



As Scale Grows, So Does Ambition

**Global Principal Investors
Report 2026**

MAY 2026

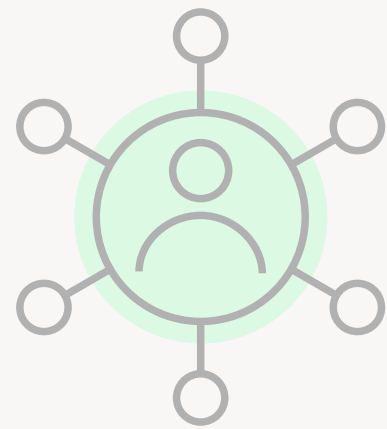


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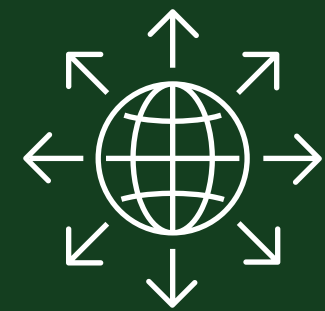
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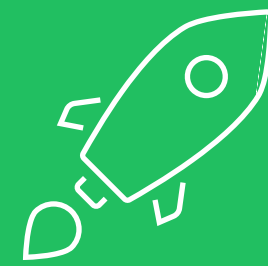
Principal investors in a new era: expanding influence, active strategies, and a market shaped by geopolitics and AI



The PI universe continues to expand in scale and influence, with \$43T in AuM in 2025 and ten new sovereign vehicles established in 2025 alone. Family offices are also growing and increasingly professionalizing



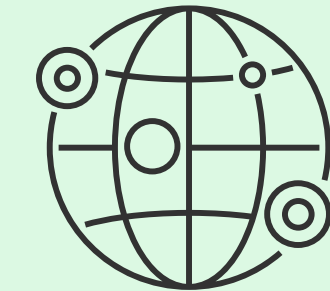
Private markets allocations have grown steadily over the past decade, led by PE and infrastructure. Recent years have seen longer holding periods and weaker distributions, **driving a concentration of capital toward top-tier GPs**



More sophisticated PIs are increasingly experimenting with direct, co-investment, and platform capabilities. In some cases, these are emerging as peers and partners for GPs



Geopolitical uncertainty has increased structurally since 2020, with likely **implications for geographic allocation, sector mix, and liquidity positioning**—particularly for SWFs with explicit national mandates

