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AXIA

PRIVATE EQUITY NEWSLETTER

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1Q26 PUBLIC PE REVIEW

Exit Recovery, Credit Expansion, and Diversification Define Public PE

Contents

SG Analytics' premier private equity monthly newsletter and your window to the latest trends, deals, and strategies reshaping the industry.

Each edition of Axia will bring you an exclusive feature article and topical news developments with our experts dissecting critical topics, offering insights and commentary that go beyond the headlines.

Fundraising Challenges | Expected Dealmaking Revival | IPO Exit Opportunities

Feature Article

1Q26 PUBLIC PE UPDATE:

Exits Rebound as Firms Diversify Beyond Buyouts

Public PE firms navigated a mixed operating environment in 1Q26, marked by strong realization activity, resilient fundraising, and shifting investment priorities. Private credit, infrastructure, and diversified capital platforms continued to shape growth strategies across publicly listed alternative asset managers.

Public PE firms generated record realizations in 1Q26 despite software-driven valuation pressure. Strong fundraising, growing credit platforms, and increasing allocations to digital infrastructure, energy, and related opportunities underscore the evolving priorities of the industry's largest managers.

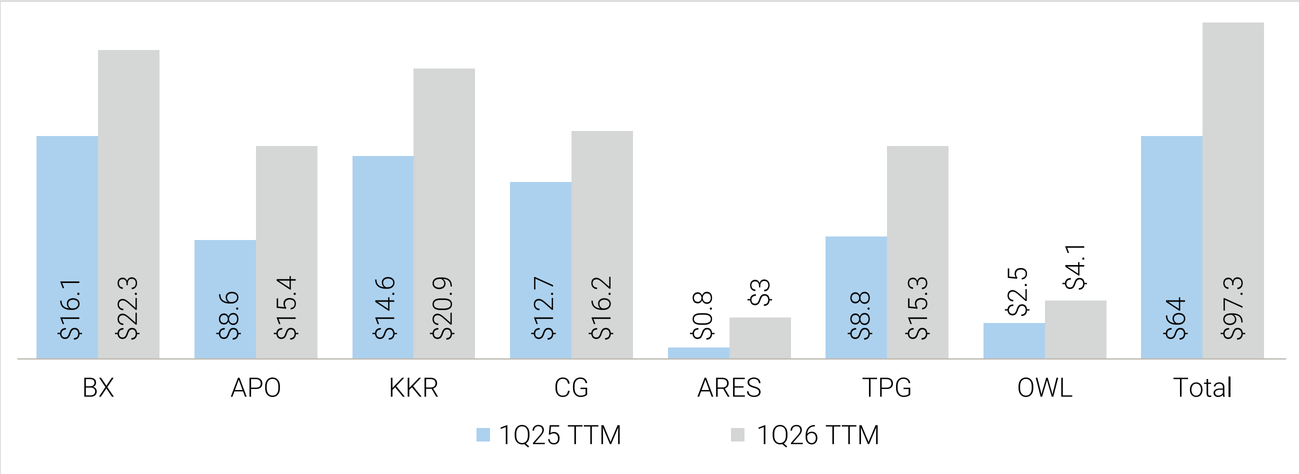
Public PE firms began 2026 amid a more challenging investment environment. Software valuation resets weighed on PE returns, while deployment activity slowed from the record levels reached in late 2025. At the same time, realization activity improved materially, fundraising remained active, and capital continued to shift toward infrastructure, energy, and credit. These developments provide insight into how the industry's largest managers are adapting to a changing market environment.

Exit Activity Reaches a Multi-Year High

Realization activity was one of the strongest developments during the quarter. Big Seven generated $34.6 billion in PE realizations in 1Q26, more than triple the $11.3 billion recorded a year earlier, as per PitchBook. TTM realizations increased to $97.3 billion.

Blackstone and Carlyle monetized Medline holdings, while KKR exited OneStream, CoolIT, and HD Hyundai Marine Solution, and TPG sold OneOncology to Cencora and Intersect's digital power business to Google.

Figure 1: Global TTM PE Realizations by Manager (in $Billions)



Sources: Company Reports and PitchBook, data as of March 31, 2026

The recovery in exits is particularly significant given the liquidity constraints that have weighed on private markets in recent years. Several transactions were completed at premiums to prior marks despite broader valuation pressure, suggesting buyer demand remains healthy for quality assets. The improvement also provides evidence that sponsors have regained multiple pathways for generating distributions and returning capital to investors.

Despite weaker returns, firms continued reporting healthy operating performance across portfolio companies. Revenue growth and earnings trends largely remained intact, suggesting the quarter was primarily a valuation event rather than a deterioration in business quality. The results also highlighted increasing performance dispersion across managers, with portfolio composition becoming a more important driver of outcomes.

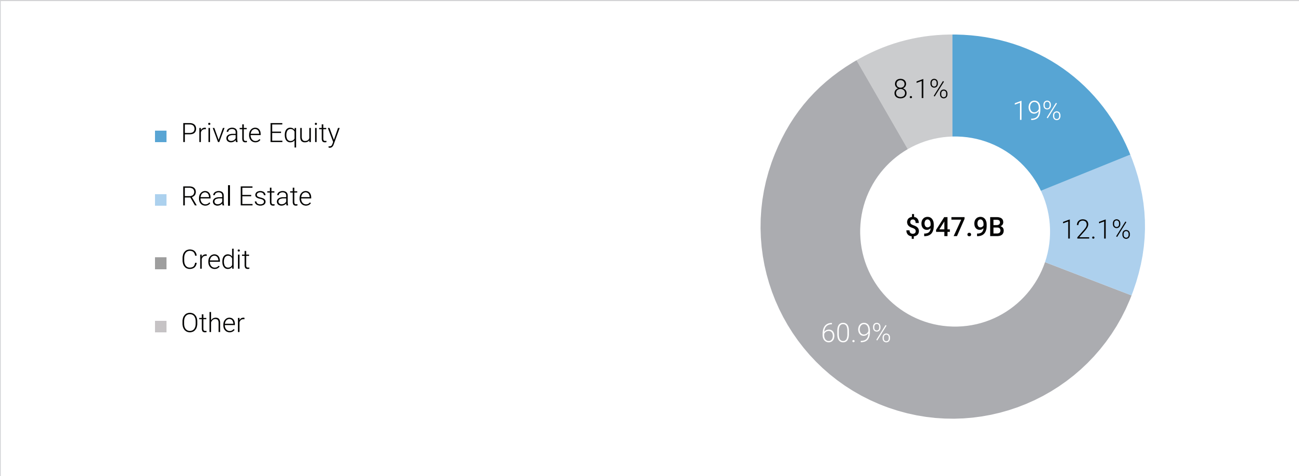
Software Repricing Weighs on PE Returns

PE returns weakened during the quarter as software valuations came under pressure. Median PE returns across the largest public managers declined to negative 0.7% in 1Q from positive 3.2% in 4Q25, as per PitchBook. Concerns surrounding AI disruption contributed to multiple compressions across software portfolios, while four of six managers reported negative quarterly marks. Firms with larger technology exposure experienced the greatest valuation pressure during the quarter.

