

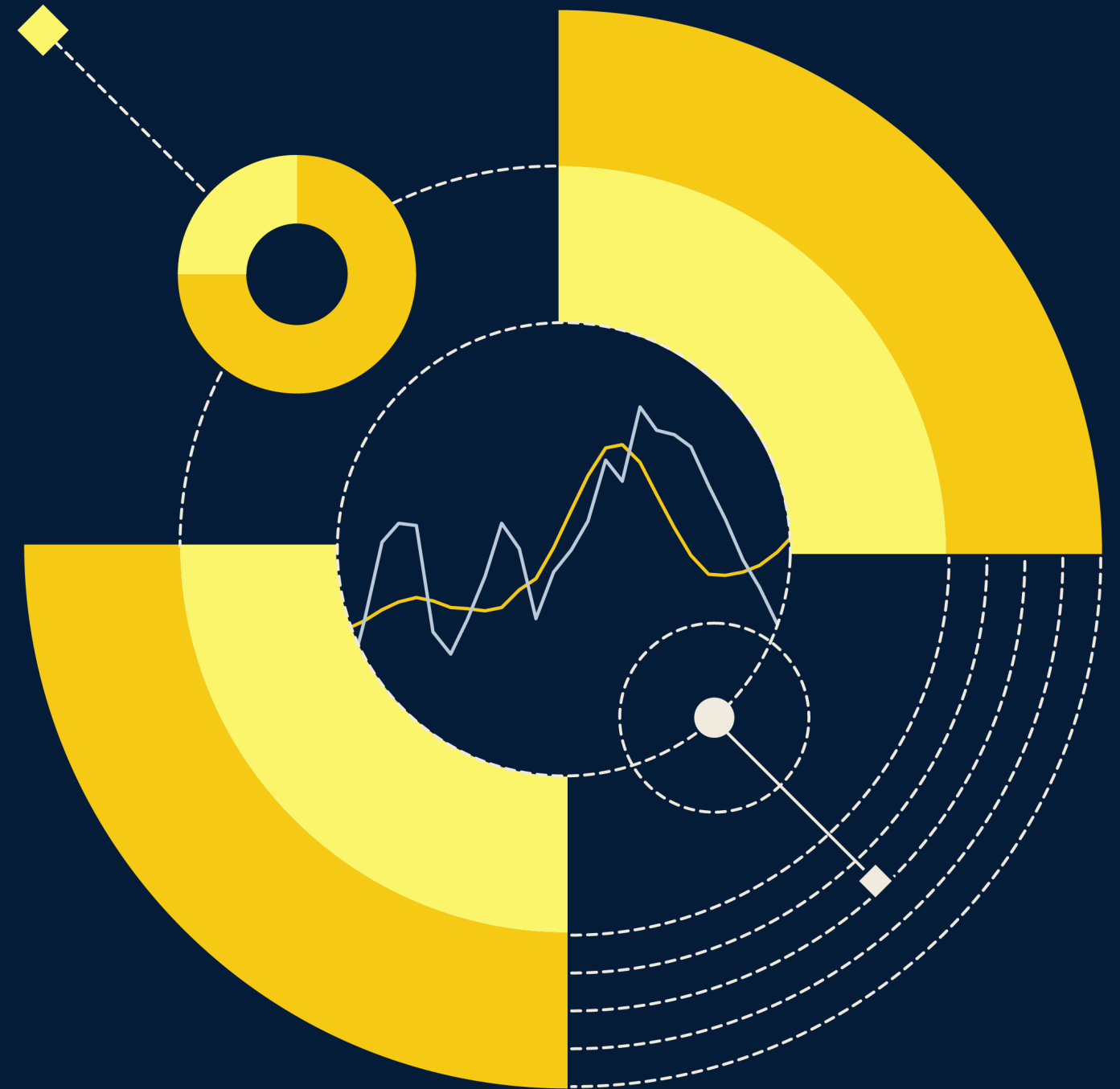


 QUANT RESEARCH

Balancing Act

A QUANTITATIVE PERSPECTIVE ON
US PRIVATE EQUITY

Q4
2025





Introduction

Moving into the end of 2025, it seems that the US economy and markets are flashing all three colors of the traffic light at once and offering little clarity on where things may head next. Consumers and businesses remain broadly pessimistic, and while the labor market has softened, no single indicator is raising alarm. Inflation remains above target, and tariffs continue to influence trade flows. If this all sounds negative, someone forgot to tell the markets. Volatility has fallen, equities are rallying, and credit spreads are tight.

Amid these crosscurrents, private markets are thawing. After a couple of years of dismal deal and exit activity, PE is staging a comeback. Both deal and exit volumes have experienced significant upswings and moved above their long-run trends, though there remains a considerable overhang of delayed transactions still waiting to close. With the economic outlook uncertain, we map out where buyout activity could land under a range of macroeconomic scenarios. To maintain the pace of dealmaking seen over the past two quarters, sustained economic growth will be required.

At the same time, buyout managers are returning more capital to investors than two years ago, but distribution yields are still below historical averages. When looking at what expected distributions would be based solely on recent exit activity, yields appear even lower. This suggests managers continue to rely on liquidity management tools to return capital to investors.

Looking under the hood of this recent flurry of activity, the signals remain mixed. Core buyout fundamentals are stable: Valuation multiples have held firm, leverage levels are steady, debt loads have improved, and cash coverage remains healthy. Yet credit markets look slightly different. New issuance appears to be rolling over, distressed exchanges continue to meaningfully outpace outright defaults, downgrades exceed upgrades, and the prevalence of payment-in-kind loan features is on the rise.

For now, buyout's rebound appears real, but its durability depends on how the broader economy and credit conditions evolve in the months ahead.

PitchBook Data, Inc.

Nizar Tarhuni Executive Vice President of Research & Market Intelligence

Daniel Cook, CFA Global Head of Quantitative Research & Market Intelligence

Zane Carmean, CFA, CAIA Director of Quantitative Research

Research



Andrew Akers, CFA Lead Quantitative Research Analyst
andrew.akers@pitchbook.com



Nathan Schwartz, CFA Senior Quantitative Research Analyst
nathan.schwartz@pitchbook.com



Taylor Criswell, CFA Senior Quantitative Research Analyst
taylor.criswell@pitchbook.com



Miles Ostroff Associate Quantitative Research Analyst
miles.ostroff@pitchbook.com

Contact

pbinstitutionalresearch@pitchbook.com



Key takeaways

- The labor picture is holding up, but the underlying trends are weakening. Open positions have declined significantly over the past three years, and while hiring has slowed less noticeably, wage growth is slowing, especially for lower-income workers ([pages 7 and 9](#)).
- The Fed cut interest rates by 25 basis points in October, and three more cuts are priced in through next year. In its October statement, the Fed noted “downside risks to employment rose in recent months” and inflation remains “somewhat elevated.” This combination leaves future monetary policy decisions in a tricky spot, torn between stimulating job growth and keeping a lid on prices ([page 10](#)).
- GDP growth rebounded in Q2, though the improvement was largely mechanical. Net exports rose as firms drew down domestic inventories instead of purchasing imported goods. The Q3 GDP report, delayed by the government shutdown, will provide valuable insight into how businesses and consumers are adapting to the new global trade environment ([pages 12 and 13](#)).
- Loan borrowing costs have fallen by nearly 3% as base rates decline and credit spreads tighten. Beneath the surface, signs of stress may be bubbling. Distressed exchanges meaningfully outpace defaults, the downgrade-to-upgrade ratio has risen, and payment-in-kind loan structures are increasing ([pages 17, 18, and 19](#)).
- Public BDCs are trading at nearly a 10% discount to NAV, suggesting markets may be questioning the strength of their underlying loan books. The gap also reflects timing differences as BDC share prices adjust in real time while reported asset values update only quarterly ([page 20](#)).
- Buyout activity strengthened in Q3 2025, rising above its long-term trend for the first time since 2022. After two years of subdued dealmaking, a backlog of unexecuted transactions is beginning to clear, and underlying fundamentals appear supportive of continued momentum ([pages 22, 23, and 24](#)).
- Modeling the relationship between buyout deal value and macroeconomic drivers shows that sustaining current levels of deal activity would require further improvement in the broader economic environment ([page 28](#)).
- PE exit activity rebounded in mid-2025 after two years of weakness that created a buildup of unrealized exits relative to long-term trends. Sustained improvement in exit volumes will be needed to satiate managers’ appetite for liquidity ([page 30](#)).
- Distribution yields have improved from the lows of 2023 but remain below historical norms. Adjusting for recent exit volumes, the true distribution yield looks even weaker, implying that managers are relying on liquidity management tools to return capital to LPs ([pages 32 and 33](#)).
- Fundraising data is inherently lagged, as fund closes take time to be reported. By modeling the relationship between prior-year distribution yields and subsequent fundraising activity, we can estimate where commitments are headed over the next four quarters. Our model suggests that fundraising likely bottomed in 2024 and is poised to expand in the coming year ([page 37](#)).
- Effective manager selection is a key driver of buyout performance. Investors who consistently back stronger managers, or sidestep weaker ones, can capture an additional 35 to 64 basis points in annualized excess returns, on average ([page 40](#)).
- Timing also matters when building a buyout allocation. Investors who began allocating to buyout funds in the years leading up to the GFC experienced materially negative annualized excess returns, while those who started in the early to mid-2010s were far more likely to realize positive excess returns ([page 41](#)).

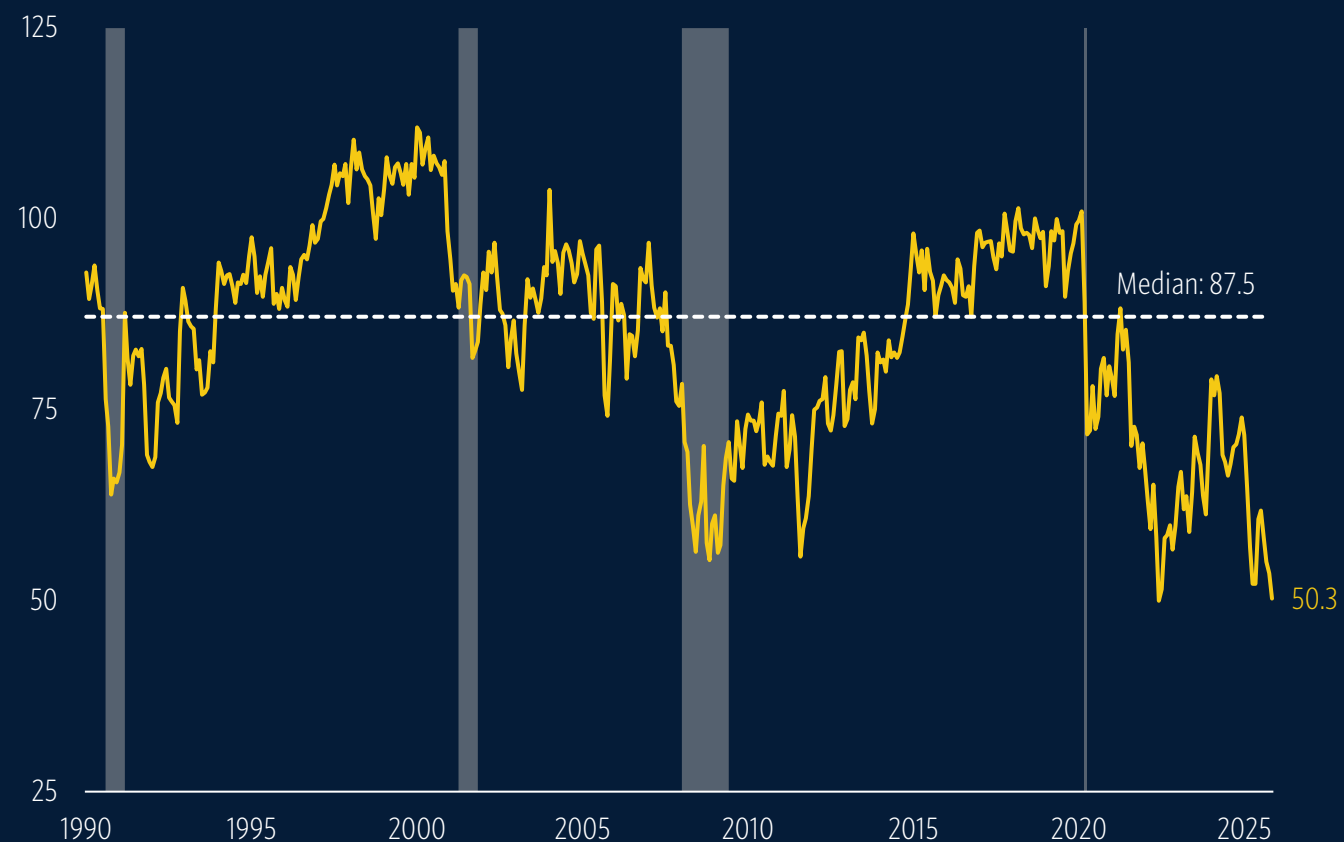


Mixed signals



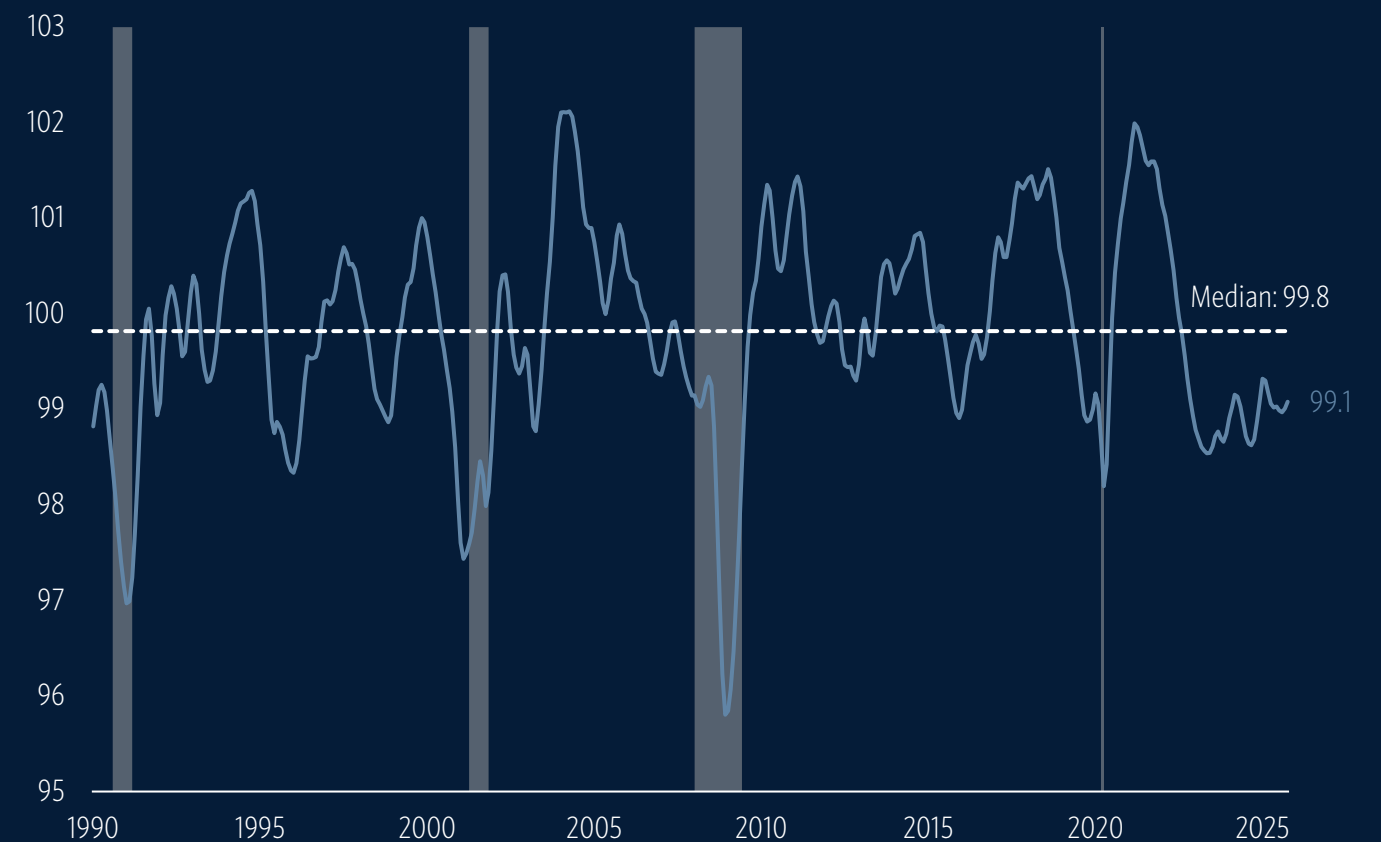
Consumers and businesses agree that the current environment is a difficult one. Sentiment indexes for both sectors have been below their respective medians for the longest consecutive period since 1990...

Figure 1 ► **University of Michigan Consumer Sentiment Index**



Source: [University of Michigan](#) • Geography: US • As of October 31, 2025
Note: Includes the preliminary November survey result.

Figure 2 ► **US Business Confidence Index**

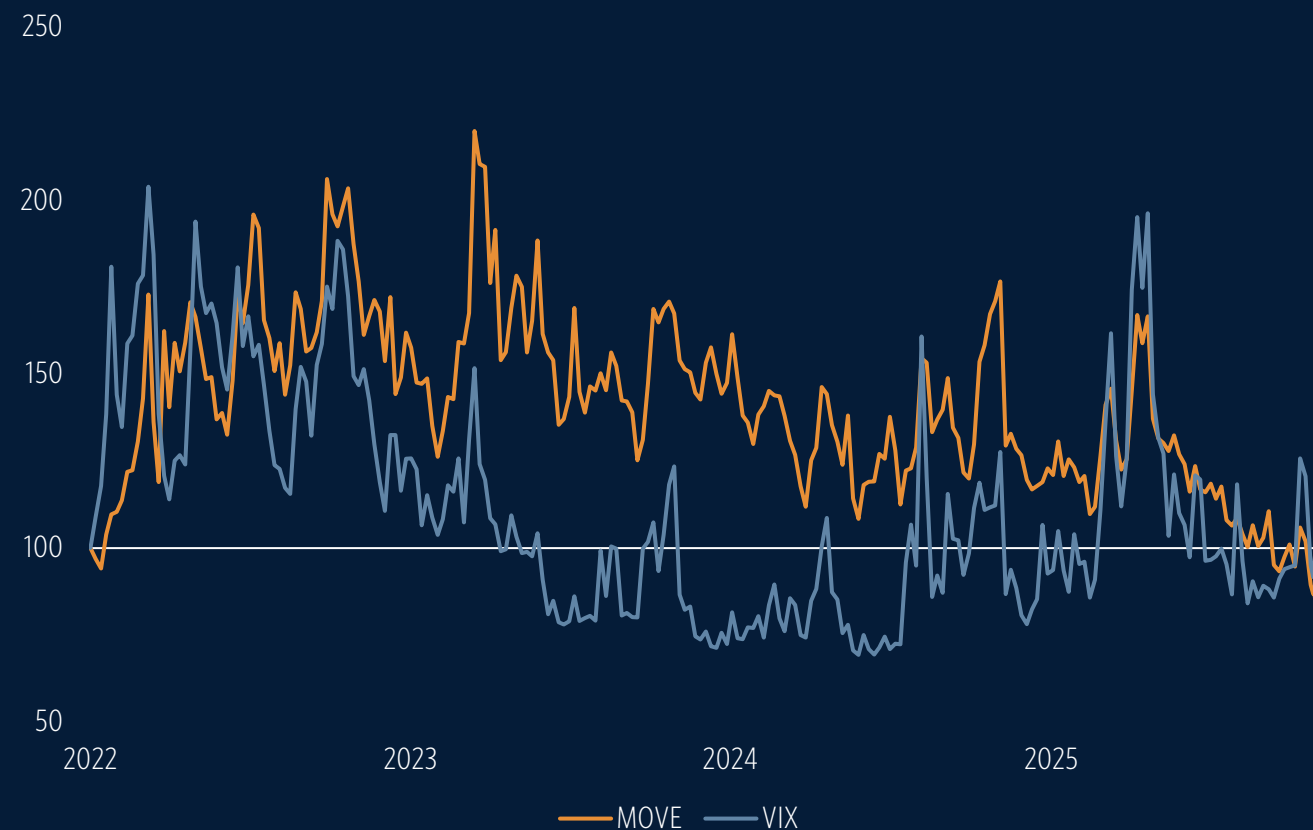


Source: [OECD](#) • Geography: US • As of September 30, 2025
Note: 100 represents the neutral value of the index.



...and yet markets remain unphased. Volatility in equities and treasuries has calmed from the initial shock of Liberation Day, and the S&P 500 continues to push past high-water marks. Gold, often the symbol of investor caution, has skyrocketed.

