

# Outlook 2026



## Q&A with the Unigestion private equity team

### 2025 Overview

Despite geopolitical and macro-economic uncertainties, 2025 has been a largely positive year for investors with public markets posting strong gains.

While investment conditions are far from perfect, inflation globally is moderating, the IMF has slightly upgraded its growth forecasts and many central banks are shifting to a more neutral or easing stance following a significant rate hike cycle that started in 2022.

The global economy has – in the words of the IMF – shown ‘unexpected resilience’ in the face of the US tariffs which caused significant angst earlier in the year. However, the full impact has yet to be felt, particularly given negotiations with significant trading partners such as China are, at the time of writing, yet to be concluded. Stretched valuations in stock markets also imply that a certain level of caution may be warranted.

In private equity, overall deal activity has shown a modest uptick but exits remain few and far between. Meanwhile, fundraising continues to be skewed towards the large and mega-cap funds, with fewer funds raising overall. Good opportunities for creating value and achieving attractive exits remain but, in our view, more in mid-market than among large or mega-cap companies that tend to dominate the headlines.

The mid-market - companies with an enterprise value of between \$50m and \$1bn – often flies under the radar but consistently provides substantial benefits to investors. Such companies have provided greater potential for operational value creation and tend to be less exposed to global macro shocks. Funds investing in this space often benefit from shorter deployment periods and a greater range of exit options than those focused at the upper end of the scale. Results are also often better, especially from sector-specialist managers, with mid-market buyout funds outperforming large caps while achieving lower loss ratios.

We have seen positive momentum this year across our strategies. One of the real bright spots has been the continued growth in the secondaries market on the back of its greater role as a liquidity provider to an otherwise illiquid market. We have also seen a greater level of consolidation in the private equity market in general. This is resulting in an increase in spin outs, giving rise to a notably driven and hyper-specialised class of emerging managers. Climate impact has seen challenges within the new trend of ‘green-hushing’, where companies are having to keep their ESG efforts below the radar in an increasingly politicised environment in



**Paul Newsome**  
Head of Investment Solutions  
Unigestion Private Equity

In private equity, overall deal activity has shown a modest uptick but exits remain few and far between.

North America. Yet there is increasing evidence, particularly from our own experience, that impact and returns do go hand in hand and provide superb results.

One of the most important metrics for investors, especially in the current environment, is DPI (Distributions to Paid-In). We have consistently achieved a level of exits above that achieved by many of our peers and in 2025 we are on track yet again to distribute close to USD 1bn back to our investors. This is due to the number of outstanding exits we have achieved across our portfolios.

As 2025 comes swiftly to a close, our experts are already looking forward to 2026. In the following outlook Q&A, the team outlines their expectations, hopes and concerns for the year to come.

## Market outlook

### Q | How do you assess the state of the private equity mid-market and what is your outlook for 2026?

2025 has been a fairly eventful year: after positive initial momentum in Q1, tariff turbulence unsettled the market, leading to a mid-year slowdown in dealmaking and fundraising. The second half of the year, however, brought renewed confidence as inflation tapered and central banks injected increasing liquidity into the system. Hence, in the absence of geopolitical shocks, we expect the positive momentum we are currently witnessing to carry on into 2026, as underwriting conditions continue to stabilise. This will particularly be the case in the lower mid-market, where valuations have remained more realistic and anchored to fundamentals. Financing conditions are improving and leverage remains readily available, supported by the lower debt levels typical of this segment. Consequently, investment activity should continue to grow in 2026.

The exit environment is also set to strengthen. We see sustained interest from trade buyers, a gradual but continued re-opening of the IPO window, and secondary markets gaining both volume and efficiency - increasingly serving as alternative exit channels for a growing number of participants. Fundraising is expected to rebound as cash flow bottlenecks ease and investor overexposure to alternatives normalises. Nonetheless, significant risks persist, as rising global government debt heightens the potential for geopolitical tensions and economic disruption.

### Q | How are you navigating this market environment and what are your key investment criteria?

The market environment is indeed improving, but as mentioned, the risk of shocks remains as real as ever. We therefore continue to follow our Unigestion 'Triple Alpha' approach to deliver premium returns and successful exits throughout the cycle across all our strategies.