Private Credit Leads Fundraising Activity

Private credit remained the largest fundraising strategy among public alternative asset managers. Credit strategies accounted for 60.9% of TTM capital raised, compared with 19% for PE, as per PitchBook. Apollo reported record credit inflows, Ares expanded its direct lending platform, and KKR generated momentum through asset-based finance. Fundraising remained resilient despite elevated redemption activity across some non-traded vehicles.

Figure 2: Big Seven Share of TTM Capital Raised by Strategy



Sources: Company Reports and PitchBook, data as of March 31, 2026

The continued expansion of private credit reflects both favorable market conditions and sustained investor demand. Wider spreads, stronger covenant protections, and lower leverage levels have improved lending economics, while banks remain selective across several financing markets. Managers also highlighted growing opportunities in asset-based finance, structured credit, and infrastructure-related lending.

PE Deployment Moderates as Investment Priorities Shift

Corporate PE deployment totaled $28.9 billion during 1Q26, down 17.8% from the previous quarter but still 34.1% higher than a year earlier, as per PitchBook. The moderation followed a record 4Q and reflected a more measured pace of deal activity across the market. Despite the slowdown, firms continued to report strong pipelines, attractive investment opportunities, and substantial dry powder available for deployment.

Digital infrastructure, datacenters, power systems, energy assets, and corporate carve-outs emerged as key investment areas across the industry. Apollo's largest transactions focused on physical and cash-generative businesses, while Blackstone and TPG increased exposure to datacenter and power infrastructure assets. The shift reflects a preference for sectors supported by long-term demand trends and greater cash flow visibility.

Public PE Firms Diversify Beyond Buyouts

The quarter highlighted how public PE firms are increasingly operating as diversified alternative asset managers rather than traditional buyout firms. Blackstone's wealth assets reached $310 billion, KKR's K-Series platform expanded to $38 billion, and Ares reported $68 billion in wealth assets under management (AUM), as per PitchBook. Insurance-related capital also remained an important source of long-duration funding across several firms.

The industry's asset mix reflects this evolution. Across the largest managers, PE accounted for 24.1% of total AUM, while credit represented 52.1%. Firms also expanded into infrastructure, secondaries, GP stakes, and asset-based finance. AI-related infrastructure investments, particularly datacenters and power systems, remained a key focus. Future growth is likely to depend on a broader mix of asset classes and capital sources.

Conclusion

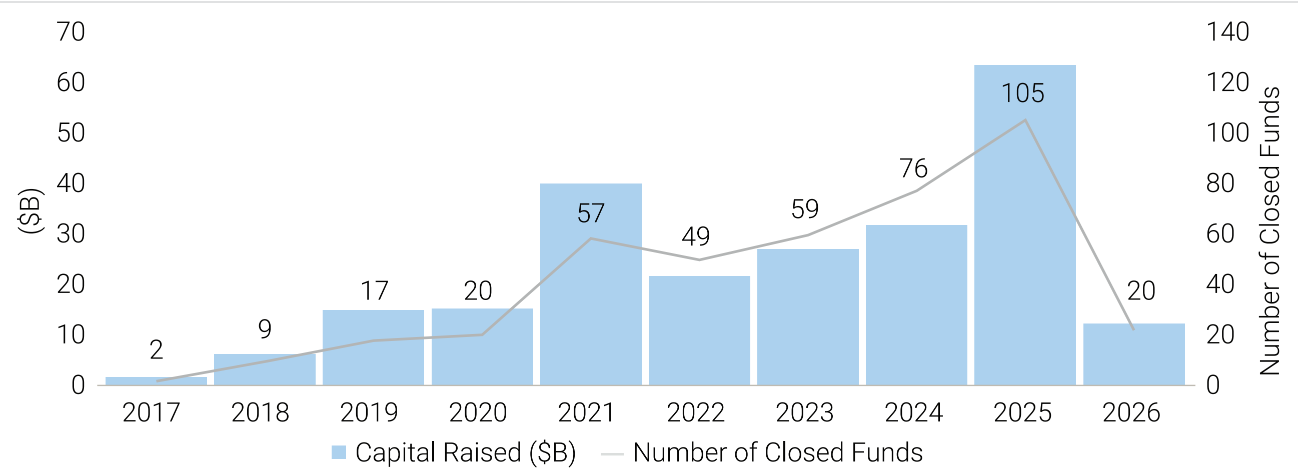
1Q26 demonstrated that public PE firms are increasingly relying on a broader set of investment strategies and capital sources than traditional buyouts alone. While returns were affected by software valuation resets, record realizations, continued fundraising activity, and growth across credit, wealth, and insurance platforms, these point to an industry that continues to evolve. For investors, these shifts are likely to play a larger role in shaping performance across the private markets landscape.

Monthly News and Analysis

Muted Exits Accelerate PE Continuation Fund Growth

Through May 8, 2026, PE continuation funds raised $11.9 billion across 20 vehicles, as per Preqin Pro. The asset class is building on record momentum after continuation funds raised $62.7 billion across 105 vehicles in 2025, the highest annual fundraising total and fund count since at least 2017.

Figure 3: Fundraising Trends for Global PE Continuation Funds



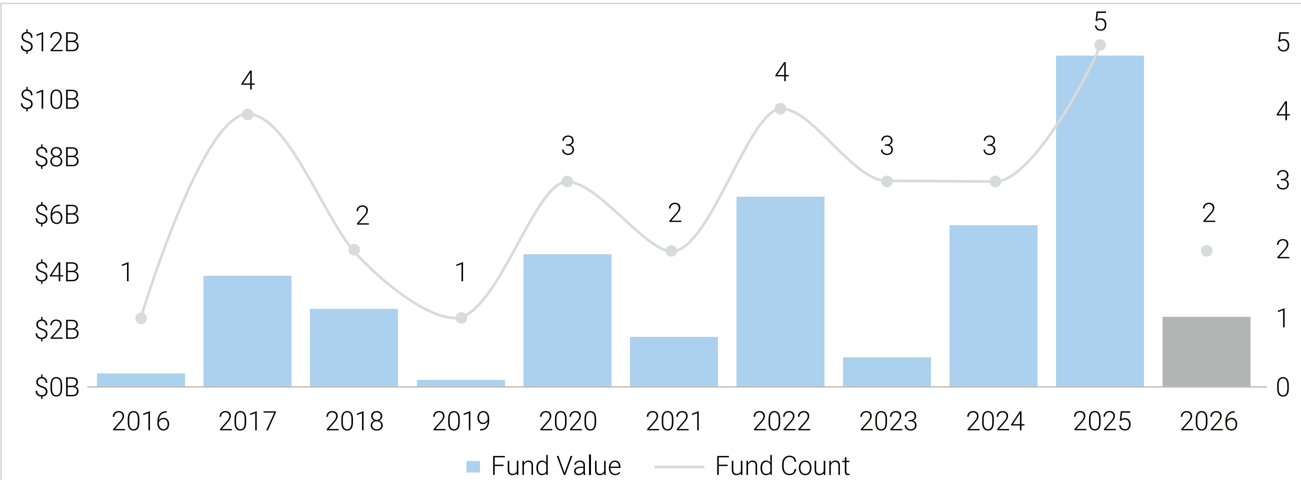
Source: Preqin Pro, data as of May 8, 2026