Figure 3 ► **VIX and MOVE Indexes (rebased to 100 in 2022)**



Sources: Cboe and ICE BofAML • Geography: US • As of October 31, 2025

Figure 4 ► **S&P 500 Index and SPDR Gold Shares (rebased to 100 in 2022)**

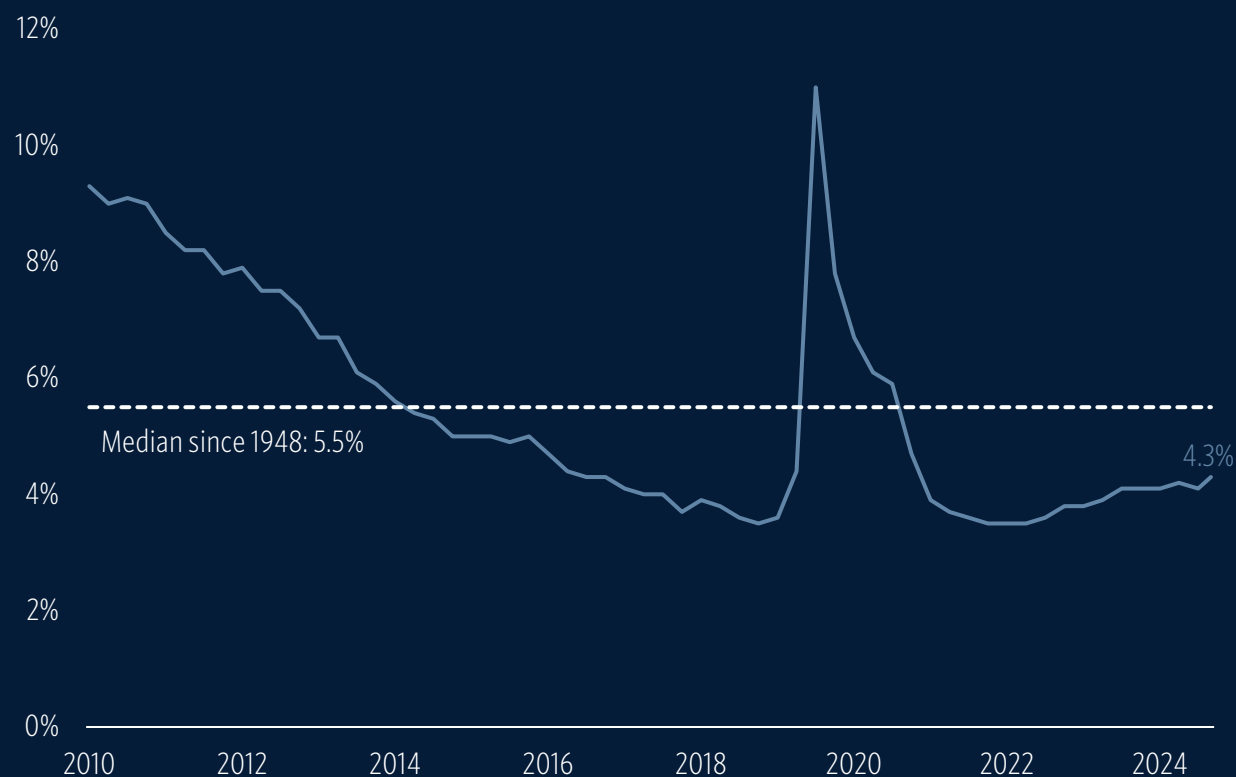


Sources: [S&P Global](#) and [State Street](#) • Geography: US • As of October 31, 2025



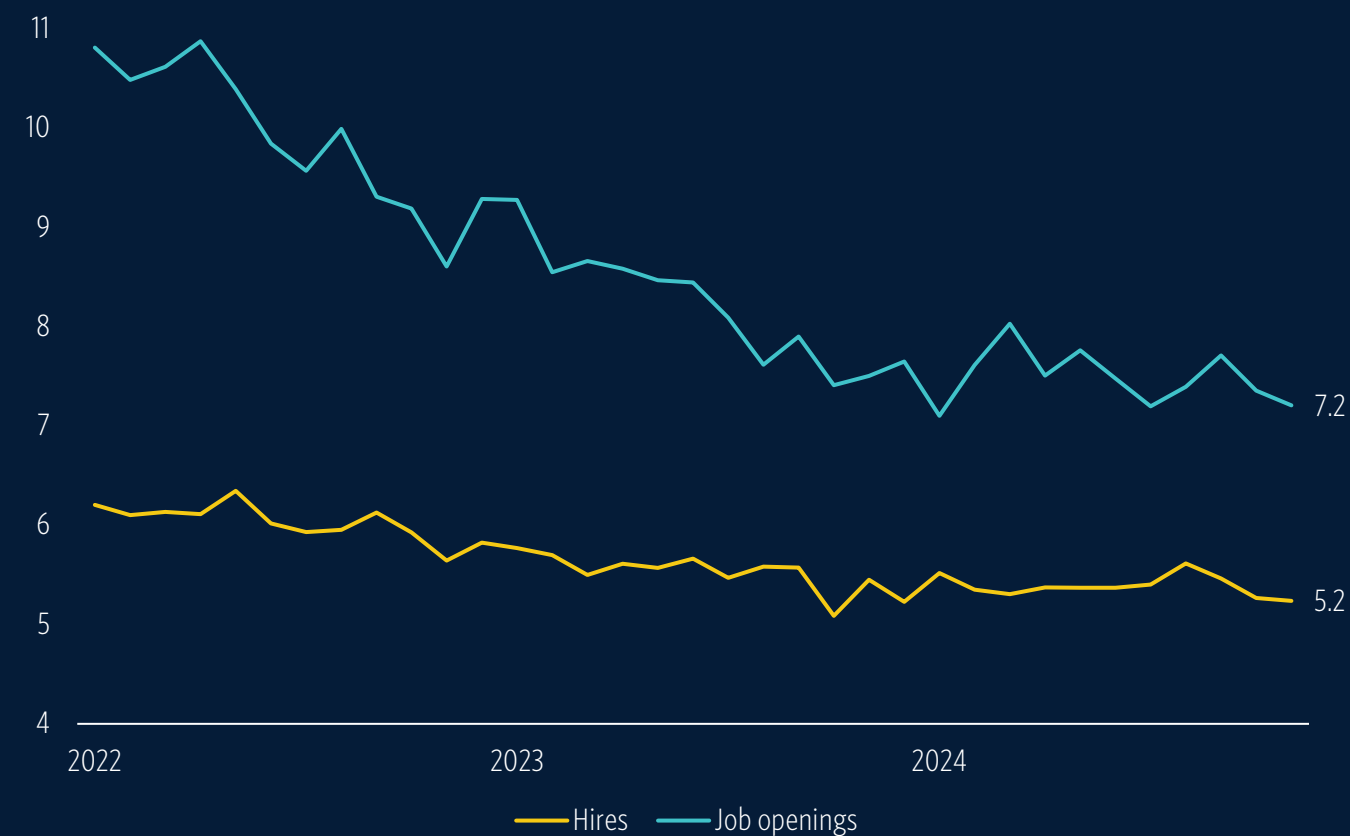
Any weakness in unemployment and hiring could be described as mild at worst. Though the gap between job openings and filled roles has narrowed significantly since 2022.

Figure 5 ▶ **Unemployment rate**



Source: [Bureau of Labor Statistics](#) • Geography: US • As of August 31, 2025

Figure 6 ▶ **Nonfarm job openings and hires (millions)**

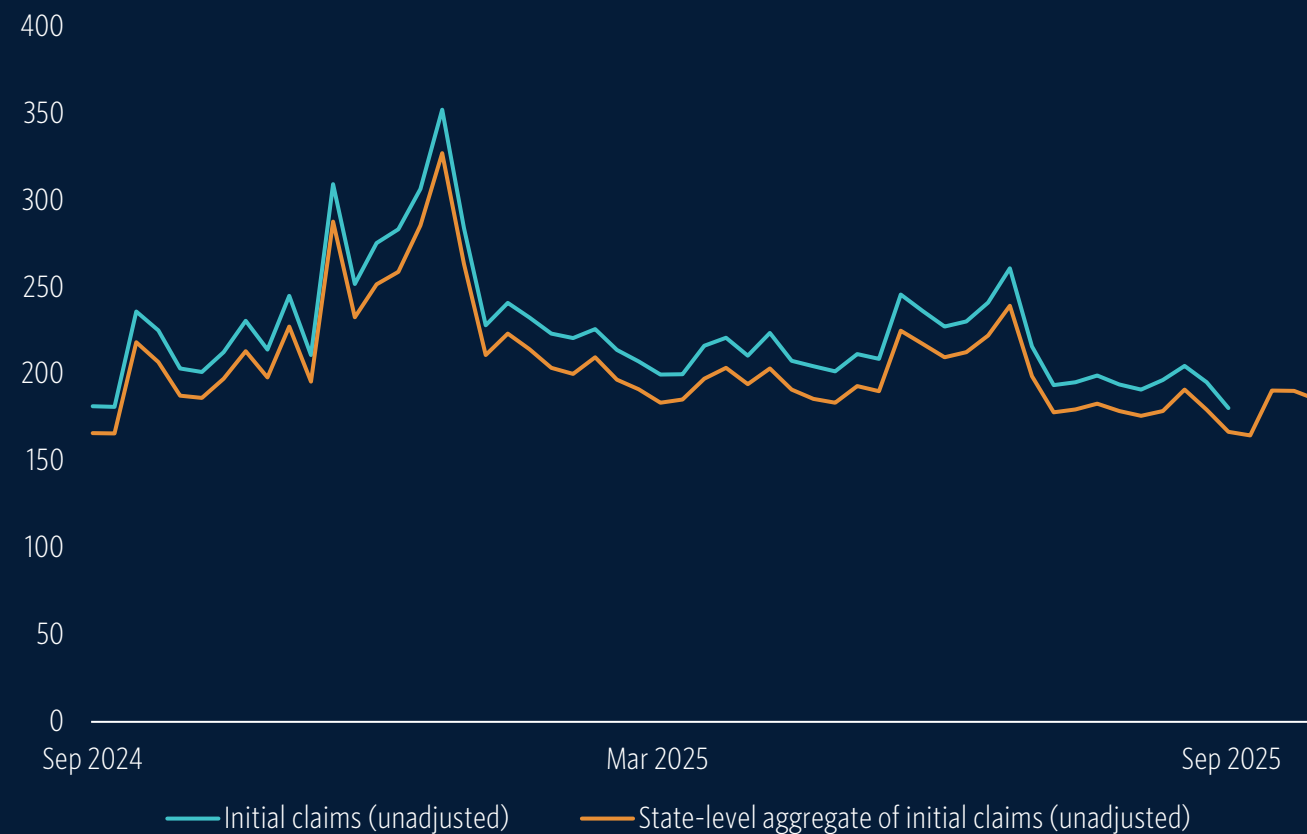


Source: [Bureau of Labor Statistics](#) • Geography: US • As of August 31, 2025



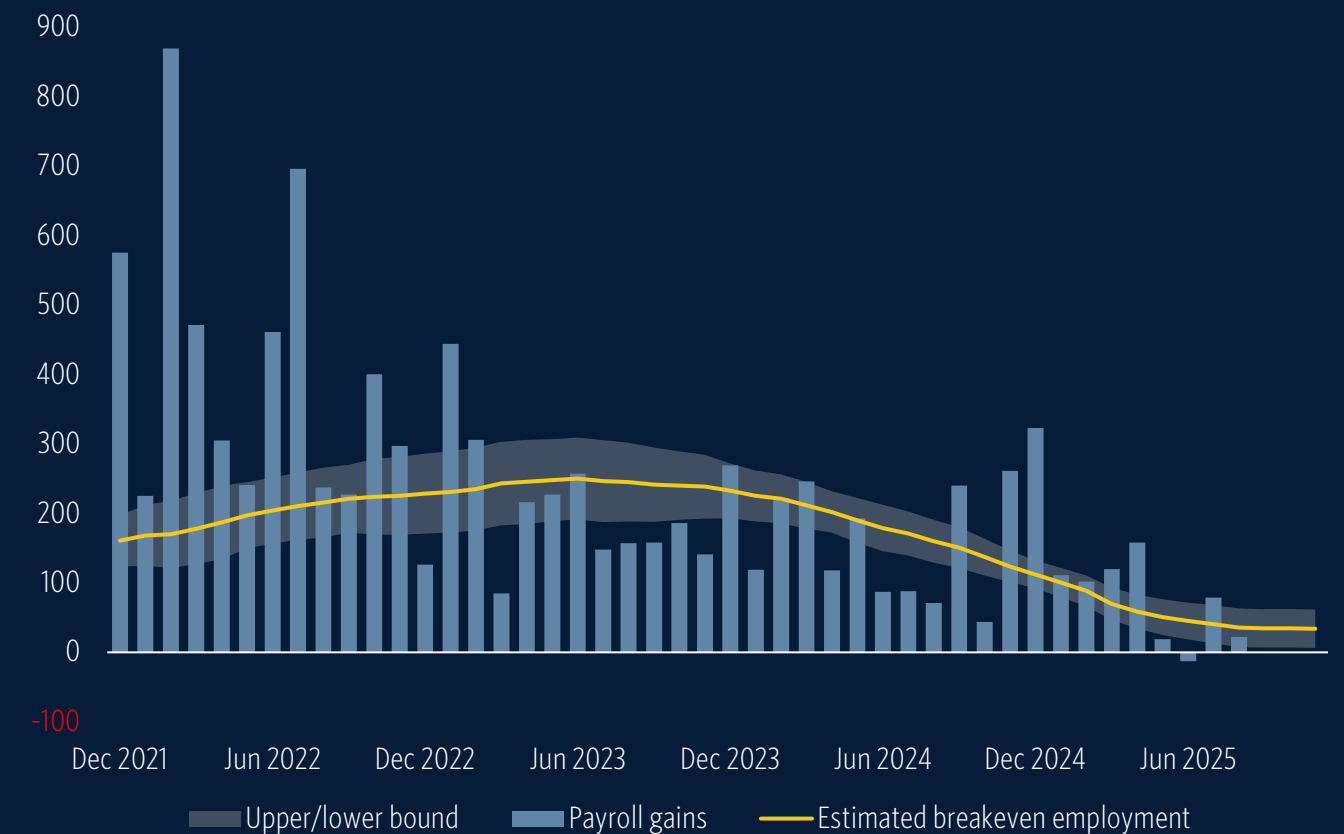
Initial jobless claims are tapering off following a modest uptick from the government shutdown. Research from the St. Louis Fed indicates a notable decline in breakeven employment, likely driven by a reversal in immigration trends.

Figure 7 ▶ **Initial jobless claims (thousands)**



Source: [US Employment and Training Administration](#) • Geography: US • As of October 25, 2025
Note: State-level aggregate excludes AZ, MA, NV, and TN.

Figure 8 ▶ **Monthly breakeven employment estimates (thousands)**

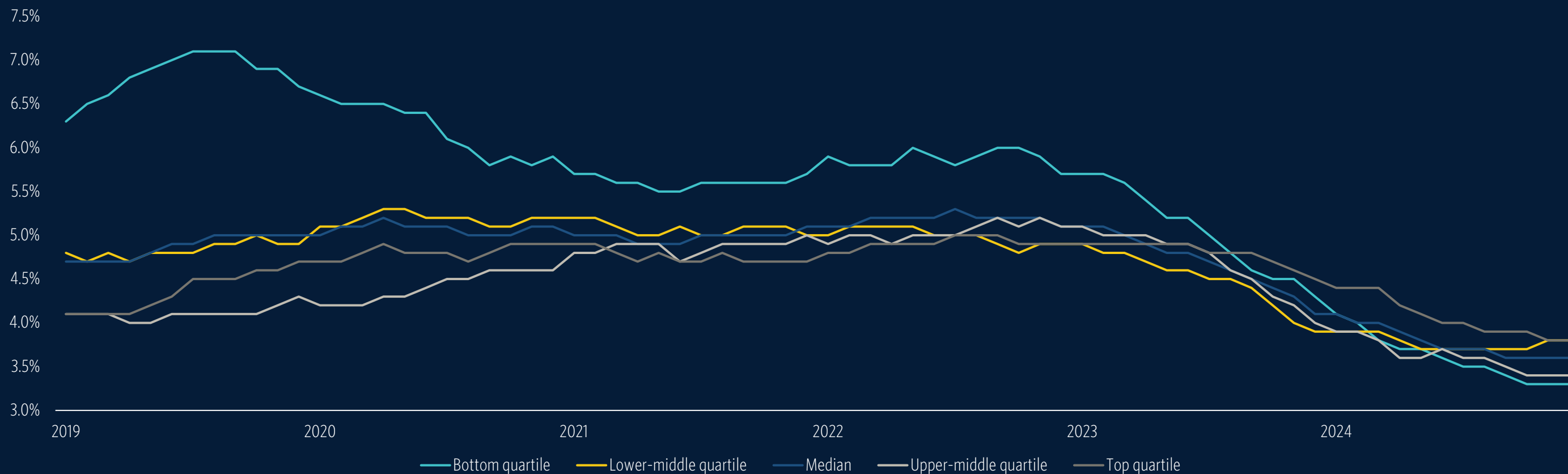


Source: [St. Louis Fed](#) • Geography: US • As of August 28, 2025



Wage growth has slowed across all income levels; most notably, pandemic-era gains for workers in the bottom wage quartile are eroding relative to all earners, while the top quartile of earners has outperformed.

Figure 9 ▶ **Trailing 12-month (TTM) wage growth by income quartile**

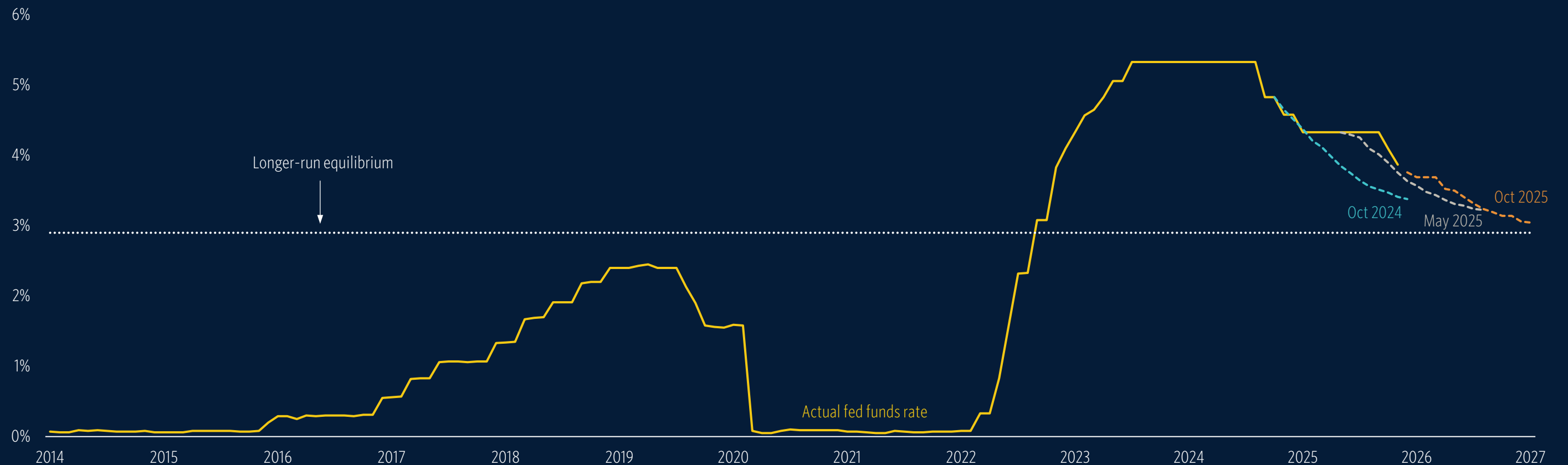


Source: [Atlanta Fed](#) • Geography: US • As of August 31, 2025



The Fed resumed its easing schedule in September, and markets expect further cuts going into 2026 and beyond.

