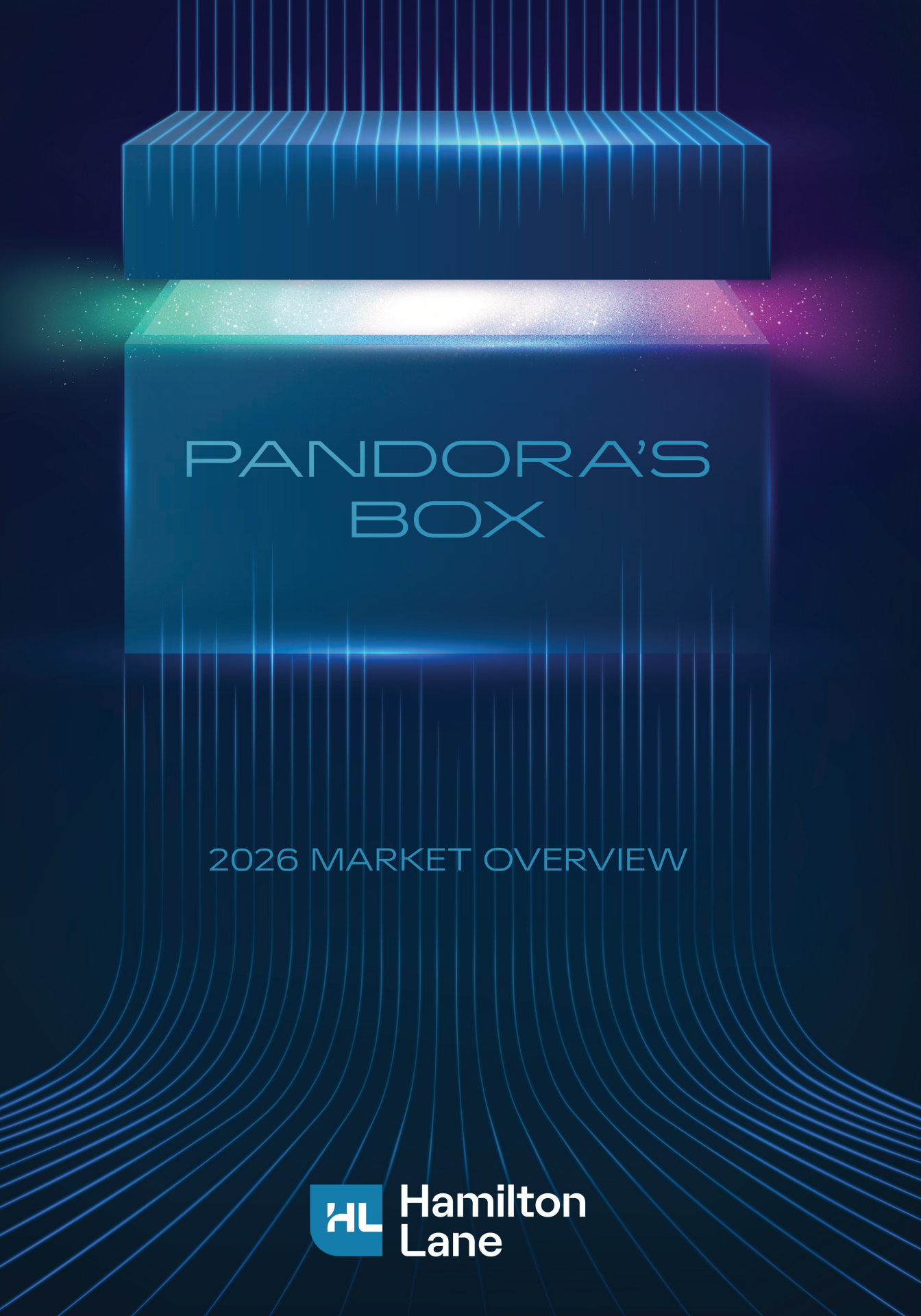




PANDORA'S BOX

2026 MARKET OVERVIEW



2026 Market Overview

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“Well,” said Pooh, “what I like best,” and then he had to stop and think. Because, although Eating Honey was a very good thing to do, there was a moment just before you began to eat it which was better than when you were, but he didn’t know what it was called.”

- A.A. MILNE, “WINNIE-THE-POOH”

WHAT FUTURE DID PANDORA IMAGINE AT THAT MOMENT SHE OPENED THE BOX?

As the lid lifted and shapes formed, did she see a future filled with wonder? Did she hear the whisper of a voice that warned of danger? Did she try to slam the lid shut or did she have a sense of what was coming as it happened?

We all know the story of Pandora’s Box. The story of the box that shouldn’t be opened but is opened and out pour...

What?

There, the story varies. Great evils are unleashed in some; normal human travails are let loose in others; some call out a mixture of good and bad. Whatever has been let loose, it is always followed, as the last figure to escape the box, by hope. A sign, in some tellings, of something good, or a sign, in other tellings, of the final curse.

Today, we are Pandora at that moment when the box is opened. We have opened a series of Pandora's Boxes, and we are not sure what those boxes hold. We are watching in that instant when all you really know is that there's something big that is going on, something big that is going to happen. It could be catastrophic, or it could be euphoric, or it could be some random combination of both. You don't know—you really don't know. In that moment, your expectation is a function of your outlook. So few of us, at that instant when the box cracks open, are self-possessed enough to be open to any possibility. The pessimist is certain that the furies of hell will be unleashed...



...and the optimist believes a heavenly choir will be serenading their future.



There's the Pandora's Box of the new geopolitical order. Do we know what emerges from the box when the United States threatens to take territory from its former European allies? Do we know what results from a world where Russia's invasion of a neighboring country is now seriously viewed as perhaps a precursor to another clash in Europe? Do we know what the box brings when the U.S. threatens to use Tariff Weapons of Mass Economic Destruction on countries and industries to get its way? Or when China answers with Mutually Assured Tariff Destruction? What shadows lift themselves out with global efforts to halt immigration in virtually all shapes and forms?

AI is perhaps the most discussed of the Pandora's Boxes we are opening. Let's leave aside for a moment whether it means the end of mankind. While we are fans of apocalyptic and hyperbolic statements, that one may be too much even for us to handle. What does AI mean for the future of work, for the future of society? How do AI's spiritual kin, robots, fit into that future? What shapes are forming as they tumble out of that box?

What about investing? We'll start with the public markets, something about which we profess no expertise but have noticed that such lack is the fundamental foundation for expressing an opinion today. What does the box hold in a public markets' universe driven by AI exposure?

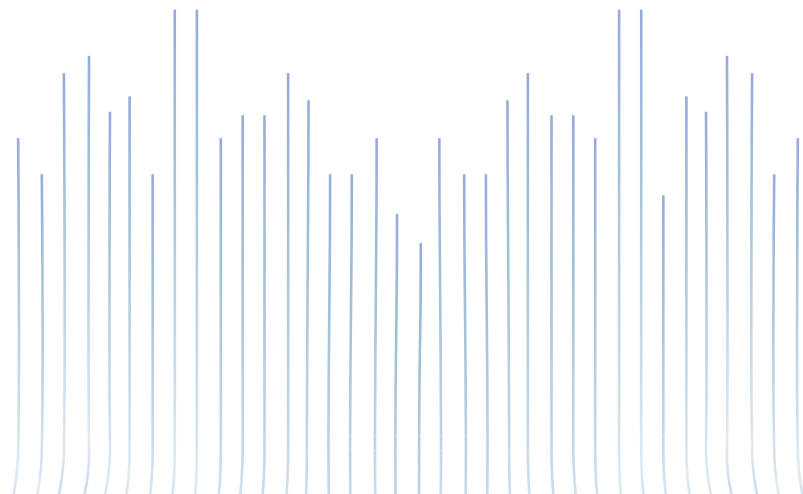
But this is a story about private markets, and we do believe that we are at that moment—Pandora’s Box has opened, and we aren’t sure what we have released into the private markets’ universe and what remains to emerge. In a world where evergreen vehicles proliferate, what does that look like? In a world where private credit becomes the more common form of finance, what have we created? In a world where private equity returns remain lackluster and fundraising difficult, are they furies or angels looking back at us?

We are at that moment of wonder, of worry, of uncertainty. That moment when we know we have opened the box, when we know the box cannot be closed, and we anticipate the outcome. We pretend to know, governed by our own pessimism or optimism, but let’s be real, we simply don’t. What do we do?

You are fortunate, finding yourself here on these pages. You have, in a sense, found another Pandora’s Box: the 2026 Hamilton Lane Market Overview. You know something big is in here, but you don’t know where it will lead. We will give you a hint: It won’t lead you to certainty. It will give you an amazing combination of data, insights, humor and, if we’re being honest (and we always are) sheer speculation. We believe we are at the point where the boxes are opening, and like a child who is opening a gift, we are curious about what’s inside. The world will not be the same in five years, perhaps changed more than in any five-year period in our recent history, and that is particularly true for the private markets. We’ll give you our views on where and why. The rest is up to you.

Let us go together into that future. Let’s open some boxes...

**We are at that moment of wonder, of
worry, of uncertainty. That moment
when we know we have opened the
box, when we know the box cannot be
closed, and we anticipate the outcome.**





WHERE ARE
WE NOW?

“

***Anything can happen.
No one ever thinks it will until it does.***



YOU ARE INUNDATED WITH ANNUAL PUBLIC MARKET OVERVIEWS. (We're being charitable. You get them monthly, weekly, almost daily.) We won't critique them for you. We'll simply say: Throw most of them out. (There are a couple we think are well worth the read and we include ours.) You'll save an incredible amount of time you can use to surf the net or watch KPop Demon Hunters. We'll give you a quick and easy macro view of where we are today. It's actually pretty basic.



It's not that hard. (Say us, the private markets people, about public markets...)

We have spent a year hearing how everything from tariffs to inflation to bubbles to geopolitics will spell doom for the markets. What are the markets telling us?

Public Equities

Indexed to \$100

\$400

\$300

\$200

\$100

\$0

2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026

— S&P 500 — MSCI World

Source: Bloomberg (January 2026)

The equity markets, whether in the U.S. or globally, are saying, “Everything is fine.” Better than fine, everything will be good in the future. Why? The markets don’t tell us that, but the equity markets are clearly telling us there’s not much to worry about economically. They’re telling us to keep on keeping on.

Long Rates

6%

4%

2%

0%

-2%

2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025

— U.S. — Japan — Germany — United Kingdom — Australia — Canada

Source: Bloomberg (January 2026). Bloomberg indices used: US Treasury 10 Year interest rate (USGG10YR Index), Japan Government 10 Year interest rate (GJGB10 Index), Germany 10 Year Bond interest rate (GDBR10 Index), United Kingdom 10 Year interest rate (GUKG10 Index), Canada Government 10 Year bond interest rate (GTCAD10Y Govt), Australia Commonwealth Government 10 Year bond interest rate (GACGB10 Index)

The bond markets are not so sanguine. While short rates are generally trending down, long rates remain stubbornly high. This can be seen as bad news (we are all investors and are trained to focus on bad news first). The bond markets are saying that rates will remain higher and impede longer-term growth and/or signal increased inflation. It can also be good news with rates higher as a sign that bond markets expect continued economic growth.

U.S. Dollar Index

\$120

\$110

\$100

\$90

\$80

2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025

Source: Bloomberg (January 2026)

The dollar has generally been weaker. (We'll note that it would be far weaker if the Japanese yen were taken out of the equation as the yen has been very weak against the dollar.) The currency markets are indicating some uncertainty regarding the dollar's position, whether because of lower U.S. rates, the politicization of the U.S. Federal Reserve or a general view that U.S. policy encourages a weaker dollar. We will have more to say about the dollar and investing later in this overview. For this section, we will say that dollar weakness is probably chronic, although contained. Most important, to those who ~~ardently hope~~ believe it reflects a diminution of the dollar's reserve status, we can only say:



We know, you're thinking, "Wow, these Hamilton Lane people are closet Pollyannas, telling us everything looks to be in decent shape."

Gold Prices

USD

\$5,000

\$4,000

\$3,000

\$2,000

\$1,000

\$0

2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026

Source: Bloomberg (January 2026)

We think the gold market's (and all metals, really) rise is a clear signal that all is not right with global financial markets and fiat currencies. It is not a dollar issue, but a dollar, yen, euro, etc. issue. The problem is that markets believe that countries will spend and inflate their way through every crisis and have no confidence in any government's willingness to repay their debts other than through inflated currencies. This is a pronounced statement of complete lack of confidence in government competence. Over the longer term, this market may be giving us the more important signal.



HERE WE ARE, AT THAT MOMENT the box opens, with strong equity markets, sticky bond markets, weak dollar and the strongest markets in assets like gold and silver, assets that don't typically do well when markets foresee a stellar future. What are we unleashing? There are some interesting things to consider.

- Bitcoin and its crypto relatives have certainly failed to live up to their billing as the refuge from fiat currencies. Their performance has been dismal and proven to be little more than lousy proxies for the U.S. Nasdaq index this year. They go up less than that index and down far more. Cool.

- Where are safe havens? The Swiss franc and the Swedish krona because their governments have kept debt under control. Is that the future of investing? A slow movement of investments to locations that promise to preserve their currencies? What does that mean for the euro, which has become a currency designed to protect profligate countries behind a wall of more fiscally conservative countries? Does a strong currency become an economic weapon that can be used in the future? A weapon that can be used to lure companies and investors and create a competitive advantage? Do we investors need to follow that path?
- The dollar remains the reserve currency because there are no alternatives. Do we now move to a world where different assets, whether they be gold, certain currencies or collectibles, become a basket of de facto reserve assets in portfolios?
- We will acknowledge, in advance, that this overview will be more U.S.-centric than prior overviews.



No, we're not just a bunch of homers, biased to the U.S. We were at a conference in Australia recently and a well-known, local economist announced that he had 15 minutes to give an overview of the Australian economy and stock market, and he was going to use 13 minutes of it to talk about the U.S. economy because that is what mattered most to every global economy. He was right. We have entered an age where the U.S. is willing to use its economic, military and technology powers to get its way. We can like it or hate it, but it is a reality against which we have to weigh investments over the next 3-5 years. The box is open and there are only two economies that matter in the world: the U.S. and China. We are skeptical that most investors can shift a large percentage of their assets into Chinese investments and, therefore, we believe the decision whether to overweight or underweight U.S. assets will be one of the two or three most impactful decisions on your investment returns in the next five years. We will give you our opinion here: Overweight the U.S. across all assets.

ARTIFICIAL INTELLIGENCE

THE ONLY INVESTMENT QUESTION
YOU NEED TO ANSWER

“

“The factory of the future will have only two employees: a man and a dog. The man will be there to feed the dog. The dog will be there to keep the man from touching the equipment.”

- WARREN G. BENNIS

WE HAVE BEEN ARGUING FOR SOME TIME THAT, in the end, all the discussion and worry over interest rates, the dollar, tariffs, whatever, is largely overdone. We spend too much time pondering those movements and not enough on the one thing that has driven, and will likely drive, investment returns for the foreseeable future. (For most of us, that probably means the next few weeks...)

This is where, if this was a multimedia presentation, we would have Metallica show up in the room and, with drums pounding and guitars screaming, your head throbbing, James Hetfield would boom:

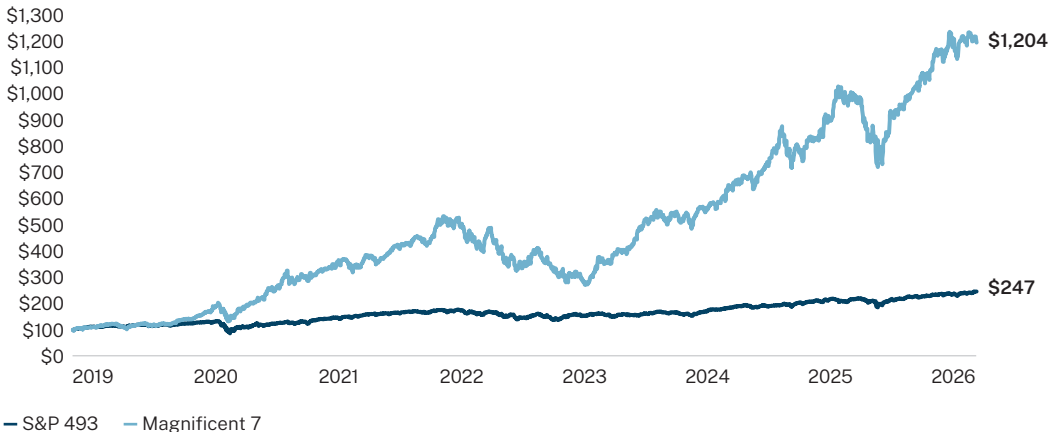


That one thing?

Artificial Intelligence. AI.

Period. Full stop.

Growth of \$100: S&P 493 vs. Magnificent 7



Source: Bloomberg (January 2026)

We all know it, but don't fully acknowledge it. We tell ourselves we have a diversified public stock portfolio with our holdings in "an index." No, you don't. You have seven stocks. You have seven AI-related stocks. We said during a recent presentation that everyone should sell all their public equity holdings and buy two or three of the AI-related stocks and go to sleep. Someone came out and frantically said, "This is NOT investment advice!!!" Yes, it is. Why pretend otherwise? We're not saying it's good or bad, but we're saying the performance of those seven stocks will determine the performance of your public investment portfolio. It has for the last 6+ years. It will for at least the next two or three.

Market Cap of 10 Largest S&P 500 Companies



Source: Bloomberg (January 2026)

The concentration of the 10 top companies in the S&P 500 has reached levels we have not seen in over four decades. Is that important? Perhaps not since we could have said that for the last seven or eight years and watched it go higher. The theory is that AI is different, a technology that changes everything, including investment performance. Whether it's right or not is less relevant than the fact that AI is the most important investment consideration you need to make.

Contribution to GDP Growth by Category

Percentage Points, QoQ, Seasonally Adjusted Annual Rate



Source: Bank of America Global Research, Haver Analytics (October 2025)

AI is not just a stock market phenomenon. It has real economic implications, particularly for the U.S. Look at the contribution to U.S. GDP attributable to AI spend. For the last couple of quarters, it has been an amount equal to roughly half of U.S. GDP growth. We believe this understates the AI impact since it doesn't account for the wealth effect of higher stock prices driving consumer demand. This demand is expected to continue, particularly as U.S. economic policy has shifted to full backing for AI development and spending.



LET US PUT A FINER POINT on the AI investment story. A large part of the narrative for public market investors, and for the U.S. economy, is the development of large language models to drive AI growth and adoption. We are not LLM experts but note that, as a result, we are all leveraged to a future in which LLMs are the path. If that proves to be right, then what might burst from the box is a future of economic growth that we have rarely seen. A future that we, as investors, are simply not prepared to accept because it is a world in which we have never lived.



We offer Nouriel Roubini, long known as Dr. Doom, who now predicts U.S. economic growth of over 4% by the end of the decade (down, we acknowledge from an earlier, higher prediction). The growth will be driven by AI and U.S. technological dominance. For investors, this is a world you want emerging from the box.

The risk? LLMs are not the scalable path. For that scenario, we urge you to read material from Dr. Gary Marcus. His argument, essentially, is that LLMs have stalled and will never advance much beyond where they are today. He is a firm believer in AI, just not the LLM path to growth. If he (and he is not alone in his view) is right, then all this spend, and all this build, will not achieve the revenue and growth hoped, and we are going to have a disappointing public equity and economic outlook for some period of time.

None of us really know the answer to this, but all of us need to understand the questions to understand what might be coming out of the AI box.

It is not directly AI-related, but robot development seems to be merging into the AI discussion. We are going to offer you a unique, one-time-only, totally random prediction in this overview. All the talk of the imminent arrival of humanoid robots? You know the ones we mean. Not the ones in a factory that will proliferate and become more advanced. The ones that are going to do your laundry, watch TV with you, pick you up at the office and chat with you on the way home.



Yes, that one. Not going to happen any time soon. We've seen estimates of 2030. If it happens in our lifetimes, it will be far closer to 2050 than it will be to 2030.

There are robots, however, that will become an important part of your investment portfolio, and they are here today.

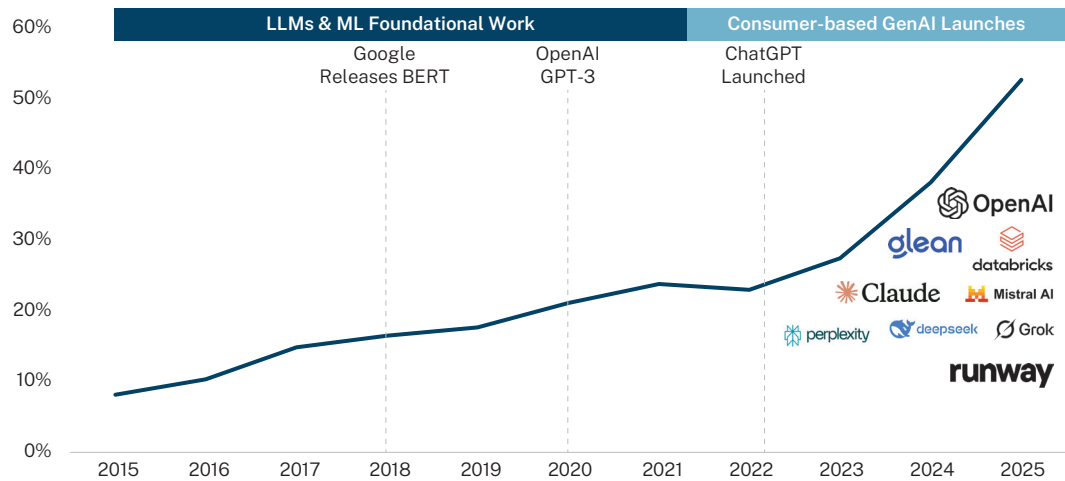


Manufacturing and logistics will be changed as many functions will be done robotically. We spoke to one general partner who specializes in buying basic manufacturing companies in the U.S. and Western Europe. They indicated that factories that will be built now and in the future will use 20% of the labor that they used 10 years ago. Sure, that's one anecdote, but it gives some sense of the scale of change across global industries and employment. What will this mean for portfolio companies that are unprepared or unable to spend the capital to adapt? Or, conversely, for those that are faster to change and use the technology to gain market share?

We know, you came here to read more about private markets.

AI Deal Share of Global Venture Deal Value

As of Q4 2025



Source: Pitchbook & NVCA as of Q4'2025 (January 2026)

It is no surprise that, if you are dealing with a big technology shift, venture capital will be leading the way with investments. It is fair to say that the scale of the movement to AI has been dramatic. Over 50% of deal value in the venture world is now going into AI-oriented deals. We will now utter that dreaded word we hear all the time.

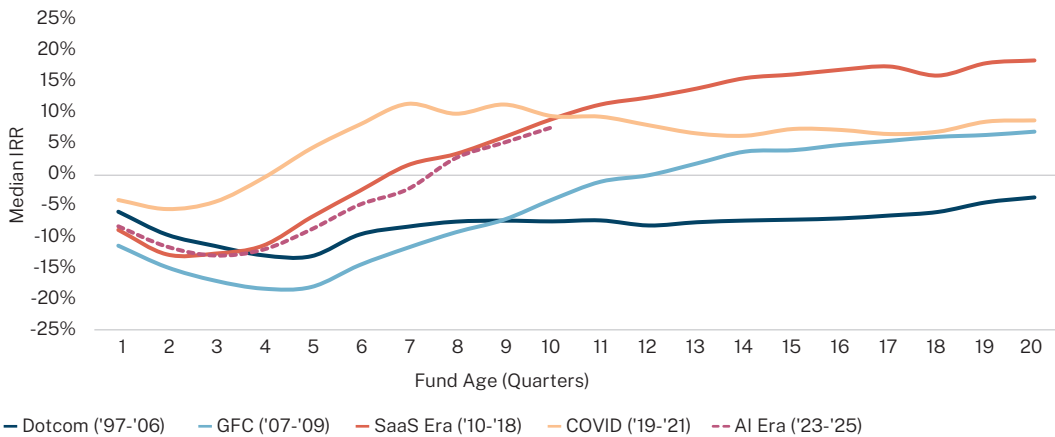
“AI investments are in a bubble that will burst!”



(Let us note that we most often hear the word “bubble” to describe a state of investment from people who have missed the entire investment movement, from its inception to the date that person utters the word “bubble.”)

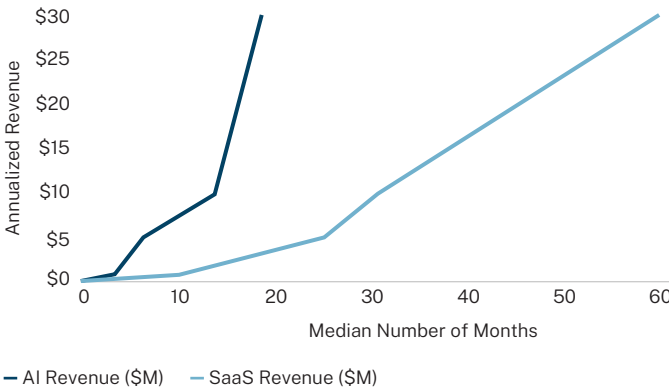
Median Venture IRR

By Fund Age



We have tried to compare venture returns during this “AI Era” to prior periods where venture had strong, early returns. It most closely resembles the SaaS era, but we admit it is still early. The AI investments are often compared to the dotcom era, but you can see some key differences. The dotcom period, for all its hype, never had great overall performance. There were some big winners but, overall, it was a dismal investment experience. Our view is that the early performance of AI investments is encouraging and not indicative of a market in a bubble, or overinflated state. But, we say again, it is early.

Time to \$30M Revenue: AI vs. Historical SaaS¹



Start-Up Examples

ANTHROPIC
\$1.4 billion of ARR in March 2025²:
achieved in 36 months

OpenAI
\$4.9 billion of ARR by end of 2024²:
achieved in 30 months

CURSOR
\$100 million of ARR in 2024²:
achieved in 18-24 months

perplexity
\$100 million of ARR in 2024³:
achieved in 20 months

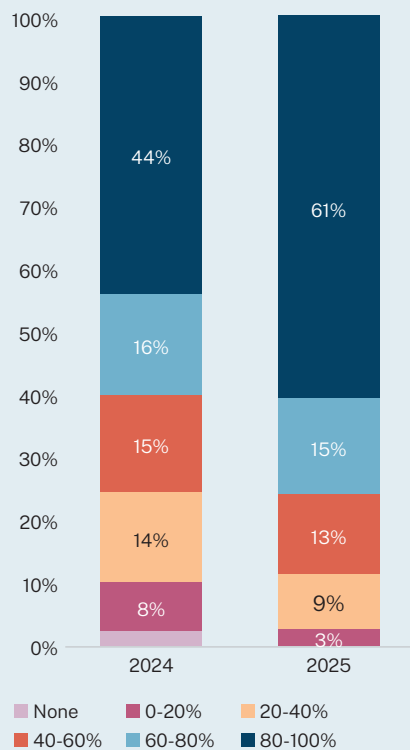
We do find the comparison to the SaaS period intriguing. It also helps explain why returns have been good early in this cycle. The reality is that many of these companies have more and faster-growing revenue streams than we have seen in prior, venture-oriented cycles. There is always the criticism that too much venture investment is premised on promise and not profits. We aren't saying profits are here, but we are saying that the path to real revenue (that eventually does lead to profits) is happening faster than we have seen with other technology-driven cycles.

We have featured our “Ask the General Partners” data in prior overviews, and we do so again this year. We asked over 150 general partners across all investment styles and geographies a variety of questions. What did they say about AI usage in their portfolio companies?

In one year, there has been a significant uptick in the number of companies actively using AI. If a key to AI continuing to drive growth is increased revenue, then this number is encouraging, although it doesn’t tell you what kind of usage or the price paid for that usage. What is surprising is the number of companies that aren’t doing much. We have some theories on that, and one will be dealt with later, but we’ll offer this: A wide swath of companies in buyout portfolios are insulated from most AI applications. To take one example, if I am buying a company that specializes in plumbing services, I won’t have much use for AI other than in the finance and logistics areas of the company. That lack of direct AI exposure will be an important consideration for you as you think about your portfolio construction.

GP SURVEY

What % of your portfolio companies (by count) are actively using AI today?

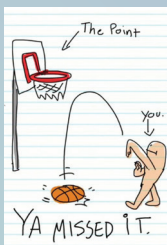


We aren’t saying profits are here, but we are saying that the path to real revenue (that eventually does lead to profits) is happening faster than we have seen with other technology-driven cycles.



WE KNOW WE HAVE OPENED THE AI BOX and, yes, we must have exposure there. The critical question is the “HOW?” “How” is particularly challenging when we don’t know what those emerging forces are or the shape they will take. Here’s what we do know.

- The public markets are highly leveraged to one model: LLMs. They win, the public markets win. Big.
- The private equity markets, including the venture sector, cover a broader range of the AI ecosystem and more limited direct exposure to LLM scaling, when compared to the public markets. They don’t invest in data centers (that is the domain of infrastructure and real estate investors) or the chips that power those centers.
- The venture world invests in applications of LLM models. They invest in “stuff” that makes the LLM end-products work better, fit together better, be used more easily.
- Private companies are staying private far longer and the gains will accrue to private investors. There are so many examples: Databricks oversubscribed at a valuation well over \$100 billion, OpenAI oversubscribed for a \$500 billion round, investors clamoring for SpaceX at valuations over \$600 billion. People said, “Well, they’re not worth those valuations— see, it’s a bubble!”