The rapid growth of continuation funds highlights how prolonged weakness in M&A and IPO markets is reshaping PE exit strategies. As traditional exit routes remain constrained, sponsors are increasingly using continuation vehicles to extend ownership of portfolio companies while providing liquidity options to existing investors. The trend is supported by a growing backlog of assets held for more than four years, record levels of unrealized value across PE portfolios, and mounting liquidity pressures among limited partners. What initially emerged as a response to challenging market conditions is increasingly becoming a permanent feature of the PE ecosystem. The record fundraising activity demonstrates growing acceptance among investors that continuation funds will likely serve as an effective mechanism for both value creation and liquidity management. However, the strategy also faces greater scrutiny as transaction volumes increase. Continuation fund transactions inherently involve conflicts of interest, with general partners acting as both buyers and sellers of assets. To address these concerns, sponsors are increasingly relying on third-party investors and independent pricing mechanisms to establish transaction fairness and improve governance standards. The market is also becoming more selective, with investors differentiating between continuation vehicles built around high-quality assets with clear value creation potential and those used primarily to defer exits. As exit markets remain subdued, continuation funds are expected to play an increasingly important role in PE portfolio management and liquidity generation.

Infrastructure Longevity Fuels Record Secondaries Growth

Global infrastructure secondaries fundraising reached a record $11.5 billion in 2025, more than doubling from $5.6 billion in 2024, as per PitchBook. Deal value also hit a record $25 billion, while Blackstone, Ardian, and Ares raised some of the largest dedicated infrastructure secondaries funds on record.

Figure 4: Global Infrastructure Secondaries Fundraising



Source: PitchBook, data as of May 8, 2026

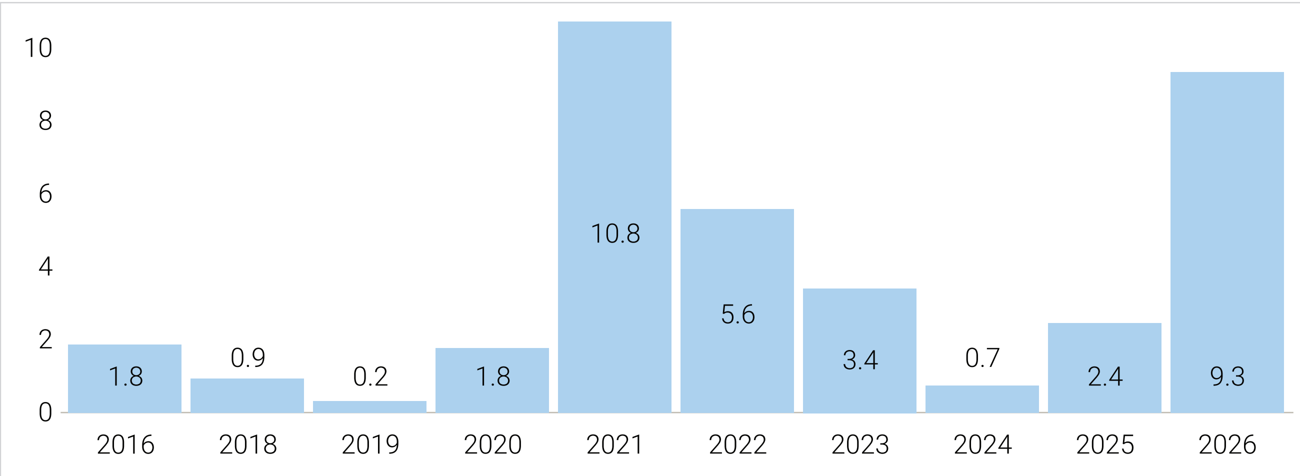
The rapid growth of infrastructure secondaries reflects a structural mismatch between infrastructure asset lifespans and traditional private market fund cycles. Assets such as renewable energy projects, data centers, utilities, and transportation networks often generate value over several decades, while most private infrastructure funds operate on 10-year timelines. As these assets mature, fund managers increasingly require liquidity solutions that allow them to retain ownership while continuing to create value. This dynamic is fueling strong demand for GP-led continuation vehicles. Blackstone's $5.5 billion infrastructure secondaries fund, Ardian's commitment of more than $5 billion toward its latest vehicle, and Ares' $3.3 billion fund close highlight growing institutional appetite for the strategy. According to PJT Partners' FY 2025 Secondary Market Insight, transaction activity has also accelerated significantly, with infrastructure secondaries deal value more than doubling from $11 billion in 2023. Moreover, PJT Partners expects the market to expand to $45 billion by 2030. The opportunity is particularly significant in energy transition and digital infrastructure, where assets require substantial ongoing capital expenditure and benefit from long-duration growth trends and favorable market fundamentals. Rather than pursuing exits, fund managers are increasingly using continuation vehicles to finance expansion and operational improvements. With $576.9 billion raised across 679 European infrastructure funds since 2017, a large pipeline of aging fund vintages is expected to sustain secondaries activity, improve liquidity, attract additional institutional capital, and support long-term infrastructure value creation globally.

Megadeals Drive Waste Management Investment Growth

Global PE and venture capital (VC) investment in waste management reached $9.3 billion through May 17, surpassing every full-year total since 2021, as per S&P Global. The surge was largely driven by several large transactions that significantly boosted overall investment activity.

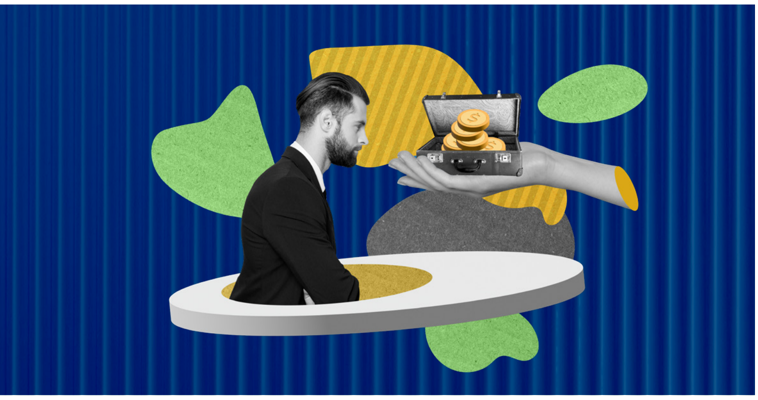
Figure 5: Global PE/VC Investment in Waste Management

Aggregate Transaction Values (in $Billions)