Figure 10 ► **Federal funds rate with forward market expectations**

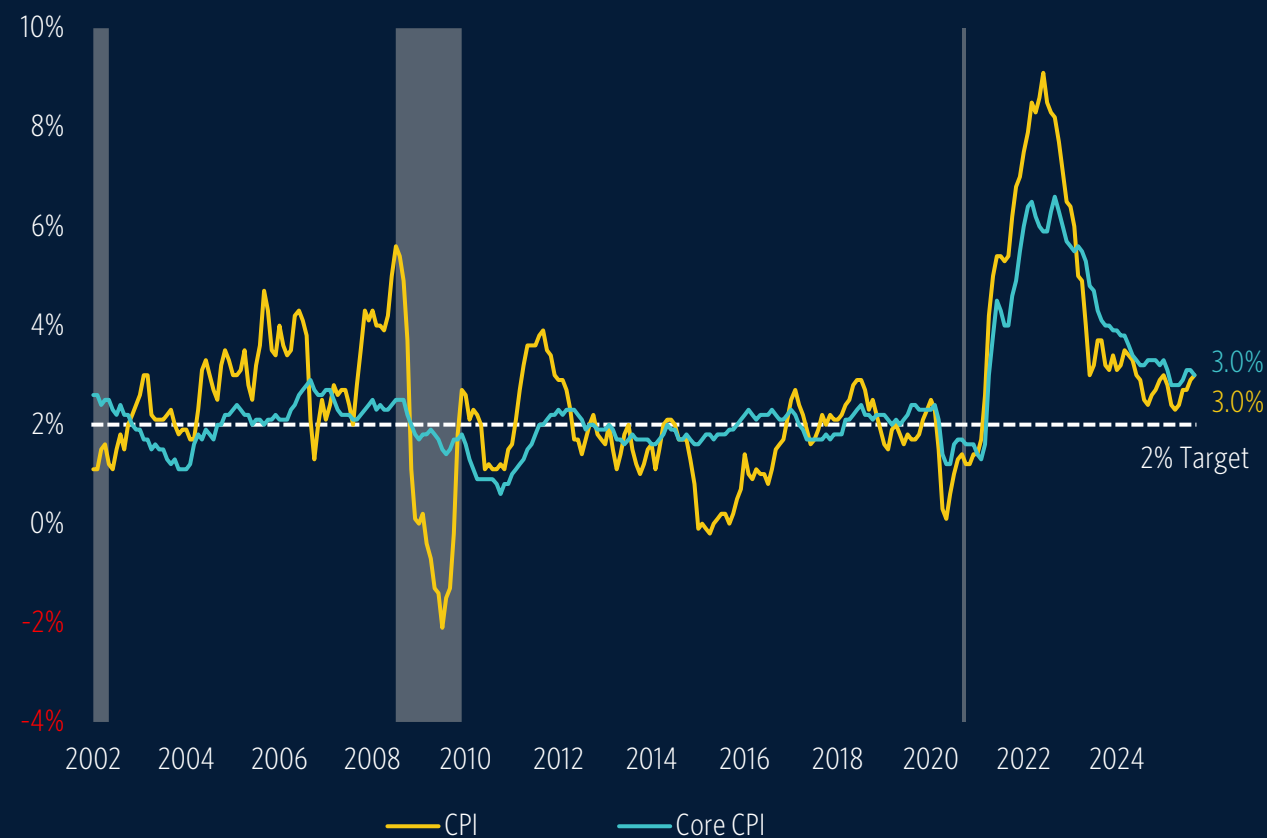


Sources: [Federal Reserve](#) and [CME Group](#) • Geography: US • As of October 31, 2025



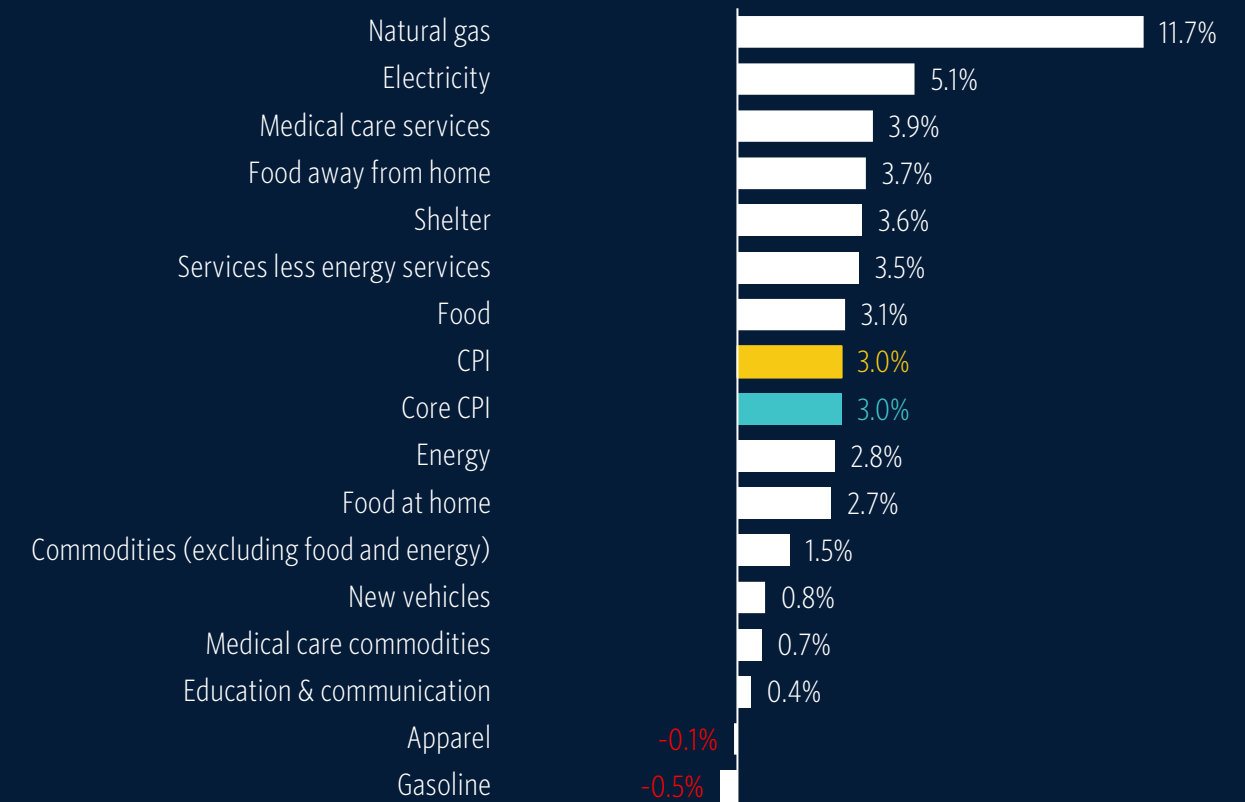
Inflation has normalized in the 3% range with price growth cooling across most consumer staples. Though, the increasing power demands from datacenters are driving electricity and natural gas prices upward.

Figure 11 ▶ YoY change in CPI



Source: [Bureau of Labor Statistics](#) • Geography: US • As of September 30, 2025

Figure 12 ▶ YoY change in CPI for select categories

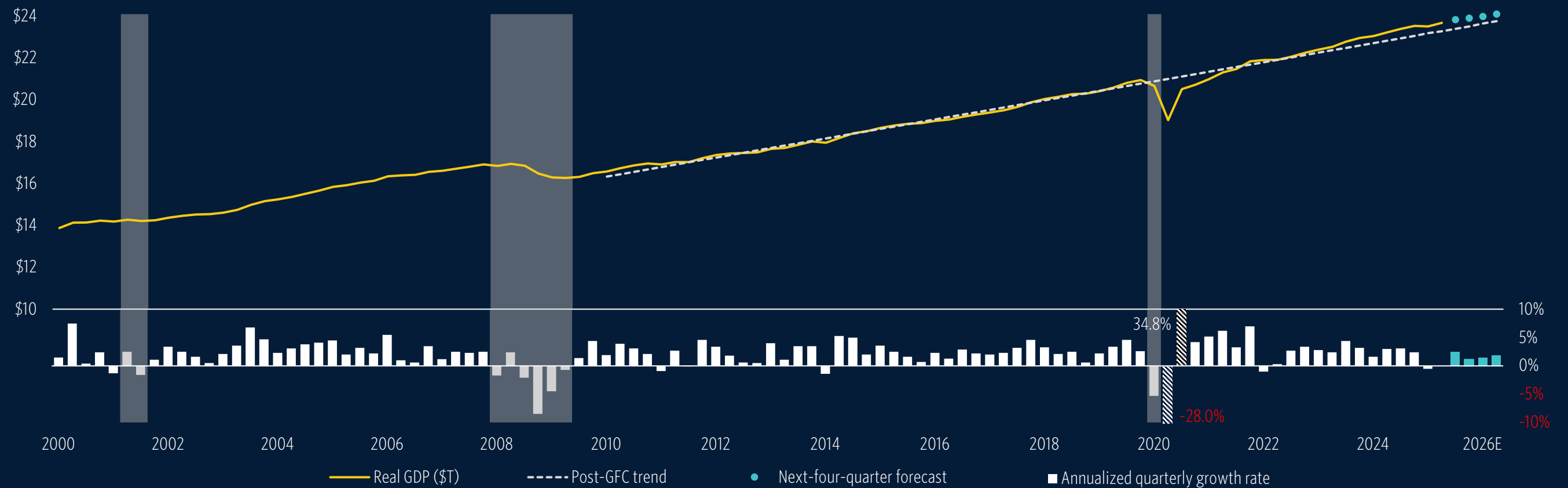


Source: [Bureau of Labor Statistics](#) • Geography: US • As of September 30, 2025



GDP continues to report above the post-pandemic trendline with economic forecasts continuing to project modest growth...

Figure 13 ► **Real GDP growth compared with post-global-financial-crisis (post-GFC) trend**

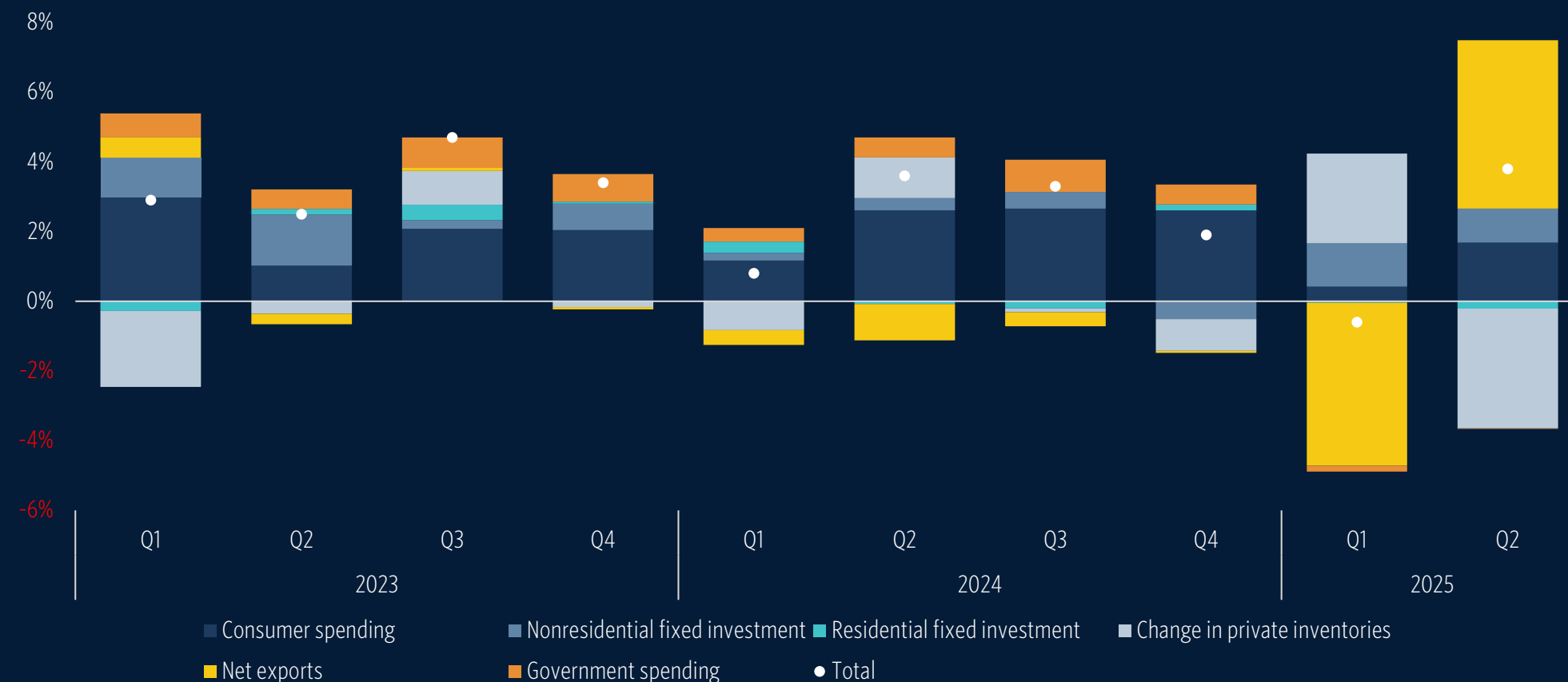


Source: [Bureau of Economic Analysis](#) and [WSJ Economic Forecasting Survey](#) Geography: US ▪ As of June 30, 2025



...but the dispersion of GDP contributions has grown wider in 2025 than at any point in the past ten quarters.

Figure 14 ► Contributions to annualized real GDP growth by quarter



Source: [Bureau of Economic Analysis](#) • Geography: US • As of June 30, 2025



Inventory whiplash

The imposition of widespread tariffs in early April is the fulcrum on which the Q1 and Q2 2025 GDP prints pivoted. In Q1, GDP contracted -0.6% as businesses looked to front-run anticipated tariff rate increases and shifted resources into building private inventories through higher imports. This trend reversed in Q2, with inventories declining as business and consumers adjusted their budget toward spending domestically rather than on imported goods.

The Q3 2025 GDP report, scheduled for release on October 30, was delayed due to the government shutdown. Given that the increase in net exports during Q2 effectively offset the decline seen in Q1, the Q3 GDP figures, when reported, will offer insight into how consumers and businesses are managing under the higher tariff regime.



Cool under pressure



After a two-year swell in loan issuance, volumes are now rolling over and momentum appears to be fading...

Figure 15 ▶ **Trailing six-month leveraged loan issuance for LBOs (\$B)**



Source: PitchBook | LCD • Geography: US • As of September 30, 2025

Figure 16 ▶ **Trailing six-month business development company (BDC) net-new loan issuance (\$B)**

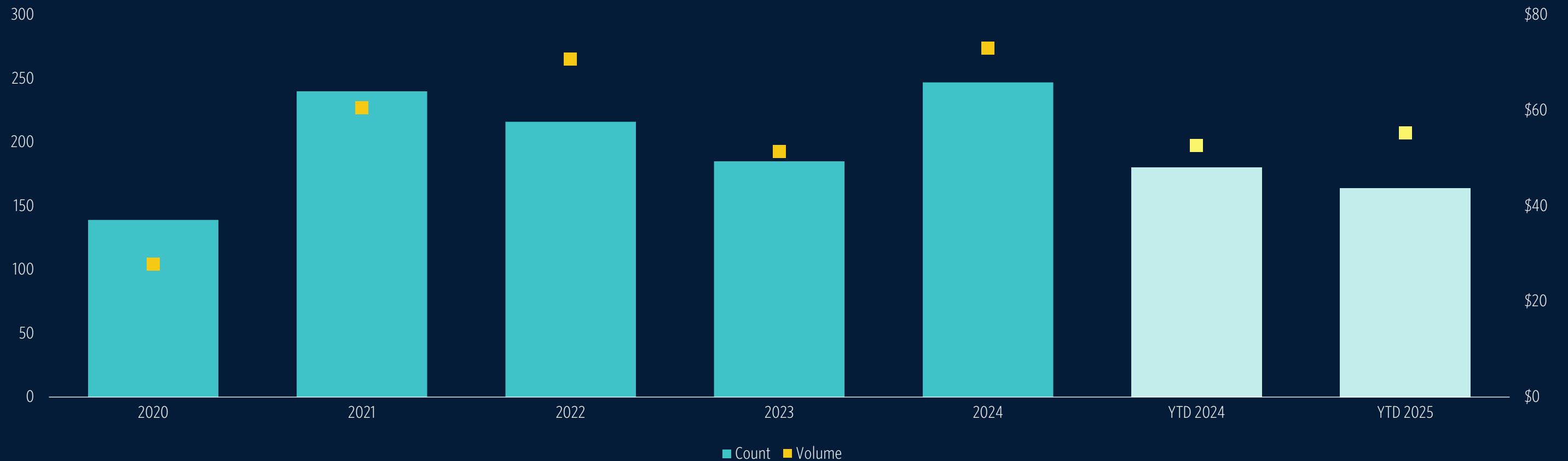


Sources: PitchBook and Morningstar • Geography: US • As of September 30, 2025
Note: The BDCs included in the data are based on the holdings of the VanEck BDC Income ETF. BDC loan issuance is not exclusively for buyouts.



...and direct lending for LBOs has remained flat, potentially creating a mismatch between loan supply and demand.

Figure 17 ▶ Direct lending deal count and estimated volume of deals financing LBOs (\$B)

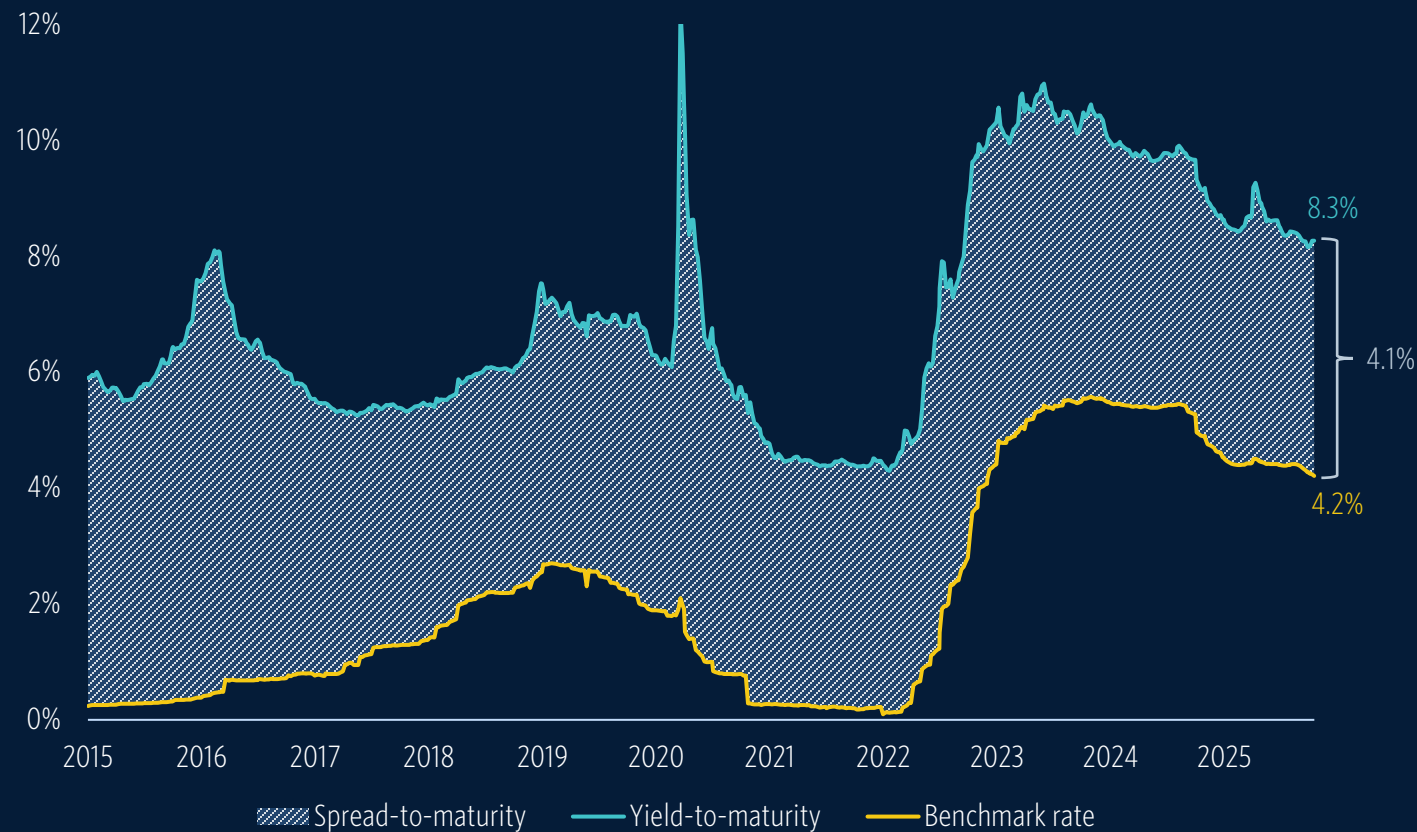


Source: PitchBook | LCD • Geography: US • As of September 30, 2025
Note: Data count is based on transactions covered by LCD News.



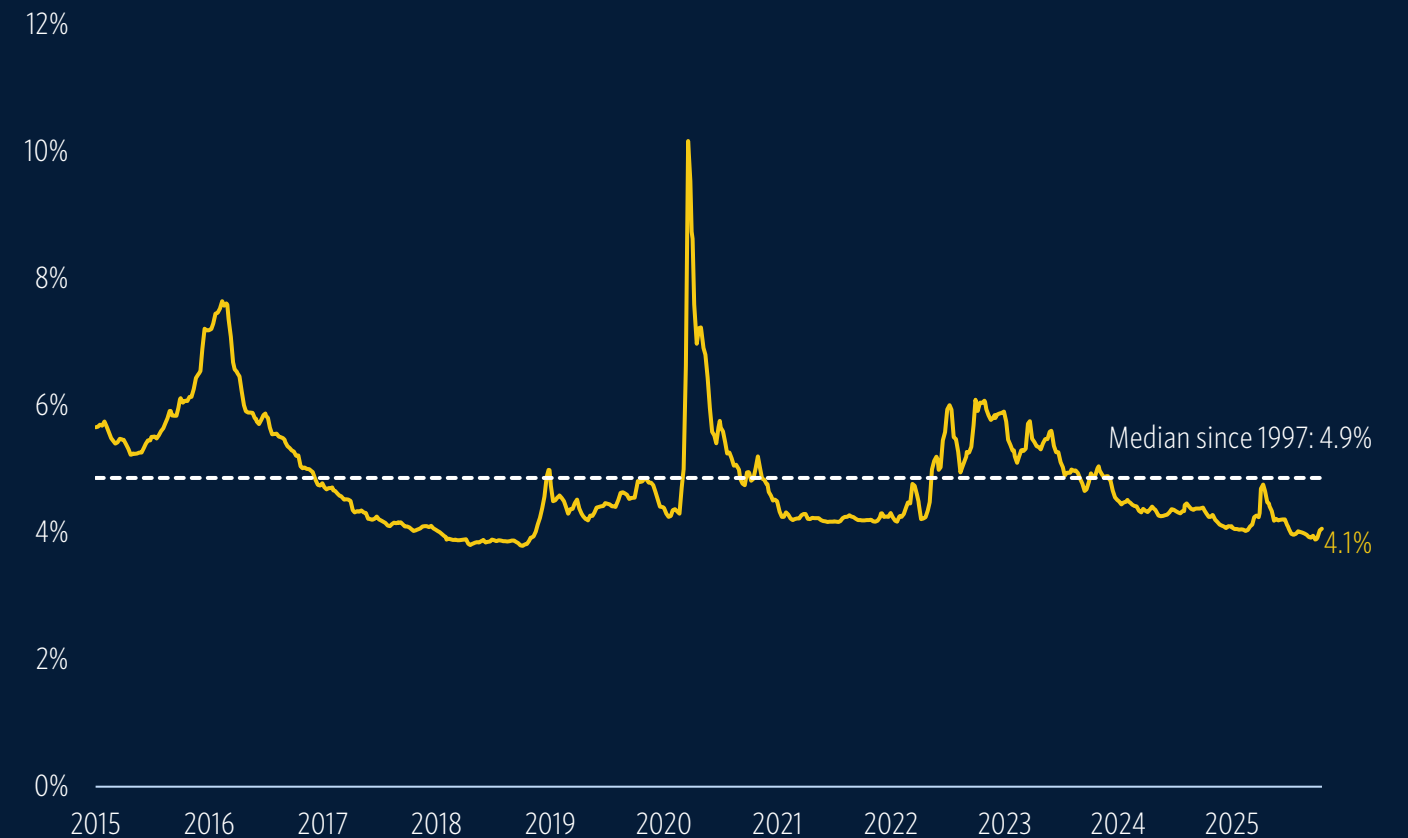
Borrowing costs have compressed meaningfully as base rates move off decade highs and spreads grind tighter. Lenders are deploying into an environment where returns are less likely to be driven by price appreciation...