Sigh.

The point is not whether the valuation is accurate. The point is that there is so much private capital available that it COULD raise the capital at that value. By the time it gets to the public market, the upside will be substantially reduced, and all that value will have gone to insiders and venture capitalists, not to public equity investors.

What can we tell you about what’s coming out of that AI box? We can tell you that your exposure to AI in the public markets is both very narrow in terms of the number of companies and very narrow in terms of the type of AI—it’s almost all LLMs.

We have a very basic piece of advice.

If you want exposure to the future of AI, you must have investments in venture capital. It’s as simple as that. How much depends on your risk tolerance. If you tell us you don’t want venture exposure, then you are telling us that you aren’t interested in a full range of AI investment options for your portfolio. Sure, some companies will be overvalued; some will fail. That’s the nature of riskier investments. But if you want tomorrow’s Apple, Nvidia or Meta, invest in venture today.

Thank us in 2030.

We now get to that question you have been waiting for us to answer. Are we in an AI valuation bubble?

Let's be clear, we are talking about a valuation question, not whether AI is a real technology that will change how we all operate. The answer to that last question is an emphatic yes.

Our answer to the bubble question is that the odds favor that we are not in a valuation bubble.

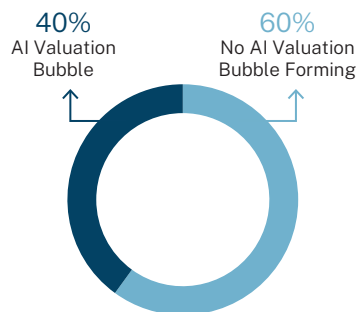
There are certainly signs that point to it.

- The amount of capital being spent on LLM advancement makes it hard to envision the revenue that will justify it.
- Using addressable markets that include the entire value of the labor market seems a bit overdone.
- Circular funding arrangements that are common now in the industry are suspect.

But there are many reasons it's not.

- The capital being spent is done or sponsored by companies with large balance sheets and cash flows. Very different from prior "bubbles" like the internet or fiber builds.
- AI can potentially be embedded in almost every aspect of business and life. The revenue models may surprise on the upside.
- The real constraints right now are not lack of demand, but the lack of infrastructure. It takes a long time to build centers and the energy needed to supply them. Ironically, it might be a bubble if there weren't real-world constraints to letting the bubble happen.

While we somewhat favor the "no valuation bubble" scenario, you have to position your portfolio as if there is a real possibility that there is one.



A WORD HERE ON INVESTMENT PROBABILITIES. Let's assume that, tomorrow, the public market falls 20% because investors lose faith in the ability of the AI-oriented companies to generate sufficient revenue to justify the expenditures they are making. A large number of readers, maybe a majority, will say, "Aha, Hamilton Lane, you were wrong about your AI valuation bubble prediction! You dopes!"

This is a probability assessment, not a binary prediction model. A 60% probability assessment is close to a coin flip. It means, as an investor, you should be positioning your portfolio for both outcomes while slightly favoring one. We'll complicate it even more. The public and private markets might not move in tandem here and the probabilities are of inherently different things. For example, would anybody be shocked if going forward LLMs stagnated but applications using today's LLMs thrived? That might not be a great environment for Mag 7 stock prices, but a bevy of private venture-backed companies would be soaring.



DISTRIBUTIONS



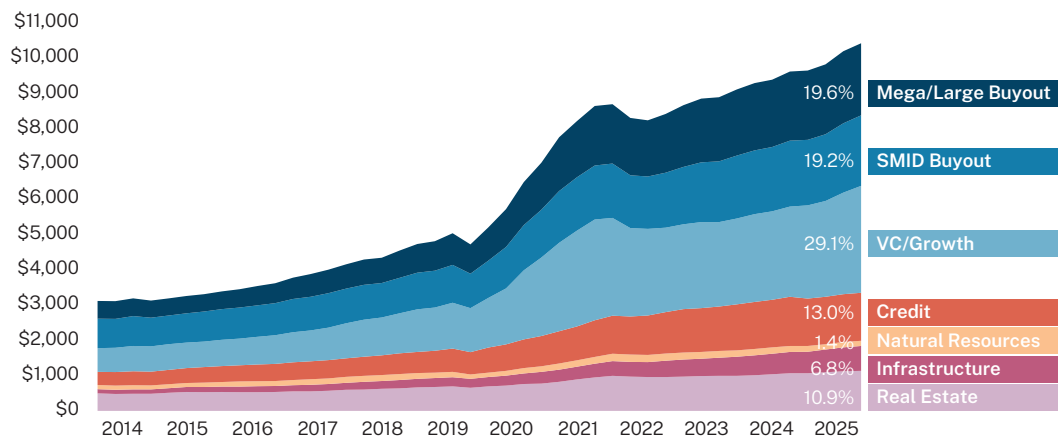
“Honestly, if you were any slower, you’d be going backwards.”

- J.K. ROWLING, “HARRY POTTER AND THE CHAMBER OF SECRETS”

FIRST, THE GOOD NEWS.

NAV by Strategy

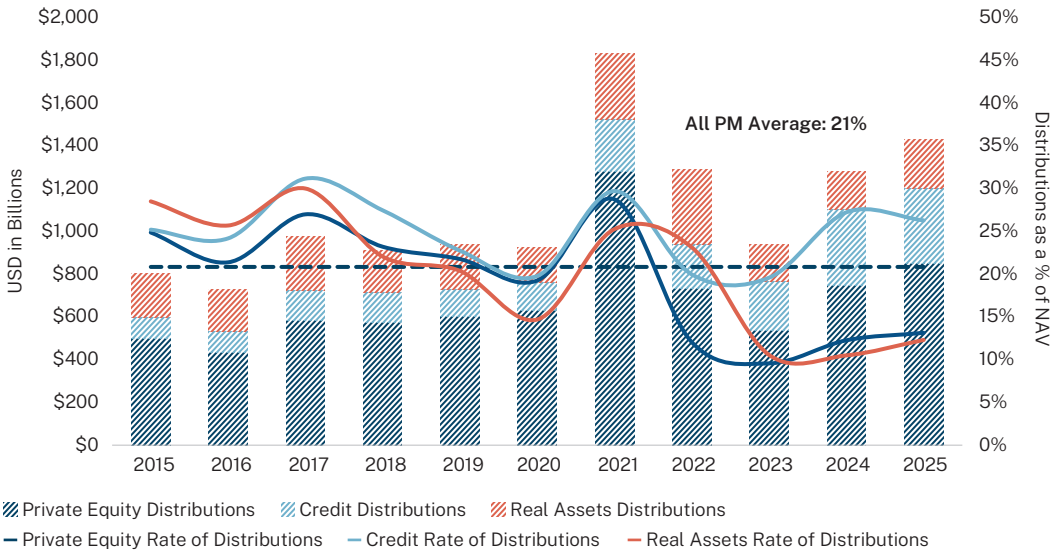
USD in Billions



Source: Hamilton Lane Data (January 2026).

The net asset values in portfolios continue to increase. This is encouraging, a function of both new investment activity and rising portfolio valuations. In normal circumstances, we’d be quite happy with this chart. Now, the bad news.

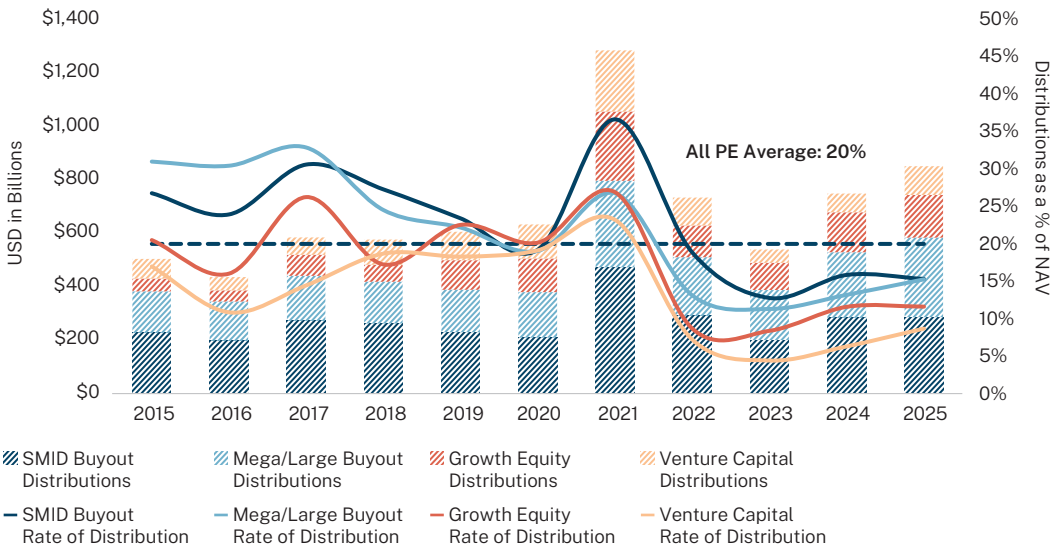
Distributions by Asset Class



Source: Hamilton Lane Data. Cash flows through 12/31/2025. (January 2026)

For many investors, Net Asset Value is synonymous with Never Attained Value. (We think we stole that from somewhere, but Perplexity — ahem, a superior private, venture-backed AI search engine — tells us, “That is an interesting and provocative interpretation of the acronym NAV!” We like the exclamation point, and we’ll take compliments from anyone, real or artificial.) The reality is that, other than credit, the rates of money coming back for private equity and real assets have been dismal for four years. Let’s look more closely at private equity.

Distributions by Strategy



Source: Hamilton Lane Data. Cash flows through 12/31/2025. (January 2026)

What is interesting is that the absolute levels of distributions are high. 2025 turned out to be the second largest year on record. That is why so many general partners seem befuddled by the focus on distributions.



Hmmm, except that the industry is far bigger than it was and that number should have been hundreds of billions more adjusting for that growth in a normalized year. Don't worry, we hear, the money will come gushing back as IPOs and trade sales and M&A activity explode.

We're skeptical, for a whole lot of reasons.

2020-2022 Fund Deep Dive

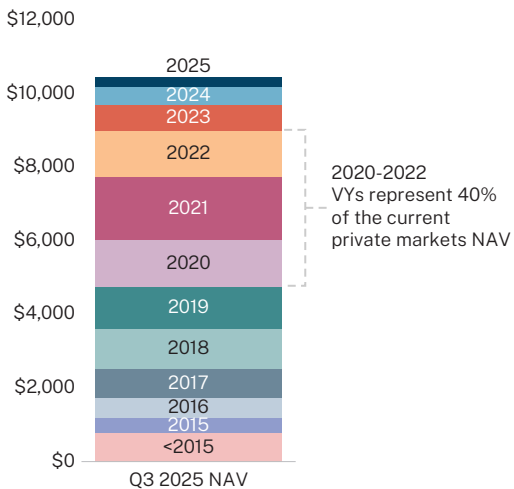


Why are we looking at this three-year vintage cohort for deeper analysis?

This was a period of peak investment activity and, for most portfolios, constitutes the largest share of current NAV. For the market as a whole, it represents 40%, and we're guessing for some investors it's an even larger share. (As a point of comparison, most three-year vintage cohorts represent roughly 25% of average portfolios at similar ages.) That means that the performance of this segment has a very large influence on (a) whether distributions increase markedly over the next year or two and (b) the ultimate performance of many portfolios.

Current Private Markets NAV

USD in Billions



Let's compare this vintage cohort to others.

The pace of investing has been a little faster than in other periods, but you can see it's been in line with other cohorts. You can say what you want about general partners, but they do seem to invest consistently over all time frames and market environments. That alone is an interesting data point for those of you who complain about general partners investing too fast or too slow.

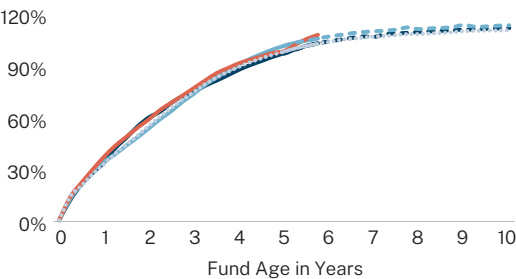
The total value to paid-in capital has been strong. (We know, valuations are bogus. We know, they always are. Bear with us here and assume you may be, to some infinitesimal degree, wrong about this for purposes of solely this chart...) From this perspective, this vintage cohort is doing OK.

Here's the rub. The distributed capital has been wallowing at levels similar to that seen during the Great Financial Crisis. That is never a good point of comparison in the financial world. It is certainly not a good point of comparison here. What can we infer about future performance?

You can say what you want about general partners, but they do seem to invest consistently over all time frames and market environments.

Contributions as a % of Fund Size

by Fund Age

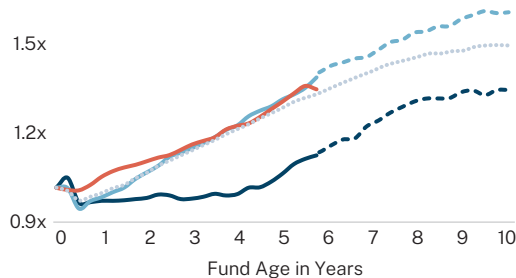


VY Period: — '05-'07 — '11-'13 — '20-'22 ... Market Avg.

Source: Hamilton Lane Data (January 2026)

TVPI Evolution

by Fund Age

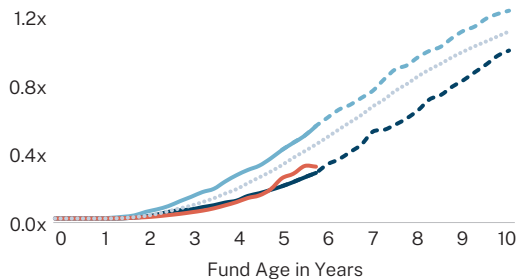


VY Period: — '05-'07 — '11-'13 — '20-'22 ... Market Avg.

Source: Hamilton Lane Data (January 2026)

DPI Evolution

by Fund Age

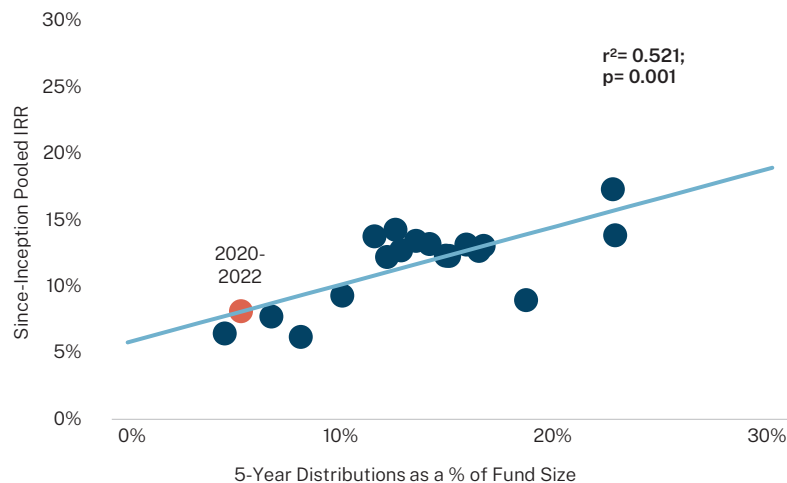


VY Period: — '05-'07 — '11-'13 — '20-'22 ... Market Avg.

Source: Hamilton Lane Data (January 2026)

We looked at the correlation between contributions over five years and performance and found almost none. So much for that piece of good news from earlier. What about distributions?

Distributions at Year 5 Correlated with Since-Inception IRR



Source: Hamilton Lane Data (January 2026)

This may be the most important chart in the entire market overview.

WAIT, WE HAVE TO ASK YOU TO ASK YOURSELVES, how mind-boggling is the data and analysis here? Pretty damn mind-boggling.



We write this in a room equipped with smoke detectors and sprinklers in case smoke comes out of our brains as the quantum level of data and analysis overloads our synapses. We urge you to take the same precautions. Maybe the cover of this overview should feature a sign, like the label on ZYN pouches:



Yes, that might help...

The amount a vintage has distributed by year five has a statistically significant correlation to ultimate IRRs. That is bad news for the ultimate performance of this fund cohort. Is it awful? Is it losing money? No and no, but it is not what you are looking to achieve in your private equity investments.



What, you thought we couldn't even figure out basic math? The p-values are a measure of statistical significance. The lower the better. The rule of thumb is that a p-value < 0.05 is statistically significant. The higher r-squared is not technically a measure of statistical significance but suggests that the 5-year distributions explain $> 50\%$ of the variance in IRR.

OK, class dismissed.

DATA INTERLUDE

***"That is why a man with numbers
Can put your mind at ease
We've got numbers by the trillions"***

- PAUL SIMON, "WHEN NUMBERS GET SERIOUS"



FORGIVE THIS BLATANT ADVERTISEMENT, but if you have spent more than a few minutes with any of us at Hamilton Lane, you know that the word "data" will have entered the conversation, perhaps multiple times. We have long thought that data was the key to scaling private markets. It is interesting that the key to AI implementation is the quantity and quality of the data you have for any particular application. Why should private markets be different?

There’s little doubt that investing in private markets is growing and becoming mainstream. The question 10 or 15 years ago was, “Why should you invest in private markets?” The question today is, “Why aren’t you invested in private markets?” However, private markets investing is a slog. The data is fragmented and opaque, with operations that are manual and mistake-prone.

Are you kidding? In 2025 we have an industry that is investing like it’s 1999?



(We apologize to Prince. He deserves better than to be used as a reference to the Investment Stone Age.)

We have the technology today to change this.

HL Innovations

Enhancing Data & Analytics

Broadening Market Access

Driving Operational Efficiency

» Embedded AI Workflows «

*Reflects both realized and unrealized deals.

Cobalt, proprietary technology offered by Hamilton Lane, provides access to what we believe is the most comprehensive and timely database available in the private markets. Investors can conduct transparent and digital diligence with automated analytics and then track what’s driving value in their portfolio over time down to the company level. Are you doing that today?

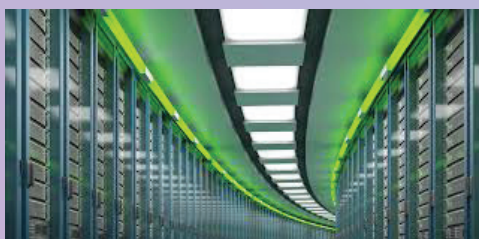
Hamilton Lane is also partnering with tools such as Daphne, Canoe and 73 Strings to put data capture and data transfer on rails. The next step? Eliminate friction in the subscription process and open new avenues for liquidity with our partners iCapital, CAIS, Securitize, Republic and Pluto Credit. AI functionality is embedded in these tools to uncover more insight from unstructured documents and add speed to the process of screening and comparison. With these solutions, scaling is less of a challenge and more of an inevitability.

Welcome to the 21st century. We understand the industry will get there, kicking and screaming. Why change when you have been successful in the old system? You'll have to change because companies like Hamilton Lane and investors like you will demand it change. Now.

Oh, and if you're still skeptical, how do you think the data and analysis in this overview was produced? Do you see this anywhere else? You don't. In part you don't because if you go to the back room of most in this industry and surreptitiously take a picture, this is the image you'd capture.



Welcome to Hamilton Lane.



»» Back To Distributions and Valuations ««

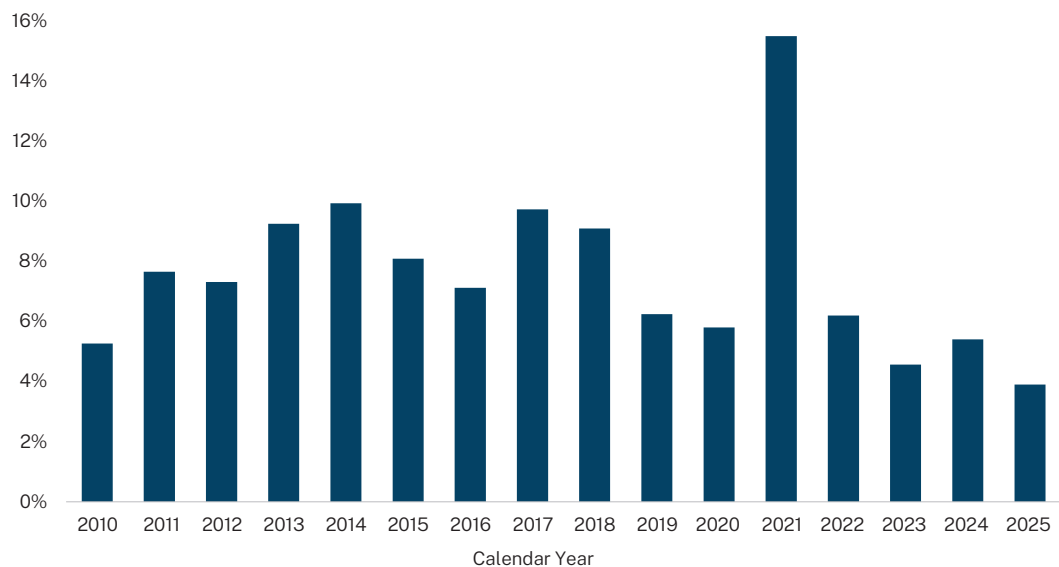
***“For a moment, nothing happened.
Then, after a second, nothing continued to happen.”***

- DOUGLAS ADAMS, “THE HITCHHIKER’S GUIDE TO THE GALAXY”

Let’s stay with distributions.

Percentage of Buyout Funds with Large Annual Exits

Vintages 2000-2025



Source: Hamilton Lane Data (January 2026)

Annual Distributions as % of Fund Size. Large Exit considered if ratio $\geq 35\%$

This might seem like piling on, but one of the hallmarks of private equity has been annual clusters of deals that exit and return a large percentage of the fund. It has been a driver of returns. The number of funds with annual exits that total a large percentage of the total fund—at least 35% of the fund size—has been around 8% of funds a year. We haven’t hit that level since the outlier year of 2021. That is not a good sign for either distributions or ultimate IRR.

Periodic Table of Distributions

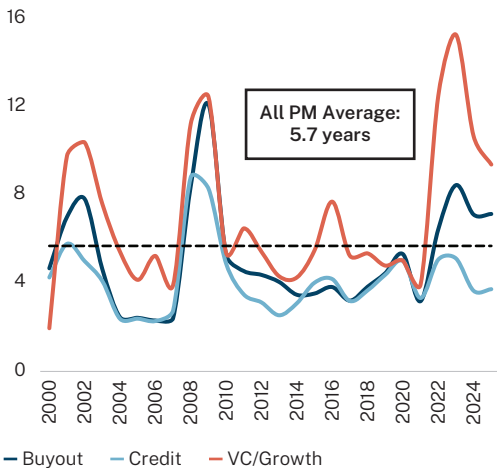
Pooled DPI by Vintage Year

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Late-Stage VC 3.5x								
Multi-Stage VC 2.0x	US Large/Mega 1.8x					Opportunistic Debt 0.8x			
US Large/Mega 1.8x	Multi-Stage VC 1.8x			EU Buyout 1.1x		Natural Resources 0.7x			
Seed/Early VC 1.6x	Seed/Early VC 1.6x		Growth Equity 1.5x	US SMID 1.1x	EU Buyout 1.0x	Credit-Origination 0.6x	Natural Resources 0.7x		
Growth Equity 1.5x	EU Buyout 1.6x	Growth Equity 1.4x	US SMID 1.2x	US Large/Mega 1.1x	Natural Resources 1.0x	US Large/Mega 0.5x	Credit-Origination 0.6x	Natural Resources 0.8x	Credit-Origination 0.4x
EU Buyout 1.2x	Growth Equity 1.3x	US SMID 1.3x	EU Buyout 1.2x	Opportunistic Debt 1.0x	US Large/Mega 0.8x	ROW Buyout 0.5x	Opportunistic Debt 0.5x	Credit-Origination 0.5x	Natural Resources 0.3x
ROW Buyout 1.1x	ROW Buyout 1.3x	Credit-Origination 1.3x	US Large/Mega 1.1x	Natural Resources 0.9x	Opportunistic Debt 0.8x	Late-Stage VC 0.5x	ROW Buyout 0.4x	Opportunistic Debt 0.4x	ROW Buyout 0.2x
Infrastructure 1.1x	Infrastructure 1.2x	US Large/Mega 1.1x	Seed/Early VC 1.0x	Credit-Origination 0.9x	Credit-Origination 0.8x	Growth Equity 0.5x	US SMID 0.4x	ROW Buyout 0.2x	Opportunistic Debt 0.2x
All PM 0.9x	All PM 1.1x	All PM 1.0x	All PM 1.0x	All PM 0.9x	All PM 0.6x	All PM 0.5x	All PM 0.3x	All PM 0.2x	All PM 0.1x
Opportunistic Debt 0.7x	US SMID 1.1x	Opportunistic Debt 1.0x	Credit-Origination 1.0x	Growth Equity 0.9x	Growth Equity 0.6x	US SMID 0.4x	EU Buyout 0.3x	US SMID 0.2x	US SMID 0.1x
Credit-Origination 0.7x	Real Estate 0.7x	Infrastructure 1.0x	Natural Resources 0.9x	Real Estate 0.7x	US SMID 0.6x	Real Estate 0.4x	Growth Equity 0.3x	Real Estate 0.2x	Real Estate 0.1x
Real Estate 0.6x	Credit-Origination 0.7x	Real Estate 1.0x	Opportunistic Debt 0.9x	ROW Buyout 0.6x	ROW Buyout 0.5x	EU Buyout 0.3x	Infrastructure 0.2x	US Large/Mega 0.2x	Late-Stage VC 0.1x
Natural Resources 0.5x	Opportunistic Debt 0.7x	EU Buyout 0.9x	ROW Buyout 0.9x	Infrastructure 0.6x	Infrastructure 0.4x	Infrastructure 0.2x	US Large/Mega 0.2x	EU Buyout 0.1x	EU Buyout 0.1x
US SMID 0.5x	Natural Resources 0.7x	ROW Buyout 0.9x	Infrastructure 0.8x	Multi-Stage VC 0.5x	Real Estate 0.4x	Multi-Stage VC 0.1x	Real Estate 0.2x	Infrastructure 0.1x	Seed/Early VC 0.1x
		Multi-Stage VC 0.9x	Real Estate 0.8x	Seed/Early VC 0.2x	Late-Stage VC 0.3x	Seed/Early VC 0.1x	Late-Stage VC 0.1x	Growth Equity 0.1x	Growth Equity 0.1x
		Seed/Early VC 0.8x	Multi-Stage VC 0.7x		Multi-Stage VC 0.3x		Multi-Stage VC 0.1x	Multi-Stage VC 0.1x	Infrastructure 0.1x
		Natural Resources 0.7x			Seed/Early VC 0.2x		Seed/Early VC 0.1x	Seed/Early VC 0.1x	Multi-Stage VC 0.1x
								Late-Stage VC 0.0x	US Large/Mega 0.1x

Source: Hamilton Lane Data (January 2026)

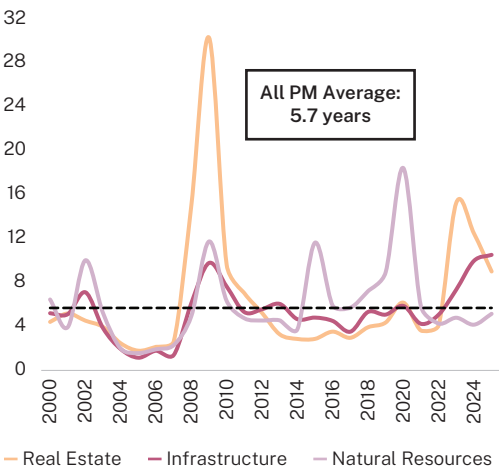
We show this chart every year and it's always interesting to see the changes in the types of funds that are returning capital to investors. Over the last five years, and really a trend that started before that, the funds delivering the most capital back were credit and natural resources. These are decidedly not the types of funds that most private *equity* investors have in their equity portfolios. Think we're kidding? Go take a look at your portfolio and report back on the number of private natural resources holdings you have. Yup, we thought so.