Source: S&P Global, data as of May 17, 2026

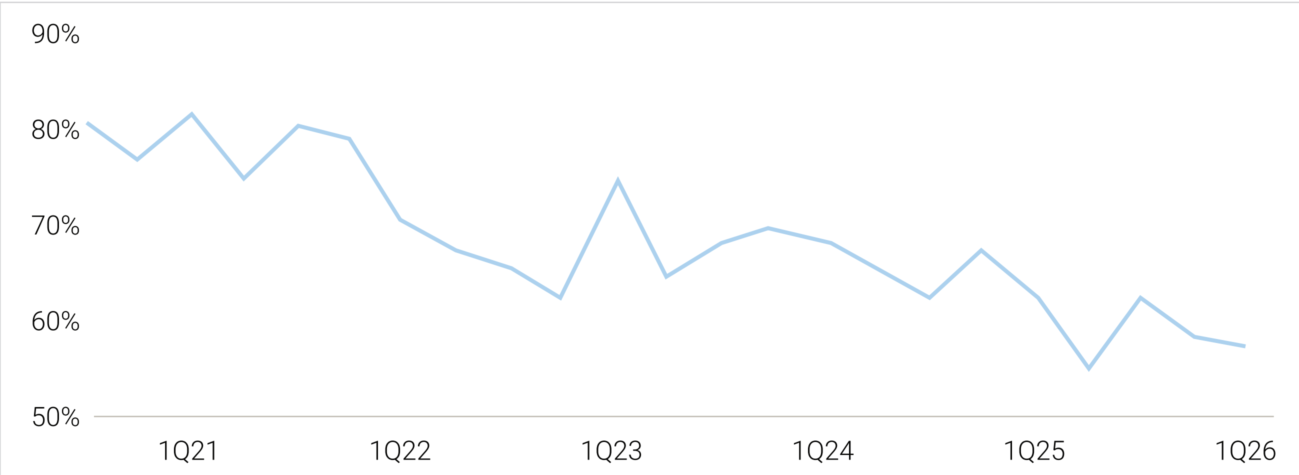
The surge in waste management investment highlights growing private capital interest in essential infrastructure assets that offer resilient cash flows and long-term demand visibility. The sector continues to benefit from structural tailwinds, including urbanization, stricter environmental regulations, rising recycling requirements, and growing sustainability commitments from governments and corporations. These characteristics make waste management attractive during periods of economic uncertainty, as collection, disposal, and treatment services remain critical regardless of broader economic conditions. Although deal volume has declined every year since peaking at 107 transactions in 2022, larger transactions are increasingly driving investment value, indicating investor preference for scaled platforms with predictable cash flows and established market positions. The trend is exemplified by Blackstone and EQT's $6.6 billion acquisition of Urbaser from Platinum Equity, one of the largest waste management transactions in recent years, highlighting investor willingness to deploy significant capital into environmental services businesses. This shift suggests PE firms are prioritizing asset quality and scale over transaction volume, particularly in sectors that provide essential services and recurring revenue streams. The trend also reflects demand for infrastructure-like businesses that will likely deliver stable returns while benefiting from regulatory and environmental support. As sustainability priorities rise and governments increase focus on resource management and environmental compliance, waste management is expected to remain an attractive investment theme for PE investors seeking defensive growth opportunities and durable cash-generating assets over the long term.



PE-Backed Borrowers Lose Ground in Direct Lending

PE-backed companies accounted for 57.9% of US direct-lending deals in 1Q26, down from more than 80% during the post-pandemic deal boom, as per PitchBook. While total deal count fell to 209 from 226 a year earlier, deal volume increased to $73.5 billion from $58.2 billion.

Figure 6: PE Share of US Direct Lending Deals



Source: PitchBook, data as of March 31, 2026

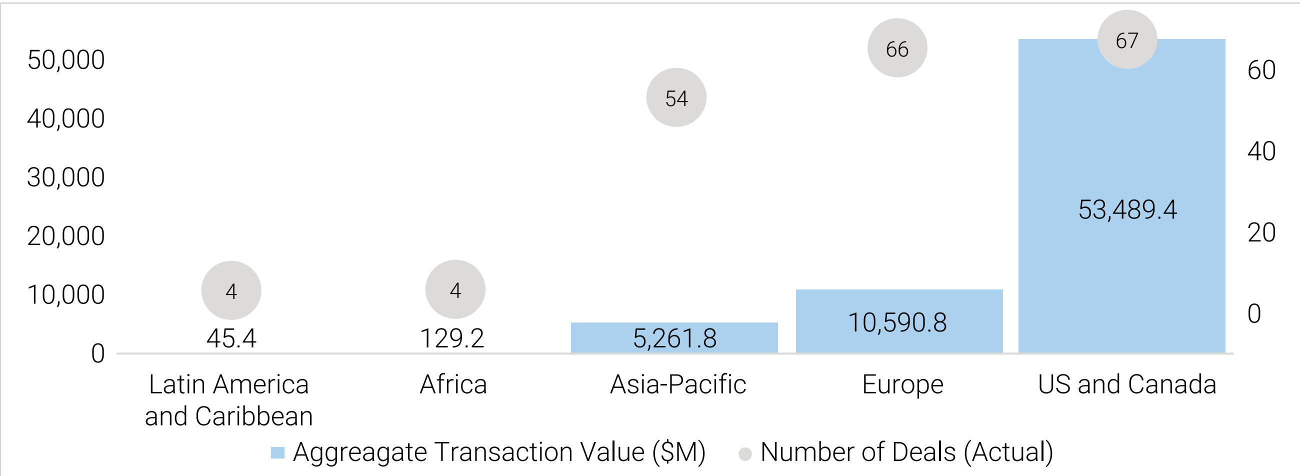
The declining share of PE-backed borrowers in the direct lending market reflects slowing PE activity rather than weakening lender appetite for sponsor-backed credit. PE-backed companies represented 121 direct-lending deals in 1Q, while loans financing leveraged buyouts fell to 53 from 63 a year earlier, as per PitchBook. However, LBO financing volume increased to $23.3 billion from $17.4 billion, indicating that lenders continue to support larger sponsor-backed transactions despite lower deal flow. The slowdown stems from persistent challenges facing buyout firms, including aging portfolio companies, slower exits, and constrained distributions to investors. As a result, only 44% of US direct-lending loans financed leveraged buyouts in 2025, down from 61% in 2021. At the same time, direct lenders are gradually expanding into founder-owned and family-owned businesses to diversify origination channels and reduce reliance on PE sponsors. This shift is supported by a growing number of bank-asset manager partnerships, including Citi and Apollo's $25 billion direct-lending program, Citi's $17.5 billion partnership with HPS Investment Partners, and PNC and TCW's $2.5 billion middle-market platform. While sponsor-backed lending remains the dominant segment, the growing participation of non-sponsored borrowers broadens the addressable market for private credit managers. As PE deal activity remains subdued, lenders are expected to continue building alternative origination networks, expanding borrower coverage, and creating a more diversified and resilient direct lending ecosystem over time.

Data Center Demand Fuels Utilities Investment Growth

Global PE and VC investments in the utilities sector increased more than 50% YoY to $69.5 billion in 2025, as per S&P Global. Momentum continued into 1Q26, with investment reaching $64.6 billion, nearly matching the total recorded during all of 2025.