Figure 18 ▶ **Yield-to-maturity attribution for B-rated leveraged loans**



Source: PitchBook | LCD • Geography: US • As of October 17, 2025

Figure 19 ▶ **Spread-to-maturity for B-rated leveraged loans**

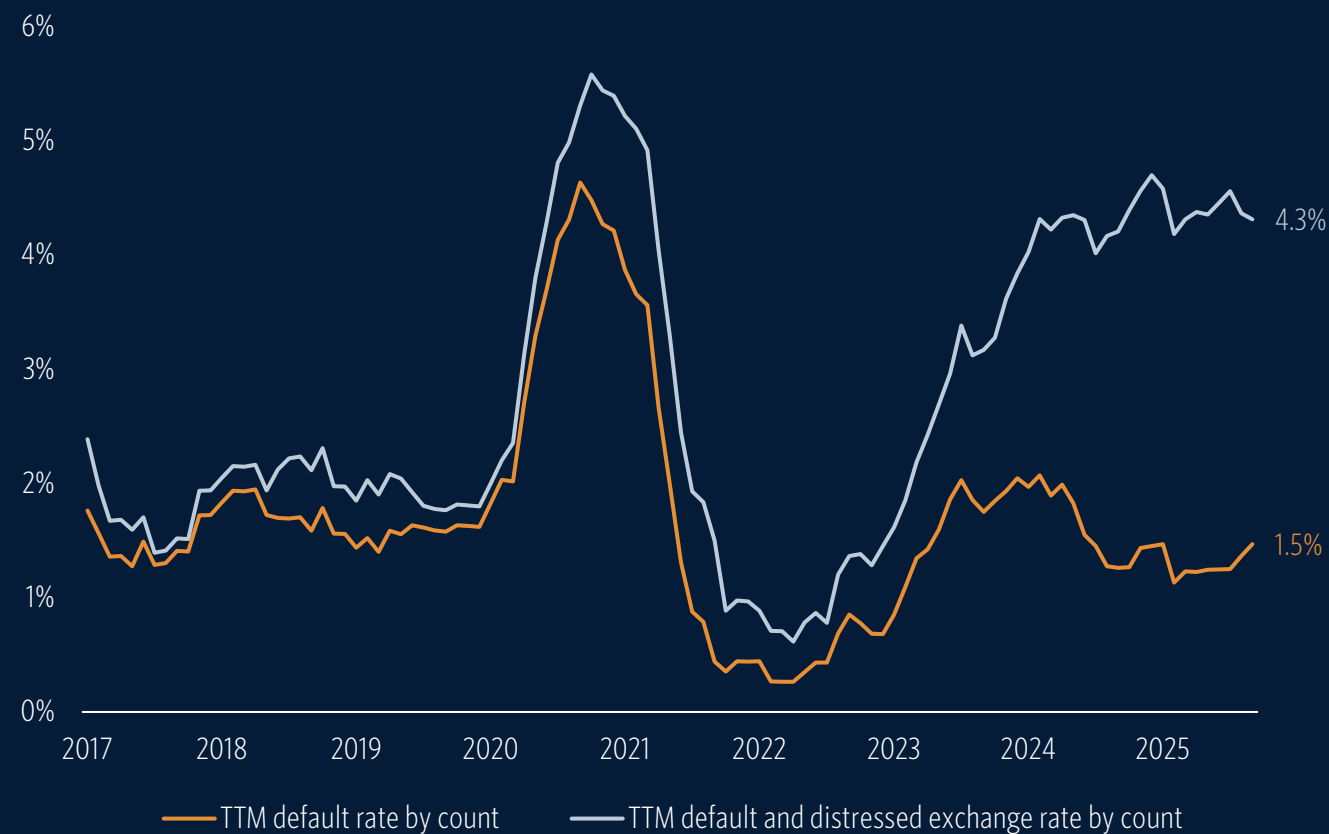


Source: PitchBook | LCD • Geography: US • As of October 17, 2025



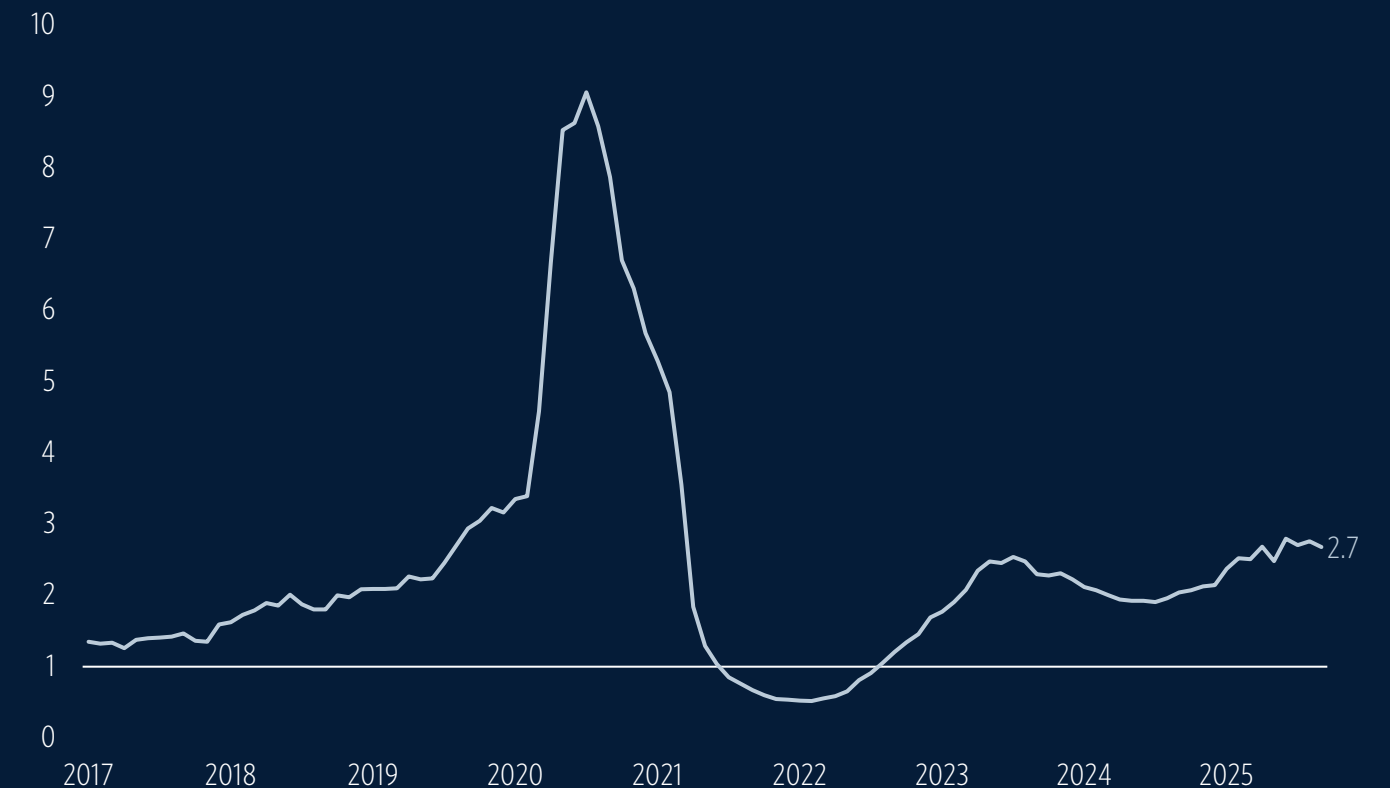
...at a time when some market stress is apparent. A couple of high-profile defaults, combined with persistent liability management exercises and downgrades outpacing upgrades, could signal emerging risks.

Figure 20 ► US leveraged loan dual-track default rates



Source: PitchBook | LCD • Geography: US • As of September 30, 2025

Figure 21 ► US leveraged loans rolling 12-month downgrade/upgrade ratio



Source: PitchBook | LCD • Geography: US • As of September 30, 2025



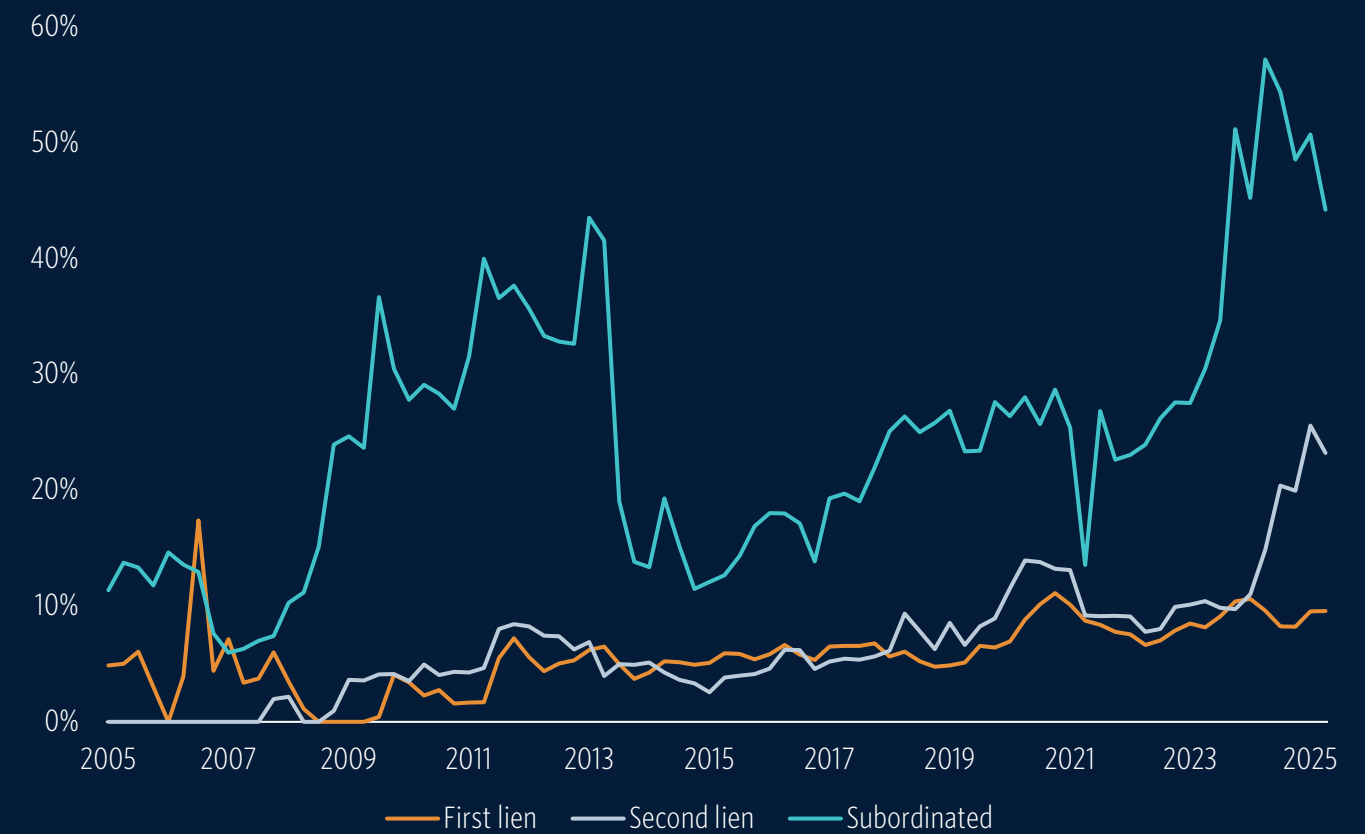
The use of payment-in-kind (PIK) features has been trending upward. Loans lower in the capital stack are more likely to have PIK features than first-lien loans.

Figure 22 ▶ **Share of outstanding BDC loans with PIK feature**



Source: PitchBook | LCD • Geography: US • As of June 30, 2025

Figure 23 ▶ **Share of outstanding BDC loan count with PIK feature by instrument type**



Source: PitchBook | LCD • Geography: US • As of June 30, 2025



Public BDC pricing offers a real-time measure of the market's view of the underlying assets and provides another potential signal of strain in loan markets.

Figure 24 ► **Average public BDC premium or discount to NAV**



Sources: PitchBook and Morningstar • Geography: US • As of October 20, 2025
Note: The BDCs included in the data are based on the current holdings of the VanEck BDC Income ETF.



Sentiment and fundamentals

Recent movements in the public BDC discount to net asset value (NAV) highlight a disconnect between loan market sentiment and reported fundamentals. Fund discounts to NAV can be influenced by a range of factors, including skepticism about the quality of underlying loans, manager performance, and investment strategy.

However, public BDCs, which invest in private assets, face the additional challenge that their shares are priced daily, while their NAVs are typically updated quarterly. This can lead to a significant timing mismatch between market pricing and reported asset values. During periods of market stress or uncertainty, BDC shares may quickly reprice to reflect perceived credit deterioration or higher risk premiums well before those changes appear in NAV reports.



Heat check



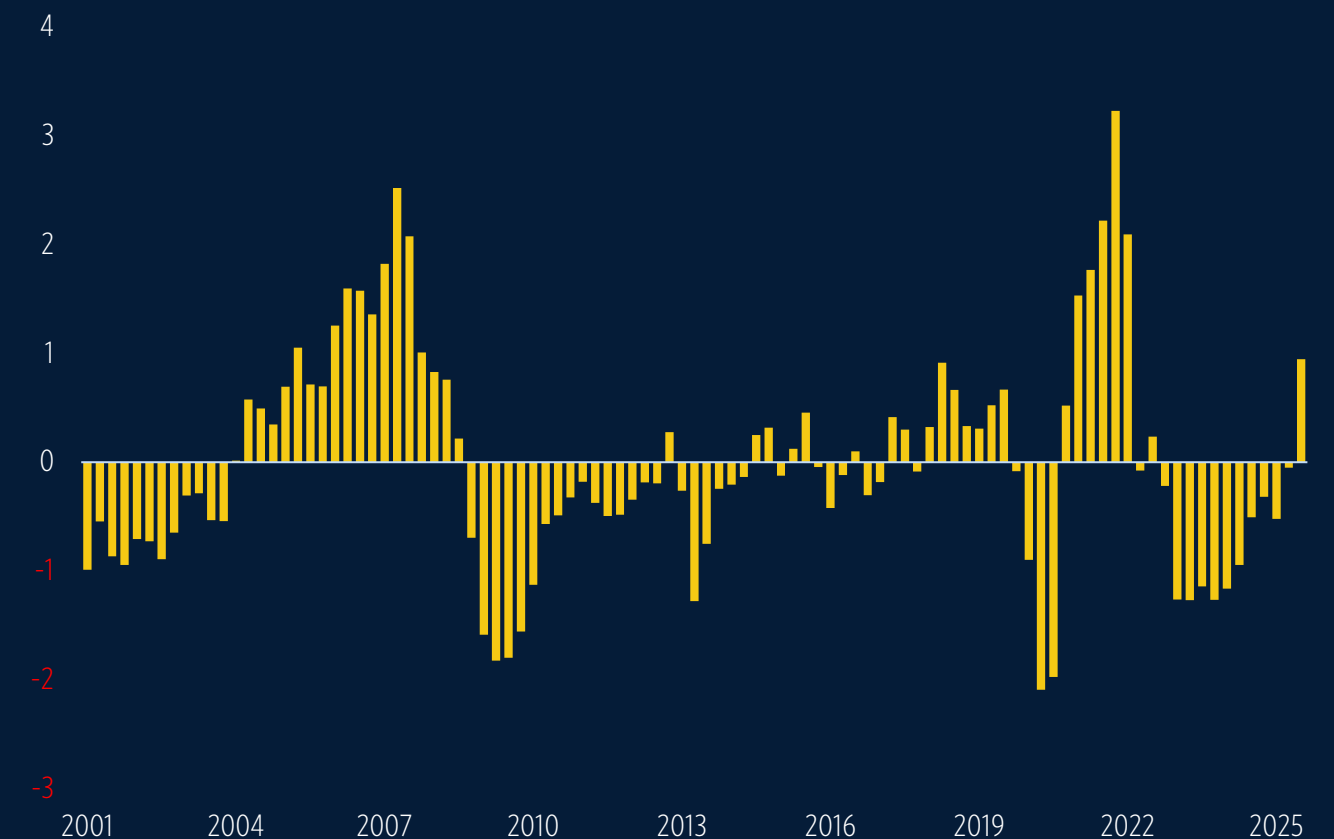
Following the 2021 peak, buyout dealmaking fell below the long-term trend until mid-2025, when activity rebounded strongly as the market continues to work through a backlog of deals.

Figure 25 ▶ **Trailing six-month buyout deal value trends**



Source: PitchBook • Geography: US • As of September 30, 2025
Note: Data is seasonally adjusted, includes estimates for the four most recent quarters, and caps individual deal values at the 95th percentile.

Figure 26 ▶ **Trailing six-month buyout deal value relative to long-term trend (Z-score)**

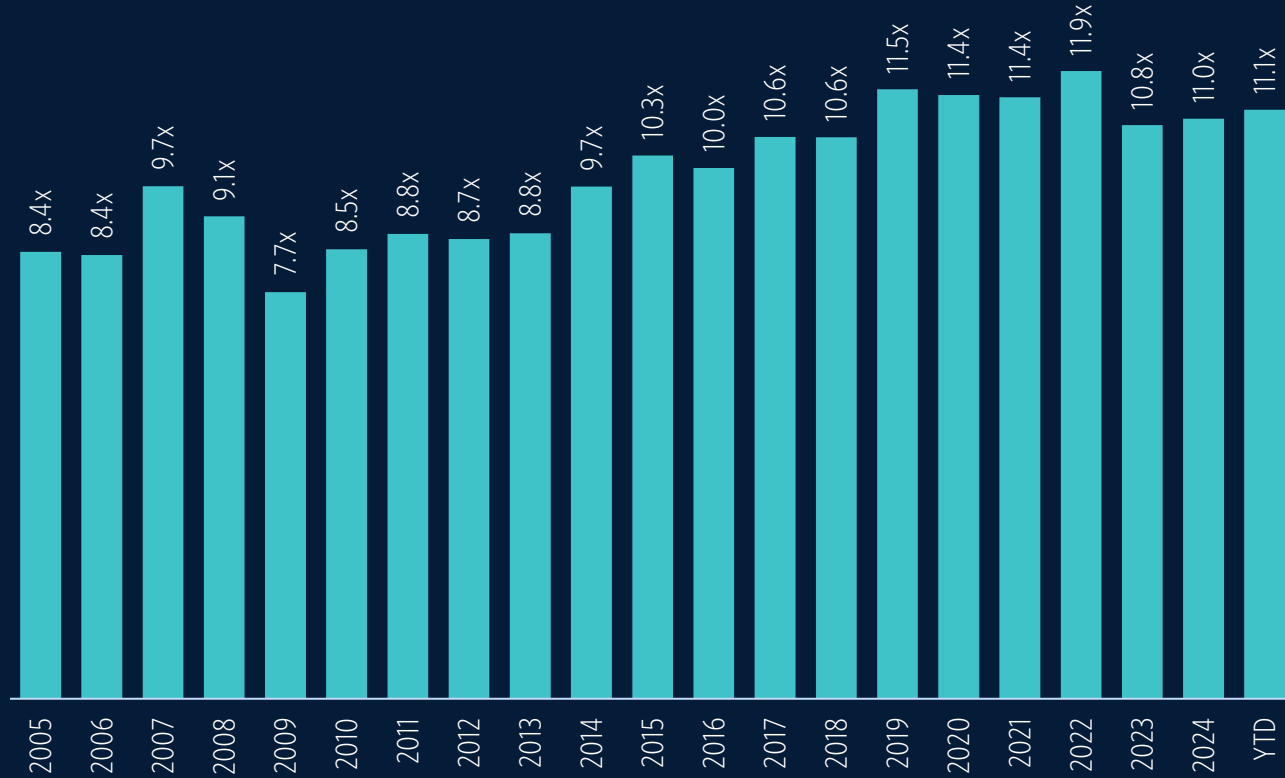


Source: PitchBook • Geography: US • As of September 30, 2025



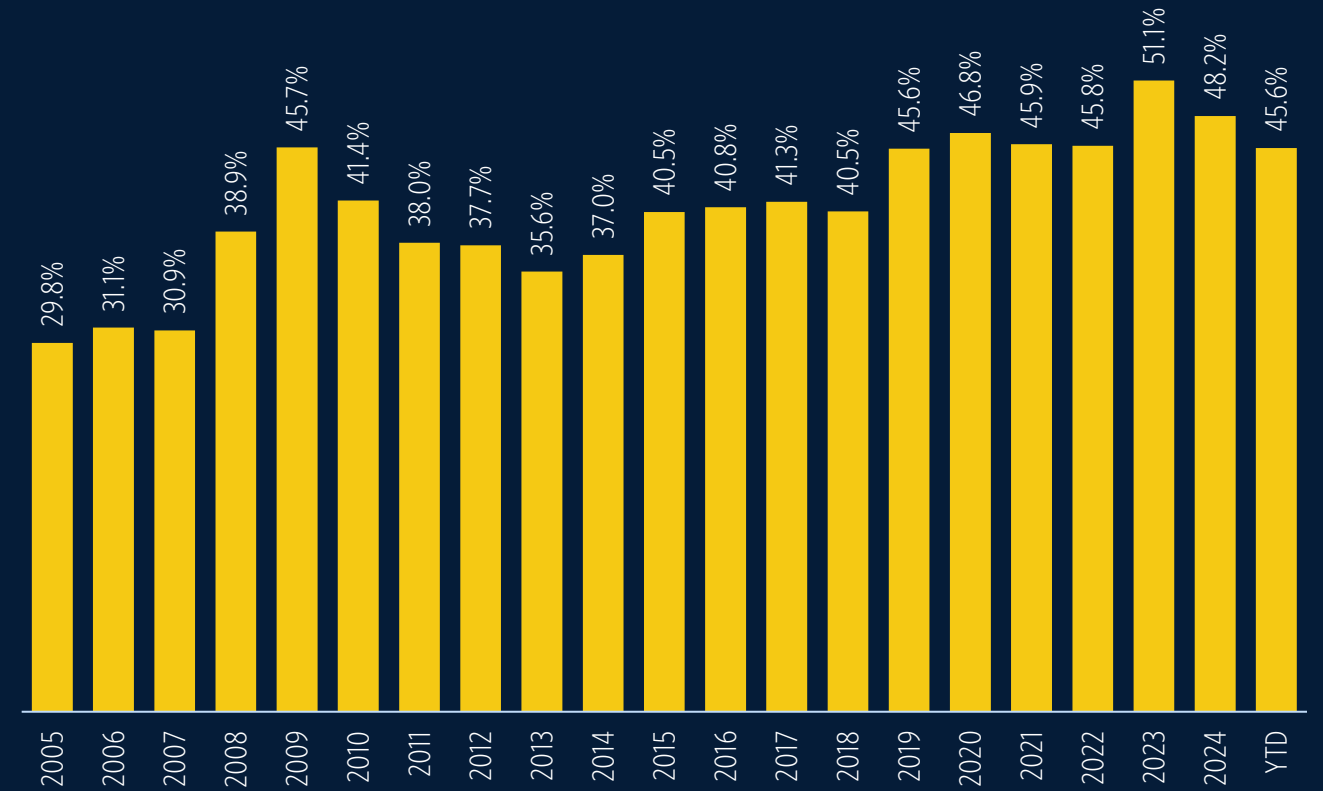
Deal fundamentals appear stable, with EBITDA multiples remaining flat, leverage ticking up slightly...