Years to Liquidate NAV:
Private Equity & Private Credit



Source: Hamilton Lane Data (January 2026)

Years to Liquidate NAV:
Private Real Assets

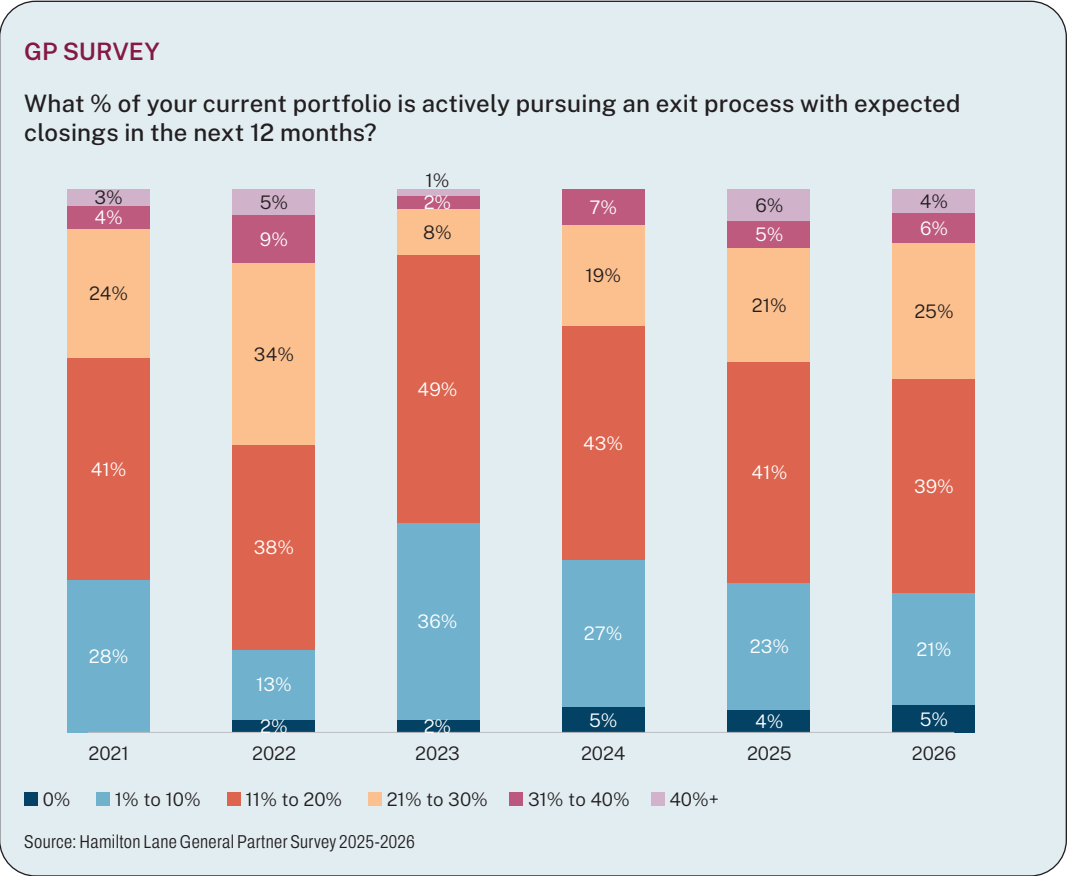


Source: Hamilton Lane Data (January 2026)

It won't be surprising that, while down, the years to liquidate NAV (the inverse of the rate of distribution) remains at elevated levels, the kinds of levels that no one in the private markets has signed up for when they made those commitments. Credit, as noted several times, continues to show good distribution activity.

Real assets are in the same position, with elevated time periods to liquidate for both real estate and infrastructure. Perhaps you can argue that those two investment types are designed for longer hold periods, but they remain above historical levels. And there is natural resources—the star of the private markets' universe!

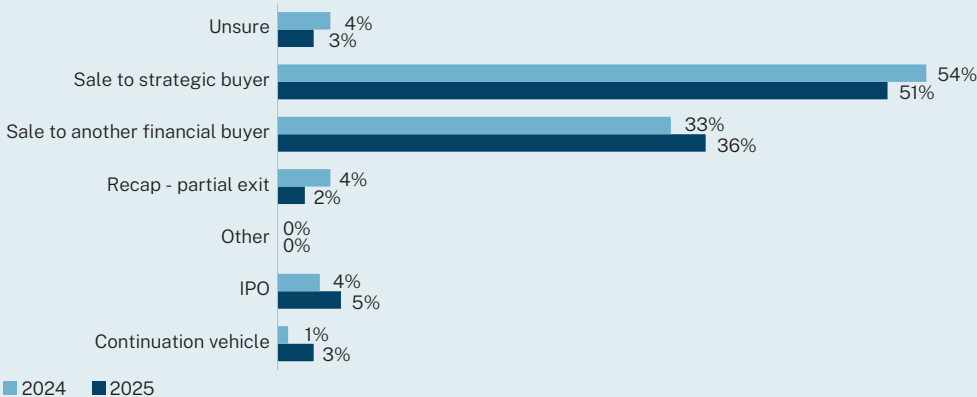
We asked general partners about their exit activities.



There has not been much change over the last few years in the percentage of companies seeking exits. The cynic says, “Of course there’s not much change. They can’t sell that garbage to anyone.” The more likely answer is that general partners may simply always have an inventory of about 20% of their companies that they are looking to sell in any given year.

GP SURVEY

What is the most likely exit option for the portfolio companies you expect to exit in the next 12 months?

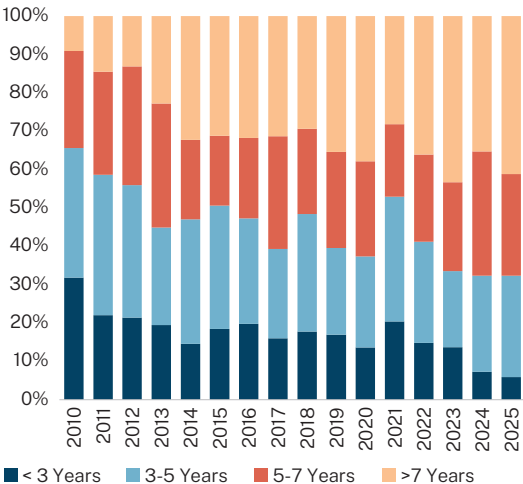


Source: Hamilton Lane General Partner Survey 2025-2026

What is interesting to us about this chart is that nothing much has changed. Contrary to what we hear as conventional wisdom, general partners are not waiting for the IPO market or forming continuation vehicles to generate their exits. Those paths are less than 10% of the most likely options. Strategic buyers and other general partners continue to make up the large majority of the most likely exit options.

Holding Period of Exited Buyout Deals

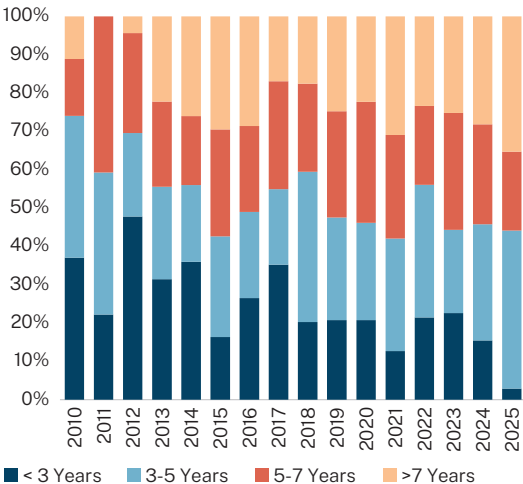
% of Deal Count by Year of Exit



Source: Hamilton Lane Data (February 2026)

Holding Period of Exited Growth Equity Deals

% of Deal Count by Year of Exit



Source: Hamilton Lane Data (February 2026)

This looks at the holding period for exited deals. It is not surprising that those hold periods are longer today for exited buyout deals. Look at the large increase in deals held more than seven years over the last five to 10 years. They make up over a third of all deals over the last few years. There is little likelihood that those deals are being held in portfolios and increase in value at rates of 15% and so this means lower IRRs. Interestingly, growth equity, where you'd suppose lack of growth or overpayment creates equally longer holds, has not seen as significant a shift.

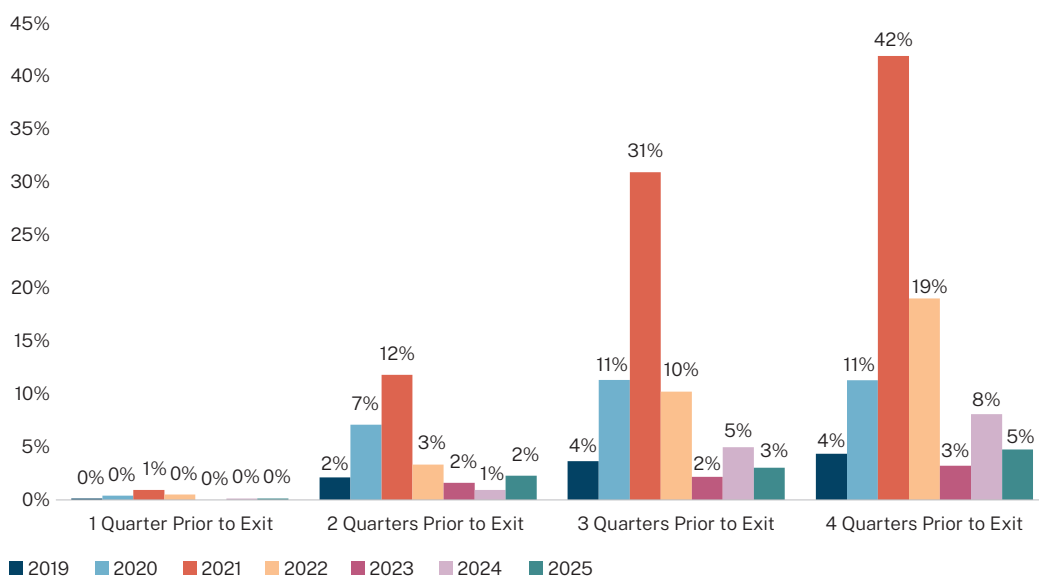


OK, we lied.

This is the most important chart in the market overview.

Median Exit Markups During the Year Prior to Exit

Global Buyout Deals Exited from Q1 2019 – Q3 2025



Source: Hamilton Lane Data as of 9/30/25 (January 2026)

We have long pointed out that one of the components of private equity returns has been the markups that occur between the NAV one to four quarters prior to an exit and that exit value. No, this isn't a function of fake valuations (and, by the way, in this instance, you would be arguing about fake valuations that are *lower*, never what the proponents of fake valuations claim). It is often a function of factors such as not taking the control premium paid into a prior valuation number. However, as this chart shows, that exit markup is largely gone. Why? There may be some benign explanations, such as a greater percentage of exits are to continuation vehicles where there is no markup—a topic for a future market overview—or, as skeptics would argue, it may be that valuations were inflated, so no markup was possible. Let's look at that valuation question for a moment.



VALUATIONS

FROTH, FUNDAMENTALS
OR FICTION?



“We all know that light travels faster than sound. That’s why certain people appear bright until you hear them speak.”

- ALBERT EINSTEIN

WE EMBARK ON ANOTHER DISCUSSION OF VALUATIONS with some trepidation. We like to use data, but it seems that views on valuations are more like a discussion about religion or politics. It’s a belief, and facts are irrelevant.

**I have my
opinion.**

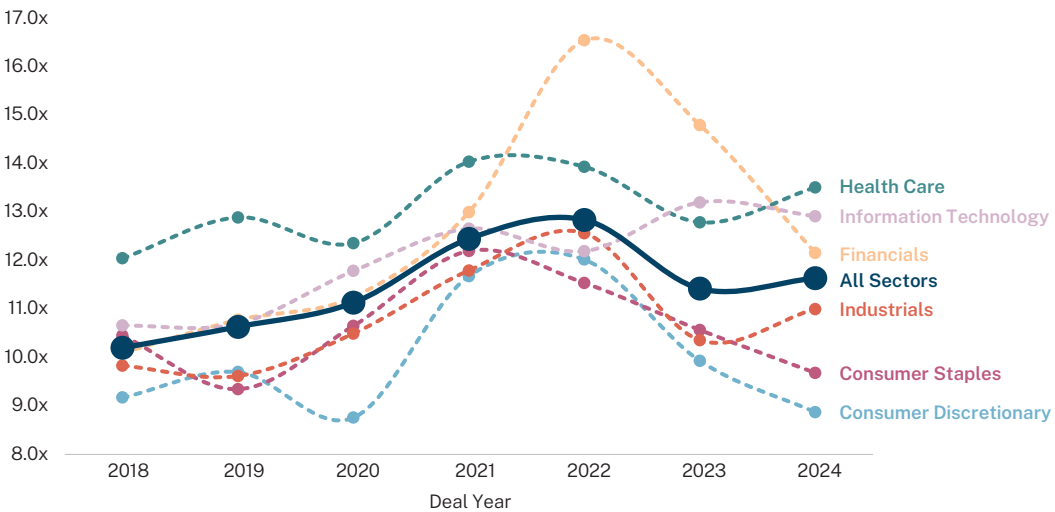
**Don't
confuse me
with facts!**

Let’s try anyway.

It’s not a surprise that prices peaked in 2022. It’s also not a surprise that prices are still below that peak, but not by as much as you might have thought and for reasons that are probably a surprise.

Buyout Purchase Price Multiples

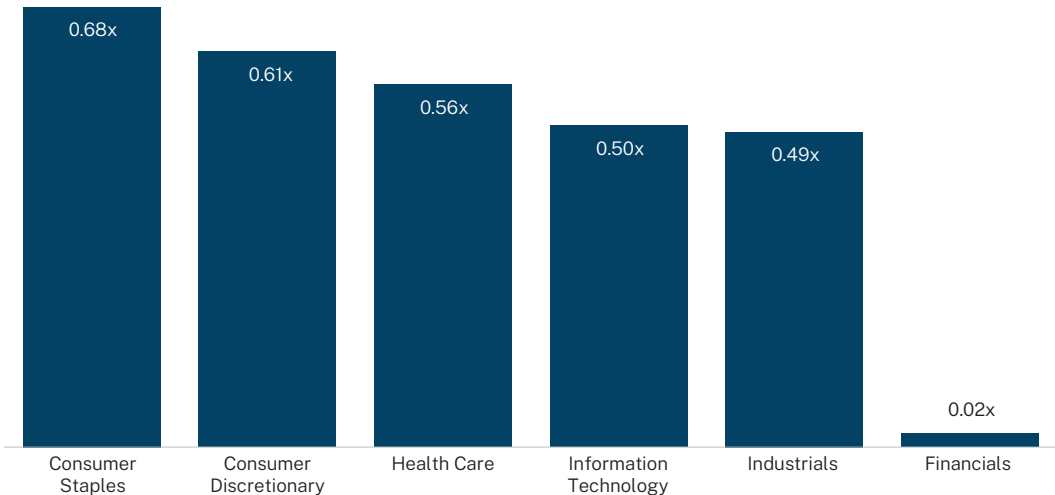
By Sector, 2018 to 2024



Source: Hamilton Lane Data as of 9/30/25 (January 2026). Deals with purchase price multiples between 0x and 40x

Two major areas have driven the decline in prices: One is the financial sector. (Remember how fintech was going to be the future of investing? Don't worry, we also pretend we have no recollection of that sentiment.) The other is the entire consumer sector. (OK, we'll ask it here: All of you out there saying you won't pay high prices for anything, are you now investing in the consumer sector like there's no tomorrow? You're not?) What is also surprising is that information technology, which most people view as the most overpriced sector in 2022 and with the greatest bid-ask spread today because of valuation differences, is actually higher priced *today* than in 2022. But what has happened to deals from 2021 and 2022 in portfolios?

Difference in Current Holding Valuation vs. Purchase Price



Source: Hamilton Lane Data as of 9/30/25 (January 2026). Current holding value of unrealized buyout deals vs purchase price of deals. For deals without 9/30 marks, holding valuations are taken as of 6/30 or excluded otherwise. Deals in the 2021 and 2022 vintage.

Wait, this can't be right, can it? Many of these deals have been written up? (Yes, we know; we hear you private equity skeptics out there, the valuations are just bogus, so who cares what these write-ups are?)

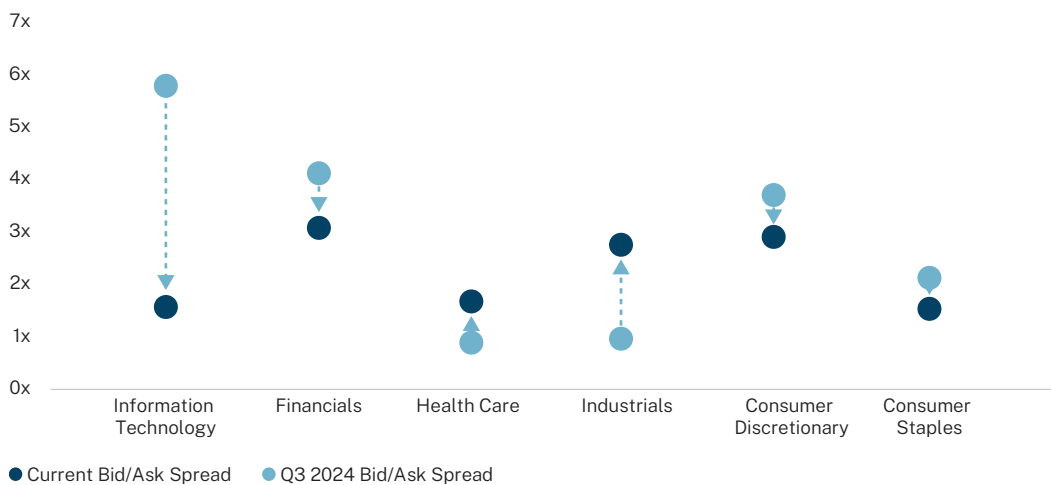


We'll try to get to you shortly, although we doubt we ever can.)

The write-ups make some sense. The public markets have been stronger in those sectors with the most write-ups, earnings have continued to grow and there's not been much default activity. Why wouldn't they move up? The weakest sector, financials, has been a function of the fintech area in which valuations were very high in 2021 and 2022 and revenue has not been strong.

Remember, we said both last year and the year before that, for exit activity to increase, either buyers or sellers had to capitulate – and our bet was on buyers.

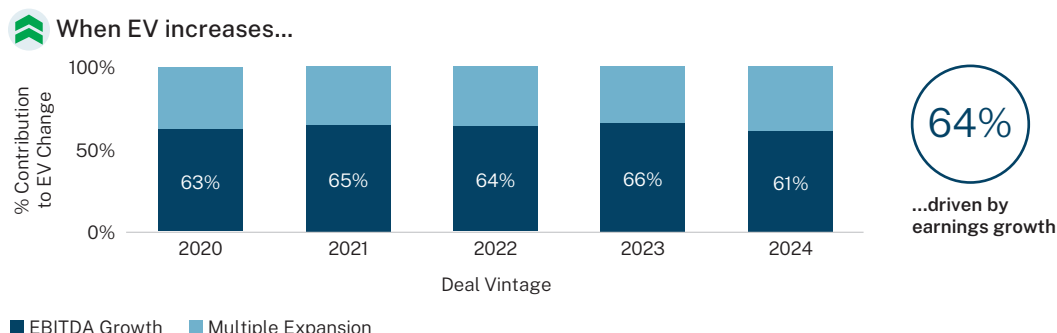
Changes in Bid/Ask Spread Between Q3 2025 and Q3 2024



Source: Hamilton Lane Data as of 9/30/25 (January 2026). Comparison of holding multiples of 2021 and 2022 assets, against acquisition (market clearing) multiples of the deals completed in 2024 and 2025.

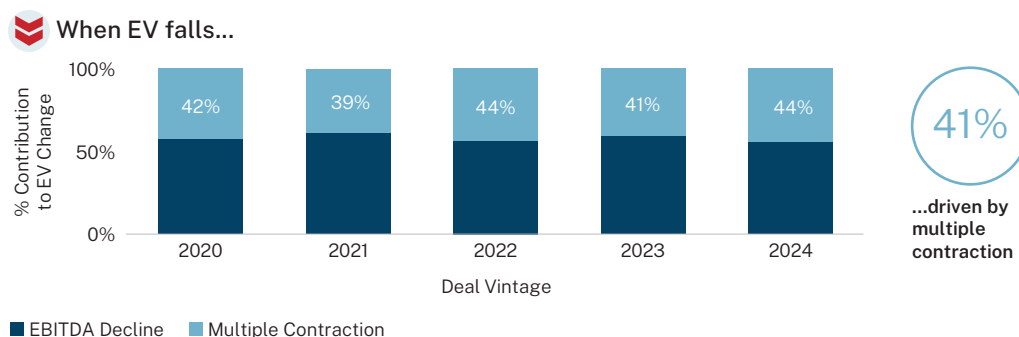
The spreads between buyers and sellers have significantly moved in two areas: information technology and consumer discretionary. Why? Buyers are moving, not sellers. The multiples paid are moving up to meet sellers' expectations. This certainly casts some doubt on the theory that valuations aren't real since someone is willing to pay that price. But let's look a little closer at valuation movements.

Breakdown of Changes in EV by Deal Year, Buyout Post-2020



Source: Hamilton Lane Data as of 9/30/25 (January 2026). Log decomposition of quarterly EV by EBITDA and implied multiple changes for buyout deals post 2020.

We looked at changes in enterprise value across buyout deals post 2020. When the value increased, it was mainly driven by earnings growth, not multiple expansion. That suggests that the “valuations are bogus” argument isn’t very credible when values are moving up. What about when they are moving down?



Source: Hamilton Lane Data as of 9/30/25 (January 2026). Log decomposition of quarterly EV by EBITDA and implied multiple changes for buyout deals post 2020.

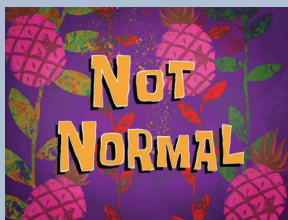
It’s a little bit more driven by multiple contraction on the way down, but it is not all that different from what you see when enterprise values are going up. What’s going on? We’d argue that it makes sense. When EBITDA is rising, as we saw in the earlier chart, you have multiple appreciation: The company is doing better, so naturally someone will pay more. When earnings are struggling or, not moving up enough to justify that multiple you paid, the multiple will contract. It is cliché, but it really does come back to the basic premise of private equity: Are you making the company a better-run company? If you are, you gain from both earnings and multiple expansion. If you aren’t? You know the answer there.

We don’t buy the argument that valuations are inflated in private portfolios. Are they all individually accurate? No. Are they all generally accurate? Yes.



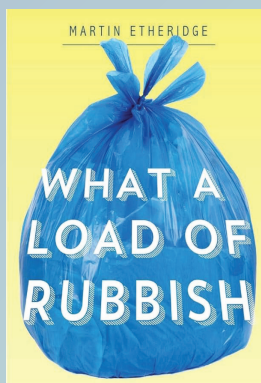
WHETHER INTENTIONAL OR NOT, the box has been opened to a world in which private equity's lack of distributions has brought the entire model into question. Where does that world take us? We will make a few predictions.

- The anticipated increase in distributions is unlikely to happen. Unless you tell us that capital markets are going to be incredibly bullish and expansive for the next few years, we struggle to see an environment in which companies are sold in large quantities.
- The 2020 to 2022 vintages will be a disappointment. Our view of what happened is simple and has happened at every market peak: Buyers overpaid. But this is when, this time, it really was different. In every prior cycle we have seen, peak prices were followed by an economic downturn. High-priced, highly levered companies saw rapid downturns, and the cycle went through its normal correction course. Not this time. There was no downturn. Companies were not highly leveraged. You had continued growth in revenue, perhaps less than expected. You had the continued ability to make interest payments, perhaps with some help from lenders.



The result is a cohort of companies that will require more time to achieve the general partners' usual target of a 1.5 to two times multiple. Slower exits, lower IRRs. Across the industry. That genie (to mix myths) is not going back in the box.

- Remember the correlation between time to exit and ultimate IRR? Perhaps we should call it the Inverse Warren Buffett Rule of Private Equity. How many times have you heard, "We would make (or would have made) so much money had we been able to hold this company for [insert time frame ranging from 20 years to the age of the universe]."?





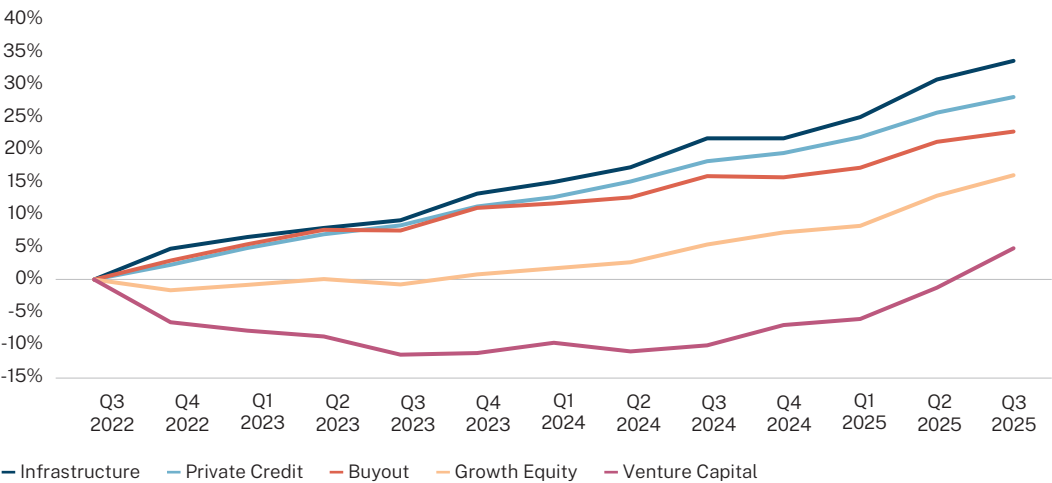
PERFORMANCE



IF YOU THOUGHT DISTRIBUTIONS WERE A SORE SPOT for investors, let us outline the performance discussion for you. (Let’s level-set before we dive into the performance story since we get the same question every year. All the analysis we are about to show you is net of general partner management fees and carried interest. To be clear, that includes accrued carried interest for unrealized value too. There are two exceptions to this where you will see higher performance noted. We have clearly titled these charts as gross performance. We doubt this reduces the number of times we are asked this question... but we tried.)

3-Year Cumulative Return

Cumulative TWRs Q3 2022 – Q3 2025

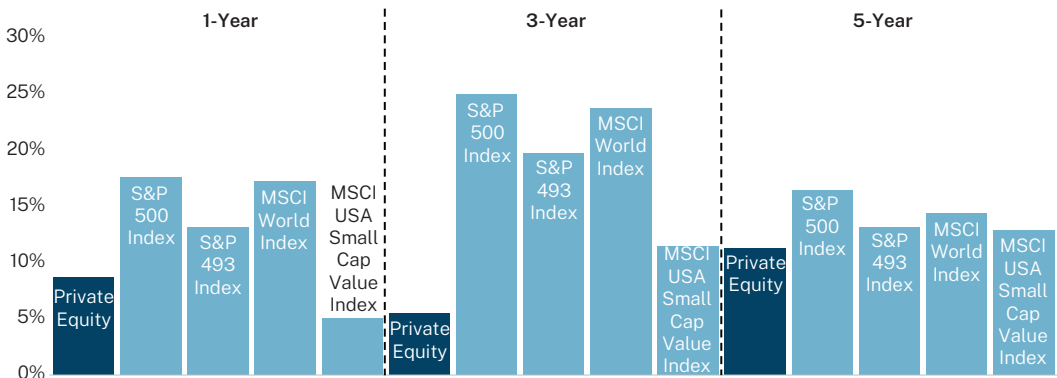


Source: Hamilton Lane Data (January 2026)

We’ll surprise you and share some good news to frame the discussion. Infrastructure and private credit have been very strong performers over the last three years. Their cumulative performance has beaten buyout, growth equity and venture capital. But, again, we are investors, so let’s focus on the problems. It’s on the equity side.

1, 3 & 5-Year Private Equity Performance

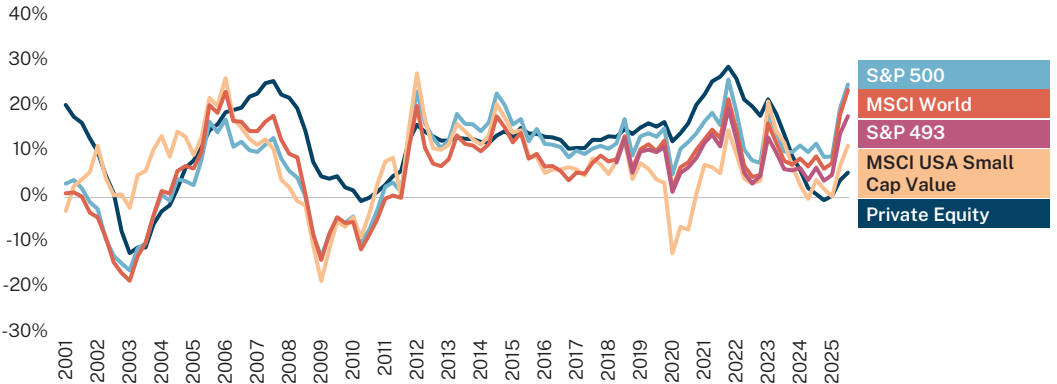
Annualized TWRs as of 9/30/2025



Source: Hamilton Lane Data via Cobalt, Bloomberg. Indices used: Hamilton Lane All Private Equity with volatility de-smoothed; S&P 500 Index; MSCI USA Small Cap Value Index; MSCI World Index; S&P 493 Index. Geometric mean returns in USD. For 1-Year returns assumes risk free rate of 1.8%, representing the average yield of the ten-year treasury over the last year. For 3-Year returns assumes risk free rate of 3.3%, representing the average yield of the ten-year treasury over the last three years. For 5-Year returns assumes risk free rate of 2.7%, representing the average yield of the ten-year treasury over the last five years. (January 2026)

You can measure over a one-year, three-year or five-year period and you get the same result: Private equity has underperformed against almost all the public benchmarks. We included the S&P 500 with and without the Magnificent 7 and, while the underperformance may be less, it still underperformed.