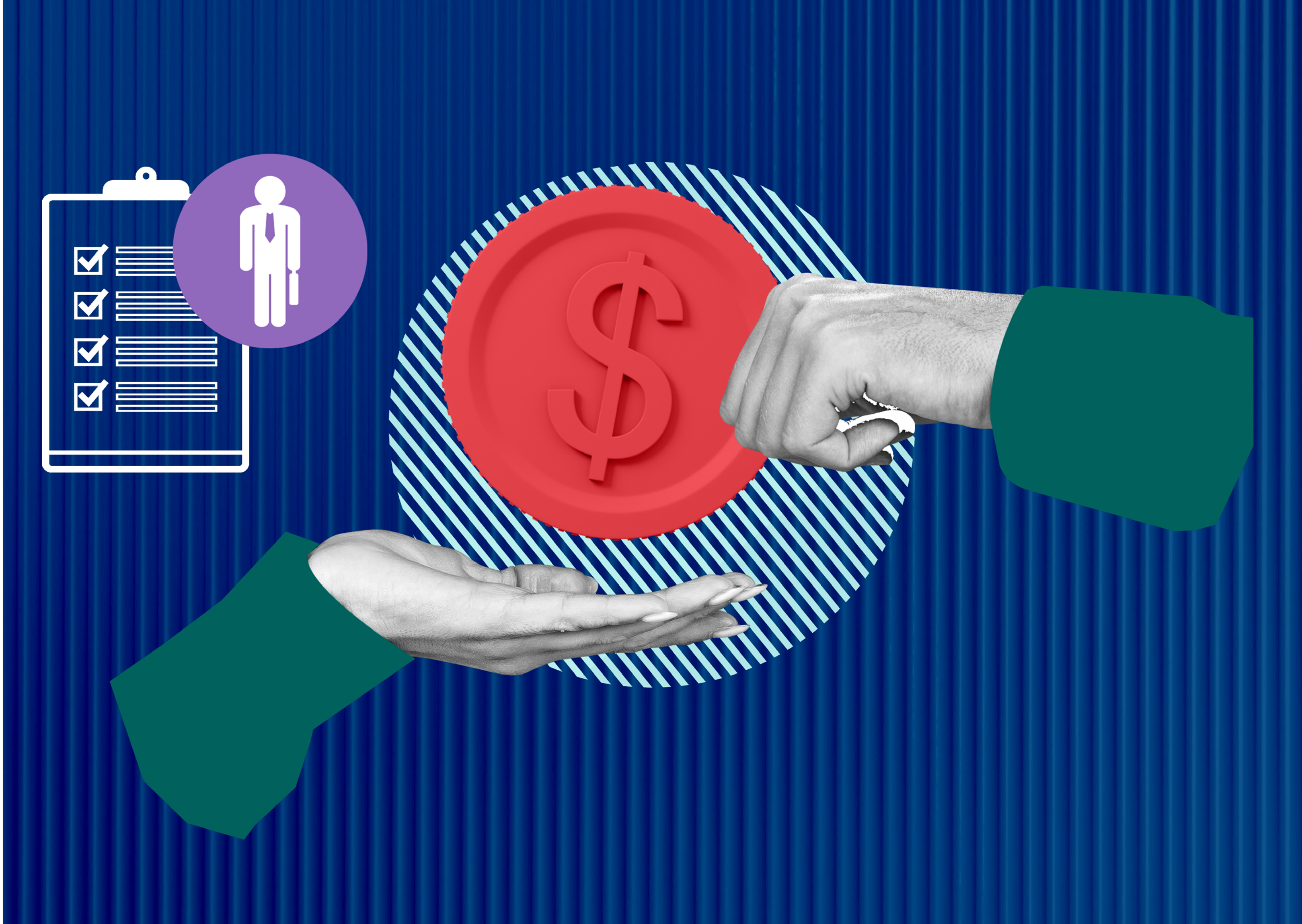
Figure 7: PE/VC Investments in the Utilities Sector in 2025

By Geography



Source: S&P Global, data as of December 31, 2025

The surge in utilities investment underscores how the rapid expansion of data centers is reshaping private capital allocation across energy infrastructure. Growing power requirements from hyperscalers and AI-driven workloads are creating significant demand for electricity generation, transmission, and grid modernization, positioning utilities as a key beneficiary of the digital infrastructure buildout. The US and Canada accounted for $53.5 billion, or 76.9%, of total utilities investment in 2025, highlighting the region's central role in supporting data center growth. While electric utilities attracted the highest investment at $31.7 billion, private capital is also increasingly targeting independent power producers, which generated $3.4 billion in deal value during the year. Regulatory efforts to ensure hyperscalers bear a greater share of infrastructure costs are expected to encourage the creation of dedicated entities and financing structures, expanding opportunities for PE participation and creating new investment avenues across the energy value chain. The trend is already evident in large-scale transactions such as KKR and Canada Pension Plan Investment Board's acquisition of Sempra Infrastructure Partners and Blackstone's $11.5 billion acquisition of TXNM Energy. Beyond data centers, ongoing geopolitical uncertainty and concerns around energy security are driving investment in domestic power infrastructure. As AI adoption accelerates and electricity demand continues to rise, utilities are expected to remain an attractive investment theme for PE investors seeking long-duration, infrastructure-backed growth opportunities over the coming decade.



DEALS FLASH

Godspeed Backs JP Donovan

Godspeed Capital Management, a Washington-based PE firm, has made an investment in JP Donovan, a Florida-based provider of general engineering contracting services. Founded in 1998, JP Donovan provides space infrastructure, fabrication, precision machining, and mission-critical support solutions for government and commercial space customers. This deal will allow JP Donovan to invest in enhanced capabilities, pursue strategic growth opportunities, and expand customer service presence nationwide. Further, it will enable Godspeed to partner closely with JP Donovan to build a platform in the space and defense infrastructure market.

One Equity Acquires Leviat

One Equity Partners, a New York-based PE firm, has acquired Leviat, a provider of engineered solutions for the construction industry and industrial sectors. Founded in 2020, Leviat specializes in lifting, reinforcing, anchoring, and connecting applications. This deal will allow Leviat to accelerate its next stage of expansion, combine organic initiatives with further M&A, and extend its global reach. Further, it will enable One Equity to partner with management to accelerate growth, pursue strategic acquisitions, expand into complementary product categories, and drive Leviat's growth as a standalone business.

WindRose Health Exits Altruix to Frazier

WindRose Health, a New York-based PE firm, has sold Altruix, a Maryland-based behavioral health pharmacy platform, to Frazier Healthcare Partners, a Washington-based PE firm. Founded in 2005, Altruix serves patients with severe mental illness, substance use disorders, and intellectual and developmental disabilities. This deal will allow Altruix to further expand its reach, deepen its impact, and serve more patients monthly through its pharmacies. Further, it will enable WindRose to support its mission of improving medication access and adherence for vulnerable and underserved patient populations in the country.

Vector Capital Exits IPValue to Fortress

Vector Capital Management, a San Francisco-based PE firm, has sold IPValue Management Group, a California-based IP commercialization provider, to Fortress Investment Group, a New York-based PE firm. Founded in 2001, IPValue provides intellectual property and patent monetization advisory services intended for large technology companies. This deal will allow IPValue to continue to grow and scale across new technology categories. Further, it will enable Vector Capital to exit after collaborating with the management team to expand licensing programs, deepen relationships, and build the business under its decade of partnership.