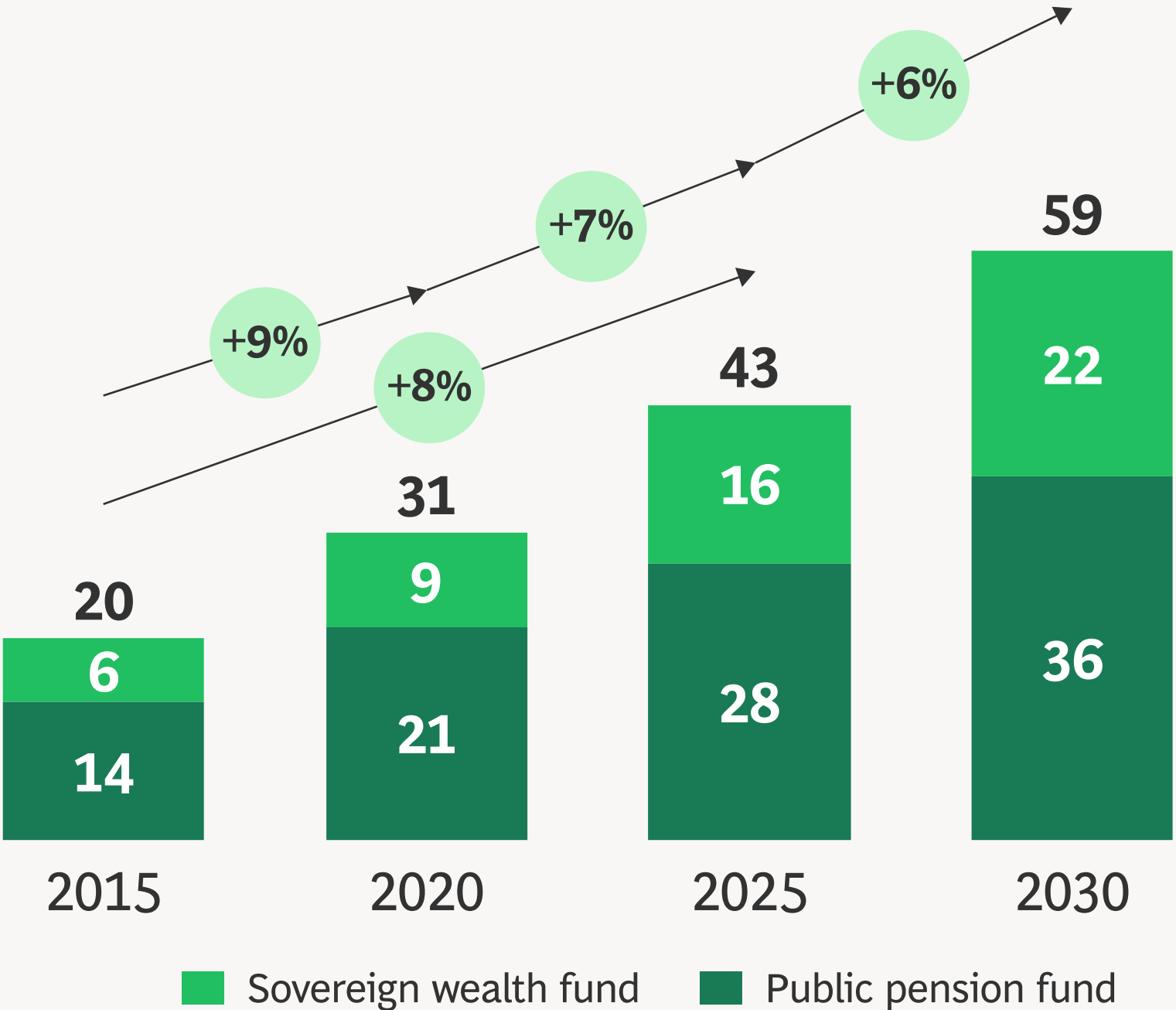


AI has emerged as a defining thematic area for PIs—both as an investment opportunity across the full stack and as an operational capability. **Leading PIs are actively building coordinated AI exposure and embedding AI across fund operations and value creation**