This approach is built on three key elements. First, we invest in companies whose growth is underpinned by long-term secular trends. This allows us to avoid cyclical patterns and mitigate the risk of market downturns during our ownership period, enabling exits regardless of macroeconomic conditions. Second, we remain focused on the mid-market, where valuations and leverage are more reasonable and anchored to fundamentals, enabling value creation to be driven primarily by earnings growth and market consolidation under attractive conditions. Third, we consistently apply our bottom-up, fundamentals-based underwriting process, which has been developed and refined over more than 25 years across market cycles. Combined, these three pillars give us confidence in our ability to navigate changing environments successfully and to continue delivering solid distributions to our investors despite market volatility.



**Francesco Aldoriso**  
Head of Investments  
Unigestion Private Equity

We expect the positive momentum we are currently witnessing to carry into 2026.

## Secondaries outlook

### **Q | There has been exceptional growth in the secondaries market over the last few years. Will this growth continue?**

Conditions for continued growth are strong. We are seeing more sellers (and seller types) engage constructively with the secondaries market, existing secondaries investors continue to be well capitalised, and we are also now seeing new entrants, including specialist buyers, that focus on specific transaction types. Even if historical turnover rates in the secondaries market stay the same – which has historically been ~2-3% of NAV – current levels of unrealised NAV are at record highs and that will be accommodative of higher secondaries volumes.

Those factors are all driving traditional deal flow – such as LP interests – but what constitutes a secondary also continues to evolve and expand; there are now an array of transaction types emerging across every sub-strategy within private equity that are of mutual benefit to buyers, sellers and GPs alike. Whether that be around a broad portfolio or a slice of a single portfolio company, the secondaries market is at the forefront of innovation when it comes to structuring these transactions. All data points indicate another record year in 2025 with volumes potentially doubling from what we have seen since 2023. On the LP stake, side volumes are still very much dominated by larger transactions at the upper end of the market, whereas on the GP-led side the lower end of the market has been a very important value driver. In the first half of the year roughly 1/3 of all transactions have been CVs sub USD 250m in size.

### **Q | Thinking about the current and future economic environment, what do you see as the key to a successful secondaries strategy, one that can navigate cycles steadily, no matter the weather?**

We think there are a few ways to ensure this. Firstly, in this environment, seeing as much deal flow as we can while remaining highly selective and cherry picking only the strongest deals is critical. The influence that our broader platform has, coupled with our systematic approach to origination, means we see almost every deal in our sweet spot. But, we still have a selection rate of less than 3%. Our capital base is right-sized for our opportunity set, meaning we do not have an acute pressure to deploy capital and can focus on high conviction plays.

Secondly, there are certain asset-level characteristics that we believe are critical. Buying high quality, resilient companies at sensible entry valuations is one part but, critically, we are looking for those companies that will always have exit optionality - irrespective of market conditions. As we look around the market today and see which types of portfolio companies are being sold, it's really just the highest quality companies in the right sectors. We address that on the way in through careful bottom-up asset selection, while always seeking to minimise duration risk.

Ultimately it all comes down the ability to generate more predictable cash flows / distributions throughout a full economic cycle. Combining these two aspects with sensible geographic and sectoral portfolio construction is the most effective way deliver on this promise.



**Ralph Büchel**  
Head of Secondaries  
Unigestion Private Equity

The secondaries market is at the forefront of innovation when it comes to structuring emerging transaction types.

## Primaries outlook

### Q | If there is one thing you think potential investors should know about emerging managers this coming year, what would it be?

Emerging managers are no riskier than a traditional private equity investment. Often, investors assume that by investing with emerging managers they will be dealing with a new team with no track record. This would indeed be very risky. But in reality, when we invest with emerging managers, we are typically dealing with highly-specialised private equity professionals with decades of experience in larger, established, firms. Additionally, we often have very clear alignment of interest, which we may not get from an established manager. We often see emerging managers wanting to be the biggest LP in their own fund and their level of GP commitment is much larger than the industry standard of 1% or 2%. This alignment of interest is incredibly important.