Figure 27 ► **EBITDA purchase price multiples for LBOs financed in the syndicated loan market**



Source: PitchBook | LCD • Geography: US • As of September 30, 2025

Figure 28 ► **Equity contributions for LBOs financed in the syndicated loan market**

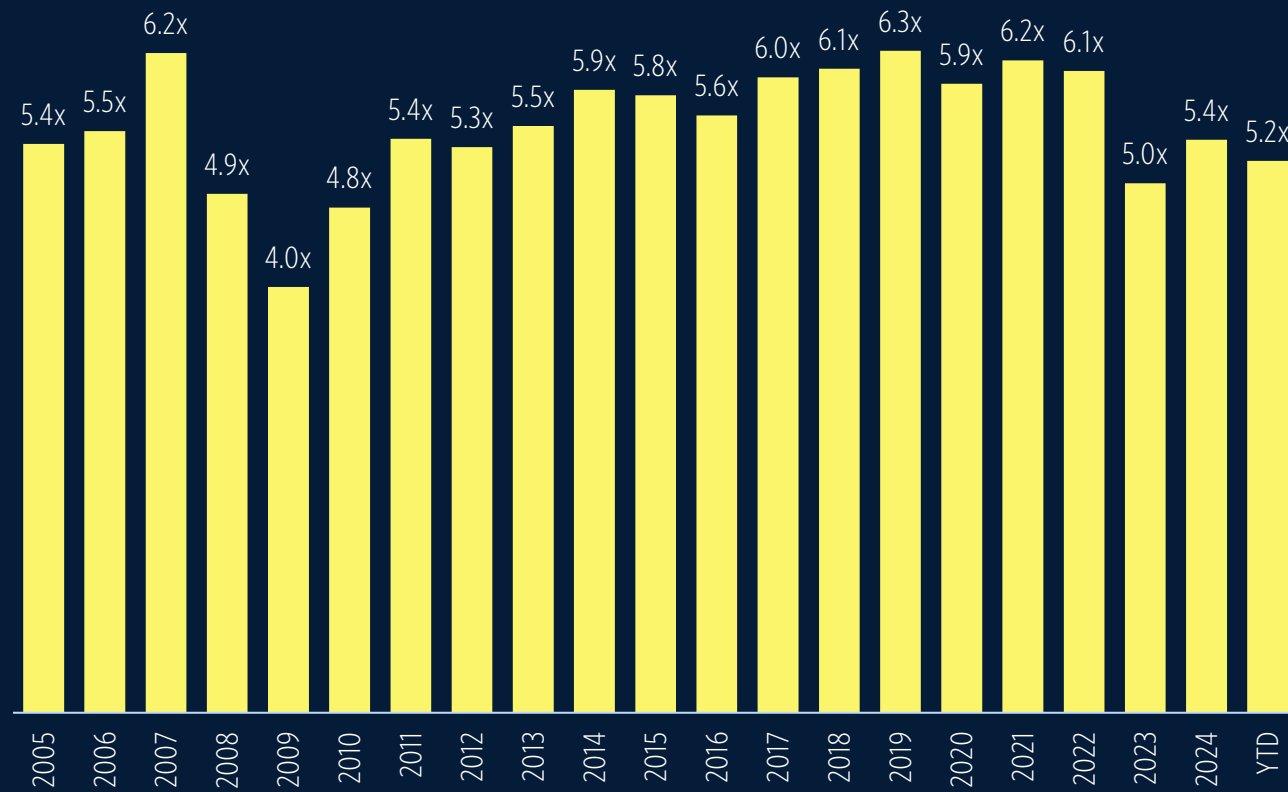


Source: PitchBook | LCD • Geography: US • As of September 30, 2025



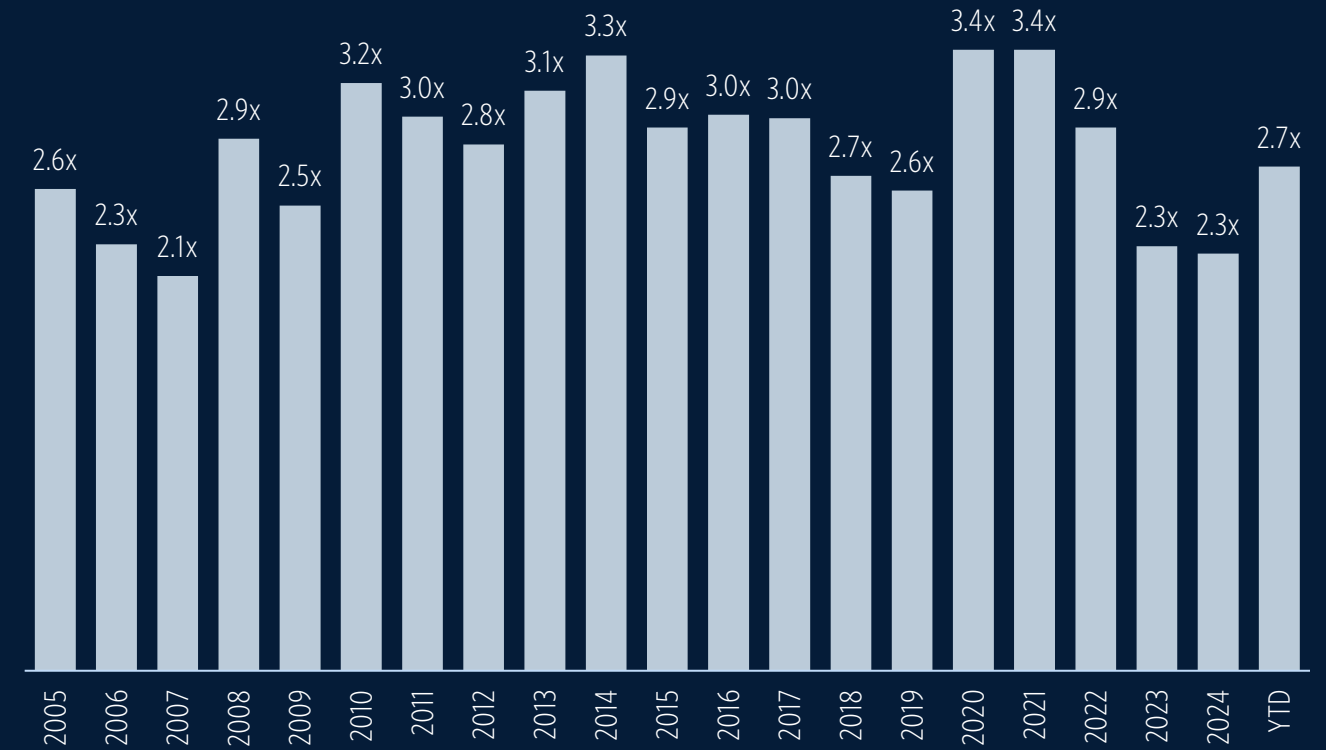
...improved debt loads, and solid interest coverage, indicating that the market remains disciplined in underwriting deals.

Figure 29 ▶ **Debt/EBITDA for LBOs financed in the syndicated loan market**



Source: PitchBook | LCD • Geography: US • As of September 30, 2025
Note: Includes issuers with EBITDA of more than \$50 million.

Figure 30 ▶ **EBITDA/cash interest for LBOs financed in the syndicated loan market**

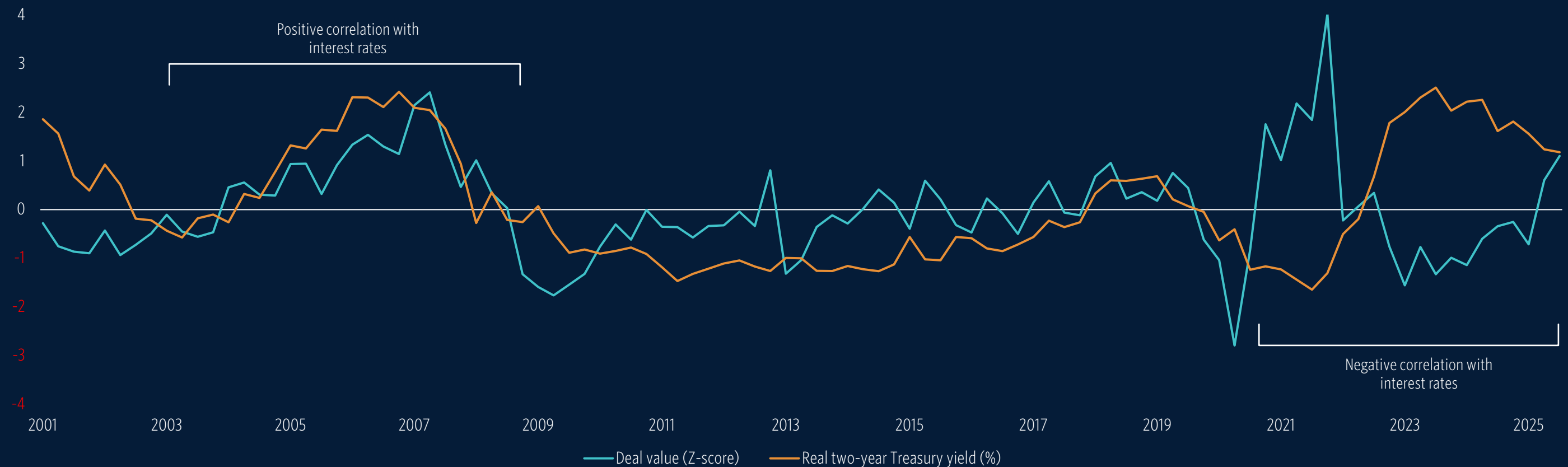


Source: PitchBook | LCD • Geography: US • As of September 30, 2025
Note: Includes issuers with EBITDA of more than \$50 million.



Conventional wisdom suggests higher rates typically weigh on dealmaking, but that link was muted over the past two decades. This relationship has re-emerged with the recent negative correlation between deal value and rates.

Figure 31 ► **Detrended quarterly buyout deal value and real two-year Treasury yields**

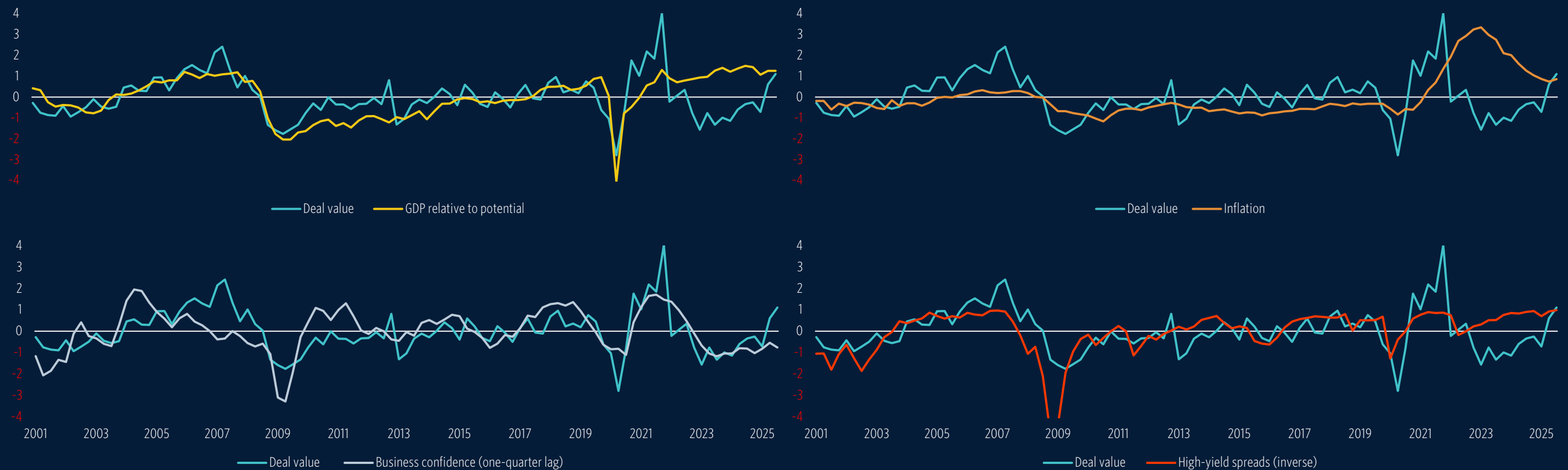


Sources: PitchBook, the Federal Reserve, and the [Cleveland Fed](#) • Geography: US • As of September 30, 2025
Note: Inflation expectations from the Cleveland Fed were used to deflate the nominal two-year Treasury yield.



By combining fundamental factors such as economic growth, inflation, and market conditions, we can model the macroeconomic backdrop for buyout dealmaking...

Figure 32 ► **Relationships between detrended quarterly buyout deal value and key macro variables (Z-score)**

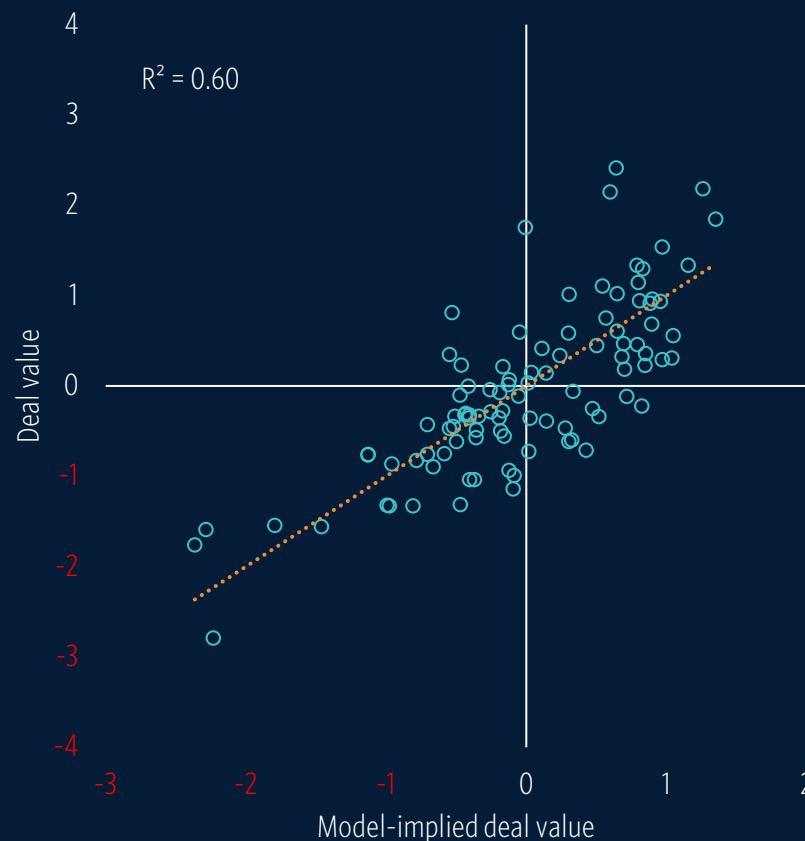
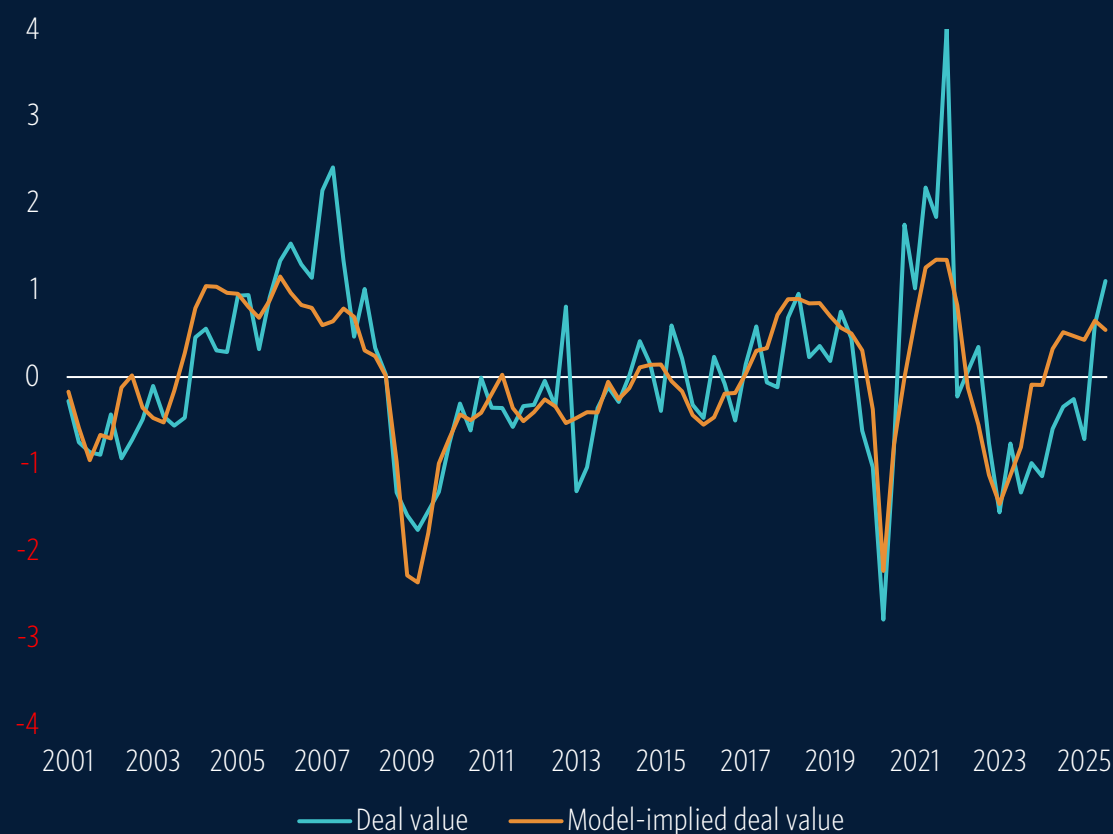


Sources: PitchBook, Bureau of Economic Analysis, CBO, OECD, and ICE BofA Indexes • Geography: US • As of September 30, 2025
Note: Inflation is the deviation of the two-year annualized change in core PCE from 2%.



...which shows that buyout activity lagged macro-implied levels in recent years but has now accelerated past expectations as the market catches up on deferred deals.

Figure 33 ► **Detrended quarterly PE buyout deal value versus macro model-implied deal value (Z-score)**



Source: PitchBook • Geography: US • As of September 30, 2025



The buyout backdrop

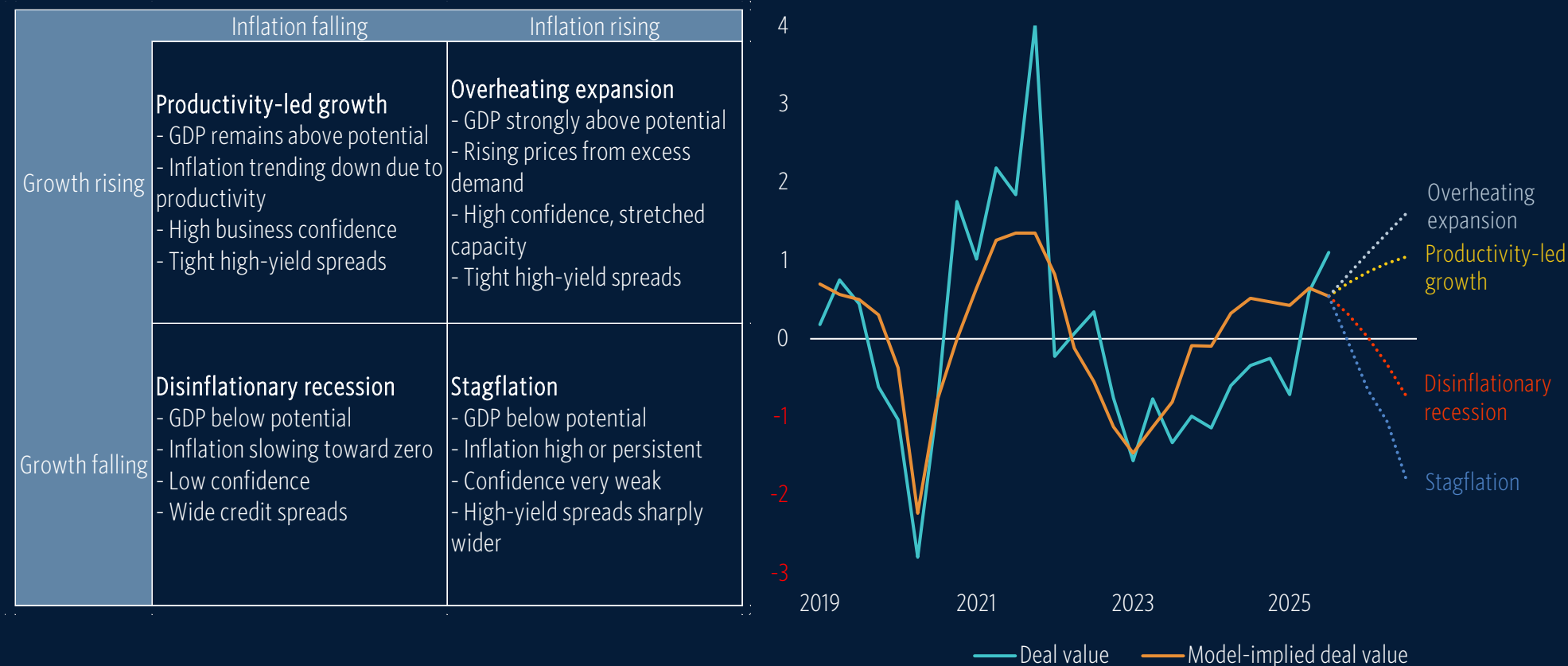
Total buyout deal activity is closely tied to the broader macroeconomic environment. To quantify this relationship, we developed a simple linear model that explains the variations in quarterly buyout deal value using four key macro indicators: real GDP, inflation, business confidence, and high-yield spreads. The model output, the implied deal value, serves as an indicator of overall dealmaking conditions derived from macroeconomic variables.