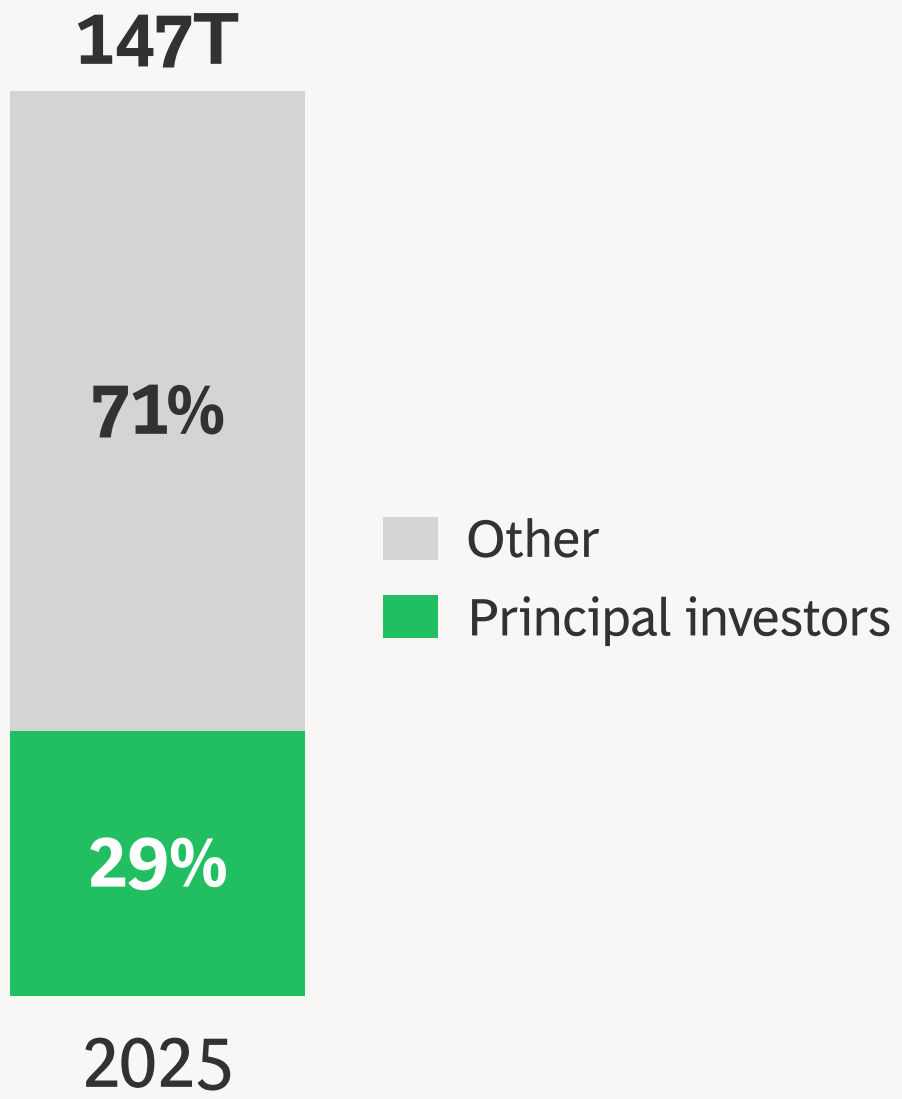
PIs continue to increase in influence as concentrated sources of capital that can shape capital flows and yields across markets

Principal Investors have grown in scale and influence over the last decade, making up ~30% of the total assets under management globally

TOTAL AUM BY PRINCIPAL INVESTOR TYPE (\$T)



GLOBAL PROFESSIONALLY MANAGED AUM (\$T)