All Private Equity 3-Year Rolling TWRs



Source: Hamilton Lane Data, Bloomberg (January 2026)

A rolling, three-year time-weighted return may be a better way of looking at this, but the end result is the same, with significant underperformance against any public benchmark. What this chart shows that the other charts don't capture is that we are not in a unique period. Note the large underperformance around 2012. (Although, interestingly, in that time frame the best-performing benchmark was the MSCI Small Cap Value Index.) This has happened before and has happened when public markets were rapidly gaining ground and private equity struggled to keep pace.

There's another element to this performance story that is important today: exchange rates.

Cumulative YTD Returns by Currency

YTD as of 9/30/2025

	USD	EUR	GBP	JPY	CAD	AUD	MXN	ILS	SAR	KRW
Private Equity - Buyout	7.05%	-5.68%	-0.42%	0.59%	3.56%	-0.01%	-5.64%	-2.96%	6.84%	2.02%
Private Credit - Origination	7.24%	-5.75%	-0.42%	0.65%	3.61%	0.02%	-5.70%	-3.05%	7.03%	1.99%
S&P 500	14.83%	1.08%	6.81%	7.80%	11.10%	7.30%	0.88%	4.54%	14.63%	9.05%
FTSE 100	23.00%	8.27%	14.41%	15.47%	19.00%	14.93%	8.05%	11.98%	22.78%	16.80%
DAX	35.68%	19.95%	26.46%	27.55%	31.55%	27.62%	20.74%	23.14%	35.46%	29.32%
Nikkei	19.80%	5.91%	11.67%	12.63%	16.16%	12.69%	6.61%	8.74%	19.61%	14.19%
TSX	25.49%	10.46%	16.73%	17.81%	21.41%	17.27%	10.25%	14.25%	25.28%	19.18%
ASX	21.80%	7.21%	13.29%	14.35%	17.84%	13.81%	7.00%	10.89%	21.59%	15.67%

Source: Hamilton Lane Data, Bloomberg (January 2026)

We know it's busy, but for many of you, it is crucial. We generally talk about private market returns in dollars and most of the private markets industry is dollar and/or U.S.-denominated. When the dollar has the year it had in 2025, non-U.S. investors can find their returns overwhelmed by currency movements. Look at a Euro-based investor's return in U.S. buyout funds. They didn't break even. There's a similar story in private credit for them. A U.S. dollar investor was happy investing anywhere. That is not true of non-U.S. investors and the appeal of private equity and private credit requires a lot of faith and love to be OK with those returns. Does it change over longer periods?

5-Year Annualized Returns by Currency

Annualized 5-Year Return as of 9/30/2025

	USD	EUR	GBP	JPY	CAD	AUD	MXN	ILS	SAR	KRW
Private Equity - Buyout	13.12%	13.09%	12.22%	20.99%	14.05%	14.90%	9.03%	12.31%	13.12%	17.33%
Private Credit - Origination	9.26%	9.16%	8.37%	16.80%	10.17%	10.99%	5.36%	8.52%	9.25%	13.30%
S&P 500	16.47%	16.40%	15.50%	24.57%	17.52%	18.35%	12.25%	15.71%	16.46%	20.90%
FTSE 100	10.69%	10.62%	9.77%	18.39%	11.69%	12.48%	6.69%	11.98%	10.68%	14.90%
DAX	13.42%	13.35%	12.48%	21.32%	14.44%	15.25%	20.74%	23.14%	13.42%	17.74%
Nikkei	6.72%	6.66%	5.84%	14.15%	7.68%	8.44%	2.86%	6.03%	6.72%	10.78%
TSX	12.23%	12.16%	11.30%	20.04%	13.24%	14.04%	8.17%	11.51%	12.23%	16.50%
ASX	9.96%	9.89%	9.05%	17.61%	10.95%	11.74%	5.98%	9.25%	9.96%	14.15%

Source: Hamilton Lane Data, Bloomberg (January 2026)

It does. Substantially. Note that, over a five-year period, most investors were roughly the same, but Japanese yen investors were notably helped investing anywhere but home. The real lesson, though, is that for most investors, if you are attempting to invest with currency movements as a priority, you better hedge—a very costly and counterproductive gambit with private markets—or be very confident in your ability to time your trades.

Uh-oh, we may have lied again.



This is the most important chart in this market overview.

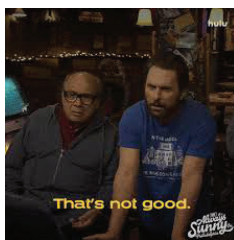
Forward Price / Earnings and Subsequent 5-Year Annualized Returns

S&P 500 Total Return Index



Source: Bloomberg (January 2026)

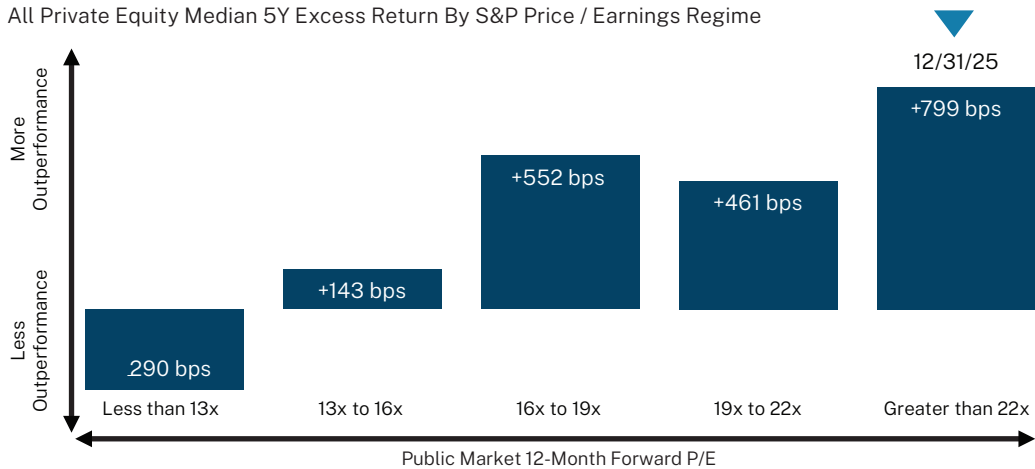
No, we can't predict the future, but we can make a pretty compelling case of what the odds are for the future course of prices. The chart looks at the correlation between the 12-month, forward price-earnings ratio of the S&P 500 and the go-forward returns of the S&P 500 annualized over the next five years. What do you see?



No, it's not a pretty picture. The cluster of blue dots above the burnt orange dot represent the trailing five-year returns we've been experiencing so far this year. For how much longer can the public markets defy history? Why does that matter for private equity returns?

Performance by Public Market Price / Earnings Regime

All Private Equity Median 5Y Excess Return By S&P Price / Earnings Regime



Source: Hamilton Lane Data via Cobalt, Bloomberg (January 2026). Past performance does not guarantee future results, and actual outcomes may differ.

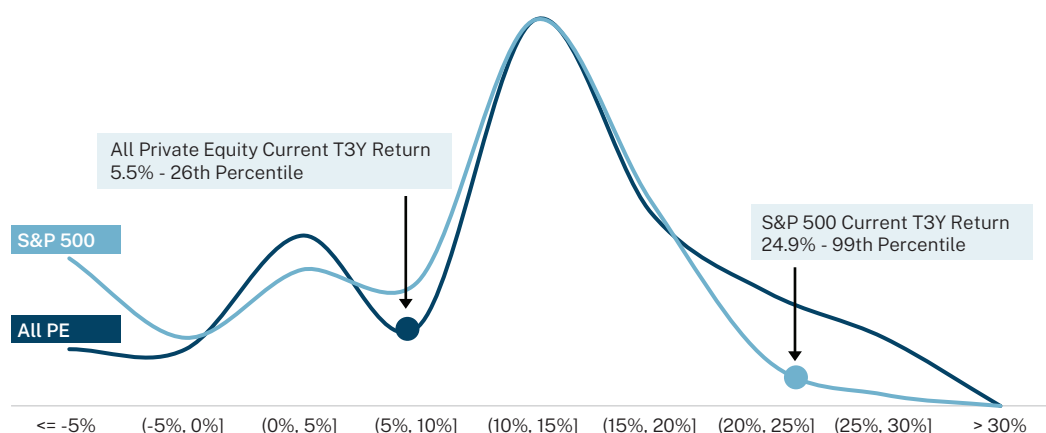
Here you are looking at the 12-month forward price-earnings ratio of the S&P 500, compared to private equity over or underperformance against the public index. (OK, this might be a more important chart than the last one, but our argument for why it isn't is that (a) this chart is really a continuation of the prior chart and (b) people have more money invested in public equity than private, so the prior one is more important for what is probably the majority of your assets and you care more. Hey, it's our overview, we make the rules.) In case you didn't get our point, we have provided an arrow on the chart that shows:



Investing is a series of probability assessments. We believe the best investors make the better judgments about those probabilities and the assets they want to buy or sell based on those assessments. You may choose to dismiss the probabilities shown in these charts, but you can't ignore the data or the inference. Let's look at it another way.

Rolling 3-Year Return Distributions

2001-2025



Source: Hamilton Lane Data, Bloomberg (January 2026)

This one is also simple. We looked at trailing three-year returns for the S&P 500 and all private equity. One is near the bottom quartile—private equity, and one is in the very top quartile of historic returns—the S&P. (It reminds us of a particularly cheeky general partner who characterized their performance, during those heady COVID days, as top-ventile. We can confirm they can no longer make this claim... but, today, the S&P for the last three years can). Again, just one data point, but another data point suggesting the past three years may not be like the next three years. Investing without seriously looking at that data suggests a line from an old Clint Eastwood movie.



The Long View

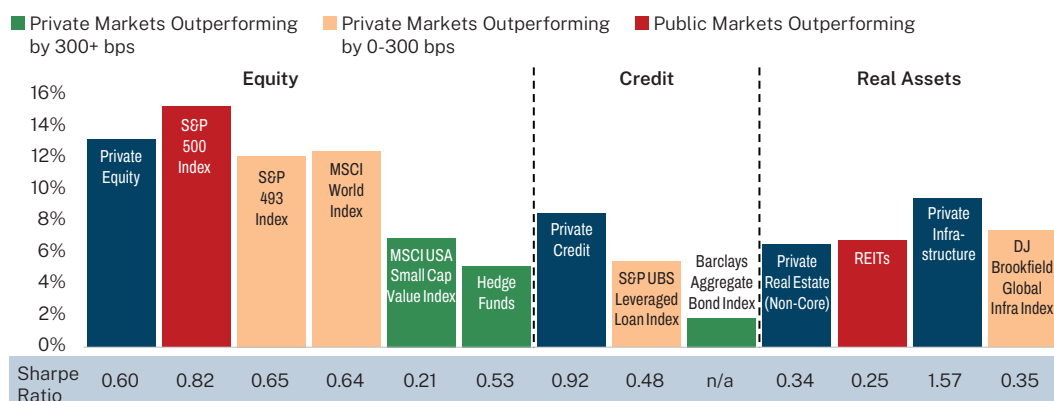
***“I get knocked down
But I get up again
You’re never gonna keep me down”***

- CHUMBAWAMBA, “TUBTHUMPING”

We normally talk about returns in the private markets over a 10-year time frame. The theory is that we are all long-term investors, particularly in the private sphere. It’s a fiction; we all understand that now. We spend more time discussing quarterly and annual returns than we ever do discussing 10-year returns, but let’s at least look at the numbers over longer periods.

10-Year Asset Class Performance

Annualized Time-Weighted Return as of 9/30/2025

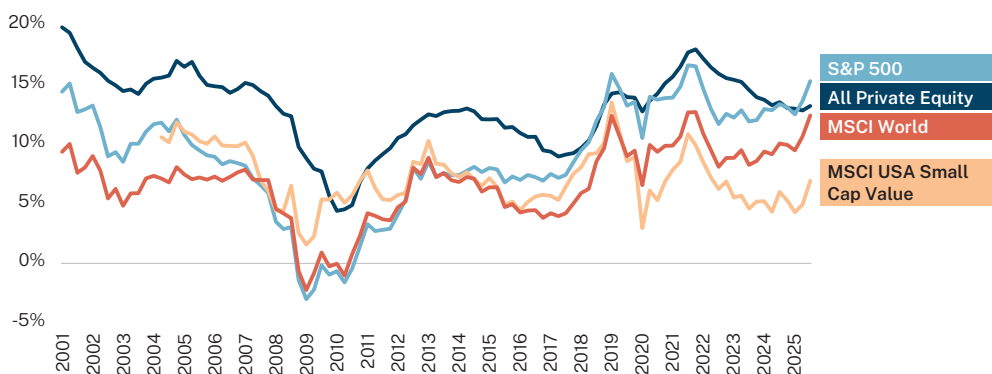


Source: Hamilton Lane Data via Cobalt, Bloomberg. Indices used: Hamilton Lane All Private Equity with volatility de-smoothed; S&P 500 Index; Bloomberg S&P without Magnificent 7 Proxy Index; Russell 3000 Index; MSCI World Index; Credit Suisse Hedge Fund Index; Hamilton Lane Private Credit with volatility de-smoothed; S&P UBS Leveraged Loan Index; Barclays Aggregate Bond Index; Hamilton Lane Private Real Estate with volatility de-smoothed; Hamilton Lane Private Infrastructure with volatility de-smoothed; Hamilton Lane Private Natural Resources with volatility de-smoothed; FTSE/NAREIT Equity REIT Index; DJ Brookfield Global Infrastructure Index; MSCI World Energy Sector Index. Geometric mean returns in USD. Assumes risk free rate of 2.4%, representing the average yield of the ten-year treasury over the last ten years. (January 2026)

A few things stand out.

- Private equity does not outperform the S&P 500 even over the 10-year period. It does, however, outperform the S&P stripped of the AI stocks and outperforms all other indexes. (We get asked why we include hedge funds in this comparison. It makes us feel good. It's one index we know private equity will always outperform.)
- Private credit is the star of the private markets' universe. It outperforms handily in an asset class where a few basis points' outperformance is outstanding. How about a few hundred?
- Real estate is about even and infrastructure also outperforms.

All Private Equity 10-Year Rolling TWRs



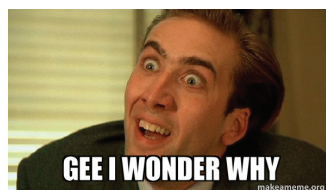
Source: Hamilton Lane Data, Bloomberg (January 2026)

Let's go back to the rolling time frame, this time 10 years. It paints a very different picture. The underperformance of private equity occurred more recently and the outperformance against other benchmarks remains. We also note that there have been other times over the last 25 years where the 10-year period showed underperformance on the private side: 2011 and 2019. Both periods were followed by strong outperformance.



Forgive us, we will be brief. (We won't, but we figured that was a good way to get you hooked into reading our rant...) We have heard, for our entire 30+ years of existence, from so many pundits, that private equity is a con game. It's just small-cap investing with leverage and massive fees and investors would be better off investing in public, small-cap stocks with leverage. We have run simulations that show what a disaster that would be, but the claim persists. Here you have it on the chart. The small-cap value index has, almost without exception, underperformed private equity over every rolling period. Well, say you, lever it you knave! Do you know nothing about finance? The small cap is returning about 47%, a mere almost SIX HUNDRED BASIS POINTS under private equity. How much leverage on an equity portfolio (that's already levered) do you need on a 47% return to get to 12%+?

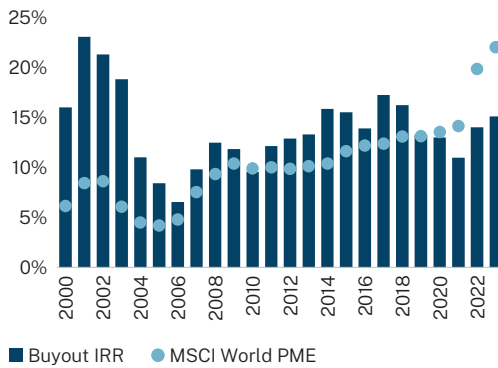
One more thing: For our first 20 years of existence, we heard that the only real benchmark was a small-cap value index because that's what private equity was buying. We haven't heard that argument in years.



Thanks. We feel better now.

Pooled Returns by Vintage Year

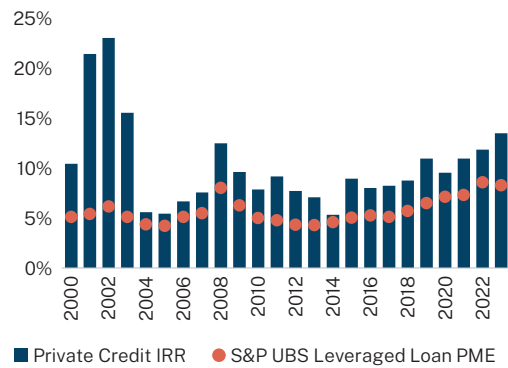
Buyout IRR vs. PME



Source: Hamilton Lane Data via Cobalt, Bloomberg (January 2026)

Pooled Returns by Vintage Year

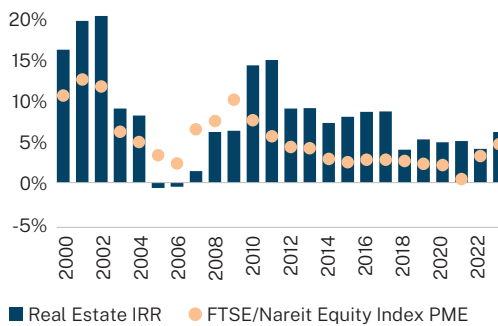
Private Credit IRR vs. PME



Source: Hamilton Lane Data via Cobalt, Bloomberg (January 2026)

Pooled Returns by Vintage Year

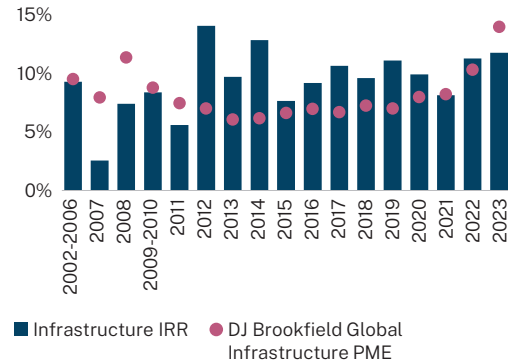
Real Estate IRR vs. PME



Source: Hamilton Lane Data via Cobalt, Bloomberg (January 2026)

Pooled Returns by Vintage Year

Infrastructure IRR vs. PME



Source: Hamilton Lane Data via Cobalt, Bloomberg (January 2026)

We have always liked these charts. They give such a good representation of the vintage year-in and year-out movements and comparisons of the various markets.

- Buyout, no surprise, has outperformed or been in line with publics in every vintage year except the last four. The concerning part is that the underperformance has not gotten better. It has, perhaps, gotten worse.
- Private credit has outperformed its public benchmark every year for the last 24 years.



OK, we will: Private credit has outperformed its public benchmark every year for the last 24 years.

- Private real estate, for all the return tarnish it has endured since the Great Financial Crisis, has outperformed for the last 15 years.
- Infrastructure, like private equity, has struggled to outperform recently, largely due to the public market AI-oriented infrastructure stocks.

Periodic Table of Returns

Pooled IRR by Vintage Year

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Late-Stage VC 30.9%								
	US Large/Mega 19.3%								
	Seed/Early VC 17.9%					Late-Stage VC 16.8%		ROW Buyout 13.0%	Late-Stage VC 21.7%
Multi-Stage VC 18.2%	EU Buyout 17.4%		Growth Equity 24.8%	US SMID 19.7%	EU Buyout 20.5%	US SMID 14.7%	Natural Resources 24.7%	Credit - Origination 12.1%	ROW Buyout 18.6%
US Large/Mega 17.1%	Multi-Stage VC 17.3%	Growth Equity 17.6%	Seed/Early VC 19.0%	US Large/Mega 18.3%	US Large/Mega 18.7%	US Large/Mega 13.8%	ROW Buyout 14.0%	Natural Resources 11.8%	EU Buyout 17.9%
Growth Equity 16.7%	US SMID 15.6%	US SMID 17.5%	US SMID 16.6%	Multi-Stage VC 18.0%	US SMID 14.9%	Growth Equity 13.2%	US SMID 13.8%	US SMID 11.8%	US SMID 13.7%
US SMID 14.9%	Growth Equity 15.6%	Seed/Early VC 16.4%	Multi-Stage VC 15.6%	EU Buyout 17.4%	Seed/Early VC 14.5%	Natural Resources 13.1%	US Large/Mega 12.4%	EU Buyout 11.8%	Growth Equity 12.8%
Seed/Early VC 14.8%	ROW Buyout 14.7%	EU Buyout 14.4%	EU Buyout 14.3%	Growth Equity 16.3%	Growth Equity 13.9%	EU Buyout 12.8%	Seed/Early VC 12.2%	US Large/Mega 9.4%	Credit - Origination 12.2%
EU Buyout 12.3%	Infrastructure 12.9%	US Large/Mega 13.3%	US Large/Mega 13.3%	Seed/Early VC 14.1%	Multi-Stage VC 12.5%	Opportunistic Debt 12.7%	EU Buyout 11.9%	Opportunistic Debt 9.3%	US Large/Mega 12.0%
All PM 11.7%	All PM 12.8%	All PM 12.5%	All PM 13.3%	All PM 13.9%	All PM 12.4%	All PM 11.7%	All PM 10.6%	All PM 8.5%	All PM 12.0%
Credit - Origination 10.4%	Real Estate 7.3%	Credit - Origination 10.2%	ROW Buyout 12.7%	Natural Resources 13.8%	Natural Resources 12.1%	Infrastructure 11.2%	Credit - Origination 10.2%	Infrastructure 8.2%	Multi-Stage VC 11.4%
Infrastructure 9.7%	Credit - Origination 6.7%	ROW Buyout 9.9%	Infrastructure 9.2%	Infrastructure 10.7%	Late-Stage VC 12.0%	Seed/Early VC 11.2%	Late-Stage VC 10.0%	Growth Equity 6.3%	Opportunistic Debt 11.4%
Real Estate 9.1%	Opportunistic Debt 4.9%	Multi-Stage VC 9.4%	Real Estate 8.6%	ROW Buyout 10.3%	ROW Buyout 11.6%	Multi-Stage VC 11.0%	Infrastructure 9.9%	Seed/Early VC 5.6%	Infrastructure 11.3%
ROW Buyout 6.7%	Natural Resources 2.4%	Opportunistic Debt 8.2%	Opportunistic Debt 8.5%	Credit - Origination 8.9%	Opportunistic Debt 9.7%	ROW Buyout 10.7%	Growth Equity 9.5%	Real Estate 5.1%	Seed/Early VC 10.8%
Opportunistic Debt 6.5%		Natural Resources 8.1%	Credit - Origination 7.7%	Real Estate 8.7%	Infrastructure 9.6%	Credit - Origination 8.6%	Opportunistic Debt 9.3%	Multi-Stage VC 4.7%	Natural Resources 9.4%
Natural Resources 1.1%		Real Estate 8.1%	Natural Resources 7.7%	Opportunistic Debt 7.4%	Credit - Origination 8.4%	Real Estate 5.3%	Multi-Stage VC 9.2%	Late-Stage VC 4.6%	Real Estate 4.1%
		Infrastructure 7.7%			Real Estate 4.0%		Real Estate 4.9%		

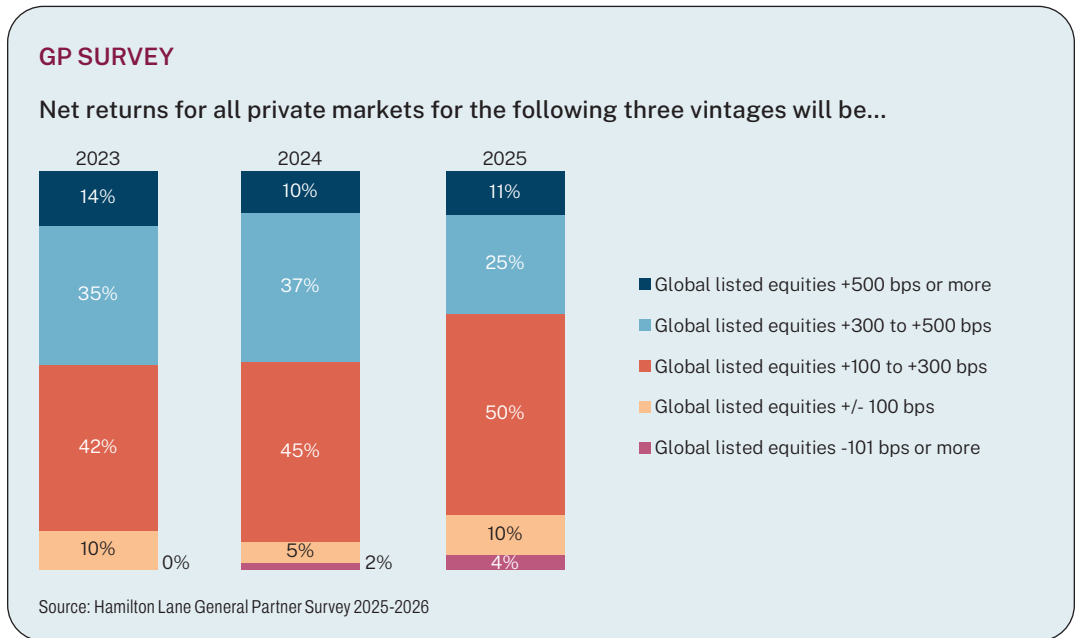
□ Negative returning strategy

Source: Hamilton Lane Data (January 2026)

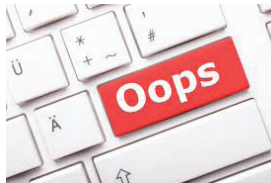
This is another chart we use every year and shows the movements of IRRs by sub-groups within private markets. There are several interesting features to this chart.

- Earlier, we noted that distributions were heavily skewed toward the credit and natural resources strategies. That is not true of IRRs, with many equity strategies populating the top of the charts. The good news is that it means valuations, earnings and fundamentals are strong. The bad news is what we discussed earlier: If they're so good, why aren't they being monetized?
- For all the talk that returns are tailing off in private markets, you can see that they have remained in double digits in every vintage year except 2021. They improved by 350 basis points from the 2021 vintage to the 2022 vintage. These aren't the returns investors want from private assets, they're below public returns, and they've declined slightly from the 2010s. But we believe this state is more cyclical than structural and it would be premature to say private markets returns have fallen for good.
- We are always impressed by how difficult it is to lose money in any part of the private markets. Over this 10-year period, not one sector is negative. None.

Let's call in our general partners and get their view on where returns are headed relative to public markets.



They are more bearish than they have been in the last two years. General partners are generally a bullish group (well, except the credit managers—they're born bearish). In 2023, none of them thought private equity would underperform the public markets.

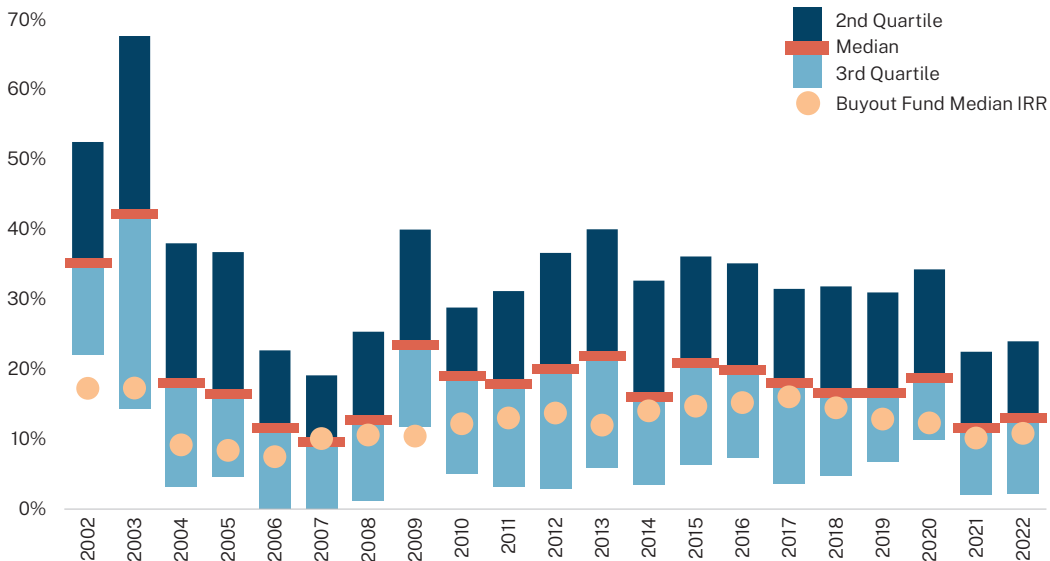


Now, 4% do, and an additional 10% believe it will be a push. We have to say that we think they might be a contrary indicator here, and it gives us some hope for a more bullish relative future performance for the private side.

Let's turn to the deal side of the analysis.

Gross Buyout Deal IRR Quartiles

By Deal Year



Source: Hamilton Lane Data (January 2026)

Take a look at those numbers, friends. This is why everyone wants to be a general partner. Sure, 2021 shows a marked decline in the median return at the deal level. It's *only* ~10%. If we told you that there was a place where, over the last 20+ years, your worst year was around 10% return, your best year was around 40% return and your average return was around 18%, what would you say?



You'd be right. Don't overthink this. Private equity has been, and likely will continue to be, an incredibly attractive investment space. It is not just luck, or a moment in time, or whatever explanation skeptics provide for its performance. It's a skill set, a superior governance model. This isn't that hard to figure out.