Since 2023, actual buyout dealmaking activity has trailed the levels implied by economic fundamentals. However, activity surged in Q2 and Q3 2025 as the market played catch-up and worked through the backlog of delayed transactions. The current pace of buyout dealmaking now stands above macro-implied expectations. While it is too soon to tell whether this strength will hold, similar deviations in the past occurred during the run-up to the GFC and the post-COVID rebound.



Adjusting the underlying variables reveals how buyout deal activity may evolve under different scenarios; presently, deal activity is in line with a favorable macro backdrop.

Figure 34 ► **Estimated buyout deal value under select scenarios (Z-scores)**



Source: PitchBook • Geography: US • As of September 30, 2025



Setting the scenario stage

Because our model is built on a set of economic variables, we can adjust these inputs to estimate how changes in macro conditions might affect the model-implied level of buyout deal activity. Using a simple framework centered on inflation and growth, we outline four potential scenarios.

To construct our scenario inputs, we use the historical dispersion of each variable to calibrate the magnitude of change applied over the following four quarters. In general, our framework maps variable changes to the relevant quartile or decile range of historical observations. For example, “low business confidence” corresponds to levels near the bottom quartile of past readings, while “very weak confidence” reflects movement toward the bottom decile.

The current level of buyout activity stands above what economic fundamentals would imply and falls between the levels for the overheating expansion and productivity-led growth scenarios. This does not necessarily mean deal activity is overheating right now, but to sustain this pace, the market would likely require a supportive economic backdrop.

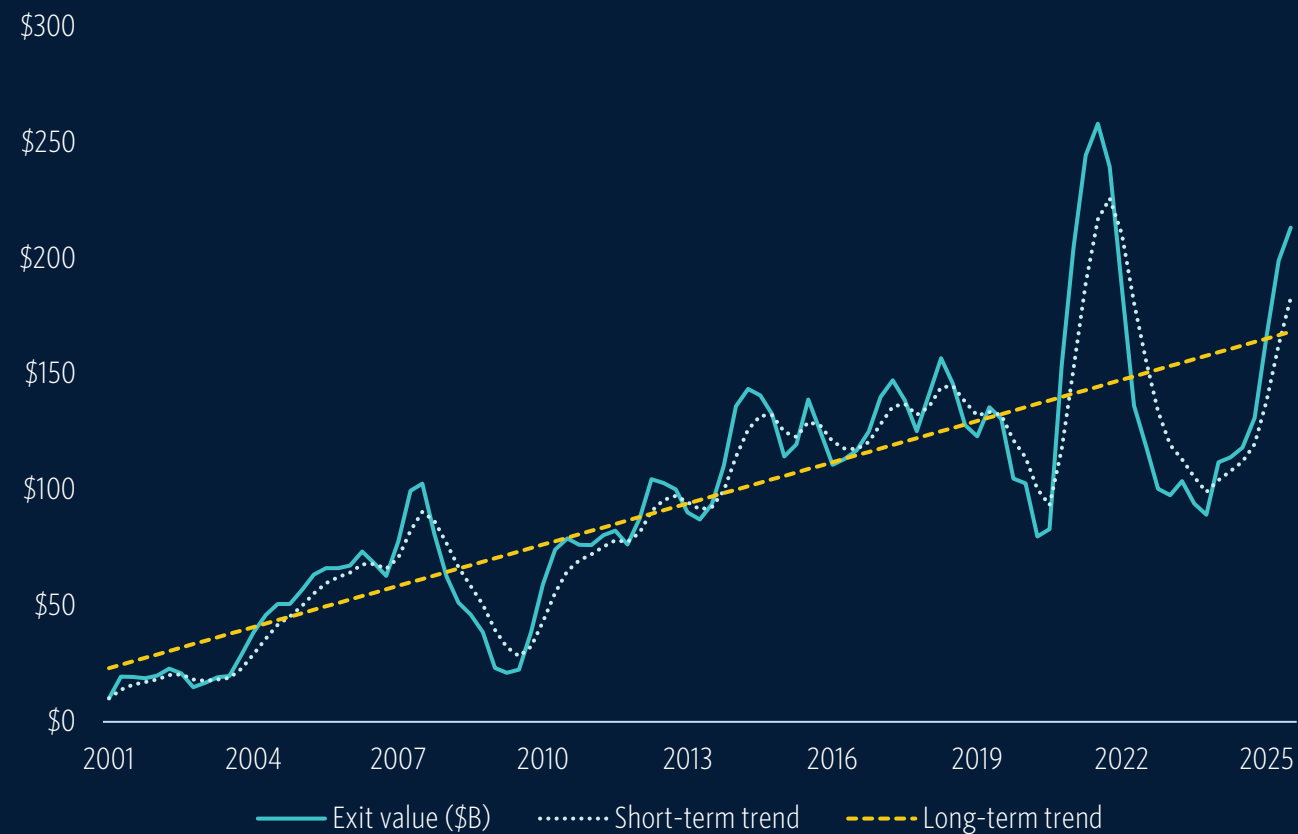


Beneath the surface



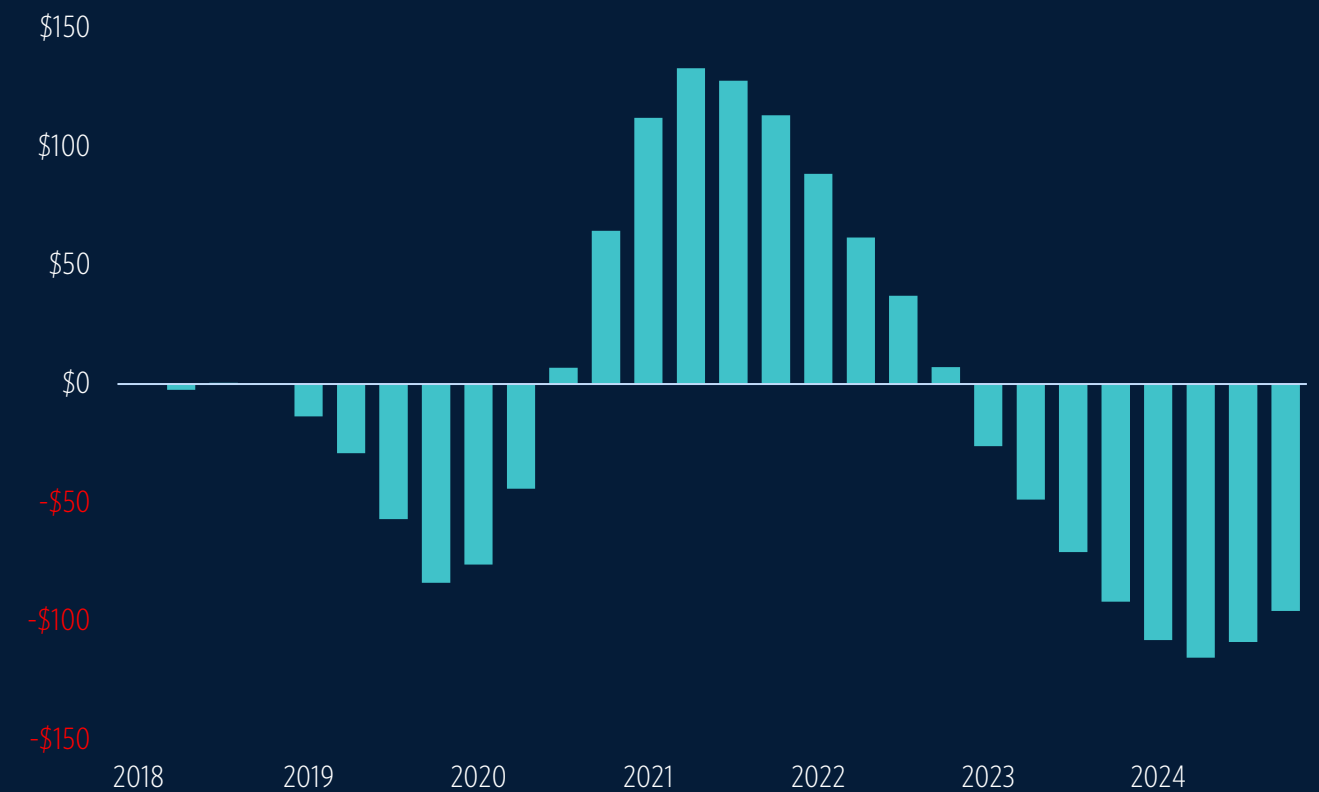
For the first time since 2022, exit activity has moved above its long-term trend and is chipping away at the unrealized exits that accumulated over the past two years. Although, this rebound has not meaningfully relieved pressure on managers...

Figure 35 ▶ **Trailing six-month PE exit value trends**



Source: PitchBook • Geography: US • As of September 30, 2025
Note: Data is seasonally adjusted, includes estimates for the four most recent quarters, and caps individual deal values at the 95th percentile.

Figure 36 ▶ **Cumulative PE exit value relative to long-term trend (\$B)**

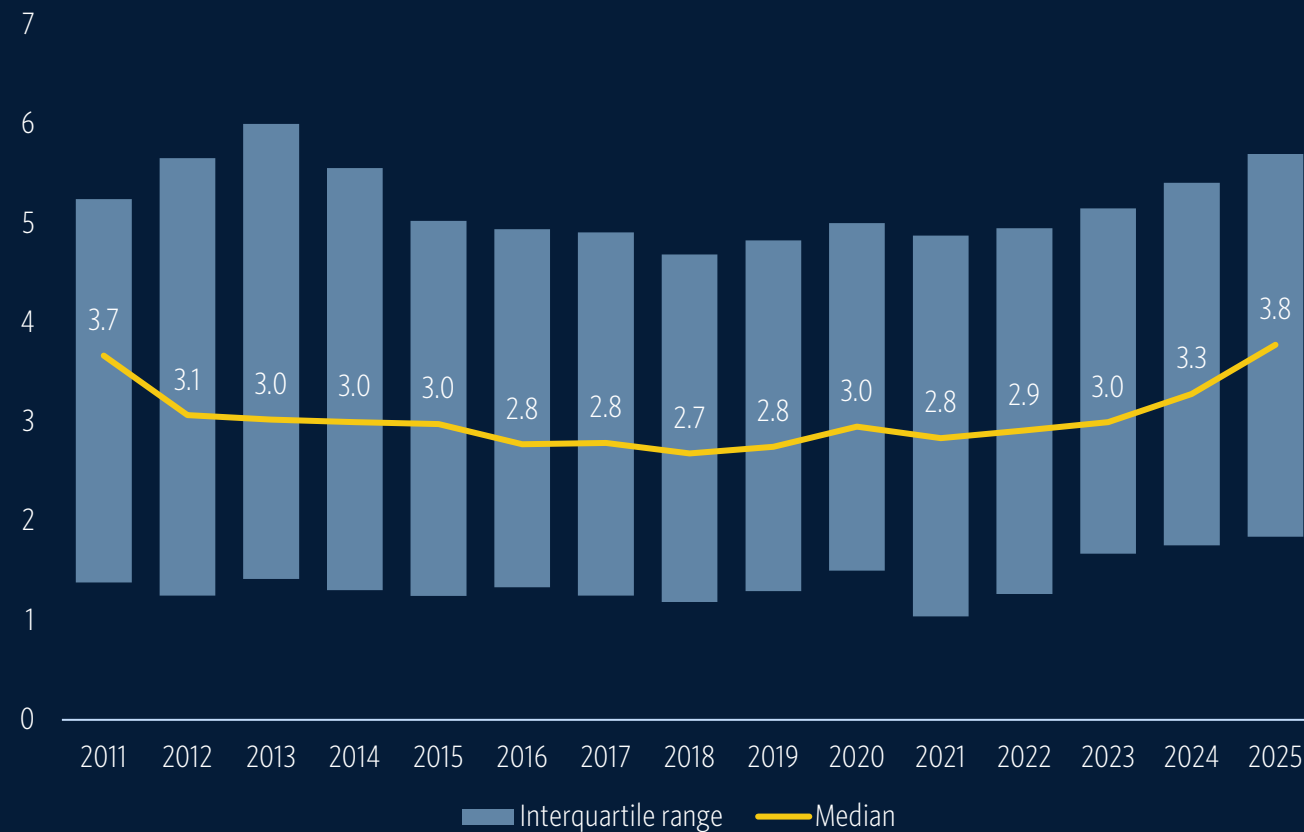


Source: PitchBook • Geography: US • As of September 30, 2025



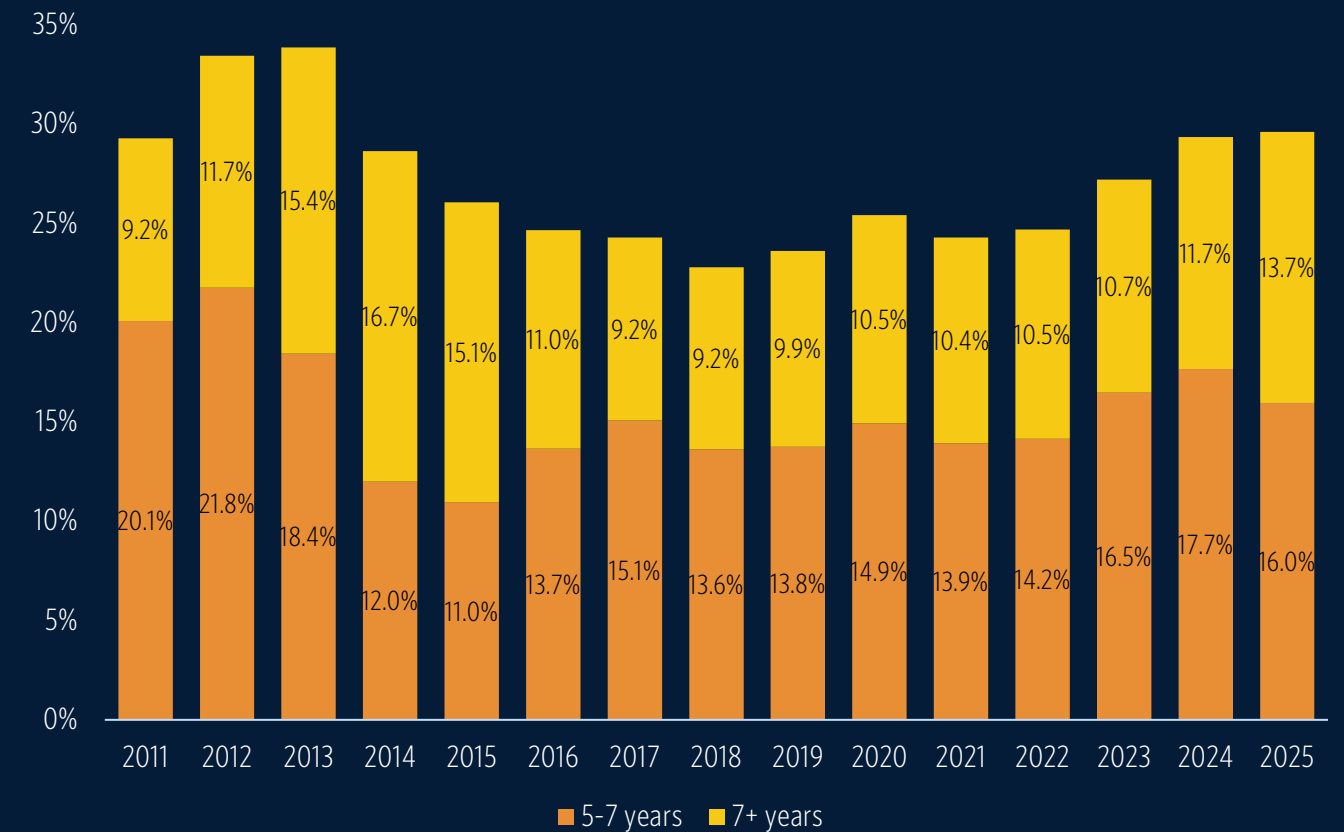
...who are still in need of selling opportunities as their portfolios continue to age. The median holding period of buyout-backed companies is the greatest since 2011, and 30% of buyout-backed companies have been held for more than five years.

Figure 37 ► **Holding period (years) of buyout-backed company inventory**



Source: PitchBook • Geography: US • As of October 22, 2025
Note: Companies held for more than 15 years are excluded.

Figure 38 ► **Share of buyout-backed companies by holding period**



Source: PitchBook • Geography: US • As of October 22, 2025
Note: Companies held for more than 15 years are excluded.



Fund distribution yields have come off the lows of late 2023, but remain well below historical norms...

Figure 39 ▶ Buyout fund DPI by age and vintage year

	Time since inception								
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
2006-2014	0.04x	0.06x	0.11x	0.19x	0.32x	0.46x	0.67x	0.88x	1.12x
2015	0.03x	0.06x	0.14x	0.23x	0.35x	0.59x	0.91x	1.02x	1.07x
2016	0.01x	0.06x	0.15x	0.14x	0.29x	0.61x	0.82x	0.99x	
2017	0.08x	0.05x	0.11x	0.17x	0.39x	0.60x	0.72x		
2018	0.01x	0.03x	0.06x	0.15x	0.32x	0.36x			
2019	0.02x	0.04x	0.13x	0.20x	0.28x				
2020	0.02x	0.08x	0.09x	0.12x					
2021	0.02x	0.05x	0.08x						
2022	0.02x	0.03x							

Source: PitchBook • Geography: US • As of June 30, 2025
Note: 2006-2014 values are averaged across each time bucket. Shading represents difference from mean 2006-2014 values.

Figure 40 ▶ TTM buyout fund distributions as a share of beginning NAV



Source: PitchBook • Geography: US • As of September 30, 2025
Note: The values for the two most recent quarters were estimated from buyout exit values.



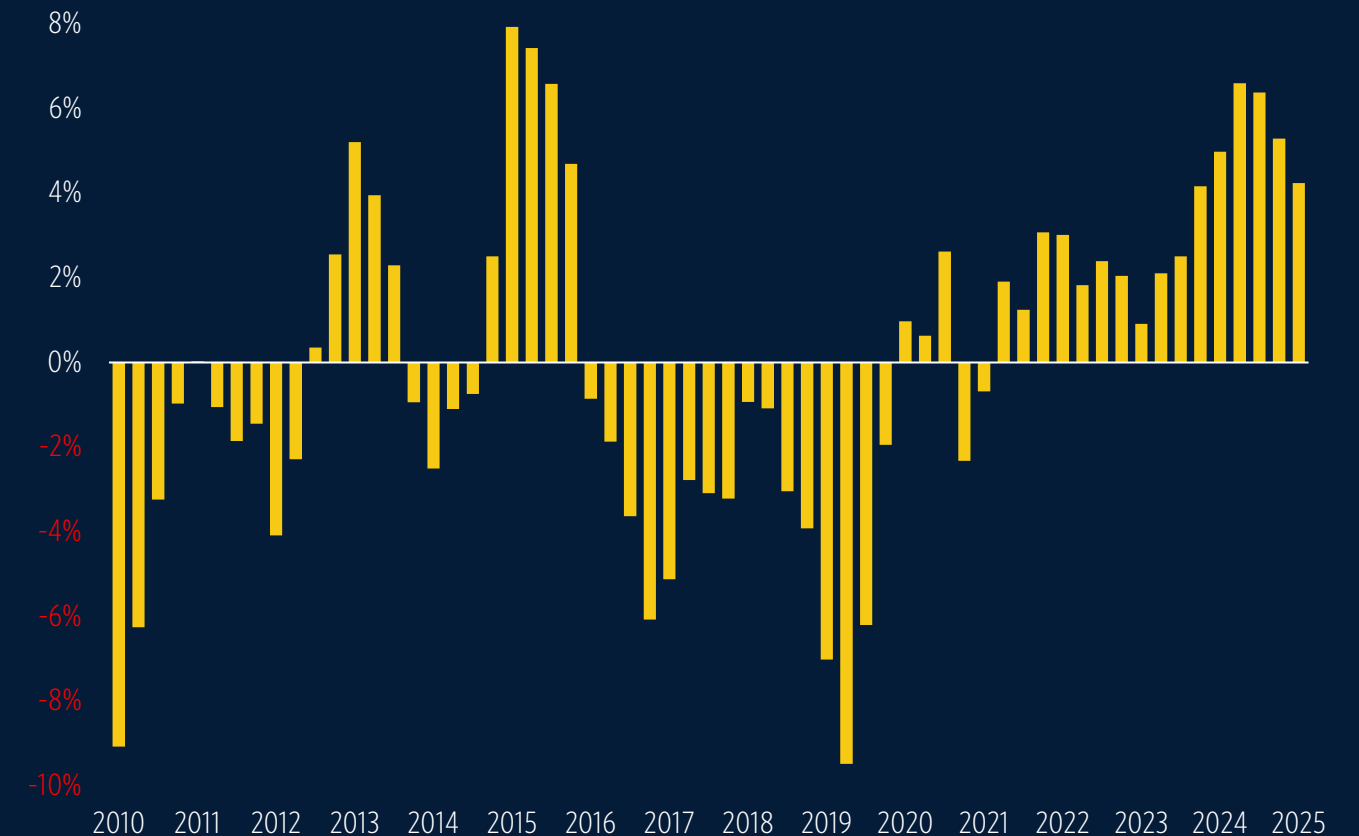
...but based solely on the pace of exits, distributions would be even lower. Current distribution yields are being supported by liquidity management tools such as continuation vehicles, dividend recapitalizations, and NAV loans.