Bregal Sagemount Invests in LSPedia

Bregal Sagemount, a New York-based PE firm, has invested in LSPedia, a Michigan-based provider of turnkey compliance and SaaS solutions. Founded in 2013, LSPedia provides compliance, traceability, and supply chain software to the pharmaceutical sector. This deal will allow LSPedia to continue expanding the platform, deepen customer relationships, and invest in the next generation of supply chain connectivity and intelligence. Further, it will enable Bregal to partner with the team as they accelerate innovation, including advanced traceability and analytics, to support pharmaceutical supply chain customers worldwide.

Nautic Partners Exits HES Facilities to GI Partners

Nautic Partners, a Rhode Island-based PE firm, has sold portfolio company HES Facilities Management, a Tennessee-based provider of janitorial, facilities management, and groundskeeping services, to GI Partners, a California-based infrastructure investment firm. Founded in 2020, HES's customers include educational institutions and commercial clients. This deal will allow HES to expand its footprint, strengthen its value, and position itself for its next phase of growth. Further, it will enable Nautic Partners to complete its third successful exit in the outsourced education services market in partnership with management.

Kainos Capital Acquires Super-Sod from Heartwood Partners

Kainos Capital, a Dallas-based PE firm, has acquired Patten Seed Holdings, also known as Super-Sod, a North Charleston-based provider of sod, seed, soil, and other landscaping solutions, from Heartwood Partners, a Connecticut-based PE firm. Founded in 1954, Super-Sod serves across the southern US through a vertically integrated network of farms, retail stores, and an eCommerce platform. This deal will allow Super-Sod to expand its product and service offerings. Further, it will enable Kainos Capital to help management expand through attractive add-on acquisitions and geographic expansion.

Arsenal Capital Acquires Majority Stake in Velcro Companies

Arsenal Capital Partners, a New York-based PE firm, has acquired a majority stake in Velcro Companies, a Manchester-based provider of specialty hook & loop fastening technologies, from the Cripps Foundation, a Bermuda-based international philanthropic organization. Founded in 1941, Velcro serves customers across medical, data center, personal care, consumer, industrial, and more. This deal will allow Velcro to accelerate growth and maximize the value of its company and brand. Further, it will enable Arsenal to support the team through continued investment in innovation and product development.

Littlejohn Acquires Milrose Consultants from Southfield Capital

Littlejohn & Co., a Connecticut-based PE firm, has acquired Milrose Consultants, a New York-based consulting, engineering, and architecture services provider, from Southfield Capital, a Connecticut-based PE firm. Founded in 1988, Milrose Consultants provides comprehensive regulatory and compliance solutions for US buildings and complex real estate projects. This deal will allow Milrose to pursue strategic geographic expansion, M&A, and new investment in technology, talent, and platform capabilities. Further, it will enable Littlejohn to bring its resources and network to strategically grow the platform.

Arcline Takes Continental Private

Arcline Investment Management, a Tennessee-based PE firm, has acquired Continental Aerospace Technologies, an Alabama-based provider of general aviation piston engines, for approximately $535 million. The transaction takes the piston aircraft engine manufacturer private from its previous owner, the subsidiaries of Aviation Industry Corporation of China. This deal will allow Continental to support continued investment in the business and accelerate its growth. Further, it will enable Arcline to partner with the management team and employees, aligning the company's technical capabilities alongside their aerospace and defense systems strategy.

TRENDS AND STATS

May Middle-Market Deal Summary

59.3%
of the deals were made in the Business Products and Services (B2B) sector.

71.9%
of B2B deals were in Commercial Services.

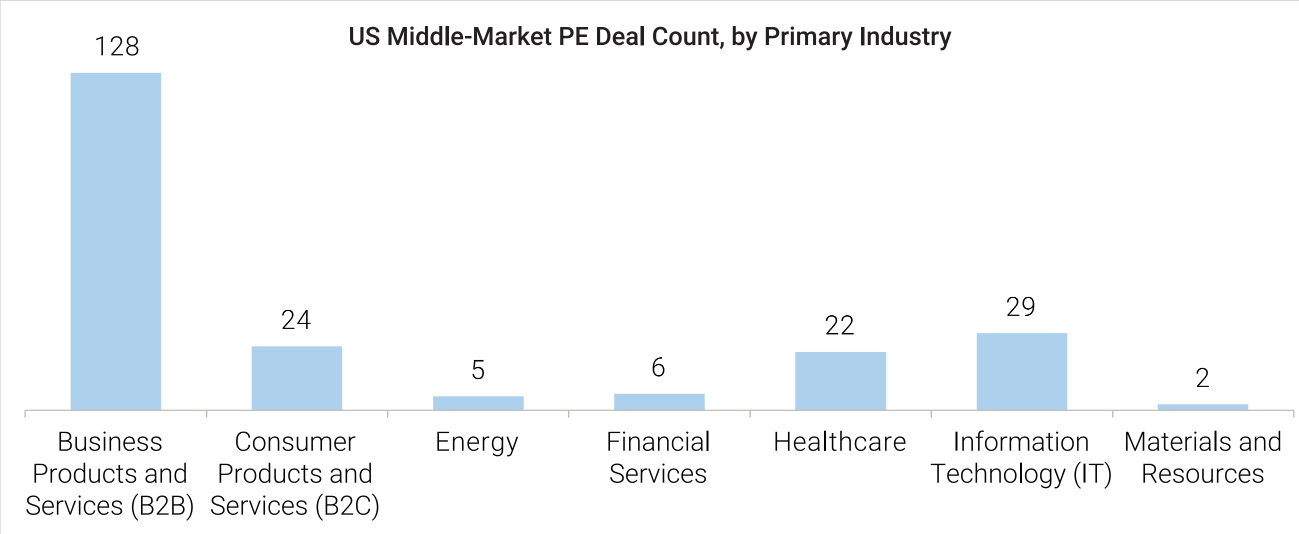
13.4%
of the deals were in IT.

51.7%
of IT deals were in Software.

California
experienced the highest dealmaking activity, followed by Florida.