Periodic Table of Gross Returns

Sector Median Gross IRR by Deal Year

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
		Health Care 30.0%										
		Materials 29.8%		Health Care 28.3%								
Materials 28.9%		Consumer Staples 28.7%	Materials 35.3%	Materials 25.7%			Health Care 25.8%			Energy & Utilities 25.2%		
Information Technology 24.3%	Information Technology 25.5%	Communication Services 27.6%	Communication Services 32.8%	Financials 21.5%	Materials 36.9%	Information Technology 26.7%	Information Technology 23.4%			Materials 23.8%		Financials 20.4%
Consumer Staples 24.1%	Consumer Staples 23.2%	Industrials 26.8%	Information Technology 31.5%	Communication Services 21.3%	Information Technology 30.6%	Communication Services 23.6%	Industrials 22.6%	Information Technology 23.5%	Consumer Staples 25.3%	Information Technology 21.3%	Industrials 18.3%	Communication Services 19.1%
Communication Services 21.3%	Communication Services 23.1%	Information Technology 24.4%	Consumer Staples 30.4%	Information Technology 21.0%	Industrials 30.2%	Financials 23.0%	Materials 22.2%	Financials 21.7%	Financials 23.9%	Industrials 21.1%	Consumer Staples 13.6%	Industrials 16.7%
Health Care 21.0%	Health Care 21.9%	Financials 23.2%	Health Care 27.0%	Industrials 18.8%	Consumer Staples 24.6%	Health Care 22.2%	Consumer Discretionary 22.0%	Industrials 21.4%	Information Technology 18.7%	Financials 20.2%	Financials 12.5%	Information Technology 14.6%
All Deals 20.7%	All Deals 19.6%	All Deals 23.2%	All Deals 26.7%	All Deals 18.7%	All Deals 24.3%	All Deals 22.1%	All Deals 20.1%	All Deals 18.0%	All Deals 16.9%	All Deals 18.9%	All Deals 11.9%	All Deals 13.9%
Industrials 20.4%	Consumer Discretionary 18.0%	Consumer Discretionary 15.9%	Consumer Discretionary 25.9%	Consumer Staples 16.5%	Health Care 24.2%	Consumer Discretionary 21.8%	Consumer Staples 16.9%	Health Care 16.6%	Industrials 16.4%	Communication Services 16.9%	Energy & Utilities 11.5%	Energy & Utilities 13.2%
Consumer Discretionary 18.7%	Industrials 17.7%	Energy & Utilities 0.0%	Financials 25.4%	Consumer Discretionary 14.6%	Consumer Discretionary 19.3%	Industrials 20.8%	Communication Services 15.1%	Consumer Staples 15.6%	Health Care 16.3%	Health Care 16.7%	Information Technology 11.0%	Health Care 12.3%
Financials 11.7%	Energy & Utilities 16.9%		Industrials 22.7%	Energy & Utilities 0.0%	Financials 17.8%	Materials 20.7%	Financials 12.7%	Consumer Discretionary 15.3%	Communication Services 13.8%	Consumer Discretionary 16.3%	Health Care 10.5%	Consumer Discretionary 9.3%
Energy & Utilities 7.0%	Financials 11.0%		Energy & Utilities 14.1%		Communication Services 9.1%	Consumer Staples 11.0%	Energy & Utilities 4.8%	Materials 15.0%	Consumer Discretionary 12.9%	Consumer Staples 14.3%	Materials 9.9%	Consumer Staples 3.2%
	Materials 10.4%				Energy & Utilities 0.5%	Energy & Utilities 8.2%		Communication Services 6.6%	Materials 11.9%		Communication Services 9.7%	Materials 1.8%
								Energy & Utilities 0.0%	Energy & Utilities 9.7%		Consumer Discretionary 8.9%	

❑ Negative returning strategy

Source: Hamilton Lane Data (January 2026)

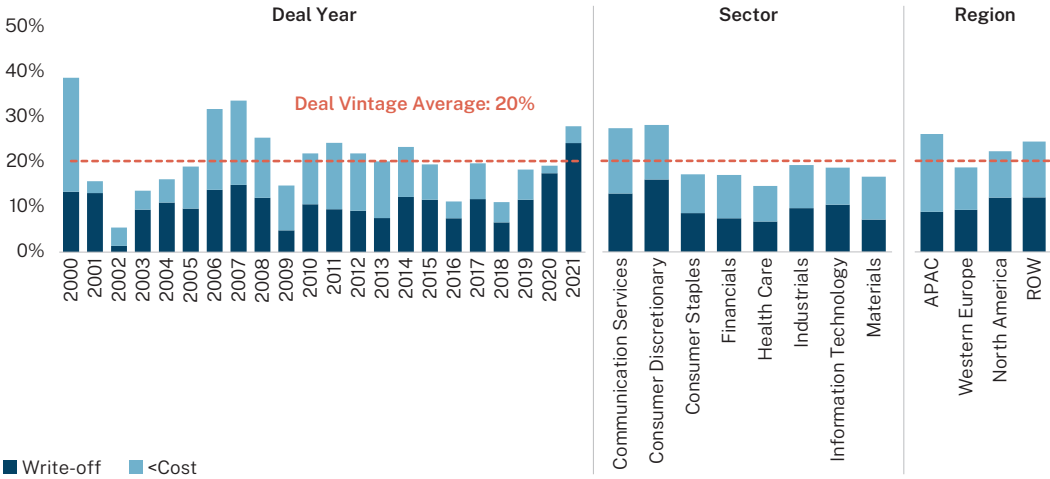
One of the more noteworthy features is the volatility around “energy and utilities” returns. From the bottom years through 2019, they have shifted up recently. We looked at the drivers here and it is generally larger cap funds and generally in the utilities sector. The deals are also global in scope.

Who had that on their individual deal return bingo card?

We know there’s a constant focus on the top and bottom every year, but a few other things are noteworthy: (a) information technology had been at the top and is now at more modest levels. This could be simply a pause, but it could also be that many of the SaaS darlings that drove returns years ago are now the businesses most threatened by AI, (b) damn, it’s been hard to make money in the consumer sector for a long time now, and (c) some sectors, notably health care and industrials, have been solid, steady performers. It may be more fun to pick this year’s best sector, but it may be more profitable over the long run to pack your portfolio with more consistent performers.

Loss Ratio of Realized Buyout Deals

% of Deal Count



Source: Hamilton Lane Data (January 2026)

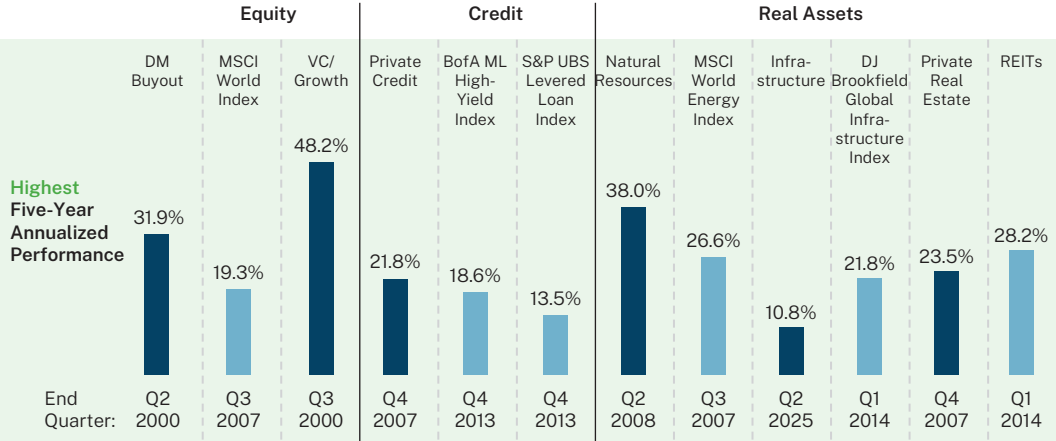
We refer to this chart to provide a dose of reality. Private equity deals do lose money. Someone once told us that if you didn't lose money on any of your deals, you weren't taking enough risk. There's wisdom to that expression. The media, in particular, will highlight every deal that loses money in the private world and explain how that is proof for the model being flawed. It's not. It's the nature of investing. On average, 20% of buyout deals lose money.

OK, say it out loud...



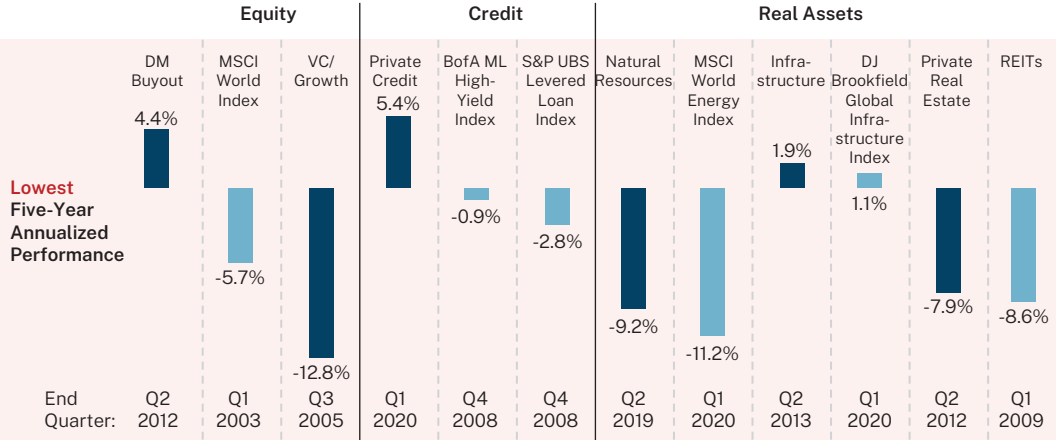
We're glad you brought that up.

Highest Five-Year Annualized Performance



Source: Hamilton Lane Data via Cobalt, Bloomberg (January 2026). Infrastructure from 2011-2025, Natural Resources from 1998-2025.

Lowest Five-Year Annualized Performance



Source: Hamilton Lane Data via Cobalt, Bloomberg (January 2026). Infrastructure from 2011-2025, Natural Resources from 1998-2025.

These may not be the most important charts in the overview (although that is an almost infinite well), but they may be our favorite. We just pointed out how amazing the returns have been for the last 20 years. We'd fully expect that the price for those returns is greater risk of loss. Nope. Let us repeat that technical investment term.

Nope.

There has been no five-year period in the history of buyout returns or private credit returns or infrastructure returns (for infrastructure, since 2011, so not quite the span of history) where you have lost money.

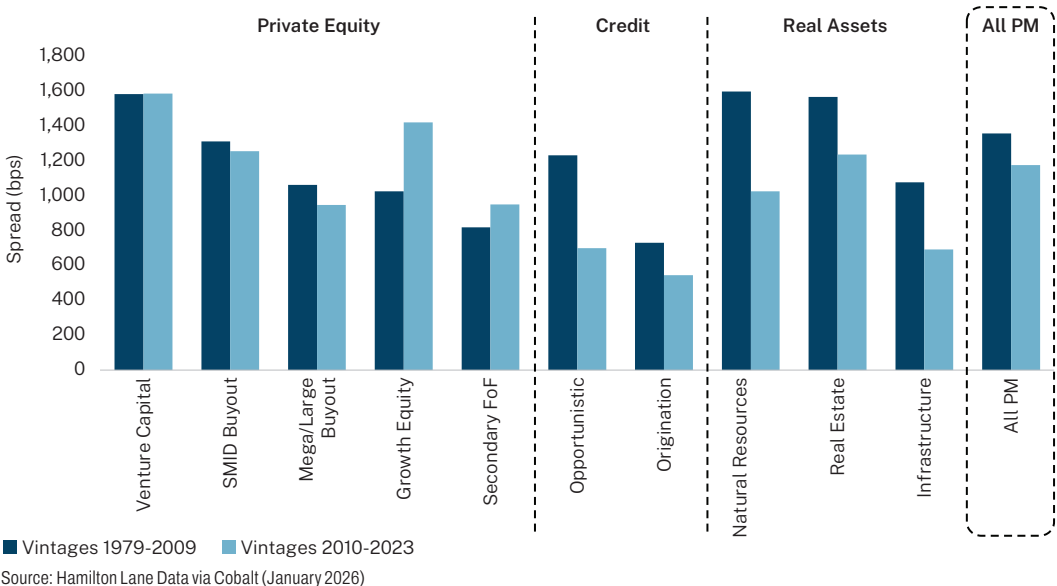
None. Nessuno. 없음. Keine. Ninguno. 皆無. . Ei yhtään.

That's extraordinary enough, but then note that, for all that downside protection compared to the public options, your highest five-year returns exceed the highest five-year return in the public world.

Amazing.

Dispersion of Returns by Strategy

By Vintage Year Groupings; Ordered by Long-Term Spread of Returns



We have long believed, as have most of you, that as the private markets landscape got bigger, dispersion would decrease. It would be harder to outperform peers as competition increased. It simply has not been true. Sure, there's been some reduction but nowhere near what you would expect given the real increase in the size of assets being deployed across all private markets. Let's put this in perspective: In the public world, you are hunting for managers with outperformance measured in tens of basis points. In the private world, you are looking at hundreds, many hundreds, of basis points difference.

(An interesting tidbit for later in this overview. Where has dispersion *increased*? Only one area: secondary investment and growth equity, where the data is more robust now).



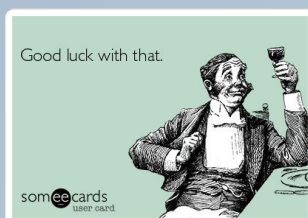
IN THE FACE OF POOR RETURNS relative to the public markets, the industry has largely shrugged and said, "Eh, it's just a phase." But the box is open and the questions that were once dismissed as brief moments of performance are now fundamental questions of asset allocation. That open box will create profound shifts.

- To the argument that says, "Well, it's not fair to compare us to returns that include AI stocks that are overvalued." we say, "Stop!" We have all chosen to compete in a world where private returns are compared to public returns. It is disingenuous to claim that you should only select certain public stocks for competitive purposes. (To those who say, "Well, Hamilton Lane, you just did that in your performance section," we did it to illustrate the impact of those seven stocks, not to dismiss the comparison.)

- The argument, however, has one corollary that we believe is crucial for the next few years. Private equity does not invest in stocks like MSFT or NVDA. When those stocks dominate the market, up or down, then private equity will likely perform counter to those. And here is one of the most important investment pieces in this entire market overview, an investment theory we have never proposed in our history.



- Buyout investments are perhaps the best way to diversify your investment portfolio from AI exposure, particularly LLM exposure. We've noted public equity markets are essentially a one-way bet on AI. That is decidedly not true of buyout investments. We've always committed to buyout on the theory it will outperform the public markets. We still believe that. Now, we believe you also need it as a diversifier against a very high-risk public equity portfolio you are holding.
- We have some sobering news. If the public market is correct that the LLM path is a clear winner for AI development, those seven AI names are highly likely to continue generating double-digit annual returns. Private equity will not outperform under those circumstances. We know, the truth hurts.
- We have encountered a number of investors who tell us, "Currency movements are killing my return, and I am not going to invest in U.S. assets."



We've outlined both the reasons U.S. assets are going to be the dominant investment arena and how currency movements are more muted over longer periods. But the box to currency manipulation is fully open today. Does anyone doubt that the U.S. will let the currency weaken, implicitly or explicitly? Does anyone doubt that the Japanese yen faces enormous pressure from Japan's fiscal posture? Investing based on your view of currency movements is not an asset investment choice. You are choosing a currency investment: a bet on currency movement. You may be right, but the risk, particularly ignoring U.S. assets on the private side, is to ignore what could turn out to be one of the more attractive investment options available globally. Don't do that. We don't know what this box will unleash, and it makes no sense to invest as if you do.



FUNDRAISING

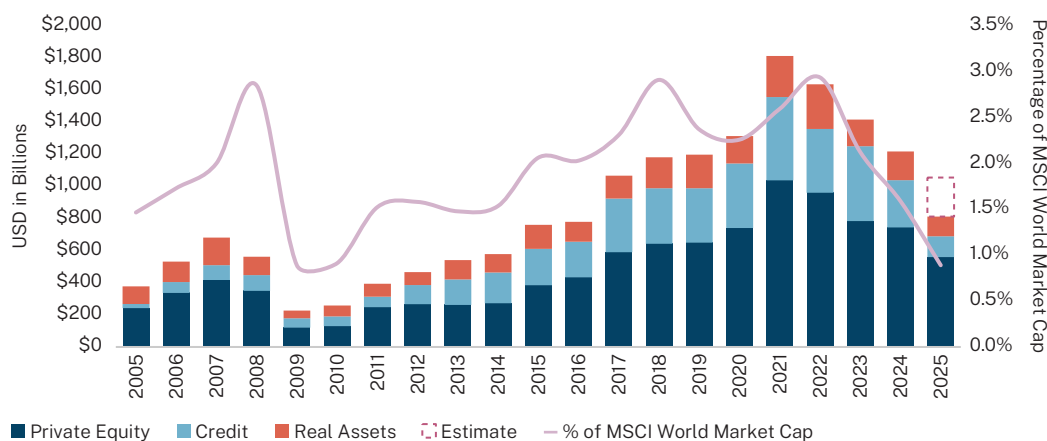


“There are more private equity funds in North America than there are McDonald’s franchises.”

- JOE BAE, KKR

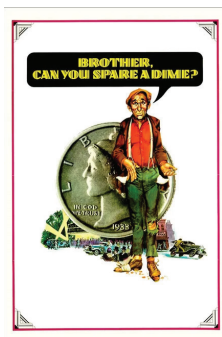
WE COME NOW TO THE SADDEST STORY EVER TOLD. A tale of perdition and hardship. The journey of general partners in search of sustenance in a time of famine and drought.

Closed-End Fundraising by Broad Asset Class



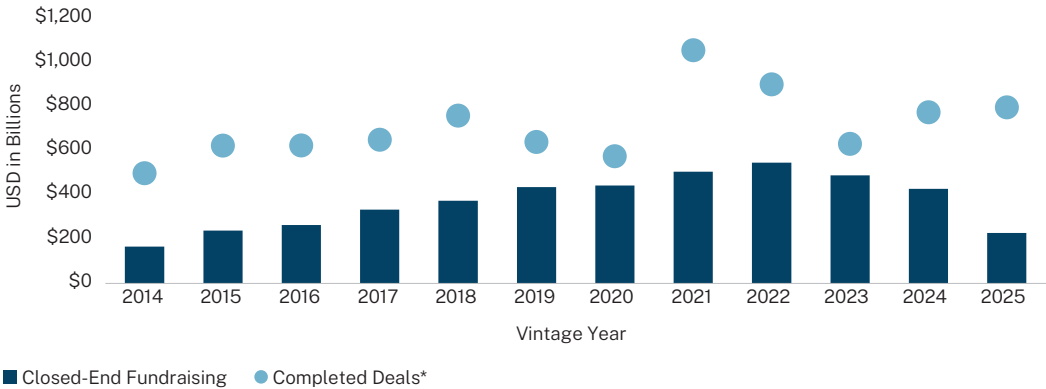
Source: Pitchbook, Bloomberg (January 2026) Excludes fund-of-funds and co-investment funds. Excludes core and core-plus real asset funds. Excludes natural resources funds. Vintage year is determined by earliest reported transaction date or first close if no transaction date is reported.

Four straight years of declining capital flowing to the core area where managers raise capital: the closed-end fund. You look at that number and you would assume that the industry is unhealthy, withering, storefronts closing and general partners on Wall Street with signs.



Except, it’s not withering.

Global Buyout Deal vs. Buyout Fund Activity



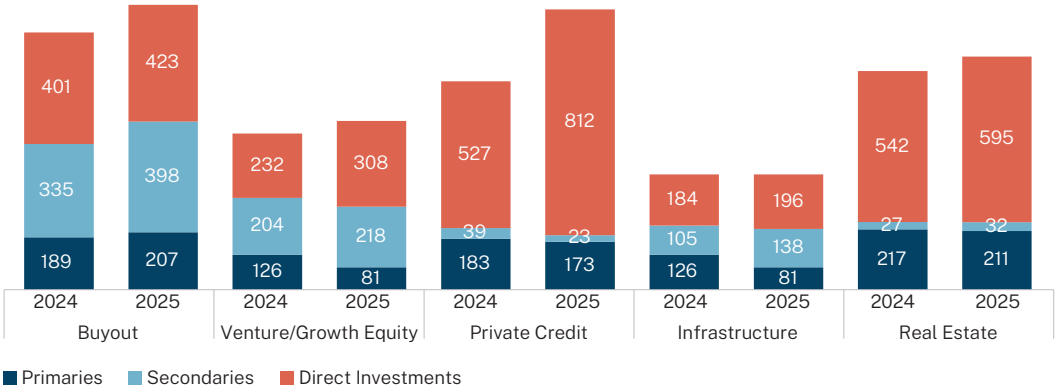
Source: Pitchbook (January 2026)

*Note: Deal Sample represents completed buyout deals. Fundraising figures fund-of-funds and co-investment funds. Fundraising by vintage year includes funds with at least a first close and funds that have had their final close. Vintage year is determined by earliest reported transaction date or first close if no transaction date is reported.

If we told you fundraising was down for three straight years, you would assume deal activity was also down. It's not. When you look at that chart, you wonder if we are looking at this wrong. What happened is that 2021 was such an aberration that it has thrown off all perspective. It was like a giant rock that crashed into a body of water and the ripples flexed for a few years. The other explanation for the rise in deal activity is leftover funds from commitments raised in prior years and capital flowing from other sources.

Opportunities Received by Hamilton Lane

By Strategy



Source: Hamilton Lane Diligence (January 2026)

Note: Infrastructure includes both Infrastructure and Natural Resources opportunities.

This is Hamilton Lane's deal flow. A few things are apparent. One is that co-investment deal flow (the orange bar) continues to be strong. That might account for the continued rise in deals. General partners are using less of their own capital on each deal and leveraging co-investment capital. The other important aspect is the relative flat or declining numbers of primary fund opportunities. Our colleague, Christian Kallen, has observed that what we may be seeing in the declining fundraising numbers is, to some extent, less capital available but, *to a greater extent, fewer opportunities available, particularly high-quality opportunities.*

The other reality is that it is virtually impossible for general partners to go out of business. We have observed that you would have an easier time killing a vampire than you would a general partner franchise. In any other industry, four straight years of decline in your source of revenue would have produced bankruptcies and closures. In private markets, with the ongoing fees and bevy of portfolio companies?



The hope (well, for some) is that this kind of environment will lead to survival of the fittest. If you can't really eliminate lousy general partners, you can slowly let them leave the stage by funding better performers. We looked at 2024 buyout funds and their IRRs and fund size in the 2024 fundraise rounds.

Step-Up Patterns of 2024 Buyout Funds

	Stepped Up	Maintained Size	Stepped Down
Percent of Funds in Category	73.3%	9.3%	-0.42%
Medium IRR of Previous Fund at Time of Current Fundraise	17.9%	16.8%	-0.42%
Medium IRR of 2 Funds Ago at Time of Current Fundraise	22.1%	21.9%	6.81%
Medium DPI of Previous Fund at Time of Current Fundraise	0.04x	0.07x	14.41%
Medium DPI of 2 Funds Ago at Time of Current Fundraise	0.92x	0.79x	26.46%
Median Vintage Year of Previous Fund	2020	2021	11.67%
Median Vintage Year of 2 Funds Ago	2017	2016	16.73%
Median 2024 Fund Number	4	7	13.29%

Source: Hamilton Lane Data, Pitchbook, FactSet as of 9/30/25 (January 2026)

(Again, as a parenthetical, where else are you seeing this stuff? You aren't.)

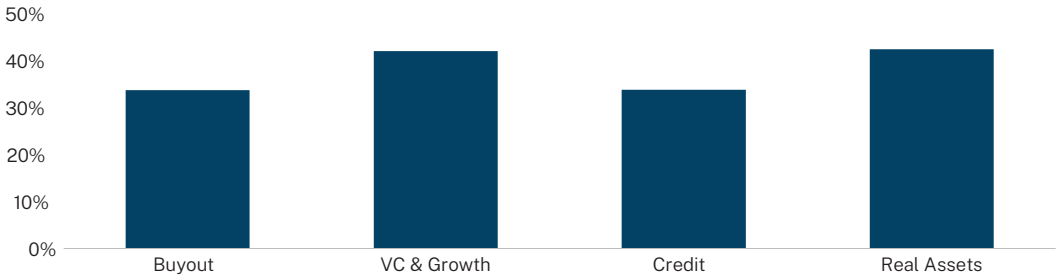
Some notes here:

- Performance does matter, particularly from two funds ago. Funds that stepped up in size all had far superior performance to those that stayed the same or declined in size.
- Money returned mattered, again particularly from two funds prior. It didn't matter for the prior fund, and we wonder if that means investors have figured out that, sometimes, fast distributions are designed to create a fast IRR and the portfolio may not be that healthy.
- It is particularly interesting that coming back to market sooner matters. Part of it is that performance is better, but it's also that, if you do have good performance, you want to get out in the market before that performance deteriorates at all. Taking too long between fundraises probably raises questions about what is going on with your funds.

One question we are often asked is, “What is the persistence of performance in private markets?”

Percentage of Repeated Top-Quartile IRR Funds by Strategy

Fund Vintages 2000-2021

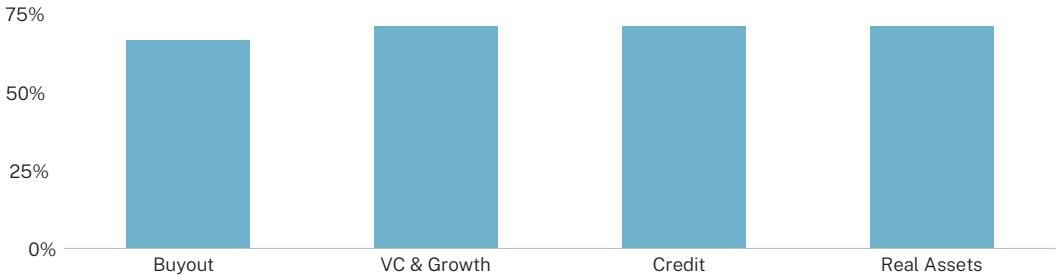


Source: Hamilton Lane Data (January 2026)

Over the last 20 years, top-quartile persistence has been greatest in venture capital, growth, and real assets and least in buyout and credit. It’s not as persistent as you would want given the maniacal focus some investors have on only investing in top-quartile funds. It is much better if you are looking for top-half performance.

Percentage of Repeated Top-Half IRR Funds by Strategy

Fund Vintages 2000-2021



Source: Hamilton Lane Data (January 2026)

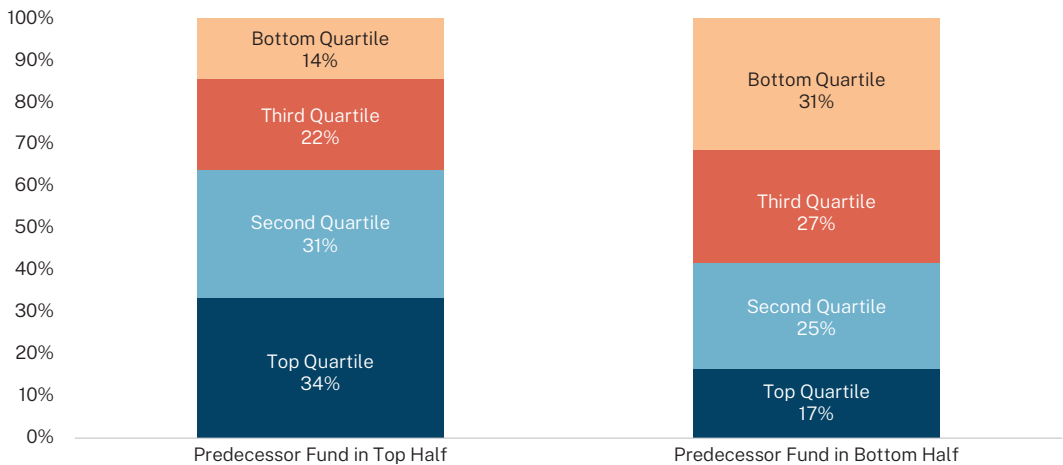
Now we’re talking! You are up near 65% to 70% persistence of top-half performance across all areas of the private markets. Yet, most investors continue to insist on looking only at top quartile as the measure of real performance and required persistence. Really?



Perhaps a more important measure is avoiding bottom-quartile or bottom-half funds.

Quartile of Successor Fund

All Private Markets, Fund Vintages 2000-2021



Source: Hamilton Lane Data as of 09/30/2025 (January 2026)

If you are a bottom-half fund, you are more likely to remain a bottom-half fund.

Can we please stop with that often-repeated phrase, “I am going to invest in a manager who had a bad fund because they’re hungrier and will work harder on their next fund”? They may be hungrier, but the odds are that the only hungry person left after you invest with them will be you.



We were recently invited to a special edition of the popular game show, “Jeopardy.” The show featured Popular Pompous Prognosticators, and we were honored to be there. The game was packed with some seriously strenuous, statistical stumpers. Fortunately, the final Jeopardy question was a category about which we felt very confident: “Finance and Investments.” This was the question:

“The odds that the private markets industry will experience a wave of general partner consolidations over the next couple of years.”

We were locked in for this one! The first contestant showed her answer: 53%.