Figure 41 ▶ **TTM buyout distribution yield versus exit-implied distribution yield**



Source: PitchBook • Geography: US • As of September 30, 2025
Note: The values for the two most recent quarters were estimated from buyout exit values.

Figure 42 ▶ **TTM buyout distribution yield versus exit-implied distribution yield (Z-score)**

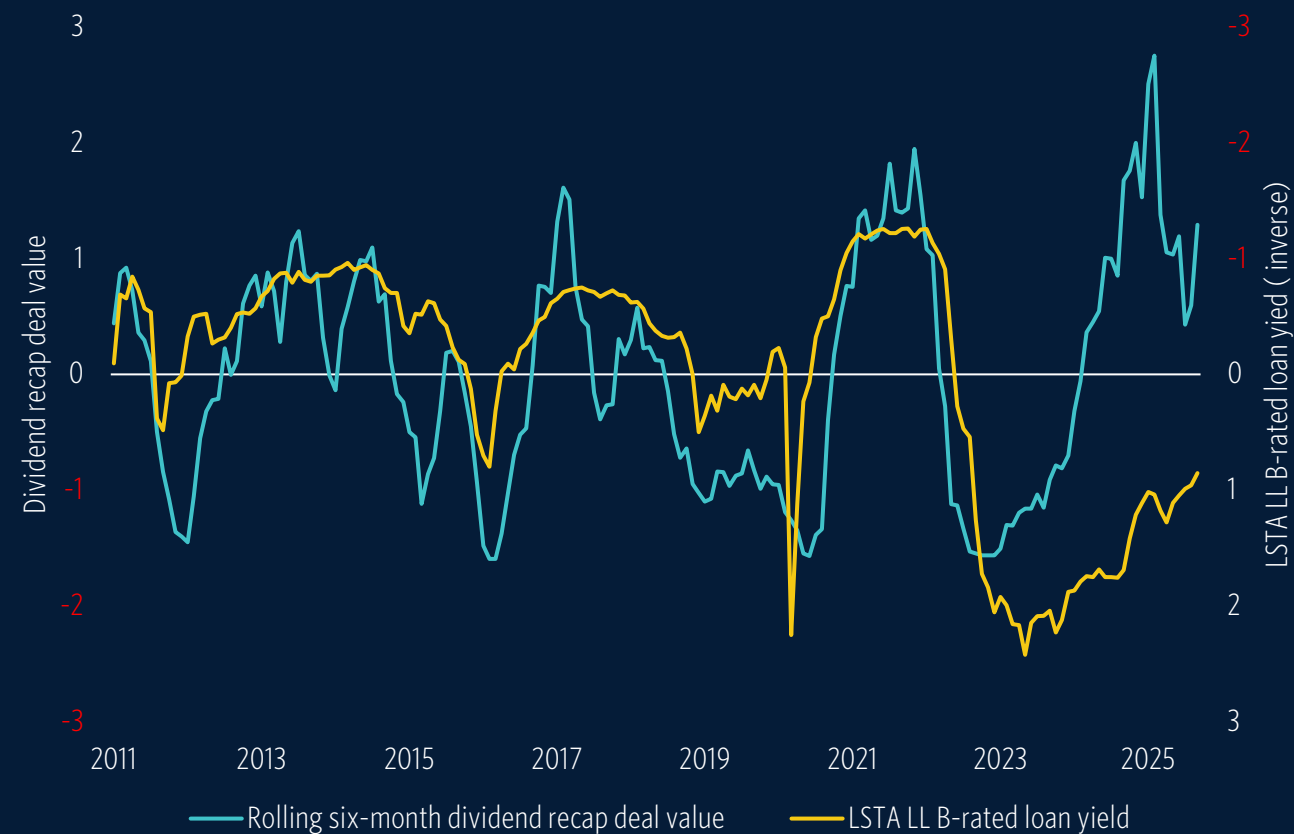


Source: PitchBook • Geography: US • As of September 30, 2025



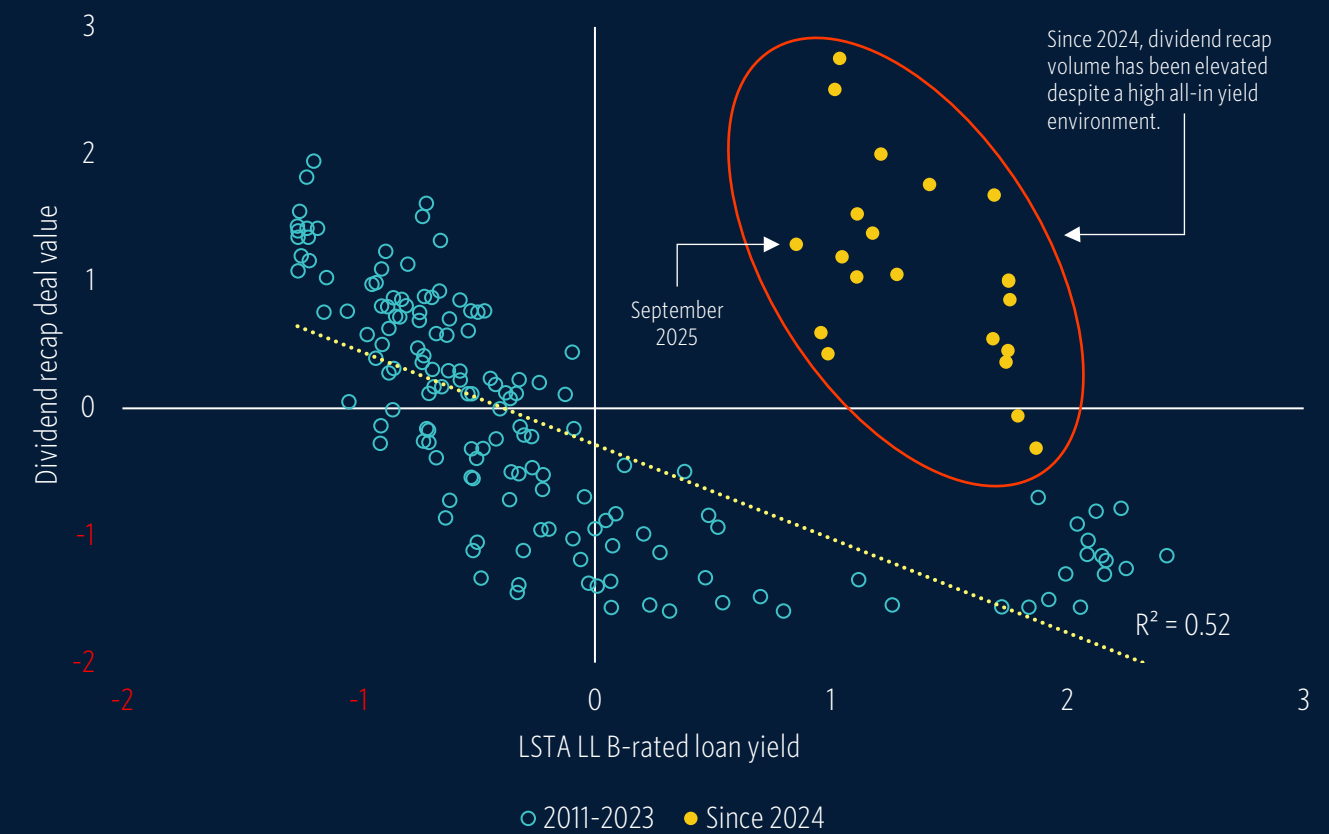
Managers looking to return cash to LPs are keeping dividend recaps in play, even though today's high-borrowing-cost environment would normally make them far less appealing.

Figure 43 ► **Sponsored dividend recap deal value and LSTA LL B-rated loan yield (Z-score)**



Sources: PitchBook | LCD and Morningstar • Geography: US • As of September 30, 2025

Figure 44 ► **Sponsored dividend recap deal value and LSTA LL B-rated loan yield (Z-score)**



Sources: PitchBook | LCD and Morningstar • Geography: US • As of September 30, 2025

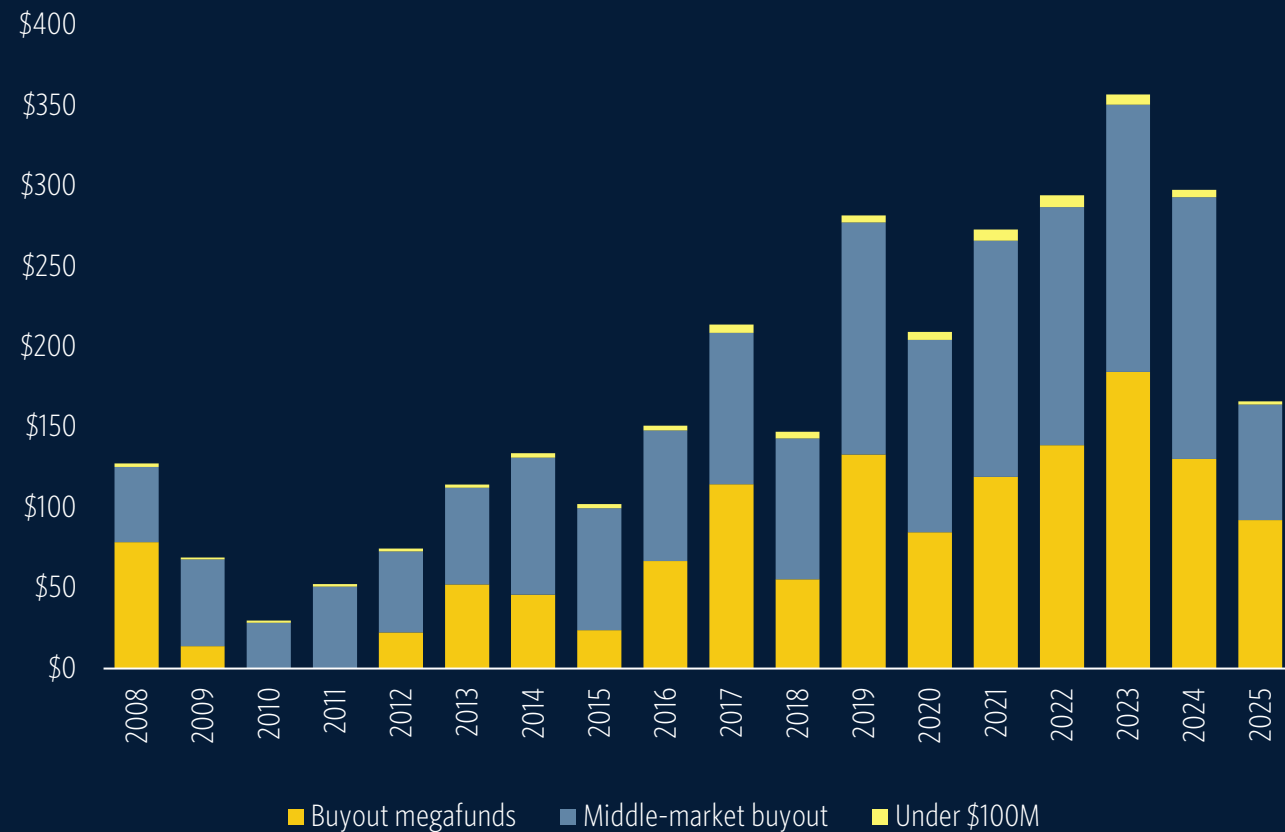


Allocation considerations



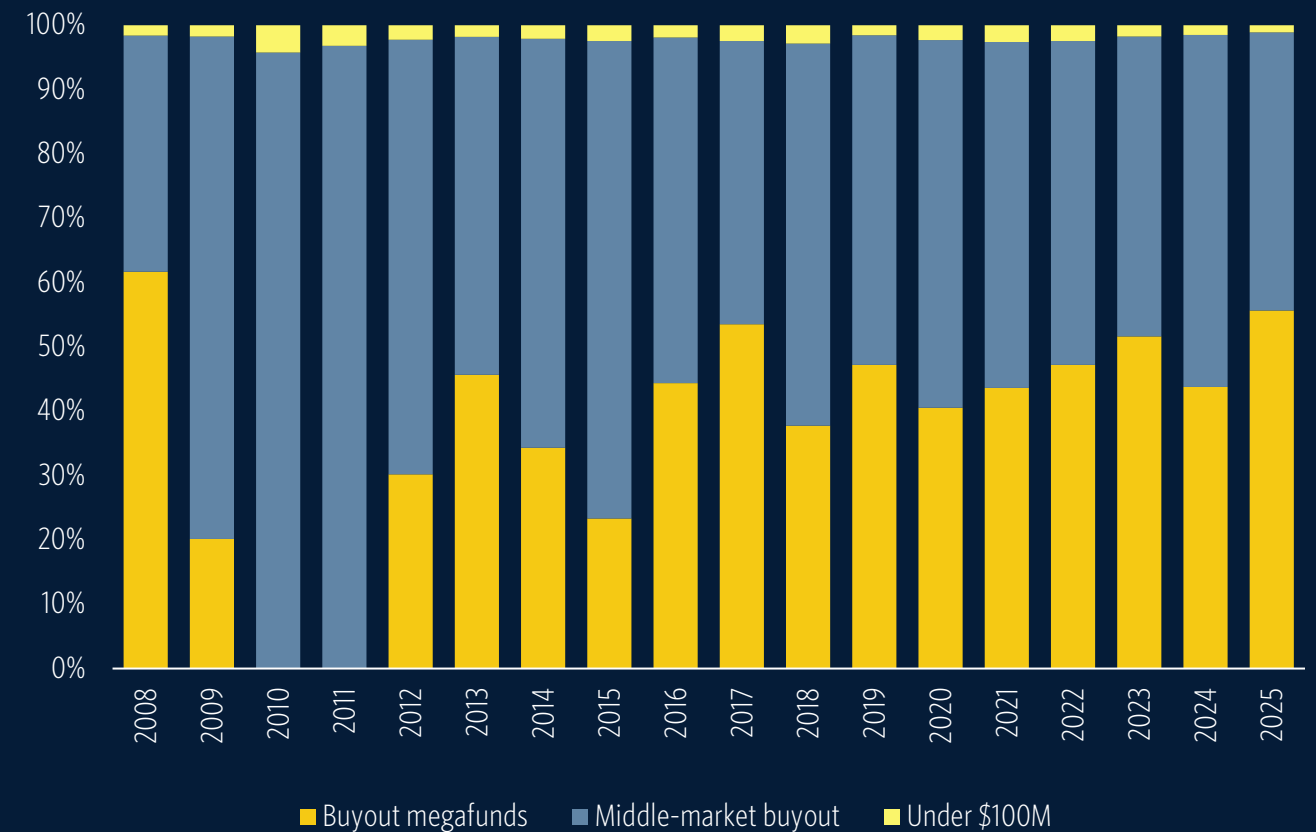
The largest buyout funds continue to capture the greatest share of commitments. The 2025 fundraising total remains incomplete...

Figure 45 ▶ **Buyout capital raised (\$B) by fund size**



Source: PitchBook • Geography: US • As of September 30, 2025

Figure 46 ▶ **Share of buyout capital raised by fund size**

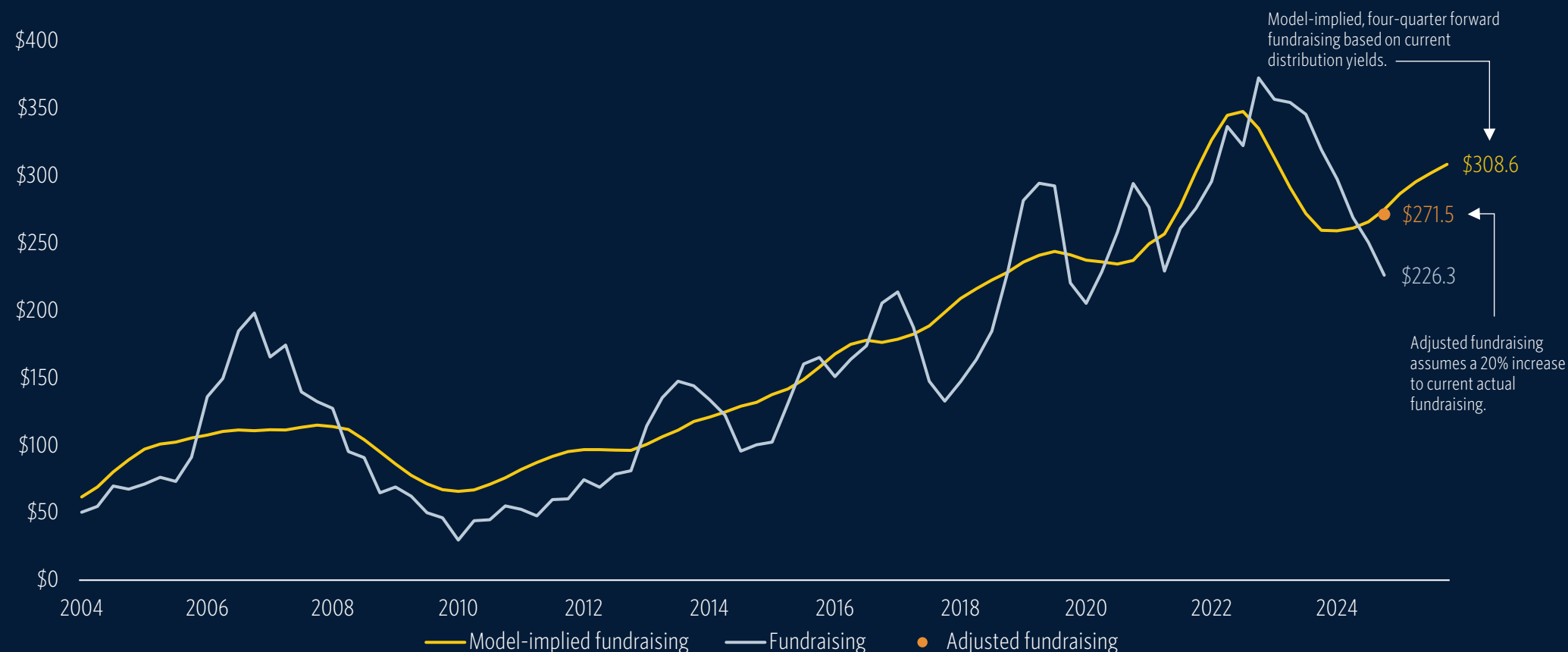


Source: PitchBook • Geography: US • As of September 30, 2025
Note: Middle-market funds range from \$100 million to \$5 billion. Megafunds are greater than \$5 billion.



...and is forecasted to grow over the next four quarters after finding a trough in late 2024.

Figure 47 ▶ One-year rolling buyout capital raised (\$B)



Sources: PitchBook • Geography: US • As of September 30, 2025



Adjusting for data delays

One of the challenges in tracking fundraising activity is the lag in data collection. Because many recent fund closings have yet to be reported, the latest data, mainly the last four quarters, tends to appear artificially low. This lag explains why the accompanying chart shows such a significant downward trend in actual fundraising.

A simple way to account for this reporting delay is to apply a heuristic adjustment. We assume that final fundraising figures will ultimately be about 20% higher once all data has been collected.