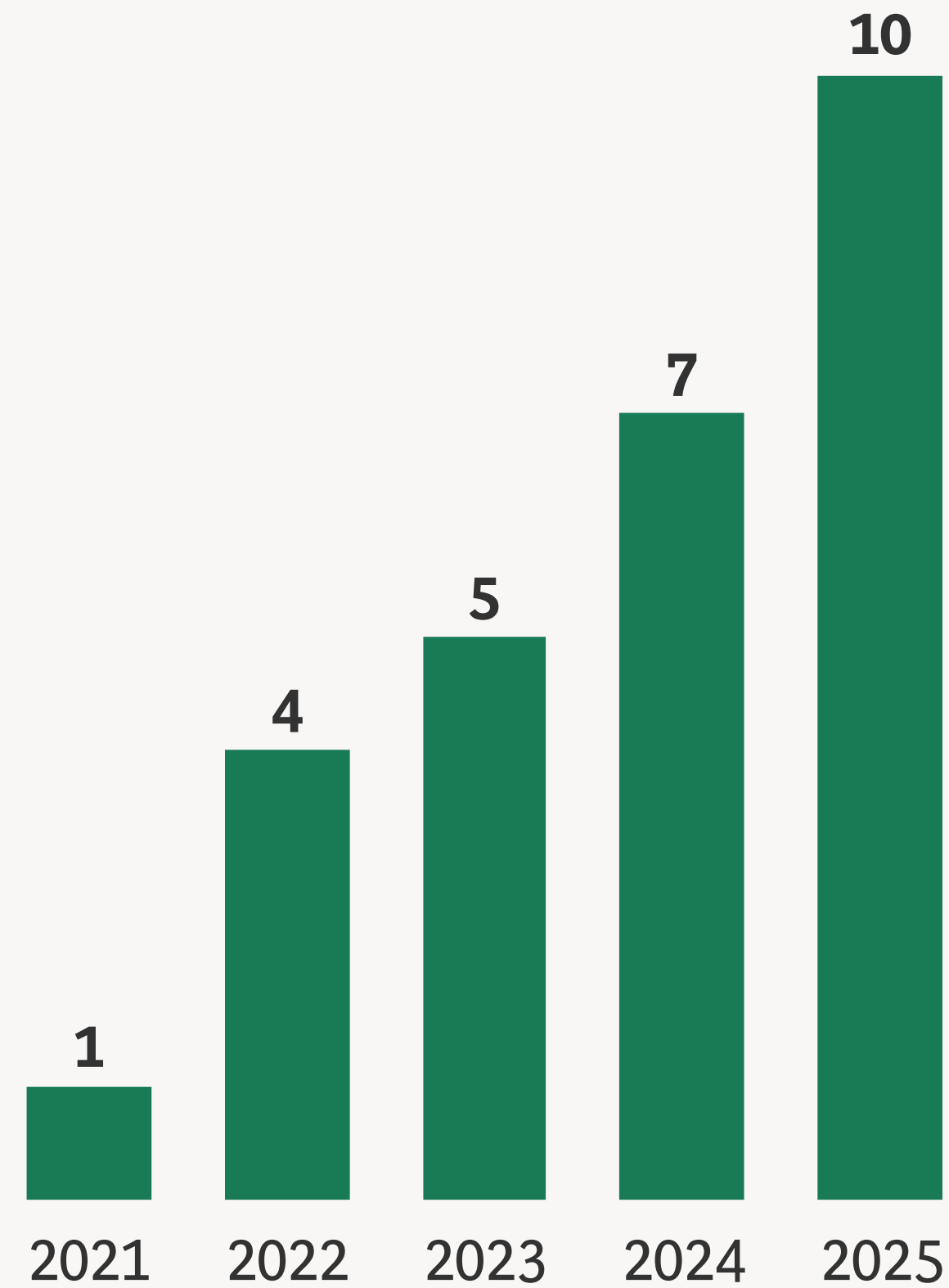


- Principal investors—sovereign wealth funds and public pension funds—have grown from \$21T in AuM in 2015 to \$43T in 2025, a compound annual growth rate of 7%, and are projected to reach \$59T by 2030
- **SWFs have grown more rapidly than PPFs over the decade**, driven by sustained commodity and fiscal surpluses, stronger-than-expected market returns, and the creation of new vehicles. Ten new sovereign funds were established in 2025 alone
- **At roughly 30% of global AuM, this capital base is large enough to move markets.** Allocation decisions of a small number of institutions—where to deploy, which asset classes to favor, which geographies to reduce—can shift sector flows, compress or widen credit spreads, and affect asset prices at scale

Sources: Global SWF; BCG analysis.
Note: PI AuM refers to fair value of assets as reported by each fund, or estimated by Global SWF based on tracked investment activities where fund-level data is unavailable. Global AuM corresponds to assets sourced from each region and professionally managed in exchange for management fees; it includes captive AuM of insurance groups or pension funds where AuM is delegated to asset management entities with fees paid. Overall, 44 markets are covered globally, including offshore AuM (which is not included in any region). For all countries where the currency is not US dollar, end-of-year 2025 exchange rate is applied to all years to synchronize current and historic data.