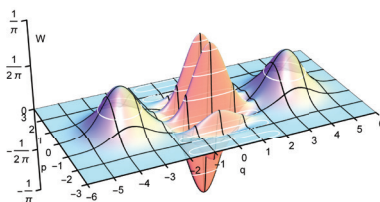


The second contestant gave his answer: 0%.



There was a murmur in the crowd as it came time to reveal our response. We weren't worried, we were 6/7 on this one and we were careful to phrase our response in the form of a question, as required by the rules.

“What is less than zero?”



 **Correct**

(And, yes, we included the Wigner quasiprobability distribution. What? You think we're just statistical bumpkins?)

There are a variety of reasons why consolidation will not happen to any meaningful degree, particularly in the private equity world. Greed, lack of urgency, cultural differences...there are many. Of all the predictions and opinions you encounter in these pages, this may be the one we are most confident making.

OPEN THE BOX



“And that’s the thing with lies. They’re much easier to believe when it’s an idea you like.”

- KRISTIN PERRIN, “HOW TO SOLVE YOUR OWN MURDER”

THERE ARE THREE AREAS in which we believe not only has the box opened, but we have let loose changes that will forever upend both the private markets’ landscape and the overall investment landscape. Yes, it sounds like hyperbolic language (which we already noted we love), but it is also true. Those areas are private credit, the evergreen/semi-liquid space and secondaries.

Private Credit—The Silver Age?



***“And if California slides into the ocean
Like the mystics and statistics say it will
I predict this motel will be standing until I pay my bill.”***

- WARREN ZEVON, “DESPERADOS UNDER THE EAVES”

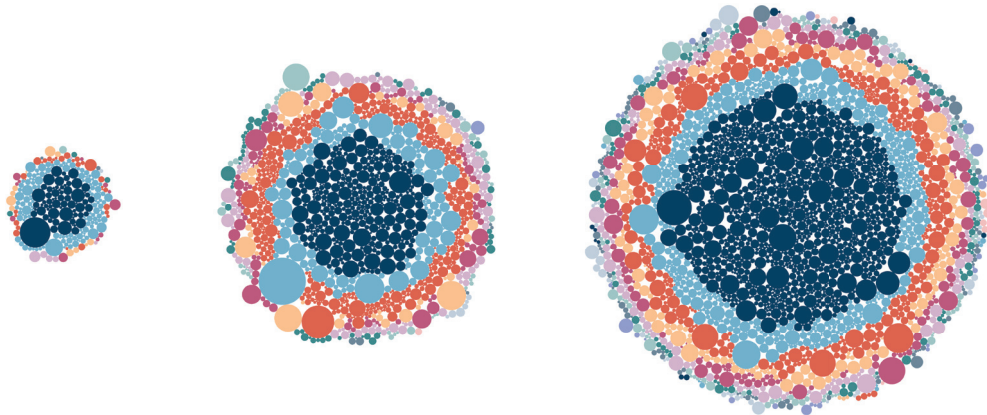
The only investment arena to which the term bubble may be applied more than AI is private credit. We will not pretend to spill as much ink as has been spilled this year on this topic. (Isn’t that a quaint phrase? Does anyone even think of getting information from any medium that remotely uses “ink”? What would you spill today? “Pixels”? It doesn’t have the same ring, does it? “We will not pretend to—what, waste?—as many pixels...?” Oh, but wait, we know a place where “wet ink” is still a thing. Yes, lawyers and signatures. Imagine that, it’s 2026 and some lawyers still insist on “wet signatures.” Please don’t get us started; that could be an entire novel...)

Closed-End Private Credit Market, 10Y Total Market Size

1995 - 2004
\$110B Market
466 Funds
369 Fund Families

2005 - 2014
\$792B Market
1,836 Funds
1,391 Fund Families

2015 - 2024
\$2.4T Market
3,375 Funds
2,075 Fund Families



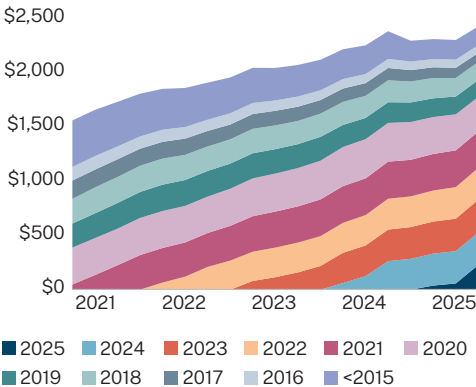
Source: Hamilton Lane Data as of 3/31/25 (October 2025). ● North America – Origination ● North America - Opportunistic Debt ● Western Europe – Origination ● Global - Opportunistic Debt ● Global - Origination ● Western Europe - Opportunistic Debt ● ROW - Opportunistic Debt ● ROW - Origination ● North America - Specialty Financing ● North America - Structured Product ● Global - Specialty Financing ● Western Europe - Specialty Financing ● Western Europe - Structured Product ● Global - Structured Product ● ROW - Structured Product ● ROW - Specialty Financing

It is difficult for anyone who has been in this asset class for less than 10 or 15 years to imagine what private credit was like before that. It was a cottage industry with primarily mezzanine and distressed managers. Only 466 funds as recently as 20 years ago. Now, 10 times that number and about 24 times the market size. This is just the closed-end world and, in our view, doesn’t capture what’s really going on here.

We discussed closed-end funds as the general partners’ lifeblood. It is for equity strategies. Is it for credit?

Total Exposure of Closed-End Private Credit

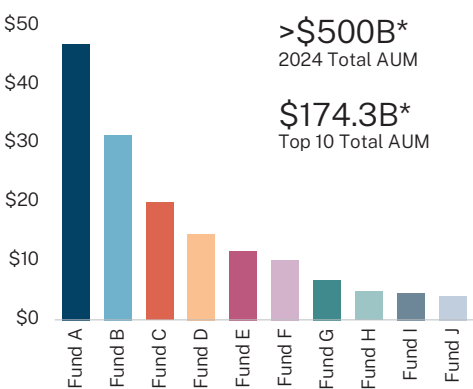
USD in Billions



Source: Hamilton Lane Data via Cobalt as of 9/30/25 (January 2026)

Private Credit Evergreen AUM

USD in Billions



Source: Goldman Sachs Research as of 9/30/25 (December 2025), S&P Global Data as of 3/31/2025 (December 2025)

\$2.4 trillion is a pretty good size. You then add all the capital from captive or affiliated insurance companies, and you have a really good size. But there's a whale entering these waters and it's big.

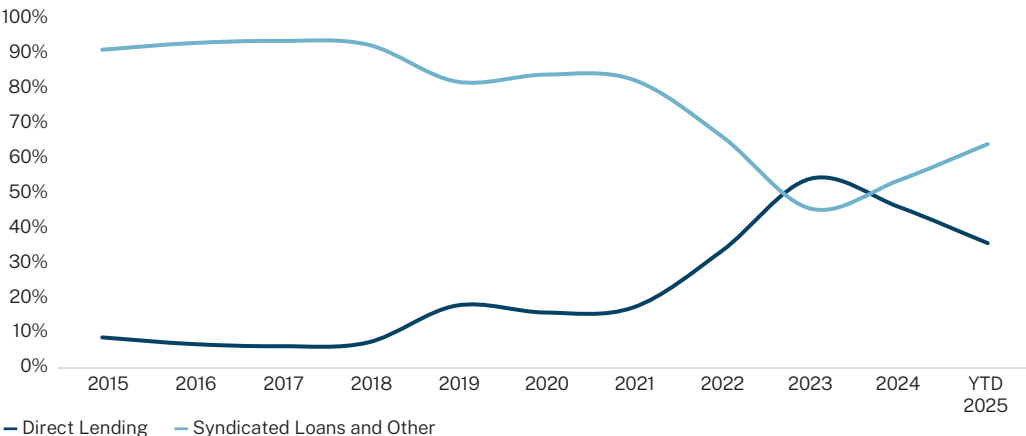
The evergreen world has gone from, effectively, \$0 to \$500 billion in the last decade. And the top managers are vacuuming up impressive sums: The largest evergreen fund's NAV exceeds the combined NAV of the five largest closed-end funds raised in 2024.

We think the share of private credit dollars allocated to evergreen funds will only increase. We heard a top executive at one of the large U.S. investment banks say that their internal view is that closed-end funds in the credit space will largely disappear in a few years. Hyperbole, but we agree it is directionally accurate.

It is no surprise that the growth in private credit has impacted market share.

Share of Global Buyouts Over \$1B

By Financing Type

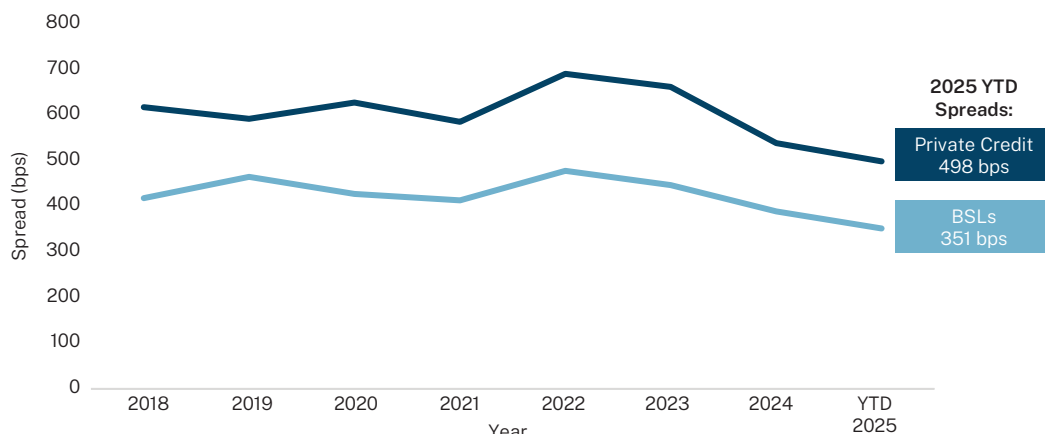


Source: Pitchbook, LCD, Data as of 9/30/2025 (October 2025)

From being a relatively minor player up to 2018, private credit took almost 50% of the LBO financing market from public and syndicated bank lending markets. The last couple of years have seen the broadly syndicated market take back share. Let's ask a question about that: At what cost? Do we think the recent spate of defaults and frauds that have made headlines are a function of private credit actions or syndicated loan actions? More on that later.

With the increased capital available, with the increase in market share, with the ongoing press about the pressures on private credit, the casual observer would think that yields and spreads of private credit over broadly syndicated loans were collapsing.

Spread of LBOs Financed in Private Credit vs. BSLs

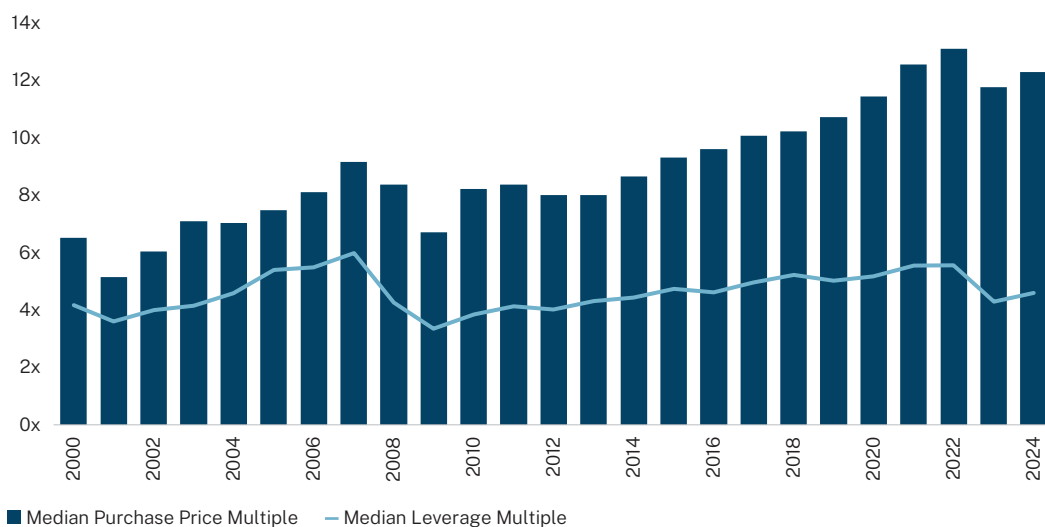


Source: Pitchbook, LCD, Data as of 9/30/2025 (October 2025)

That would be a completely incorrect assumption. Sponsors want private credit and seem willing to pay for what it has to offer. There is no sign of stress with these spreads or returns, relative to BSLs. None. But let's keep looking because we are incessantly told private credit is in a bubble.

Median Purchase Price and Leverage Multiples

By Deal Vintage

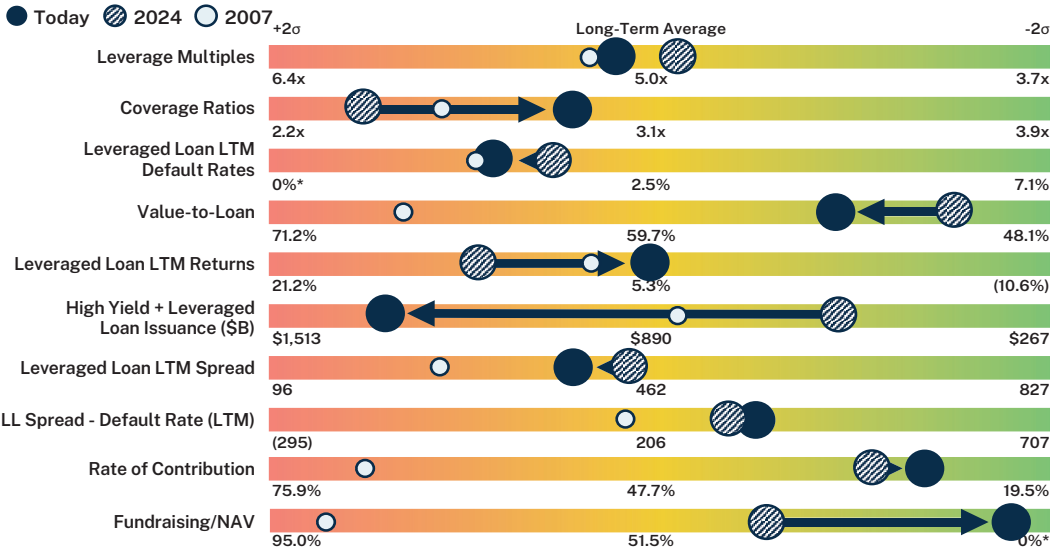


Source: Hamilton Lane Data as of 9/30/2025 (January 2026)

Here is one of the features of this current cycle that is different from prior cycles: As prices went up for acquisitions, leverage levels didn't follow them up. For all the talk of the desperate private capital providers throwing money at deals, well, they didn't. The equity cushion, that layer below the credit providers, is large. Very large. Credit is safer than it has been in prior cycles.

Let’s look further and borrow a chart we generally use at the end of our overviews.

Credit Sentiment



Source: Hamilton Lane Data, Bloomberg, Cobalt, Pitchbook, S&P (January 2026) Note: Values indexed to beginning of year.

Tell us, where are the signs of stress? Where are the signs of a bubble? Sure, they may be metaphysical, beyond the comprehension of numbers. Even there, we’re not seeing it. Everything looks average. Even coverage ratios are getting better. Is it super bullish? No. Is it super bearish with any indication of imminent danger or collapse? No.

We’ll say it clearly: Private credit is not in a bubble. If it’s not in its Golden Age, it is in its Silver Age.



THE PRIVATE CREDIT BOX is, unlike many of the other boxes we are discussing, not really a new opening. It has been gathering force for years. We, along with others, have been saying it will be an overwhelming presence and we continue to believe that path has many more years to go.

- Much has been made of recent fraud cases. We will not belabor the circumstances but will say that the main players in those loans were not the classic private credit players. They were commercial banks and investment banks. If you were an observer who did not have an axe to grind against private credit, you would look at those situations and you would say, “Huh, maybe banks shouldn’t really be in the lending business.”



We believe banks carry far riskier loan pools than private credit. We believe these latest defaults are evidence of bank issues, not private credit issues.

- The private credit forces that have been reshaping the credit landscape globally have only grown during a bull market for credit. We don't subscribe to the notion that private credit will not suffer losses in a credit downturn. They will. We will predict, however, that private credit losses will be lower than losses in similar securities held by banks or the broadly syndicated loan market. Perhaps far less.
- The credit fundraising market will increasingly be dominated by evergreen vehicles. Will larger institutions embrace that form of investment for their credit portfolios? They already are. Perhaps slowly, but, in 10 years, some form of evergreen, or semi-liquid structures, will be the predominant form of investing in credit by institutions and individuals.
- The growth in the size of the private credit market, together with the growth of the evergreen channels, will result in a small group of very large managers. If you are not a major player in that space now or in the very near future, you will not have a meaningful private credit franchise. You might have a meaningful niche strategy or place in the market, but scale will increasingly matter in the credit space.
- One credit issue to watch in portfolios is how much exposure your fund or your manager has to AI-related infrastructure, whether data centers or energy to fuel those centers. We outlined earlier the odds of a bubble in AI valuations. If that bubble pops, it will most likely be because the LLM path isn't scaling. A great number of those data centers are for LLM training. Reduced LLM growth, reduced demand for those facilities. We have heard the arguments that the credits are rock solid. They always are. Until they aren't.
- Is the future limitless? Remember that hope was the last little escapee from Pandora's Box? For private credit, that last lurking sprite might be government regulation. Hard to envision today, particularly in the U.S., but, at some point, particularly if losses occur, and occur for wealth channel investors, regulators may conflate private credit firms with banks and regulate their activities. The distinction that private credit does not take deposits will be lost. The fact that private credit is deploying insurance capital that supports individuals' accounts will not be lost.



- OK, we will: Private credit has outperformed its public benchmark every year for the last 24 years.



Evergreen Fund Returns



“It is remarkable how much long-term advantage we have gotten by trying to be consistently not stupid, instead of trying to be very intelligent.”

-CHARLIE MUNGER

The most impactful box we’re opening in the private markets may be the evergreen, semi-liquid vehicle box. The development and use of these vehicles will, we believe, have both positive and negative effects across the private markets and in ways that are difficult to predict today.

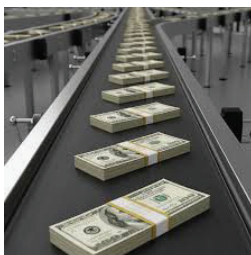
The most common reason given for the growing use of these vehicles is that they are semi-liquid. That is important, but there’s a different feature that is core to our thesis for their continued adoption by investors: Evergreens follow consumer/investor preference for simplicity. A well-known example is Robinhood, a company whose success is predicated on delivering on its core premise of democratizing finance by offering easy-to-use trading tools and low barriers to entry. Think of evergreens as the Robinhood of the private markets. Let’s compare closed-end funds and evergreens.

Let’s be honest here: The closed-end model is a royal pain in the rear for the investor. They have to worry about how much to invest to reach an allocation target. They have capital calls and distributions that are coming and going at random times. They need an army of accountants to keep track of everything. Returns are measured in IRR.

(Honestly, what the hell is an IRR?)

Entering a limited partnership agreement is like negotiating your way through the seven circles of hell. The only thing you know for sure is that there are thousands of pages you’ll never read and, whatever happens, the general partner wins. From a U.S. tax perspective, you receive K-1s, almost as enjoyable and understandable a document as the partnership agreement.

For the general partner? Life couldn't be easier from this perspective. They sit in an office and, when they need money, they call up the LPs. "Hello, send money now!" If the money is late, they yell at you for being tardy. When they sell something, they send money back. If they send it back late, well, hey, what's a few months, weeks, days among friends? They are money conveyor belt handlers.



The evergreen model turns that equation around. For the general partner, evergreens are a challenge. Look at Hamilton Lane. We have over 60 people dedicated to portfolio construction and liquidity management. Those numbers simply aren't needed for closed-end vehicles. The general partner has to manage cash flows and determine proper portfolio allocation on a dynamic, not static, level. Reporting and cash flows must be managed daily.

For the investor? It's easy. You make a one-buy decision, and you have full allocation. No bewildering and endless calls and distributions and incomprehensible tax reports that arrive 20 years late. You have returns reported on the same basis as your public holdings.

What business model has the more appealing structure for most investors?



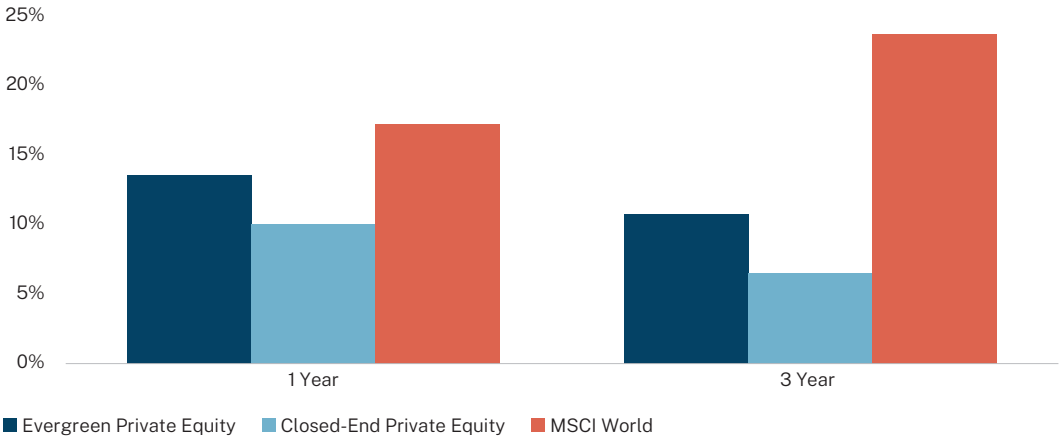
Evergreen.

Does that mean it's the answer for every investor? Of course not. Many investors have an infrastructure equipped to deal with closed-end funds, so simplicity is not a priority. Also, many investors prefer the flexibility a portfolio of different partnership vehicles can give them. But evergreens' ease of use offers a choice to new and existing investors that did not exist 15 years ago and we believe that market channel will continue to grow, perhaps more than many expect today.

A criticism of evergreens is that you are sacrificing return for ease of use and the lure of liquidity. The data shows a different story.

Annualized Return

By Fund Structure



Source: Hamilton Lane Data as of 09/30/2025 (January 2026), Bloomberg as of 09/30/2025 (December 2025)
Evergreen returns reflect 10+ Private Equity focused open-ended funds launched prior to 2024
Private Equity Buyout Funds reflect the Vintage Years 2016 to Today

Over a one-year period, private equity and secondary-focused evergreen funds have outperformed buyout funds. Oh, you say, one year is too short to measure.

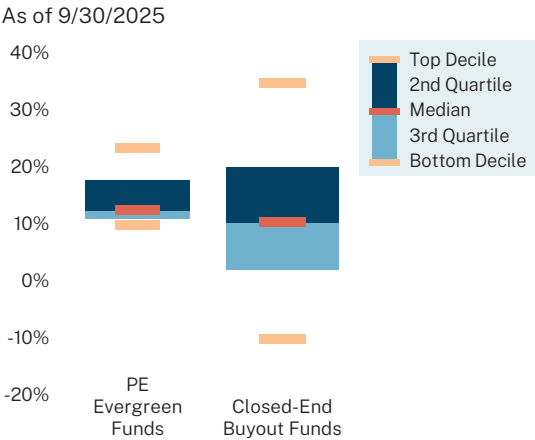
Evergreen outperformed over three years also. We do note that evergreen equity funds still underperformed the public benchmarks. Let’s look at dispersion of return as a measure of risk. First, the one-year numbers.

You can get a much higher return from a closed-end fund than an evergreen fund. You can also make a great deal less money. You want a specific example? Over the last year, about a third of your closed-end buyout funds would appear, in your financial statement, **in the loss column**. Not good. On the other hand, it didn’t matter what evergreen fund you were in. The worst you would have done was a mid-single-digit return, which maybe not so coincidentally is the average return of your closed-end portfolio last year.

Mic drop.

Yes, the dispersion of returns is much narrower for evergreen funds, but, over a year, there is still 600 basis points between top and bottom quartile. Selection does matter.

Trailing 1-Year Dispersion of Returns



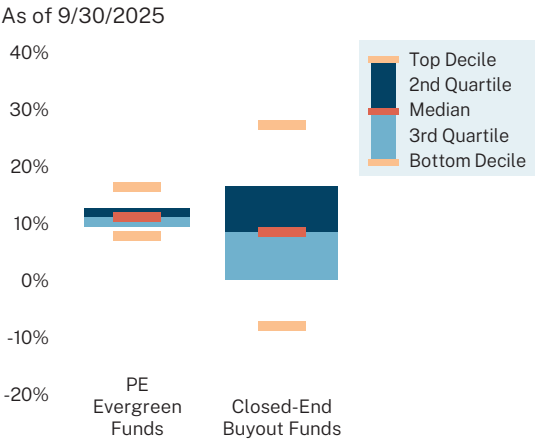
Source: Hamilton Lane Data as of 09/30/2025 (January 2026). Illustrative of 13 private equity and secondary evergreen funds launched more than three years ago. Private Equity Buyout Funds reflect the Vintage Years 2016 to Today.

Let’s go to the three-year numbers.

It is no surprise that the dispersion is reduced in both forms of investing but is still 300 points for evergreen funds. The lower dispersion among evergreen funds makes sense. These vehicles are much more diversified than a closed-end fund. An evergreen fund can be a better point of entry for investors who don’t want the burden of selecting and managing dozens of closed-end fund commitments.

Another criticism of evergreens is that they are just using secondary investments to goose returns and none of it is sustainable.

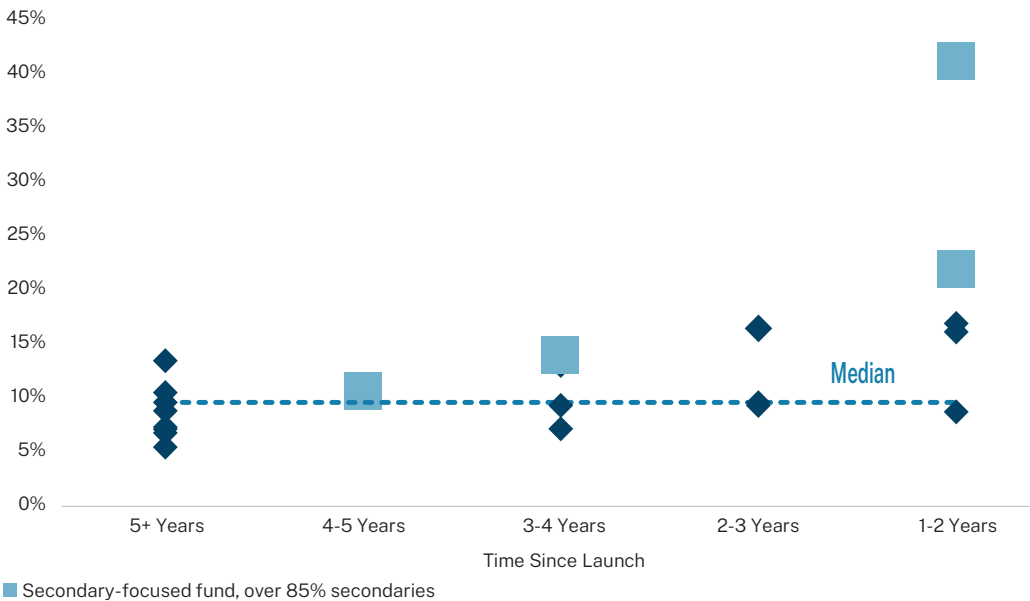
Trailing 3-Year Dispersion of Returns



Source: Hamilton Lane Data as of 09/30/2025 (January 2026). Illustrative of 13 private equity and secondary evergreen funds launched more than three years ago. Private Equity Buyout Funds reflect the Vintage Years 2016 to Today.

1-Year Returns of Evergreen Funds

LTM Returns as of 9/30/2025 for funds with at least a 1-year track record



■ Secondary-focused fund, over 85% secondaries

Source: Hamilton Lane Data as of 09/30/2025 (December 2025)

Illustrative of 15 private equity and secondary-focused evergreen funds with funds launched between 2010 and 2024

This is still a young market, but there are some conclusions. First, it is correct that the first year or two of returns can both be higher and more volatile. It is also true that secondary-focused evergreen funds have strong early returns and tend to come down over time. That is, by the way, true of closed-end secondary funds. The returns that secondary-focused funds generate early are not sustainable (those rates are well above 20%), but they still have good returns in line with, or above, peers after those first few years. Also true is that, even after five years, the selection of your evergreen manager matters a lot.



Exam Question



We recently sent a note to the committees responsible for both the Gaokao and Suneung, renowned as difficult entrance exams in China and South Korea, respectively. We asked them if they had any questions on private markets and it turns out they each had the identical question! See if you can answer this one!

What is the reason private equity evergreens have outperformed private equity closed-end funds?

- A** Dumb Luck.
- B** A and H.
- C** Evergreen valuations are bogus and not trustworthy.
- D** H and E.
- E** Evergreens use TWR and closed-end funds use IRR.
- F** None of the answers are correct.
- G** C and H.

- H** Portfolio construction that fits the evergreen structure, including use of secondaries.
- I** C and E.
- J** B and D.
- K** All of the answers are correct.
- L** Evergreen vehicles today are managed by high-quality managers in the private equity arena. There are no bottom-quartile evergreen managers.
- M** H and L.