### Q | How will the trend of consolidation in the market create opportunities for emerging managers?

We have been seeing private equity firms merging and consolidating over the last few years and do not see an end to this in the immediate future. In the short term, this consolidation trend will cause fundraising challenges for emerging managers as we see a continued flight to larger private equity groups.

One of the potential consequences of consolidation in the market is the increased number of spin outs happening in the private equity industry, especially as the larger firms chase ever-larger deals, and experience more complicated governance and team dynamics.

Spin outs, however, can create an opportunity for emerging managers, particularly when it comes to sector specialisation. Inevitably, during the consolidation process, talented investment professionals can become trapped in the middle and look for a way out. We find that spin outs, particularly those with a focus on sector specialisation, is an increasing trend.

## Impact outlook

### Q | Do you see an increase in investor demand for impact strategies in the coming year?

While investor demand for impact strategies has softened in the current macroeconomic and geopolitical environment, we continue to see solid interest, particularly among European investors. Ultimately, the rationale for allocating to climate impact strategies lies in their potential to generate attractive financial returns alongside measurable positive impact. We view the current slowdown as a short-term pause rather than structural shift: as capital already deployed in impact strategies begins to demonstrate solid performance, investors will increasingly recognise these approaches as a valuable and complementary component of a well-diversified portfolio.

### Q | How helpful will AI be for impact assessment going forward?

We are still at the early stages of integrating AI into impact assessment. In our part of the market, AI currently proves most useful in streamlining data collection and enhancing data quality and accuracy. However, when it comes to assessing impact itself, we have yet to identify a tool capable of delivering meaningful, reliable insights. Looking ahead, we expect that new AI-driven solutions will emerge over the next few years - tools that can act as a valuable second opinion or as a red-flag system alongside human judgment. Such developments could significantly reduce bias, increase consistency, and make impact assessments more objective and measurable, ultimately helping to strengthen the achievement of desired impact outcomes.



**Kim Pochon**  
Head of Primaries  
Unigestion Private Equity

Spin outs, particularly those with a focus on sector specialisation, are an increasing trend.



**Joana Castro**  
Head of Climate Impact  
Unigestion Private Equity

Investors will increasingly recognise impact strategies as a valuable and complementary component of a well-diversified portfolio.

## Directs outlook

### Q | After two years of muted activity, will 2026 finally bring a rebound in direct deal flow?

We expect the M&A market to continue its recovery in 2026, supported by lower financing costs, stabilising inflation, and pent-up exit demand. However, similar rebounds predicted in recent years have not fully materialised, as ongoing macro volatility – including the tariff disruptions and trade uncertainty of 2025 – has extended timelines and tempered confidence. Buyers have also become more disciplined, with tighter underwriting standards and more rigorous due diligence leading to longer processes and an increased number of failed transactions.

In an environment that remains uncertain, mid-life investments present a particularly compelling risk-reward profile. These transactions arise when GPs seek additional capital to fund add-on acquisitions, pursue new growth initiatives, or execute recapitalisations that provide partial liquidity. By partnering with a GP that already knows the business intimately and has a proven value-creation plan, we can support a step change in growth and achieve an accelerated path to exit. Even if the broader rebound in M&A remains uneven, mid-life transactions should continue to offer a resilient and high-quality source of deal flow.

### Q | With continuation vehicles on the rise, is there still room for mid-life investing?

Continuation vehicles and mid-life transactions serve distinct purposes within a GP's portfolio management strategy. Continuation funds typically suit high-performing assets that require more time to complete their value-creation plans, whereas mid-life transactions focus on companies nearing exit that need incremental capital to accelerate growth. Our participation is often structured through preferred instruments to ensure alignment between new and existing investors, while maintaining focus on a timely exit and providing downside protection.

In the mid-market, continuation vehicles remain far less common, as GPs generally have fewer financing options and smaller investor-relations teams. This creates a strong opportunity for specialist co-investment teams like ours to provide tailored, partnership-oriented capital at critical inflection points. By offering flexible funding that supports both growth and liquidity, we can help mid-market GPs achieve outcomes that traditional co-investment structures often cannot, while enhancing the overall cash-flow profile of our direct investment portfolios.



**PJ Frederix**  
Head of Directs  
Unigestion Private Equity

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