

Private Equity:

# Six Key Considerations for Investors

With public equity markets near all-time highs and the future uncertain, we believe private equity can be a meaningful path to building wealth over time. It offers the chance to be an active owner with direct control over how value is created across a more diversified opportunity set. For investors considering an allocation, or revisiting one, the considerations below are a good place to start a conversation about where the opportunity sits now.

## 1. Differentiated Performance

Over long time horizons, private equity has delivered meaningfully higher returns than public equities. Three structural advantages help explain why. First, PE managers drive value directly at the company level rather than relying on market sentiment. Second, PE offers a larger opportunity set. The number of US public companies has roughly halved over the past three decades, while many companies with meaningful annual sales are now private. Third, PE is designed as a long-term investment, not a market trade. Without the pressure of quarterly earnings, management can run repeatable operating playbooks that compound over time. For those who can commit capital for the long term, these advantages can be a powerful contributor to building wealth.



### Did You Know?

*Private equity has outperformed public equity in 97 of 100 quarters on a rolling 10-year basis.<sup>1</sup> That track record spans more than two decades, including multiple market cycles and rate environments.*

<sup>1</sup>Note: Private equity: Private Equity Index (MSCI Private Capital Solutions); public equity: Russell 3000 Index — an index that measures the performance of 3,000 largest US companies based on total market capitalization. The calculation takes 5-year annualized and 10-year annualized returns for every 5- and 10-year window with samples starting in 2000 and ending in 2024 and averaging rolling returns over time. Past performance does not guarantee future results. Sources: Prequin, Apollo Chief Economist

## 2. Private Equity Is Not a Monolithic Asset Class

Market cap and sector are fundamental distinctions in public equities. The same logic applies in private equity, but the dimensions that matter are fund size, investment strategy and sector focus. These factors can drive a differentiated risk and return profile, and that variation is what makes private equity attractive. They can also create real opportunity for alpha that simply doesn't exist in public markets, for investors with access to the right managers.



### Did You Know?

*The dispersion of returns in private equity is nearly 30% vs. just 2% for public equity. With that much variability, manager selection is critical.<sup>2</sup>*

## 3. The Regime Has Changed

For more than a decade, PE returns were boosted by declining rates, abundant leverage and multiple expansion. These tailwinds rewarded participation more than skill. That backdrop has shifted. Rates are structurally higher and returns have to be earned. This is the environment private equity is built for: one where active ownership, operational improvement and disciplined underwriting are again the primary drivers of return, and where factors that distinguish capable managers matter.



### Did You Know?

*Between 2010 and 2022, 59% of returns from buyout deals came from leverage and multiple expansion, tailwinds that become far less powerful in a higher-for-longer rate environment.<sup>3</sup>*

## 4. Scale and Platform Now Matter More

The middle market has long been viewed as a source of strong returns, but as the segment has gotten crowded, the structural advantages that once defined it have become harder to find at the lower end. Less competition, differentiated sourcing and hands-on value creation are no longer easy to come by. Today, those advantages increasingly belong to larger platforms with proprietary deal flow, deep sector expertise and the operating infrastructure to drive change at scale. As capital concentrates in fewer, more established managers, where one allocates within PE matters as much as whether to allocate at all.



### Did You Know?

*The number of private equity funds has declined for four consecutive years since peaking in 2021, including a ~23% drop in buyout funds in 2025, as capital concentrates in fewer, larger managers.<sup>4</sup>*

<sup>2</sup>Note: Dispersion of returns refers to the spread between top- and bottom-quartile managers. PitchBook database for private equity. Analysis of 20-year IRRs for vintage-year funds from 2005-2019 as of March 2025. Public equity data is from Morningstar US Large Blend for the 20-year period ended March 2025.

<sup>3</sup>McKinsey & Company, Global Private Markets Report 2026

<sup>4</sup>Bain & Company, Global Private Equity Report 2026

## 5. Operational Value Creation Takes Center Stage

With borrowing costs in the 8-9% range and purchase multiples still elevated, the math has changed: returns now must come from inside the business through EBITDA growth, margin expansion and productivity gains. This is where managers with dedicated operating teams, sector specialization and scaled platforms have a structural edge. They can drive the kind of operational lift that PE has always been about, and they can do it in companies where the changes actually move the needle.



### Did You Know?

Typical buyouts now require ~10–12% EBITDA growth vs. ~5% historically to achieve the same ~2.5x returns (a common benchmark for strong PE outcomes).<sup>5</sup>

## 6. The DPI Drought Demands a Different Approach to Liquidity

Distribution yields have declined and hold periods have extended across the industry, leaving a meaningful backlog of assets acquired in a different rate and valuation environment. Managers now have more tools than ever to address this: secondaries, continuation vehicles and structured liquidity solutions that help return capital on a timeline that supports portfolio construction. Managers with diversified exit pathways and the platform to execute across them are well-positioned to turn an industry-wide challenge into a relative advantage.



### Did You Know?

The PE industry is sitting on roughly \$3.8 trillion of unsold portfolio companies, more than the GDP of the United Kingdom. And in private equity, the clock matters, which is why managers who can deliver liquidity early and often are increasingly important.<sup>6</sup>

*In a market that no longer rewards the old playbook, the edge belongs to those who focus on the decisions that matter most: how returns are generated, where structural advantages persist and which managers have the discipline and flexibility to return capital early and often.*

<sup>5</sup>Bain & Company, Global Private Equity Report 2026

<sup>6</sup>Bain & Company, Global Private Equity Report 2026; Note: The UK's 2024 GDP was \$3.69 trillion (World Bank).

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