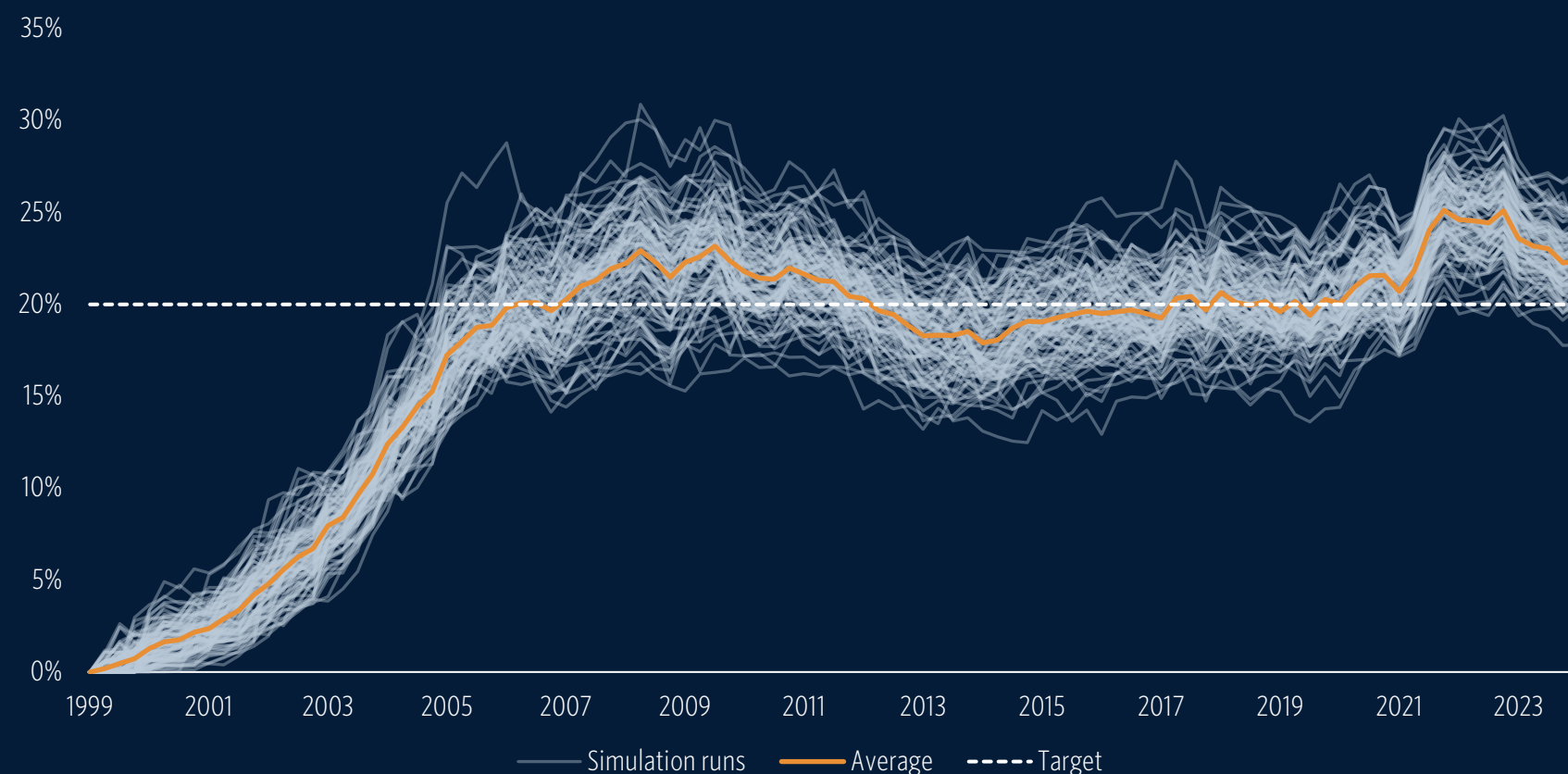
A more robust approach is to model the relationship between prior-year distribution yields and subsequent fundraising activity while also accounting for seasonality in the time series. Essentially, the model-implied fundraising represents the expected level of fundraising based on buyout distributions one year ago.

The model suggests buyout fundraising bottomed in 2024 and is poised to grow over the next year. Notably, our heuristic and model-based estimates align closely for Q3 2025, which is a positive indication actual fundraising activity will trend higher.



As buyout allocations outperformed public markets post-COVID, investors became overallocated, limiting new commitments.

Figure 48 ► **Simulated PE buyout allocations as share of total portfolio value**



Source: PitchBook • Geography: US • As of December 31, 2024



Simulating the private market experience

Comparing public and private markets is inherently complex. Structural differences in transparency, valuation frequency, liquidity, risk exposures, and performance measurement make direct, side-by-side evaluation of public and private markets far from straightforward.

To give allocators a clearer view of how private market allocations impact total portfolio performance, we developed a methodology that simulates the ramp up and maintenance of private market exposures within a traditional 60/40 portfolio. Leveraging PitchBook's historical fund returns and cash flows, our framework evaluates how a 20% allocation to closed-end, drawdown private market funds, in this case buyout funds, would have influenced an allocator's portfolio relative to remaining fully invested in private markets.

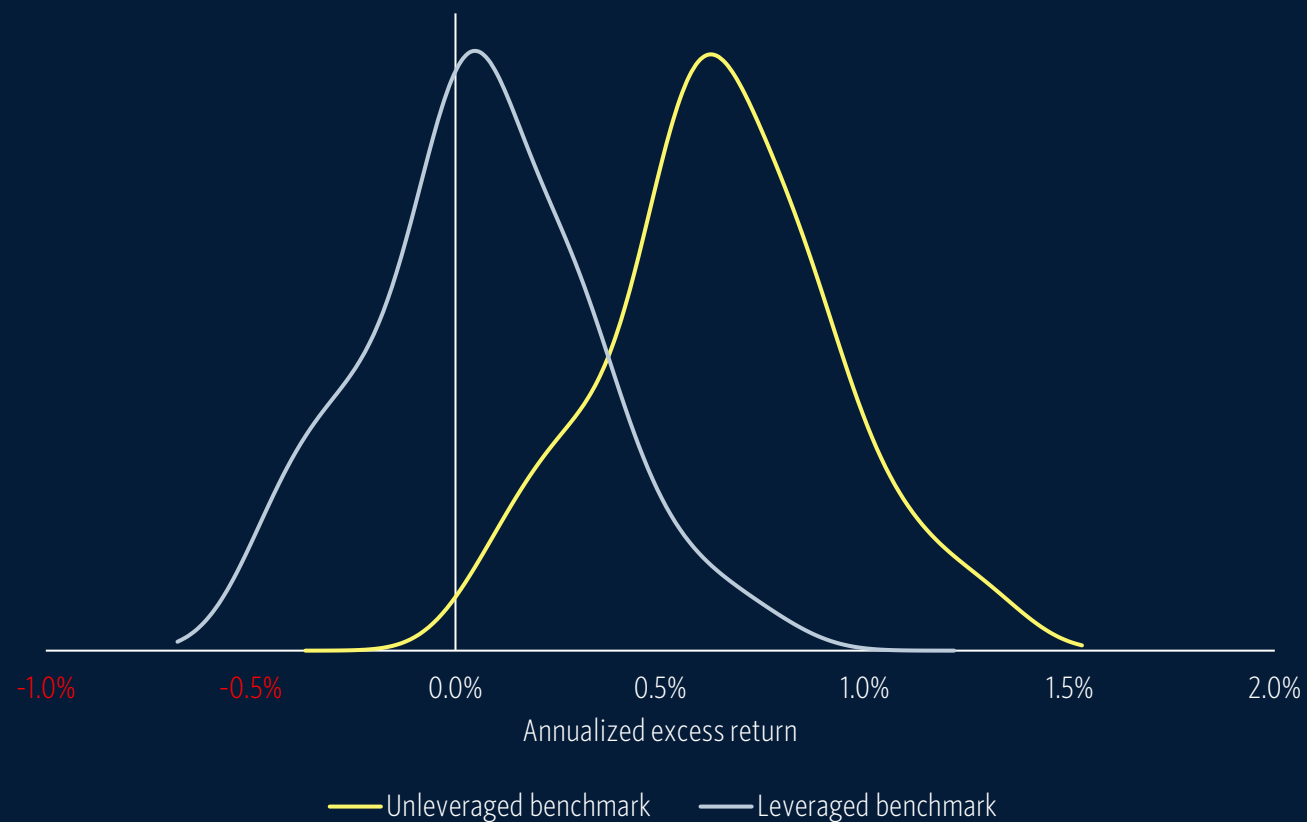
To better capture the real-world experience of allocators, the simulation framework commits capital to randomly selected funds each year of the simulation period. By incorporating capital calls, distributions, optimized commitment pacing, fees, and appropriate benchmarking, it models the practical dynamics of investing in private markets.

This slide and the next three slides present charts and insights derived from this portfolio simulation framework. For more detail on our methodology and its applications, see our Allocator Solutions reports [Are Private Markets Worth It?](#) and [How Much Alpha Is There in Private Markets?](#)



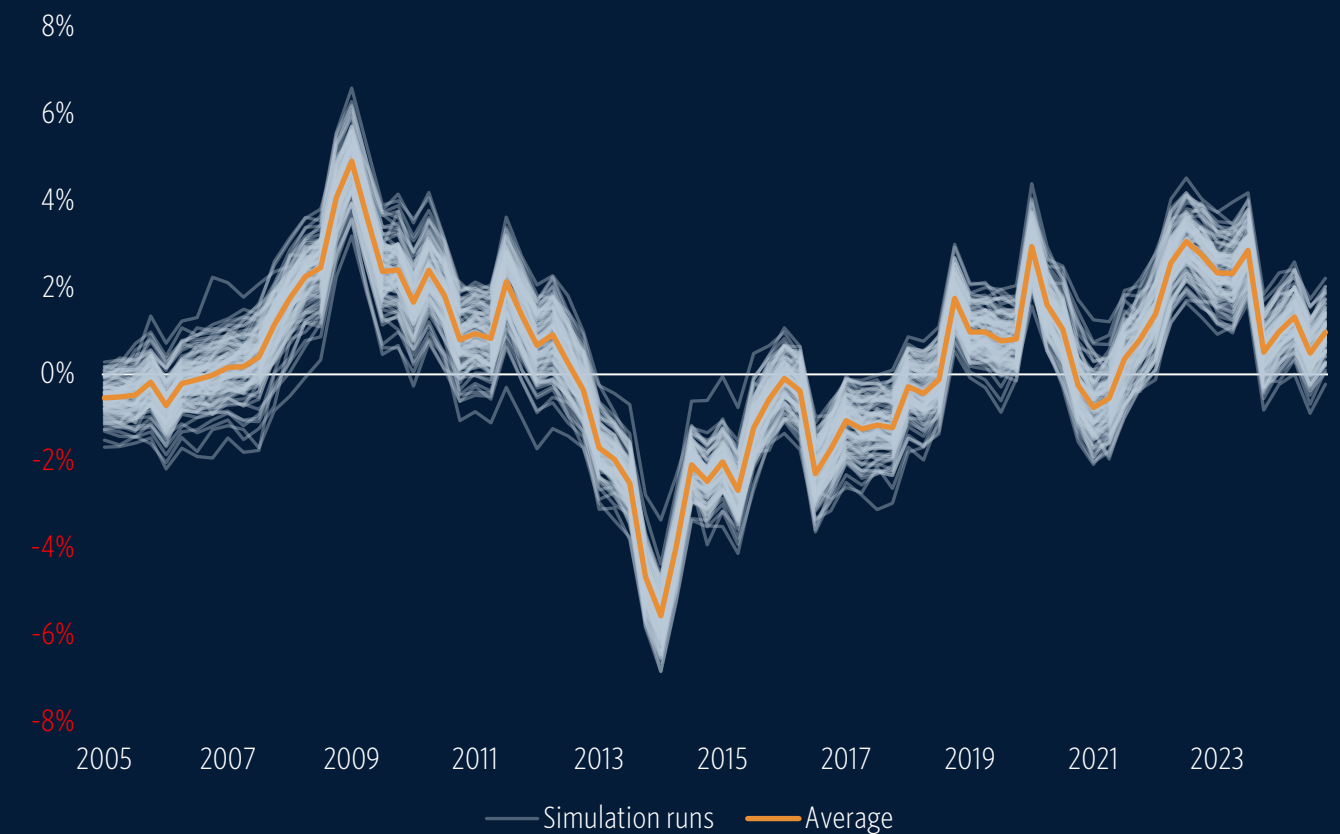
On average, a 20% buyout allocation added 0.64% annually versus an unleveraged benchmark, though that edge was eroded against a leveraged one. Performance varied across simulations, signaling the importance of manager selection...

Figure 49 ▶ **Distribution of excess returns from PE buyout simulations (2000-2024)**



Source: PitchBook • Geography: US • As of December 31, 2024

Figure 50 ▶ **Rolling five-year annualized excess return of PE buyout simulations**

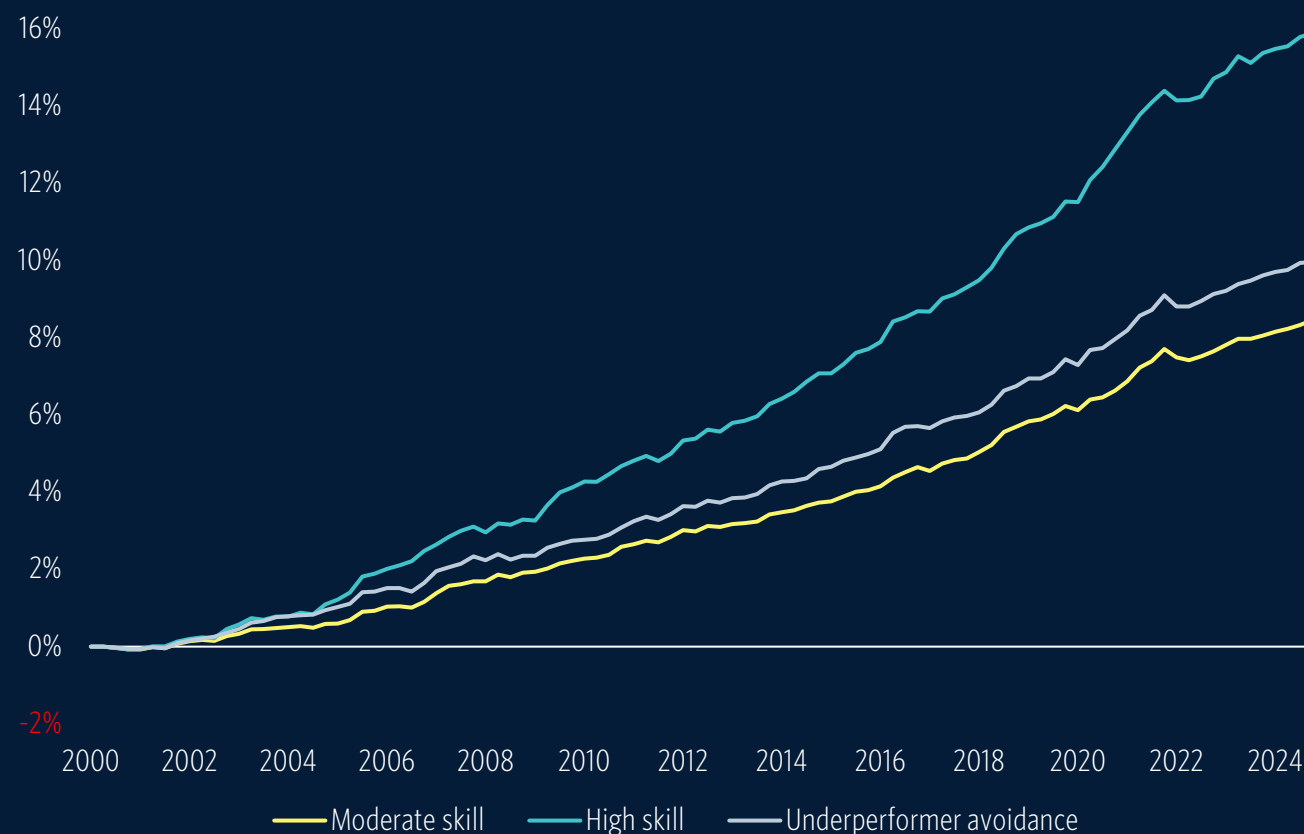


Source: PitchBook • Geography: US • As of December 31, 2024
Read more in [Are Private Markets Worth It?](#)



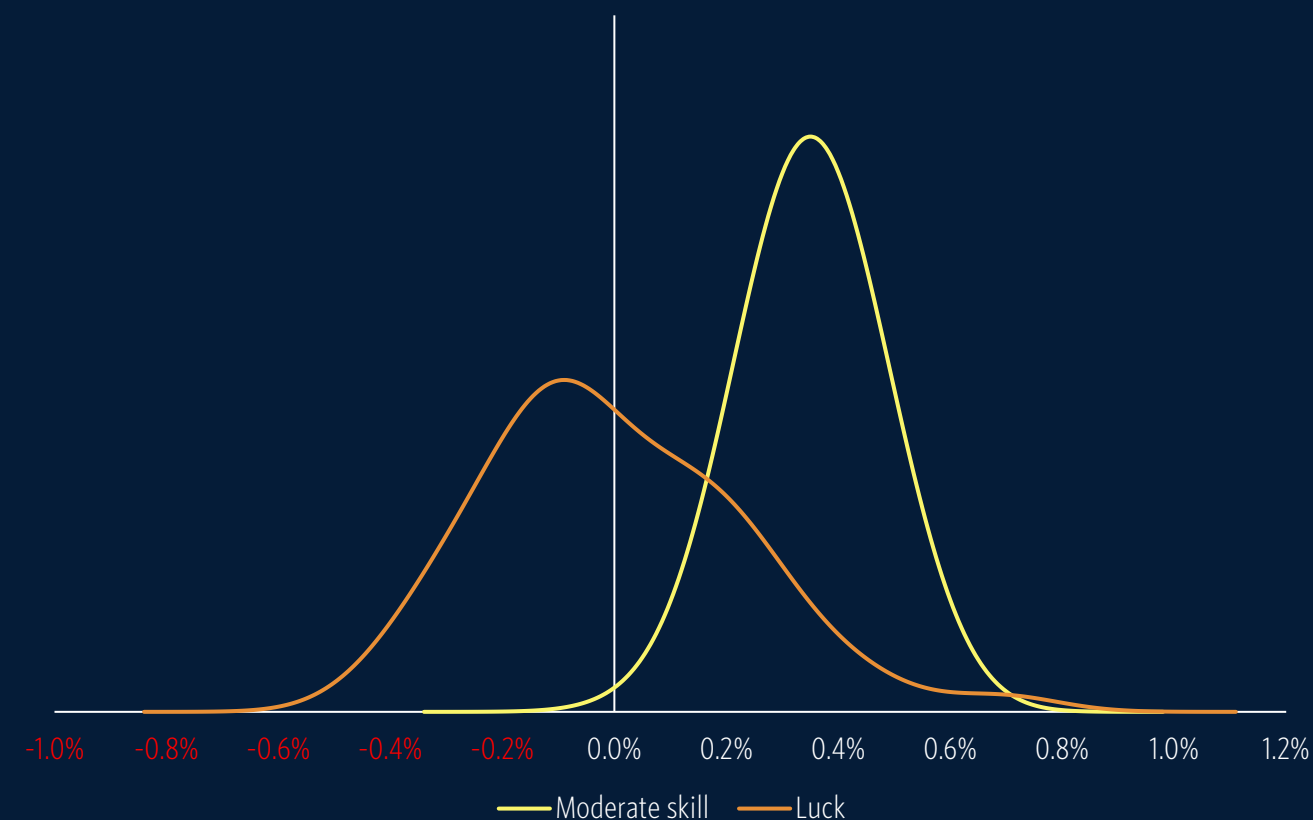
...in determining total portfolio outcomes. For buyout, picking better managers or avoiding poor managers can add 35 to 64 basis points to annualized total portfolio returns, on average.

Figure 51 ▶ **Average PE buyout cumulative total portfolio alpha**



Source: PitchBook • Geography: US • As of December 31, 2024

Figure 52 ▶ **Distribution of annualized luck and moderate-skill factors**

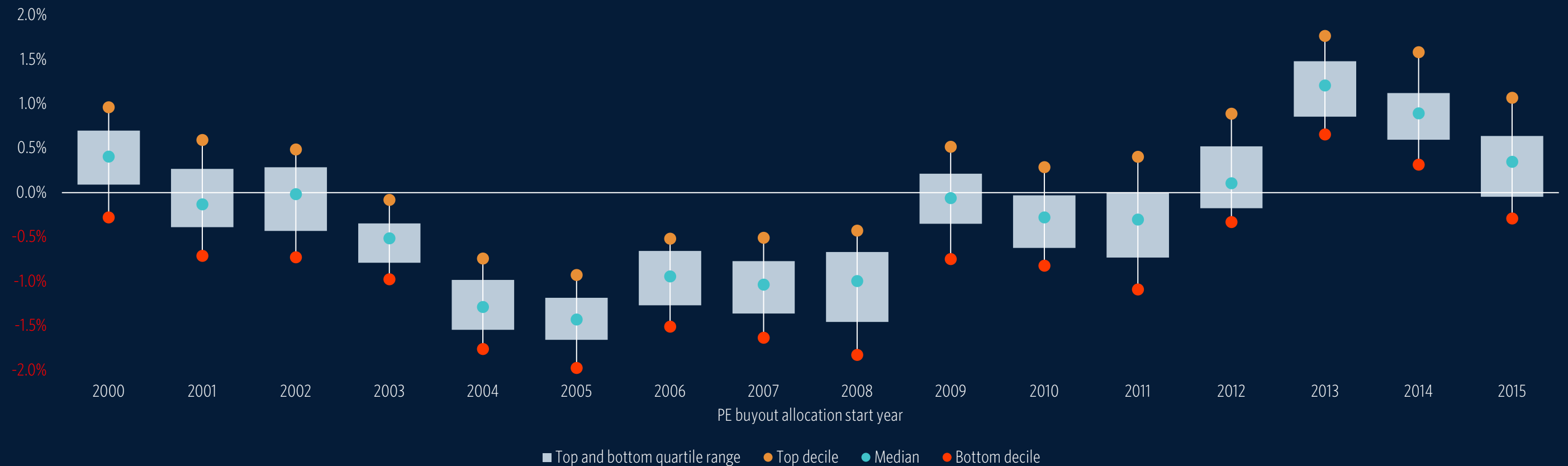


Source: PitchBook • Geography: US • As of December 31, 2024
Read more in [How Much Alpha Is There in Private Markets?](#)



Vintage timing matters. Buyout allocations that initially committed in the run-up to the GFC underperformed, while those investing during the accommodative policy environment of the early 2010s outperformed.

Figure 53 ► **10-year horizon annualized excess return of simulated PE buyout portfolios by allocation start year**



Source: PitchBook • Geography: US • As of December 31, 2024



Additional research

Market updates



Q4 2025 Allocator Solutions: How Much Alpha Is There in Private Markets?

Download the report [here](#)



Q4 2025 Allocator Solutions: Are Private Markets Worth It?

Download the report [here](#)



Q3 2025 US PE Breakdown

Download the report [here](#)



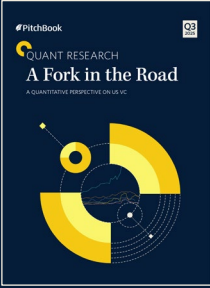
H1 2025 Global Private Debt Report

Download the report [here](#)



Q3 2025 Quantitative Perspectives: US Market Insights

Download the report [here](#)



Q3 2025 Quantitative Perspectives: A Fork in the Road

Download the report [here](#)

More research available at pitchbook.com/news/reports