We’ve embedded the answer in the title to this section...



WE ARE, TODAY, AT THAT REAL MOMENT OF WONDER with evergreens, peeking just inside the box and figuring out what's coming out into our world.

- While evergreens are discussed as one group of investments, there are different varieties. As we've mentioned, credit evergreens are larger, more established and far along the adoption cycle. The occasional early speedbump did not seem to slow adoption. There was one gating period for a major player a few years ago, but guess what? The problem was dealt with and the market never seized. It kept growing. A rash of negative publicity, redemption requests from one high-profile fund, and the clunky handling of a gating period for another fund may pose greater hurdles but seem unlikely to dim the long-run prospects of the strategy. Perhaps other asset groups will be different, but so will the ever-growing experience of managers and investors alike that will be applied to those newer markets.
- Equity evergreens are now developing acceptance and popularity and their growth poses unanswered questions. One of the advantages of private equity was the ability, in a closed-end structure, to invest when you felt it was best to invest. In an evergreen structure, there is pressure to invest all the time, as the money flows into the vehicle. This could be especially relevant in a bull market because the evergreen vehicle is liquidating investments and immediately redeploying in that bull market. That is very countercyclical. How will that impact returns over a cycle? (Of course, let's note that our earlier data showed general partners generally invest at the same pace over every cycle, up or down, and that limited partners, once capital is returned, immediately redeploy it.)
- Another advantage of private equity in a closed-end structure was the ability to call locked in capital at market bottoms. Cash was king and private equity managers had the cash. We don't know for certain, but it seems likely that evergreen fundraising will be challenged during market bottoms and evergreen managers won't have as much capital as they might want in order to take advantage of lower prices. Again, countercyclical and how will that impact returns over a cycle?
- We have heard that evergreen funds will lead to longer holding periods because selling pressures from limited partners and closed-end fund timing will be diminished. We think that worry is wrong. Evergreens have pressure to grow assets. If your holding isn't growing, your return is not going in the right direction. It is more likely that managers will sell when they think their assets will no longer achieve an annual growth rate near 15%. Given what we have shown earlier about holding assets too long, we view this as a healthy development.
- Remember our earlier discussion about currency impact on returns? Hedging private equity is hard but many evergreen vehicles have hedged share classes. Once again, it is the manager, not the investor, who bears the burden of hedges and all the administrative challenges with that activity. We are not saying the managers have magically found a way to make investment currency risk free, but they have shifted that work from the investor to the manager.

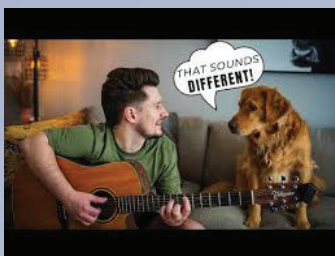
- As evergreens evolve to high-water marks for returns, does that change pressure on valuations? We've thrived with private equity having no real incentive to inflate valuations because they aren't paid on valuations. Now they will be.



Watch this one. Both because of that pressure to keep valuations higher and generate return, but also because industry critics now have a new weapon they didn't have before to attack the industry. We can read the claim now: "Of course valuations are bogus. Managers get paid more the higher they are!"

- As evergreens become a larger part of the private markets, how will we think about vintage year returns, which are a function of closed-end vehicles?
- We can imagine a more bifurcated world among both managers and investors. The evergreen world for managers is one where scale matters. You need scalable deal flow and the resources to manage and deploy the capital. The large will likely get larger and most of the rest will not have access to this world for a very long time. Many parts of the private markets are unlikely to have the scale required to create many, if any, evergreen vehicles. We are thinking of areas such as early-stage venture capital, or smaller or mid-size buyout managers or more niche private market strategies. You can think of many others. They may be part of multi-manager products, but it is difficult to foresee a world where there are managers in those areas creating scaled evergreens.
- We suspect smaller investors will prefer evergreens because of the ease of use, but it is likely that evergreens do not become the province of "small" investors and closed-end vehicles of "large" investors. Instead, evergreens, as they develop and change, responding to investor demand and performance, will become another vehicle to access the private markets and will be used in some form by most investors.
- A concern we have is how these vehicles are sold. If you listen to the pitch for the funds, at some point you hear, "[muffled word]-liquid." Huh? It's almost as if some managers have an allergic reaction to the word "semi." Sorry, but these are NOT liquid vehicles. These are not public market stock substitutes. They are semi-liquid and they should be viewed in portfolios as among the least liquid of your holdings. The industry does itself no favors implying liquidity on demand at all times for these vehicles.

- Speaking of liquidity...here's what we are asked all the time. "Well, Hamilton Lane, what do you say to the investor who may want their money in times of need, such as for buying a house or paying for an emergency or for poor Olivia's or Felix's schooling, and they can't get it?" What we say is that we've been doing this for a while and many, many investors have freely and easily taken their money out of our evergreen vehicles and used the proceeds for any number of reasons. So, what we say is, "Live long and prosper!" Now, let's phrase this the way it should be phrased and see how it sounds: "Well, Hamilton Lane, what do you say to the investor who may want their money out when all hell is breaking loose and the markets are falling apart and they are panicking and want to sell everything everywhere and want to do it immediately so they can put the money under their mattress?"



What we say is that sometimes liquidity is not your friend and that there's a reason you want some illiquidity in your portfolio: It keeps you from making your worst investment mistakes.

Let us add one more note on liquidity. Some lenders have, and continue to develop, borrowing options for evergreen funds. You will be able to borrow some percentage of your net asset value in the form of a loan. That is an option for some investors that is not available for closed-end funds.

- OK,



All this evergreen growth has occurred in a bull market. We will, at some point, have a bear market. Or, private equity will continue to struggle to outperform public markets. Something will happen that will make investors leery of evergreen funds. Some will gate. If there are too many that gate, all will gate. You will have to in order to protect your investors. This is not a prediction of what might happen. This is a statement of what will happen. It will be painful, unpleasant. It will also, unlike closed-end funds, flush out marginal or poor players relatively quickly. Good managers today are preparing for that tomorrow.

Secondaries

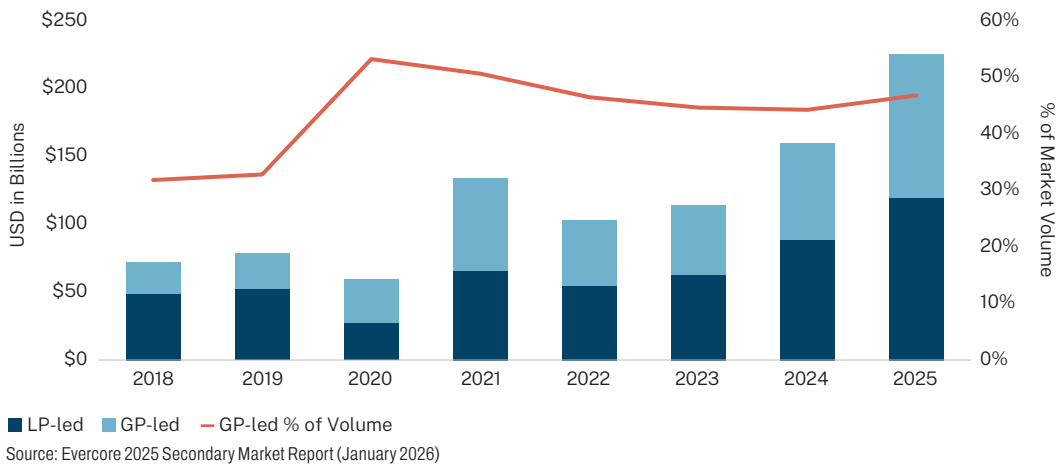


“We're goin' up, up, up, it's our moment.”

- KPOP DEMON HUNTERS, “GOLDEN”

Everyone talks about secondaries. Every general partner we talk to wants to raise a secondary fund. Yes, that makes our antenna stand up. Fortunately, it's a market that has underlying dynamics that are so strong it can withstand some amount of dumb, hot money flowing in and still be OK for investors and for returns.

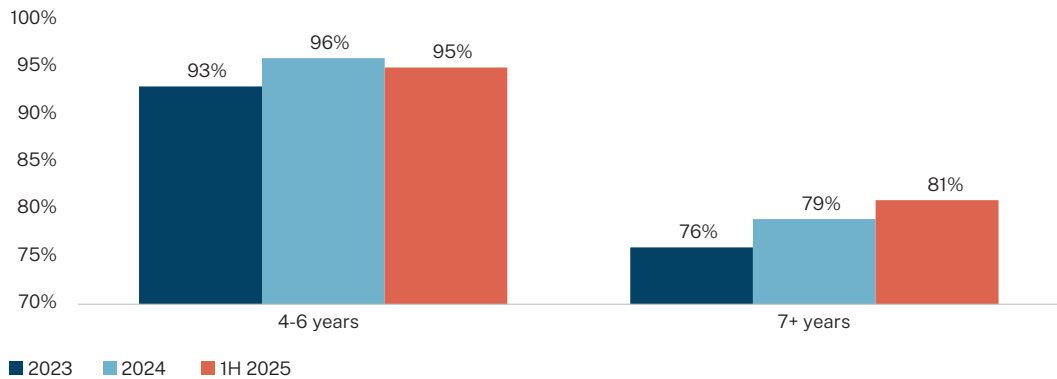
Total Secondary Market Volume



There's a lot of concern that the secondary market is now nothing but a GP-led continuation vehicle market. It is said with the subtext that GP-leds are inherently bad, and we'll deal with that misconception in a few moments. But the underlying premise is not true. The entire secondary market has grown, and, in fact, GP-led deals are holding steady as a percentage of deals at around 50%. That has been true for years now. LP-led deals remain a growing and healthy part of the secondary market.

LP Portfolio Pricing

% of RD NAV



Source: Jefferies (September 2025)

We broke down discount levels by age of portfolio. This relates back to our prior discussion about evergreens and secondary pricing. For mature portfolios – 4-6 years – pricing has remained steady for the last three years. The market doesn’t seem too bullish or bearish. For tail-end funds – those that are over seven years old – pricing has risen more, largely driven by evergreen vehicles. Why? The discount is larger. We discussed that earlier. You may be, in many cases, trading a larger discount today, for less asset appreciation tomorrow. That’s a tricky balance and we do worry that some evergreen vehicles are not keeping that balance in play. They are willing to take that larger discount today and worry about tomorrow if and when the time may come. Unfortunately for investors, and for all of us in these markets, that time will certainly come.

**The entire secondary market has grown,
and, in fact, GP-led deals are holding steady
as a percentage of deals at around 50%.**



A brief instructional interlude here. We hear quite a bit about secondary pricing and how it proves a great many things. It proves that valuations are inflated since no one would sell for less than what it's worth. Regardless of the valuation, it must prove that the value of that interest needs to be reset to that secondary price because it shows what willing buyers are going to pay. If you pay 95% of the NAV, you can't reset the price to the NAV because you only paid 95% and that must be the price.

We thank our colleague, John Stake, who came up with this simple analogy for secondary pricing. There is a reality show in the U.S. called "Pawn Stars." It is filmed in Las Vegas at a 24-hour family business and shows the staff buying, selling and haggling with customers over prices for articles that are usually being pawned by the customers.

The format is simple. The customer arrives with an item. The pawn store employee almost always calls an expert or two to come in and provide a realistic appraisal for the item. Everyone hears that value. The pawn store employee then makes a cash offer, which is invariably discounted from the expert's appraised value before the haggling ensues. So, for those who believe secondary pricing is "the real price," we invite you to watch "Pawn Stars" and hear repeatedly why the cash offer is not the real value of the asset. The experts' appraisal reflects the real price and, if the seller/customer wants to wait a few weeks, or however long it takes to find a buyer willing to pay the amount, they are free to do so. But for cash, right now, this is the price.

Oh, by the way, the pawn store then marks the price up to the expert's appraised value and sells it later for that price.

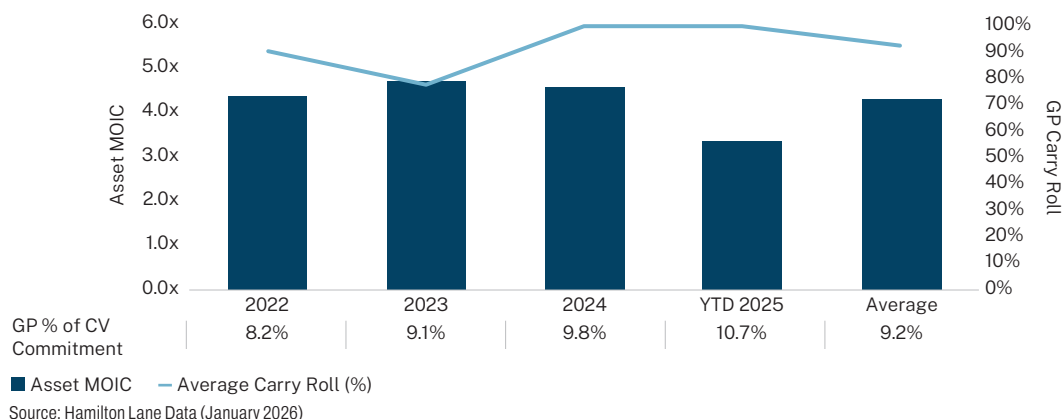
It really is that simple.



OK, class dismissed.

We have dealt with LP-led pricing, so let's turn to the horrors of GP-led transactions.

Average Asset MOIC Prior to CV & GP Alignment



There's a view that GP-led deals are for inherently bad companies filled with insoluble conflicts that shows how bad a state private equity is in.

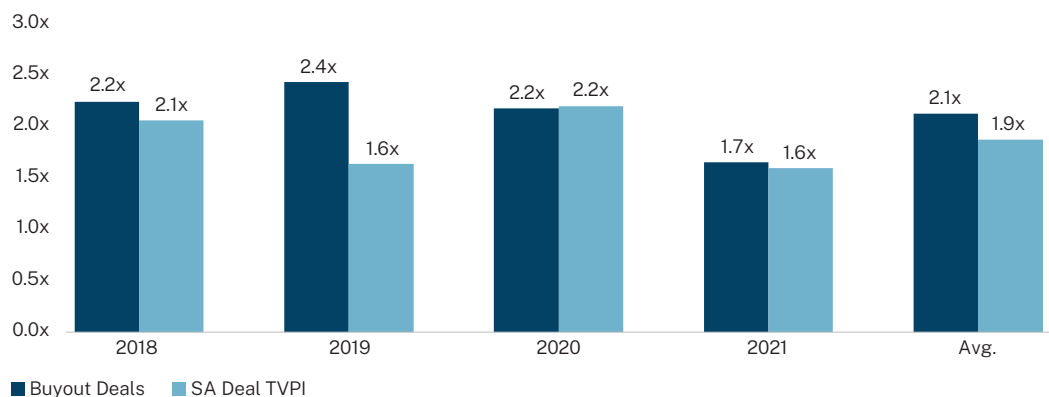
Let's see, three assertions: Wrong. Wrong. Wrong.

The average gain on GP-led deal companies is over four times multiple of capital. These are companies that have done very well for the general partner. These aren't zombie or orphaned assets. General partners are, on average, rolling almost all of their carry into the deal. Yes, we understand that, from some perspective, that is rolling someone else's money, but we don't think any general partners have that view. It is their money because, if they wanted, they could sell the company, even if for marginally less, and pocket that carry. They believe in the deal enough to re-invest. Finally, if you look at the average general partner commitment as a percentage of the transaction, it is well above almost any general partner commitment to a fund.

One last point. The state of the secondary market today is such that there are many more deals that want to be done than capital available. That makes for a very selective set of deals that can clear the market. Yes, the best of them. Are there bad deals proposed? Yes. Are there deals proposed that have conflicts too severe to be comfortable to investors? Yes. The answer? They don't get done. Secondary buyers move to the next deal. There are plenty more available.

Let's look at return profiles of GP-led deals.

TVPI



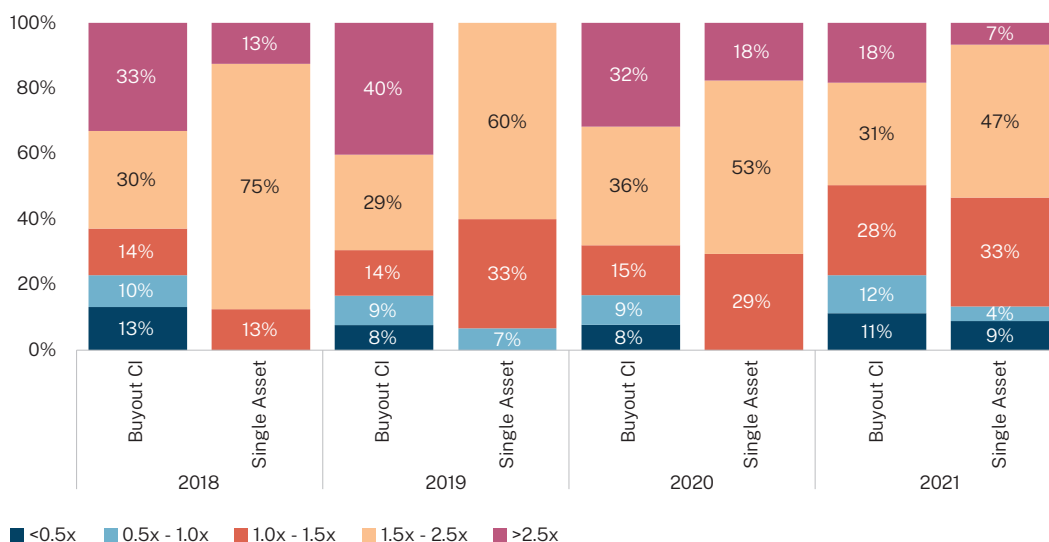
Note: Single-Asset metrics shown are net of fees, expenses and carry.
Source: Hamilton Lane Data (January 2026)

We are comparing single-asset secondaries to buyout deals from the same vintage year. Buyout deals have performed slightly better, but do you really look at that chart and say, “Well that proves single-asset deals are lousy companies and inherently conflicted!” If you do, we have some advice on some help you might need.



Let's compare the single-asset deals to co-invests, something to which they are often compared.

Distribution by MOIC



Note: Single-Asset metrics shown are net of fees, expenses and carry.
Source: Hamilton Lane Data (January 2026)

Interesting. While all you read in the media is about single-asset deals that didn't work, the reality is that their loss ratios are *lower* than co-investment deals. They're lower than the numbers we showed earlier for the buyout universe. Yes, the upside capture is lower for the single-asset deals and your range of return is narrower.

This return distribution is sensible. CVs should have less downside: The underlying assets are well known to the GP, and the GP is unlikely to bet all their accrued carry on a risky business. That means the upside should also be lower since quality assets will command a higher valuation. You might say the *risk-adjusted* returns for CVs are similar to the *risk-adjusted* returns for CI deals.

You need secondaries in your private markets portfolio. Not just for J-curve mitigation. You need it for return, first and foremost. Too many investors are under allocated to secondaries. Buy more. Buy more now.

While all you read in the media is about single-asset deals that didn't work, the reality is that their loss ratios are lower than co-investment deals.



INVESTMENT ACTIVITY

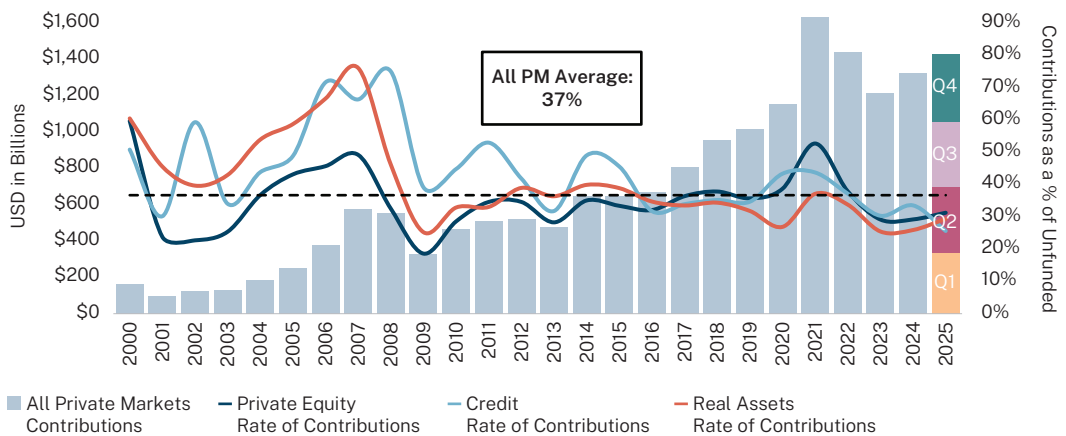


“Future, n. That period of time in which our affairs prosper, our friends are true, and our happiness is assured.”

- AMBROSE BIERCE, “THE UNABRIDGED DEVIL’S DICTIONARY”

WE HAVE USED MANY WORDS to describe places where private markets are performing below historical levels, distributions and performance being most prominent. Now, let’s revel in being average.

Annual Private Markets Contributions



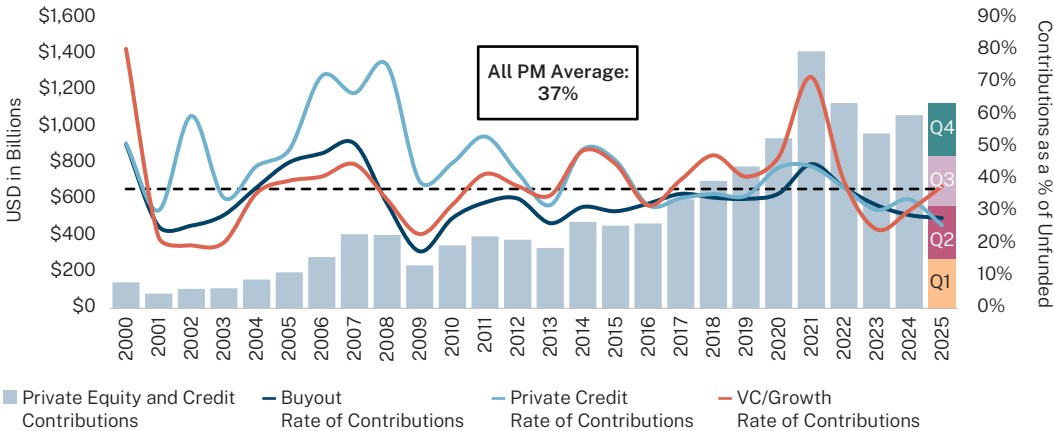
Source: Hamilton Lane Data (January 2026)

It might be surprising that the rate of investing is only slightly below historical averages. In absolute terms, 2025 is on par with 2022 and only a bit below the peak in 2021.



If we look at equity and credit alone, the picture is similar.

Annual Private Equity and Credit Contributions

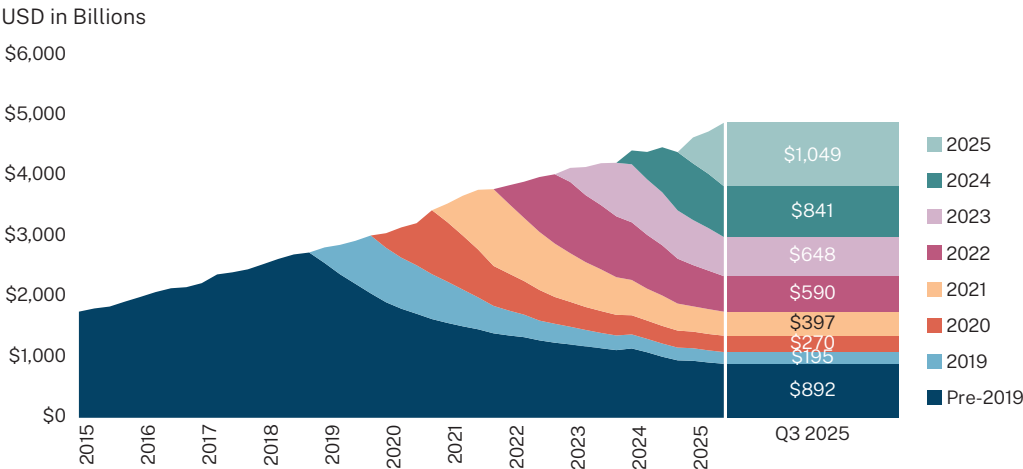


Source: Hamilton Lane Data (January 2026)

Venture, perhaps not surprisingly, is the only strategy on par with the historical average, driven by the investments we noted earlier in AI-related companies.

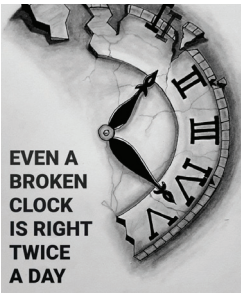
Now, the chart you’ve all been waiting for...

Private Markets Unfunded Capital



Source: Hamilton Lane Data (January 2026)

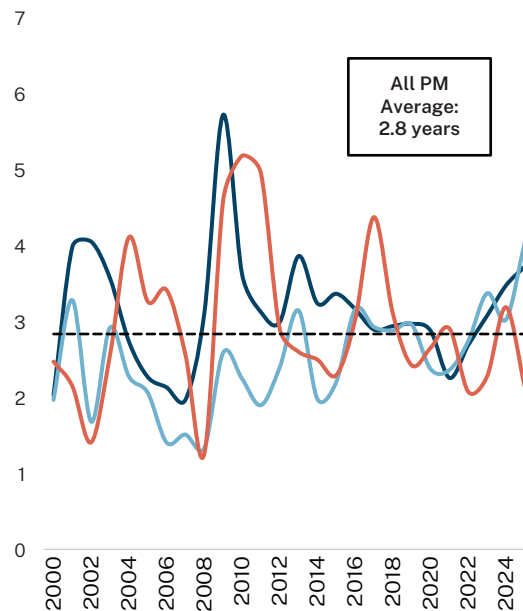
While we don’t like to do this, we can only refer you to every market overview we have ever done to explain why we think this data point is vastly overused by so many market pundits and gossips. We’ve never seen a correlation between returns and this chart. How could there be? It has gone up and to the right for about 30 years and private markets have gone up and down throughout. Yes, we are now hearing investors point to the lackluster returns of the last two years and say, “See, Hamilton Lane, too much capital!” Our answer?



Let's move on to a chart that does matter.

Time to Deploy Capital Overhang

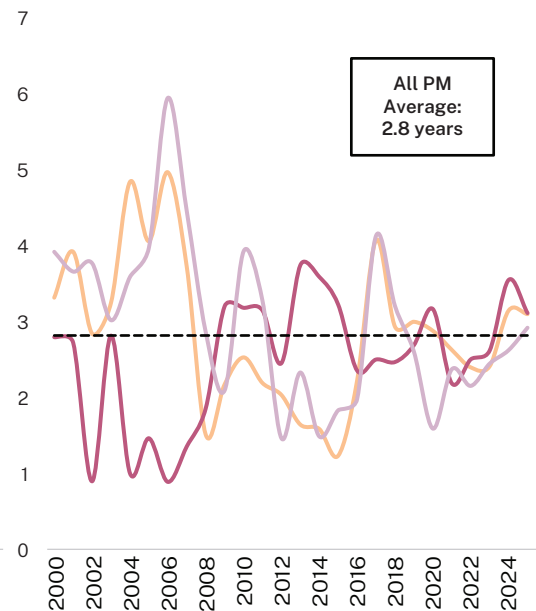
Private Equity & Private Credit



— Buyout — Credit — VC/Growth

Source: Hamilton Lane Data (January 2026)

Private Real Assets



— Real Estate — Infrastructure — Natural Resources

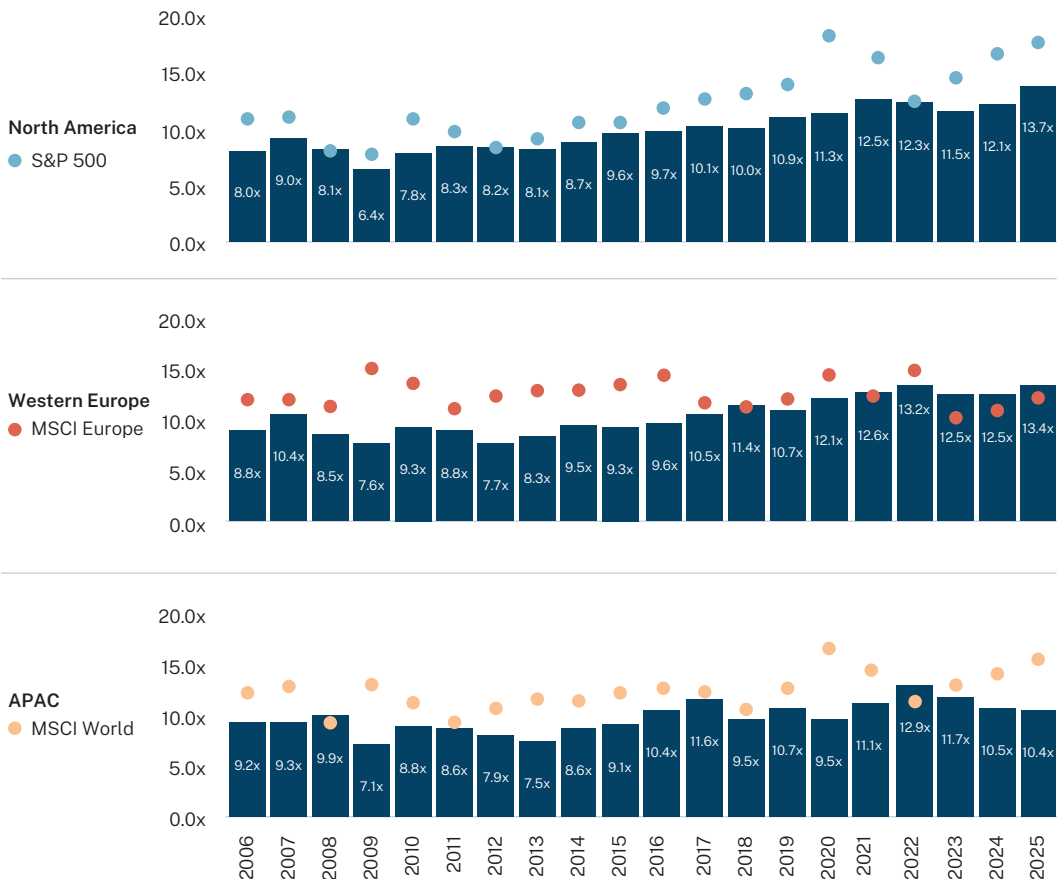
Source: Hamilton Lane Data (January 2026)

This measures the time to deploy that capital overhang. A lot of it is noise, but there are interesting indicators when the time to deploy hits elevated levels. Right now, for example, buyout and credit are indicating that they could be entering more favorable periods. That seems counterintuitive and one indicator can't be used alone, but this chart suggests now is a better time to invest in those areas than prior years.