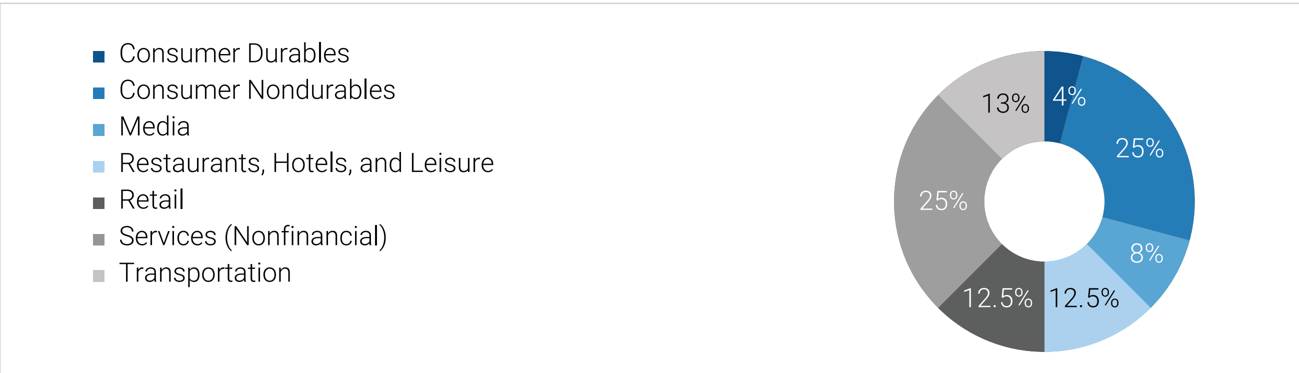
72.2%
of the deals were buyouts.

Figure 8: May 2026 Middle-Market Deal Summary



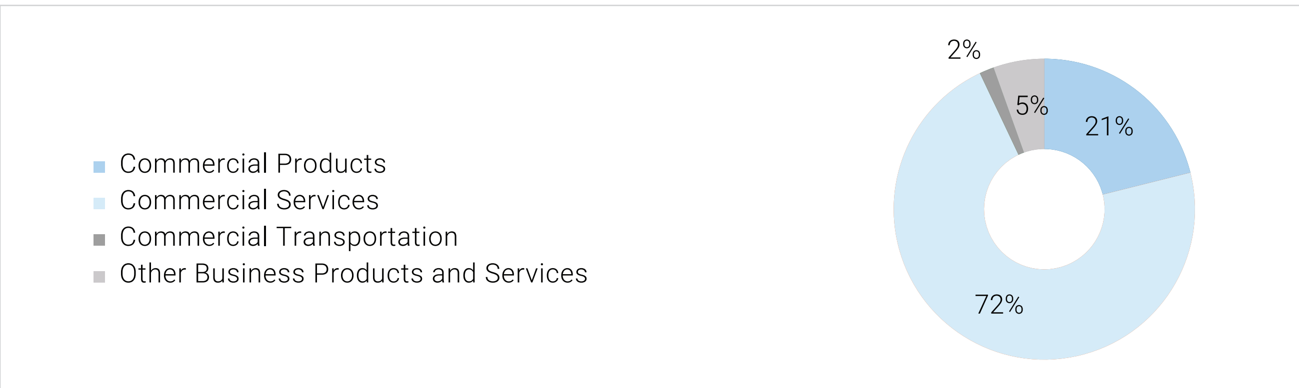
Source: SG Analytics Research

Figure 9: Share of Consumer Products and Services



Source: SG Analytics Research

Figure 10: Share of Business Products and Services



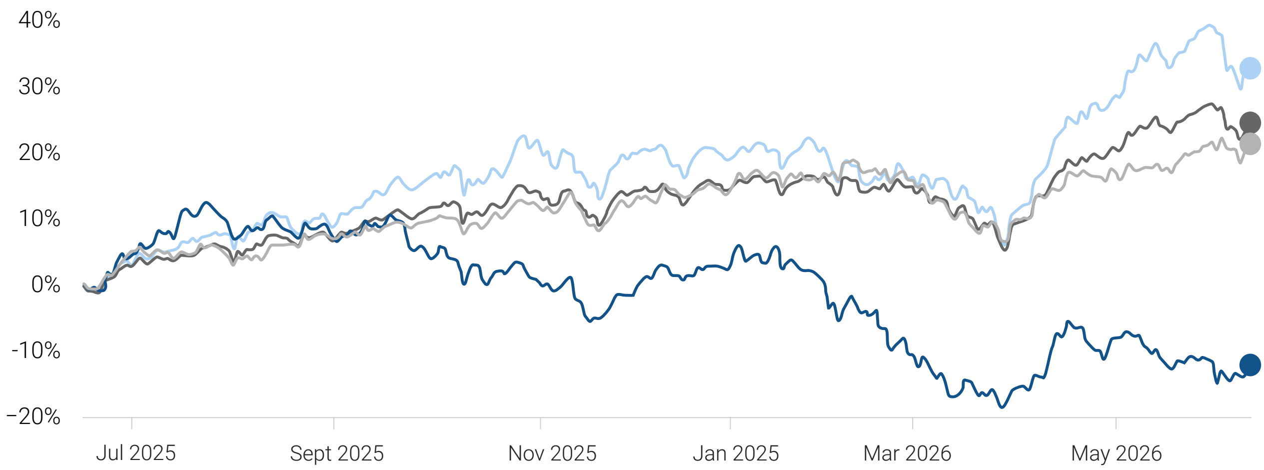
Source: SG Analytics Research

Note: This dataset specifically targets investor fund preferences within the $2–8 million EBITDA range. It is important to note that the summary focuses solely on these investor preferences and does not include details related to deal sizes.

S&P-Listed Private-Equity Index

Figure 11: S&P-Listed Private-Equity Index

1D 5D 1M 6M YTD **1Y** 5Y MAX

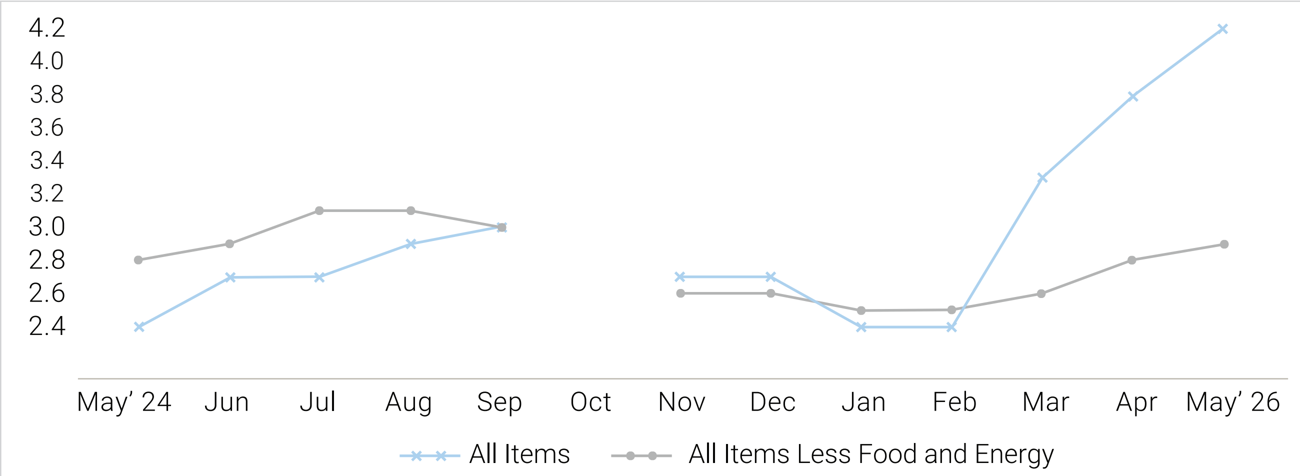


S&P-Listed Private-Equity Index	216.8	−29.4	↓ 11.9%
S&P 500	7,431.5	+1,398.3	↑ 23.2%
Nasdaq Composite	25,888.8	+6,187.6	↑ 31.4%
Dow Jones Industrial Average	51,202.3	+8,687.2	↑ 20.4%