New sovereign vehicles are entering private markets with more strategic and active mandates, further expanding influence

SWFs ESTABLISHED (#)



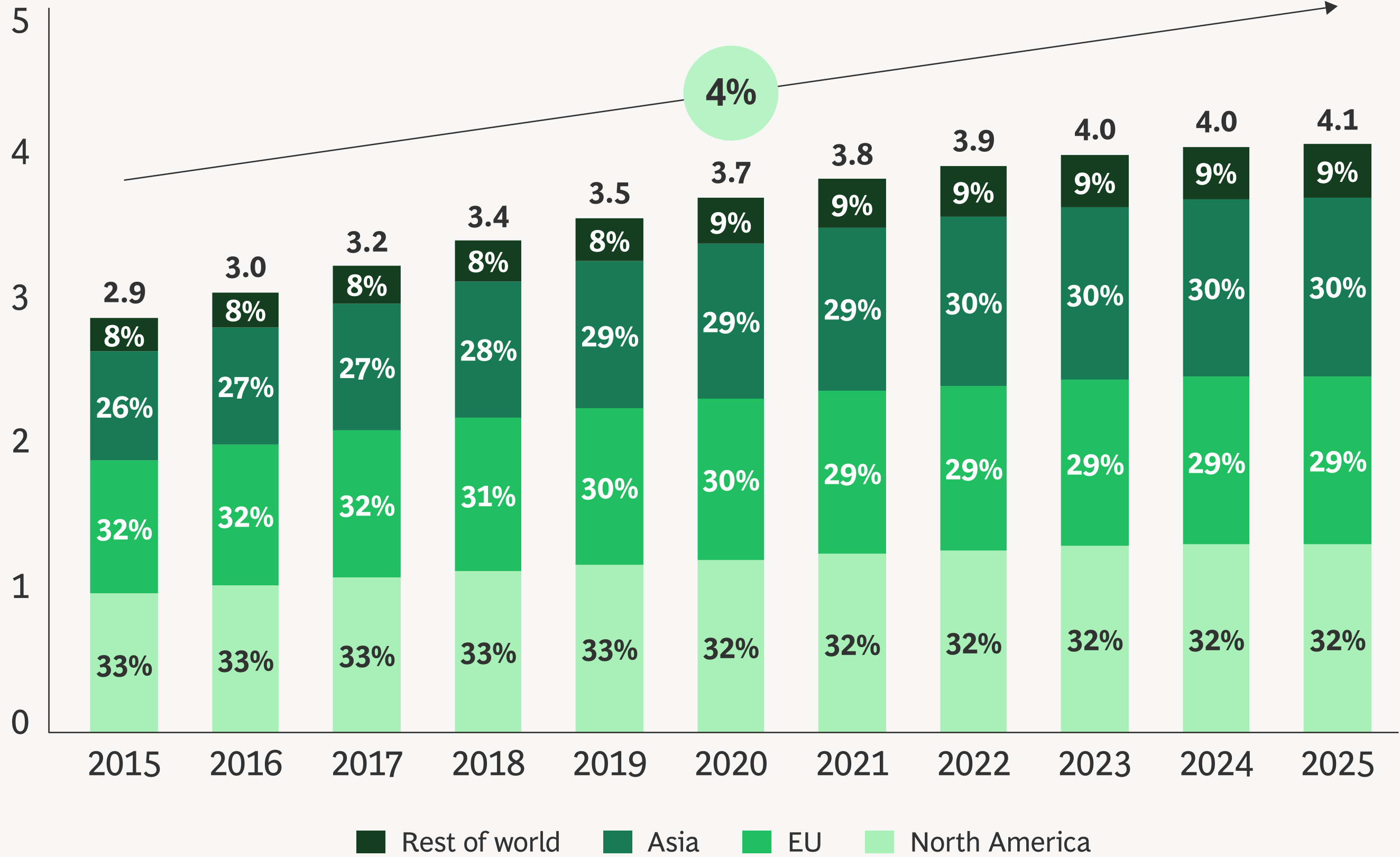
SWFs established in 2025	Country
Danantara	Indonesia
Chinggis	Mongolia
Botswana SWF	Botswana
Eksab Saudi	Saudi Arabia
Eswatini SWF	Eswatini
FIS DRC	DR Congo
Kenya SWF	Kenya
Oyo SWF	Nigeria
Syrian Sovereign Fund	Syria
Uzbekistan NIF	Uzbekistan