Speaking of single indicators...

Buyout Purchase Prices

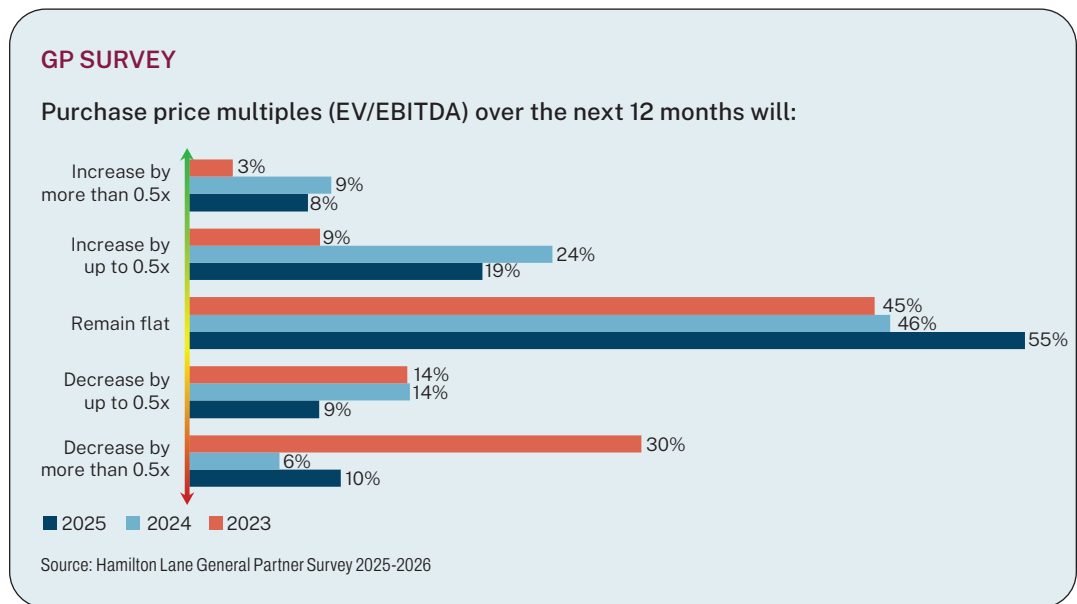
Median EV/EBITDA by Deal Year



Source: Hamilton Lane Data, Bloomberg (January 2026)

We've discussed on many occasions that, for many investors, this is the only indicator they use. Prices are up; returns must be coming down. The argument didn't work for a decade but maybe it will now. From our perspective, buyout price multiples are quite high. They didn't go down much after 2021 and, when they did, they rebounded quickly. That is true globally but particularly in Western Europe; they are at record levels. We don't think it means returns will be bad. It means a buyer's margin for error is reduced.

Where do general partners think multiples are headed?



The majority believe they will be flat to higher. That helps explain the backdrop to the earlier discussion that multiples were rising because buyers were raising prices rather than sellers reducing them. If you don't believe multiples will come down any time soon, you should invest today.



SENTIMENT INDICATORS



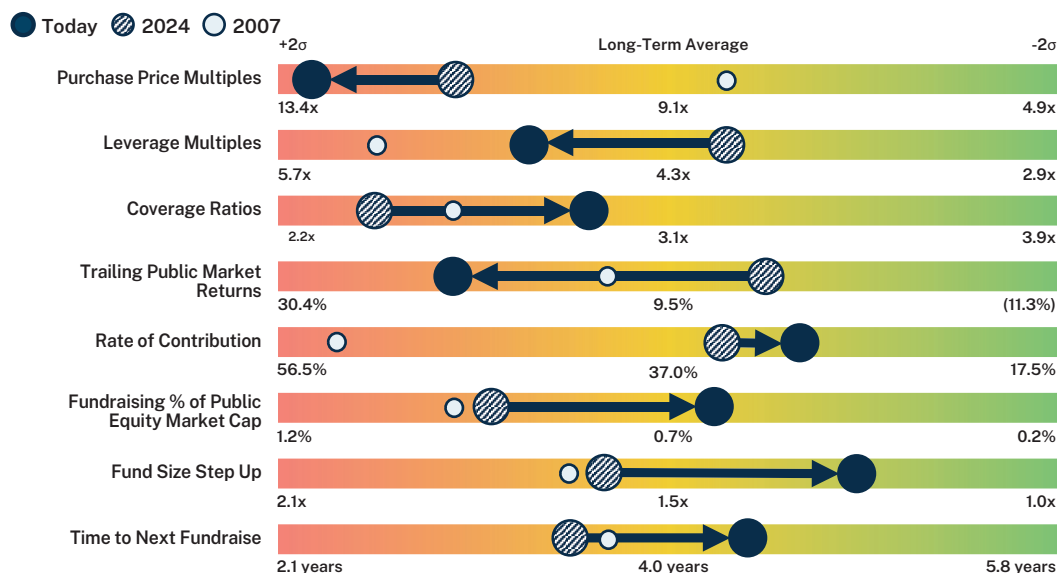
“Worrying is like paying a debt you don’t owe.”

- MARK TWAIN

We have often remarked how, in the telling, private market participants are long-term, rational investors unswayed by those mundane emotions of fear and greed that so afflict their public markets brethren.

Alas, the telling and the living are very different things, and we find those animal spirits alive and well in the private sphere. We have tried to capture them the way you see bullish and bearish sentiment indicators in the public world.

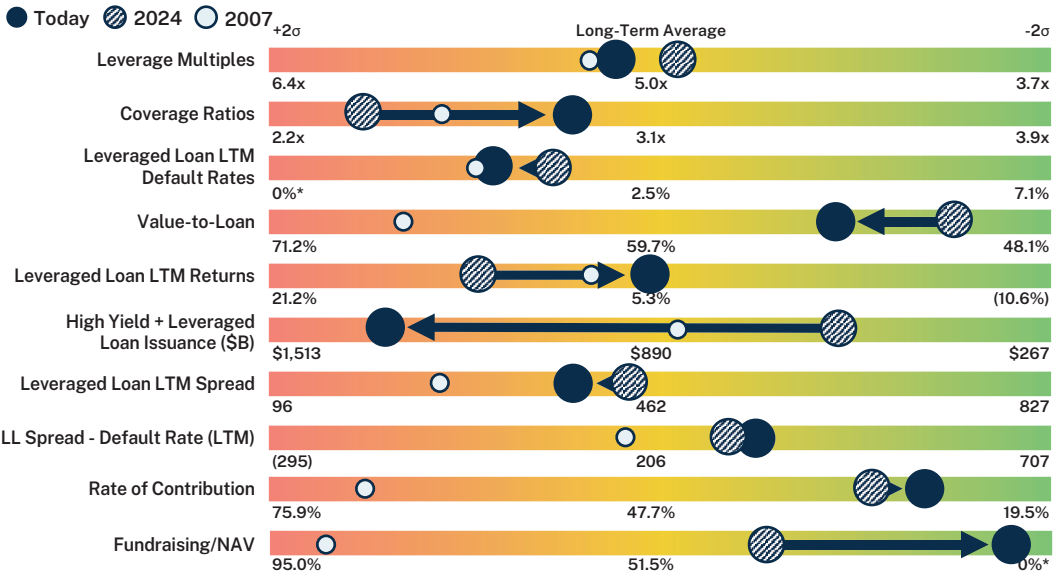
Hamilton Lane Sentiment Indicators: Buyout



Source: Hamilton Lane Data, Bloomberg, Cobalt, Pitchbook, S&P (January 2026) Note: Values indexed to beginning of year.

The buyout market is mixed. We discussed multiples, and those have become more bearish, as have leverage multiples, but they were positive last year, so the movement just brings them to neutral. Other indicators, notably coverage ratios, are turning more positive. If we had to give a firm view, we would say it is very slightly negative overall.

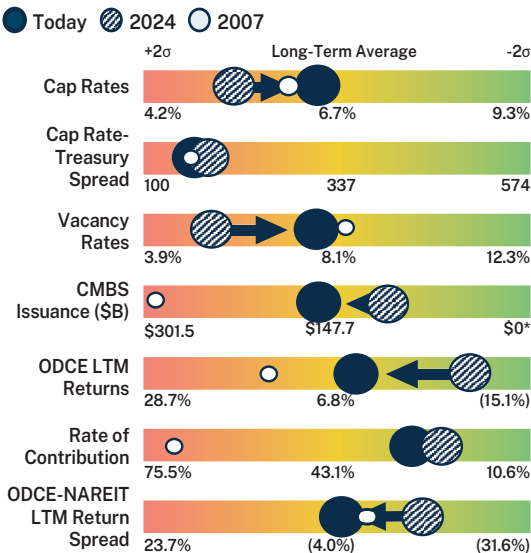
Hamilton Lane Sentiment Indicators: Credit



Source: Hamilton Lane Data, Bloomberg, Cobalt, Pitchbook, S&P (January 2026) Note: Values indexed to beginning of year.

We reviewed the credit market indicators earlier in the context of a bubble in that market. While the trend is more negative, the overall indicator levels are neutral.

Hamilton Lane Sentiment Indicators: Real Estate

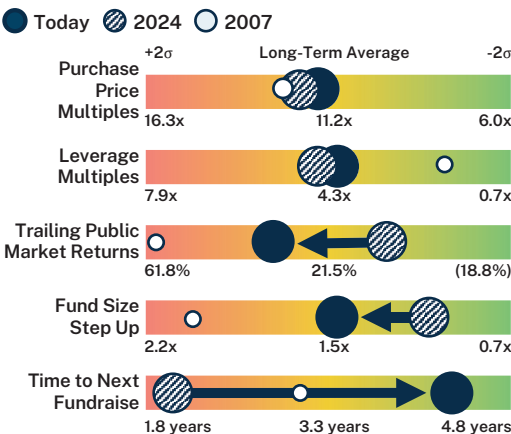


Source: Hamilton Lane Data, Bloomberg, NCREIF (January 2026)

*Zero used as floor for indicators that cannot be negative

Note: Values indexed to beginning of year.

Hamilton Lane Sentiment Indicators: Infrastructure



Source: Hamilton Lane Data, Bloomberg, Cobalt, Pitchbook (January 2026)

Note: Values indexed to beginning of year.

In real estate, we hate to be that broken record we cited earlier, but we are. It's also neutral. Indicators moving in both directions, but no real pattern or trend.

Infrastructure? The bad news is we have another neutral market. The good news is this is the last one we'll cover.

The Hamilton Lane Worry Index

The Hamilton Lane Worry Index is a composite of Hamilton Lane's sentiment indicators. Higher Numbers = More Worry

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Today
Buyout	69	70	24	23	33	38	60	69	84	48	22	30	40	40	32	32	41	44	51	55	58	53	66	59	61	49	56
Credit	67	63	45	55	51	56	66	76	81	40	40	45	47	53	53	57	55	53	58	58	57	51	59	48	26	30	49
Real Estate	59	49	40	36	34	43	68	75	80	47	26	33	38	35	54	50	61	52	55	63	55	58	58	75	52	49	58
Infrastructure						34	33	56	74	47	33	54	65	69	57	48	52	44	48	49	51	34	62	57	34	36	41

Source: Hamilton Lane Data, Bloomberg, Cobalt, Pitchbook, S&P, NCREIF (January 2026)

The Hamilton Lane Worry Index ("HLWI") is a composite view of a wide range of macroeconomic indicators across Buyout, Credit, and Real Assets. Indicators are scaled from 0 to 100 based on their relative value each year, and then averaged to create a market-wide number. Lower numbers represent a generally more favorable environment while high numbers signal a generally less favorable environment. The HLWI is directional and not necessarily indicative of future results. Indexed to beginning of year

We love this chart. Any chart that says, visually, "You are here" is a winner for us. Colors and numbers to guide us, what's not to like? It does bear a curious resemblance to the children's game, "Candyland."



What does our chart tell us? Everything is neutral. There's not a lot to love or hate in any of the groups and there are indicators in each direction. We're OK with that. Markets shouldn't be at extremes very often and, while everyone wants to see dark green, indicators that it's time to buy, the reality is that, when you see that dark green, you are too scared to buy. When you see deep red, telling you to sell or stop investing, you feel so bullish that you prefer to double down. Boring markets generally let you take a deep breath and make some rational choices about what you want to do and why.

The background is a deep blue gradient. A bright, glowing corner of light, transitioning from purple to yellow, is located in the upper right. The word 'CONCLUSION' is written in a light blue, sans-serif font, slanted upwards from left to right. In the lower half, several thin, vertical, light blue lines of varying heights are scattered across the frame.

CONCLUSION



***“What we call the beginning is often the end
And to make an end is to make a beginning.
The end is where we start from.”***

- T.S. ELIOT, “LITTLE GIDDING”

IF YOU HAVE ARRIVED HERE because you have read through the entire overview, then you already know the conclusions we are going to outline. (If you skipped and came right to this section, then you are doing what we often do, but we will say you missed some funny and thought-provoking stuff on the road to this conclusion.)

We'll make them bullets, both because at this point in the narrative we are probably more exhausted than you are and because it might make you go back and read any parts you skipped.

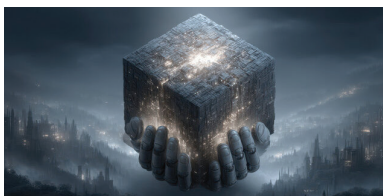
- Public equity markets are more highly levered to a specific AI growth/development path, the LLMs, than ever before. This means you have to look at the rest of your portfolio for diversification unless you are comfortable with that concentration. Yes, we don't often offer conclusions on the public side, but it is both important enough on its own and important enough in the context of what you should do on the private side that it deserves to be said.
- We know this will seem too biased, but have more exposure to illiquid assets than you do today. It can be private markets, precious metals, whatever you deem illiquid. Your public exposure is so concentrated that, if the concentration proves to be the correct posture, you will be well-rewarded. If it proves to be incorrect, if you don't have assets with different return profiles (most of which are in the illiquid category), you will be shocked at how poorly you perform.
- From a geographic perspective, you should be overweight U.S. assets. This overweight should include your private markets' portfolio, although infrastructure is an area where a more global portfolio is advisable. This overweight is for both USD-denominated and non-USD-denominated investors.
- You must have an allocation to venture capital and certain growth capital if you want exposure to a broader set of AI investments than you get in the public markets. The amount depends on your risk appetite but, without it, you will miss an essential part of the growth of AI.

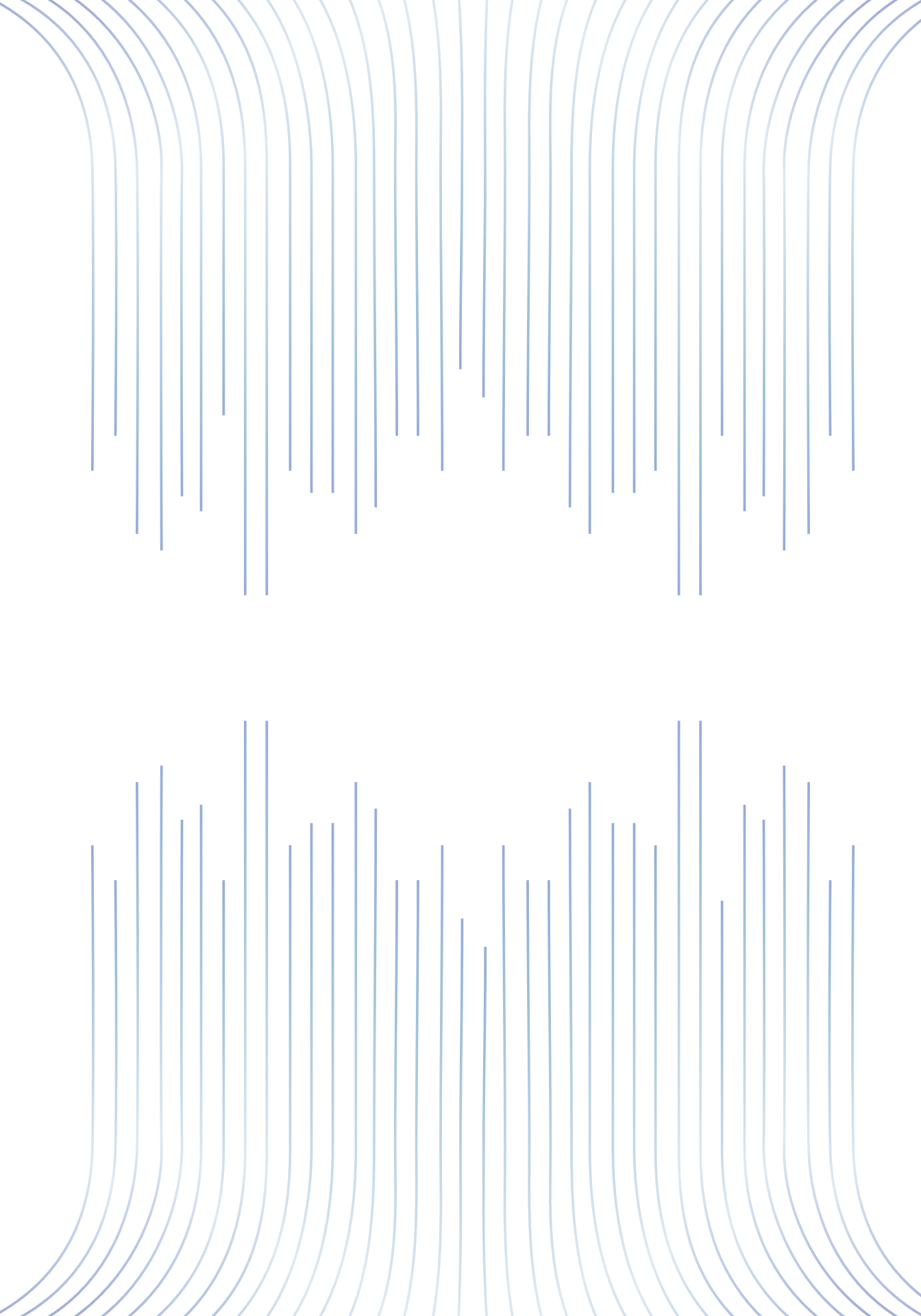
- You should maintain or increase your exposure to private equity buyout. The odds that it will outperform public markets are high and it also provides one of the few diversifiers to the specific AI exposure you have in your public portfolio.
- Private credit is not in a bubble and will continue to grow and be an important part of strong performing portfolios. If you're wondering if you have enough private credit exposure, you probably need more. If you have both private and public, you probably need a greater proportion of private.
- Private infrastructure needs a place in portfolios. Yes, prices are very high today so be careful, but if you consider the need for energy infrastructure of all types, delivery and logistics needs and the required upgrade of any type of infrastructure, you get a feel for the scale of the capital required. The other aspect of infrastructure investing is that the need is global. There is no particular region that has a monopoly on the future build.
- Evergreen funds are one of the most important, if not the most important, developments in private markets. Learn about them, invest in them, but be careful with manager selection. They are not all the same and, when a bear market happens, you will want to be with managers with scale and expertise.
- Have more secondary exposure. The supply/demand imbalance in that market is one that does not exist in almost any other market and provides a tailwind to return. There are almost no secondary players that have to do a deal that's in front of them. It is, today, whether in LP-led or GP-led, more of a buyer's market. Take advantage of that now.

We have been writing these market overviews for a long time. We have generally avoided calling out times when investors needed to rethink portfolios because we generally believe there are very few times in market cycles when that is warranted. We have a feeling this market environment is one of those times, as must seem obvious from even a brief reading of this overview.

Whether we are right or wrong is less important than your assessment of the reasons we provide and the probabilities that each box we describe is, or is not, one that creates the kind of change that shifts investment perspectives.

If the changes occur, they do not occur overnight. But they do occur.





Endnotes

Page 76: Evergreen returns reflect 10+ private equity focused open-ended funds launched prior to 2024. Private Equity buyout funds reflect vintage years 2016 to today. For illustrative purposes only .

Page 77: Illustrative of 13 private equity and secondary evergreen funds launched more than three years ago. Closed-end buyout funds reflect vintage years 2016 to today. For illustrative purposes only

Page 77: Illustrative of 15 private equity and secondary -focused evergreen funds with funds launched between 2010 and 2024. For illustrative purposes only

Pages 95-96: If a dataset is distributed normally, about 95% of all data points will lie within two standard deviations of the mean

Page 97: The Hamilton Lane Worry Index (“HLWI”) is a composite view of a wide range of macroeconomic indicators across Buyout, Credit, and Real Assets. Indicators are scaled from 0 to 100 based on their relative value each year, and then averaged to create a market-wide number. Lower numbers represent a generally more favorable environment while high numbers signal a generally less favorable environment. The HLWI is directional and not necessarily indicative of future results. Indexed to beginning of year

GP Survey: Please be aware that the information contained herein is based upon results of a survey conducted by Hamilton Lane Advisors, L.L.C. (the “Firm”) of a number of private markets participants. The results of the survey may not necessarily represent the opinions of the Firm or its employees, officers or directors. Publication of this report does not indicate an endorsement by the Firm of the results included herein and should not be relied upon when making investment decisions

Definitions

STRATEGY DEFINITIONS

All Private Markets – Hamilton Lane's definition of "All Private Markets" includes all private commingled funds excluding fund-of-funds, and secondary fund-of-funds.

Co/Direct Investment Funds – Any PM fund that primarily invests in deals alongside another financial sponsor that is leading the deal.

Continuation Vehicles – A vehicle in which secondary buyers acquire one or more assets from an existing fund.

Corporate Finance/Buyout – Any PM fund that generally takes control position by buying a company.

Credit – This strategy focuses on providing debt capital.

Distressed Debt – Includes any PM fund that primarily invests in the debt of distressed companies.

DM Buyout – Includes any buyout fund that is primarily investing in developed markets of North America, Western Europe and Global.

EU Buyout – Any buyout fund primarily investing in the European Union.

Fund-of-Funds (FoF) – A fund that manages a portfolio of investments in other private equity funds.

Growth Equity – Any PM fund that focuses on providing growth capital through an equity investment.

Infrastructure – An investment strategy that invests in physical systems involved in the distribution of people, goods, and resources.

Late Stage VC – A venture capital strategy that provides funding to developed startups.

Mega/Large Buyout – Any buyout fund larger than a certain fund size that depends on the vintage year.

Mezzanine – Includes any PM fund that primarily invests in the mezzanine debt of private companies.

Multi-Stage VC – A venture capital strategy that provides funding to startups across many investment stages.

Natural Resources – An investment strategy that invests in companies involved in the extraction, refinement, or distribution of natural resources.

Origination – Includes any PM fund that focuses primarily on providing debt capital directly to private companies, often using the company's assets as collateral.

Primary Buyout – a Buyout transaction where a sponsor acquires controlling interest in a company from management or through a strategic sale.

Private Equity – A broad term used to describe any fund that offers equity capital to private companies.

Real Assets – Real Assets includes any PM fund with a strategy of Infrastructure, Natural Resources, or Real Estate.

Real Estate – Any closed-end fund that primarily invests in non-core real estate, excluding separate accounts and joint ventures.

ROW – Any fund with a geographic focus outside of North America and Western Europe.

ROW Equity – Includes all buyout, growth, and venture capital-focused funds, with a geographic focus outside of North America and Western Europe.

Secondary FoF – A fund that purchases existing stakes in private equity funds on the secondary market.

Seed/Early VC – A venture capital strategy that provides funding to early-stage startups.

SMID Buyout – Any buyout fund smaller than a certain fund size, dependent on vintage year.

Sponsor-to-Sponsor – a Buyout transaction where a sponsor acquires a controlling interest in a company from another sponsor.

U.S. Mega/Large – Any buyout fund larger than a certain fund size that depends on the vintage year and is primarily investing in the United States.

U.S. SMID – Any buyout fund smaller than a certain fund size that depends on the vintage year and is primarily investing in the United States.

U.S. & EU Growth – Includes all growth equity funds investing in North America and Western Europe.

U.S. & EU VC – Includes all venture capital funds investing in North America and Western Europe.

VC/Growth – Includes all funds with a strategy of venture capital or growth equity.

Venture Capital – Venture Capital includes any PM fund focused on financing startups, early-stage, late stage, and emerging companies or a combination of multiple investment stages of startups.

INDEX DEFINITIONS

Barclays U.S. Corporate Aggregate Index – Tracks the performance of U.S. fixed rate corporate debt rated as investment grade.

BofAML High Yield Index – The BofAML High Yield index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market.

Credit Suisse High Yield Index – The Credit Suisse High Yield index tracks the performance of U.S. sub-investment grade bonds.

DJ Brookfield Global Infrastructure Index – The DJ Brookfield Global Infrastructure Index is designed to measure the performance of companies globally that are operators of pure-play infrastructure assets.

FTSE/NAREIT All Equity REIT Index – The FTSE/NAREIT All Equity REIT Index tracks the performance of U.S. equity REITs.

HFRI Composite Index – The HFRI Composite Index reflects hedge fund industry performance.

Magnificent 7 – Seven high performing U.S. stocks that have outpaced the broader market (GOOG, AMZN, AAPL, META, MSFT, NVDA, TSLA)

MSCI Europe Index – The MSCI Europe Index measures performance of large and mid-cap companies across 15 developed markets in Europe.

MSCI USA Small Cap Value Index – The MSCI USA Small Cap Index is designed to measure the performance of the small cap segment of the U.S. equity market.

MSCI World Energy Sector Index – The MSCI World Energy Sector Index measures the performance of securities classified in the GICS Energy sector.

MSCI World Index – The MSCI World Index tracks large and mid-cap equity performance in developed market countries.

Russell 1000 Index – The Russell 1000 Index tracks the highest-ranking 1000 stocks in the Russell 3000 index by market capitalization

Russell 2000 Index – The Russell 2000 Index is composed of 2000 small-cap U.S. companies.

Russell 3000 Index – The Russell 3000 Index is composed of 3000 large U.S. companies, as determined by market capitalization.

S&P 500 Index – The S&P 500 Index tracks 500 largest companies based on market capitalization of companies listed on NYSE or NASDAQ.

S&P 493 Index – The S&P 500 with the Magnificent 7 removed

S&P 600 Index – The S&P 600 Index tracks small-cap companies in the U.S. based on market capitalization

S&P UBS Leveraged Loan Index – The S&P UBS Leveraged Loan Index represents tradable, senior-secured, U.S. dollar-denominated non-investment grade loans.

OTHER

Carry Roll – Amount of carry generated from a given deal for a GP that is re-invested into the continuation vehicle for that deal

Desmoothing: A mathematical process to remove serial autocorrelation in the return stream of assets that experience infrequent appraisal pricing, such as private equity. Desmoothed returns may more accurately capture volatility than reported returns. The formula used here for desmoothing is:

Where $rD(t)$ = the desmoothed return for period t , $r(t)$ = the return for period t , p = the autocorrelation

$$rD(t) = (r(t) - r(t-1) * p) / (1-p)$$

LLM (Large Language Model) – Artificial Intelligence model utilizing machine learning to predict text outputs given a text prompt.

PME (Public Market Equivalent) – Calculated by taking the fund cash flows and investing them in a relevant index. The fund cash flows are pooled such that capital calls are simulated as index share purchases and distributions as index share sales. Contributions are scaled by a factor such that the ending portfolio balance is equal to the private equity net asset value (equal ending exposures for both portfolios). This seeks to prevent shorting of the public market equivalent portfolio. Distributions are not scaled by this factor. The IRR is calculated based off of these adjusted cash flows.

Sharpe Ratio – The Sharpe Ratio is the average return earned in excess of the risk-free rate per unit of volatility or total risk.

TAM (Total Addressable Market) – Market value that a given company could successfully capture

Time-weighted Return – Time-weighted return is a measure of compound rate of growth in a portfolio.

Volatility – Volatility is a statistical measure of dispersion of return, specifically standard deviation.

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As of 3/11/2026