Note: Data as of June 12, 2026

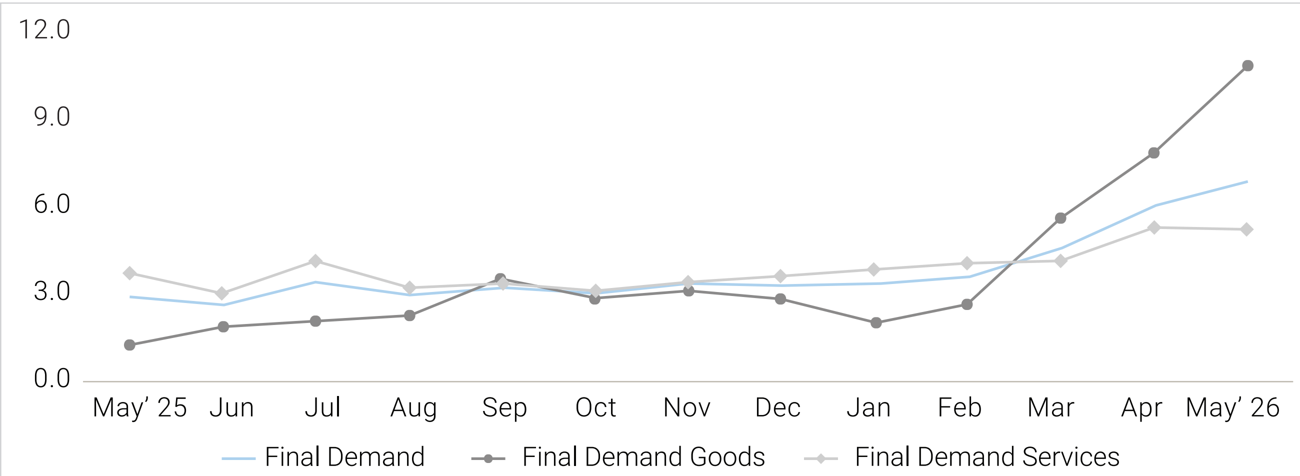
Index	Month-over-Month	YTD
Consumer Price Index (CPI)	0.5%	4.2%
Producer Price Index (PPI)	1.1%	6.5%

Figure 12: 12-Month Percent Change in CPI for All Urban Consumers (Not Seasonally Adjusted)



Source: US Bureau of Labor Statistics

Figure 13: 12-Month Percent Change in Selected PPI Final Demand Price Indexes (Not Seasonally Adjusted)



Source: US Bureau of Labor Statistics

Upcoming Events

Pension Bridge Private Equity Exclusive	July 12–15, 2026	The Ritz-Carlton, Chicago, IL
Private Markets Secondaries Meeting East	July 15, 2026	Metropolitan Club of New York, NY
ALTSCHI	July 20–21, 2026	Radisson Blu Aqua Hotel, 221 N Columbus Drive, Chicago, IL

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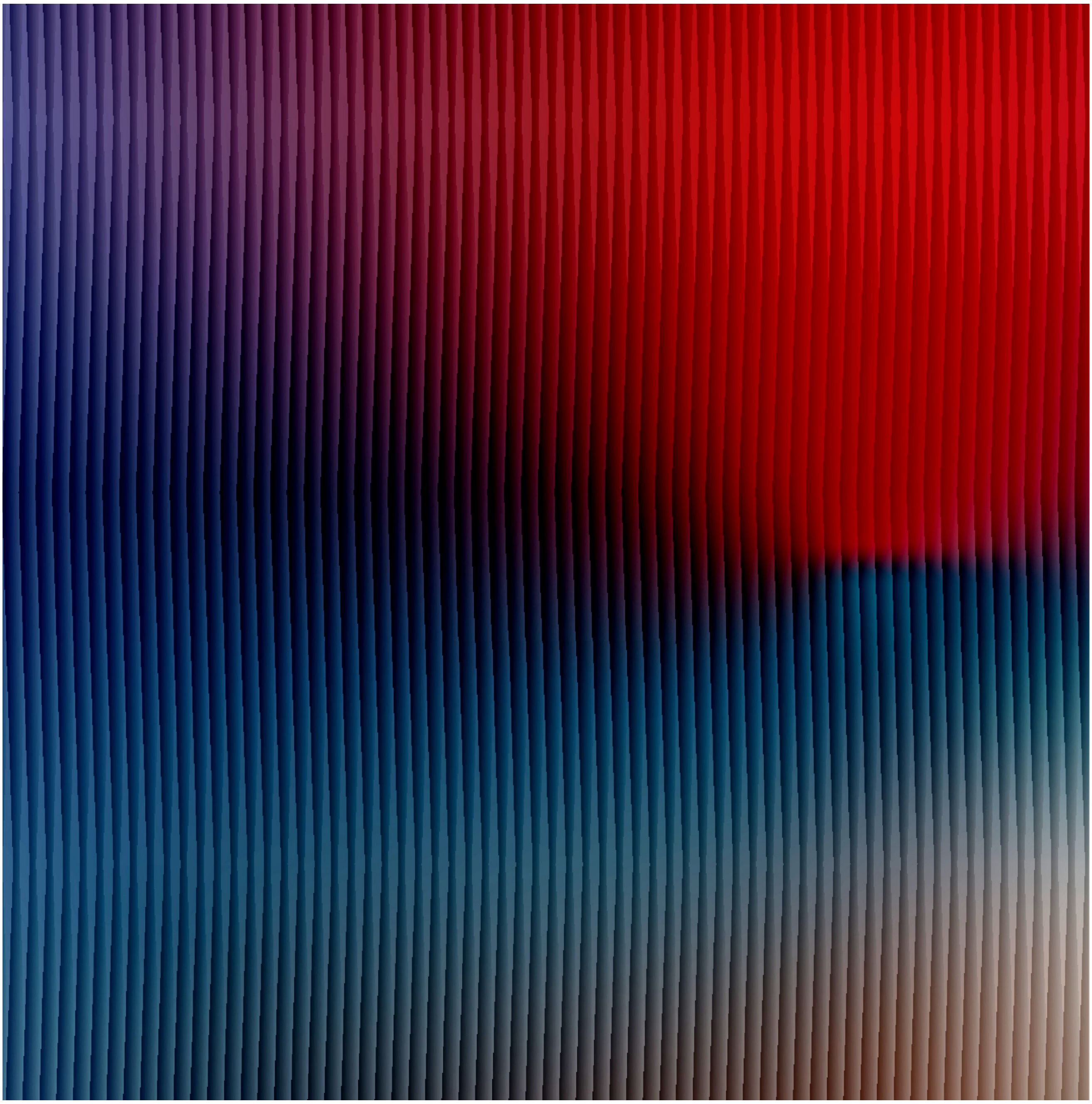

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