liquidity events” with an opening IPO window, as well as sponsor-to-sponsor deals, “where private equity starts trading with itself at the same frequency it used to.”



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Scott Voss, HarbourVest Partners

Further help, Schardt believes, will come from an expected surge in secondaries transacting this year, building on a market record in 2025, when volumes hit \$226 billion according to Evercore. For GPs and LPs alike, “it’s been a win-win if you think about yet another avenue to find exits and liquidity that, candidly, didn’t exist the way it does now 15 years ago,” he says.

Lagging indicator

Momentum behind exits and other liquidity events this year might “bring levels of distributions back to the long-term historical average,” Schardt says. If this takes place, it would “translate into a more accommodating fundraising environment.”

But for liquidity-starved institutional LPs, he says, the requirement will be “not just one or two quarters, but more of a sustained trend.”

Voss agrees. As private equity firms begin to deplete dry powder with intensified investing, and return to the market to fill their coffers, he says, “the question will be, ‘What is the receptivity of LPs?’ The amount of liquidity that comes back alongside fundraising in 2026 will dictate how much of a rebound actually happens on the fundraising front.”

The reason for this is fundraising lags other market indicators. History shows the prerequisite to shifting fundraising into high gear after a down-cycle is a long-lasting period of robust deals and exits that ultimately convert into realizations.

Complicating the picture today is a massive backlog of unrealized investments, many of them companies added to portfolios in the pre-2022 explosion in volumes. Stakes in these businesses were frequently acquired at

liquidity challenges, making their sale in subsequent years difficult to accomplish due to a widening bid-ask spread.

“The backlog is very large,” CPP Investments’ Lebel says. “It’s at levels whereby it’s not going to be a one-year process to unwind.”

This is also the view of Bain & Company’s MacArthur, who notes about half of more than 30,000 existing portfolio companies have been held for at least five years. “It’s been sell-time for a while, and they’re still not being sold. So clearly, there’s a structural problem here that’s probably going to go beyond any one year.”

Owing in part to vast unrealized assets, “We had a fourth straight year of distributions as a percentage of NAV be 15 percent or less in an industry where they’re targeting 25 percent at the minimum” – which implies an eight-year replacement cycle, he says. “No LP is running an eight-year cash-recycling model.”

Because of this, “We still don’t really have the proof in the pudding here on liquidity. This is a multi-year problem.”

Search for value

While working to overcome liquidity challenges, LPs have also been searching for new areas of value.

During four-plus years of slow fundraising, overallocated institutions tightened their focus by giving priority to managers with which they have had long relationships. This has often been interpreted – sometimes, correctly – as a preference for large, brand-name GPs featuring multiple strategies.

But big does not always mean better. “Just being a large fund doesn’t necessarily lead to the best possible returns,” Joseph “JP” Powers, CIO of [RWA Wealth Partners](#), says.

Indeed, some investors have recently begun to move down market. Last year, [Simsower](#), head of private equity funds at [Teacher Retirement System of Texas](#), told *Buyouts* he was observing peers “culling relationships at the larger end and growing relationships at the smaller end.”

LPs taking this step, such as sovereign wealth funds and big pension plans, though making small commitments, can “really move things at the lower end of the market,” Anthony Hong, partner at [LGT Capital Partners](#), says. “Multiply this by 50 newer entrants and the market is just flooded.”

The value targets in this case are mid-cap, small-cap and other private equity firms, together with the distinct capabilities they bring to spaces in which they invest. This includes an aptitude for generating realizations.

As capital gets concentrated in big platforms, “there is still demand for mid-market and sector specialists, particularly where they can show repeatable sourcing advantage and clear value creation,” says Danny Fuller, vice-president of private equity in [DCA Partners](#)’ family office group.

“Both are true at the same time and it’s one of the defining tensions of this cycle.”

“LPs were liking the mid-market and lower mid-market in 2025,” Hamilton Lane’s Schardt says, because of the ability of dedicated investors to “create alpha upside” by using “different levers of value creation as they build and grow their businesses.” Combine with that, he says, “more avenues for exit” when they go to sell these comparatively small assets.

The fundraising slowdown has been especially hard on emerging managers, with a substantial number electing to opt out. Before returning to the market, some are pursuing independent sponsor strategies with the backing of select LPs, [Buyouts reported last year](#).



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But value opportunities may well still exist in the funds of those new GPs staying in the market. A 2026 StepStone Group white paper found LPs neglect first-timers at their cost, as data shows debut funds turn out high returns at only moderate risk. “We’re seeing emerging managers raising much more quickly than just a few years ago” perhaps for this reason, Hong says.

Another bifurcation story

Throughout the fundraising slowdown, GPs have hunted for new sources of capital to make up for shortfalls in traditional LP supply. One of the most important has been private wealth, reflecting trillions of dollars held by high-net-worth individuals and in 401(k) plans.

Big GPs in particular have been active in striking partnerships and creating evergreen vehicles to tap into private wealth channels. As a result, the Deloitte Center for Financial Services predicts retail allocations to US private equity will grow from just under \$100 billion in 2024 to \$2.4 trillion in 2030.

“Retail wealth fundraising represents a seismic shift in the industry,” CPP Investments’ Lebel says. “We are still in the early innings of understanding the full potential impact on institutional LPs.”

Due to **increasing unease among LPs** about the trend, a number are now voicing concern about how it might affect their interests on key topics like co-investments. “It adds another layer of complexity to the LP relationship,” Bain & Company’s MacArthur says, with investors asking GPs, “Well, how important am I to you in the grand scheme of things anyway?”

DCA Partners’ Danny Fuller agrees. “Retail capital is not bad, but it introduces a new conflict surface area. The winners will be the firms that can prove institutional LPs aren’t being structurally subordinated.”

LP unease already seems to be influencing decisions about allocating capital. Preliminary data from an Institutional Limited Partners Association survey found 83 percent of respondents would be less likely to invest in a fund manager if – all else being equal – they were to take in “significant amounts” of retail capital, **Buyouts reported last year**. Only 4 percent disagreed.

It could be this sentiment is today playing out in the fundraising market, as some GPs vigorously chase retail capital and others reject it. **Clayton Dubilier & Rice** is one major firm that has staked out ground in favor of institutional capital only, **according to a recent Buyouts story**.

“Everybody should have access to an asset class institutions have had access to for 70 years,” HarbourVest’s Voss says. “But GPs need to be totally honest with themselves. If they start making decisions that are inconsistent or put them in a position of conflict, it’s going to be tough to navigate.”

“This is another bifurcation story.”

(Additional reporting by Chris Witkowsky and Brett Johnson of PEI Group’s Investor Intelligence team.)