- The new wave of sovereign vehicles reflects a **shift from surplus management to state-led transformation**, with reserves and windfalls being organized into investable platforms for priority agendas
- A growing number of **new vehicles sit closer to strategic investment funds than traditional savings SWFs**, explicitly pursuing a double mandate of financial return plus domestic economic impact
- The **pipeline for new funds remains active** as well, with several countries openly exploring new SWFs (often to monetize state assets or repurpose reserves). This could add a further wave of inorganic growth over the next few years. Examples of this pipeline include:
 - US: Executive order signed Feb 2025 to stand up a fund from \$5.7T federal asset base
 - Taiwan: President committed to first-ever SWF in May 2025, drawing on \$600B in reserves
 - South Korea: New national fund announced Dec 2025, seeded at \$100B from \$0.9T in state assets
 - Canada: Canada Strong Fund announced Apr 2026, seeded at \$25B to back major national projects
 - India: \$50B sovereign fund in design, backed by government stakes in public companies

Sources: Global SWF; press search; expert interviews; BCG analysis.

Family offices are also becoming an influential pool of capital, with scaled FOs increasingly influential capital allocators

OF FOS (THOUSANDS) YEAR-ON-YEAR AND REGIONAL DISTRIBUTION (%)



Family office growth driven by Asia, while North America and Europe remain the largest and most established bases

- The total number of family offices has increased steadily since 2019, with Asia contributing to ~42% of growth, equal to NA and EU combined, even as the latter continue to represent the majority of installed base
- With over \$6T in AuM, family offices are an increasingly influential source of capital

Increasing institutionalization underway across FOs, large FOs transitioning to more direct investing

- Large family offices are building dedicated CIO-led investment teams with formal governance structures, reflecting a shift from founder-led capital stewardship towards professionally managed, multi-generational platforms
- Scaled FOs are transitioning from passive fund allocations toward active, direct and control-oriented investing, becoming quasi-GP platforms

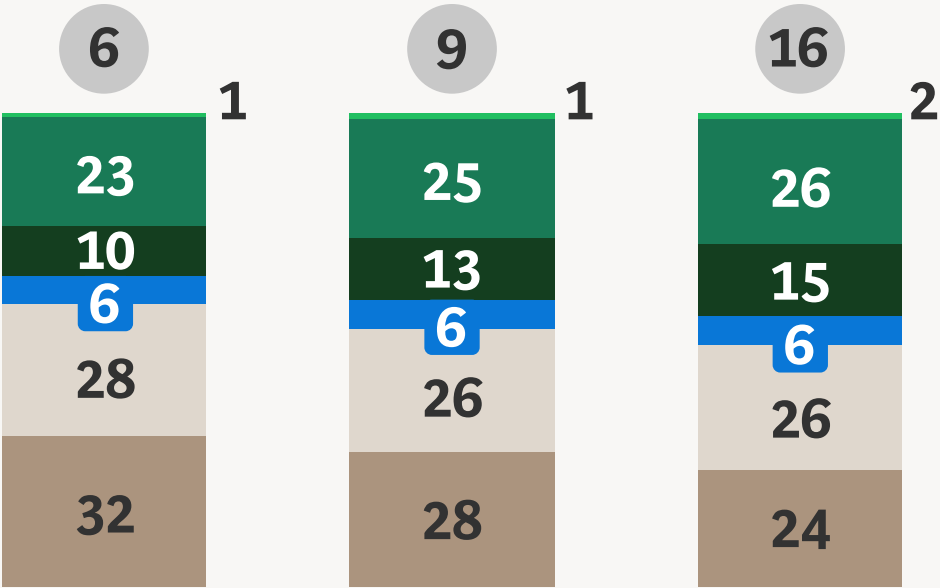
Sources: Preqin; BCG Global Asset Management Market Sizing; BCG analysis.

Private markets are becoming a larger and more actively managed sleeve for major PIs over the last decade

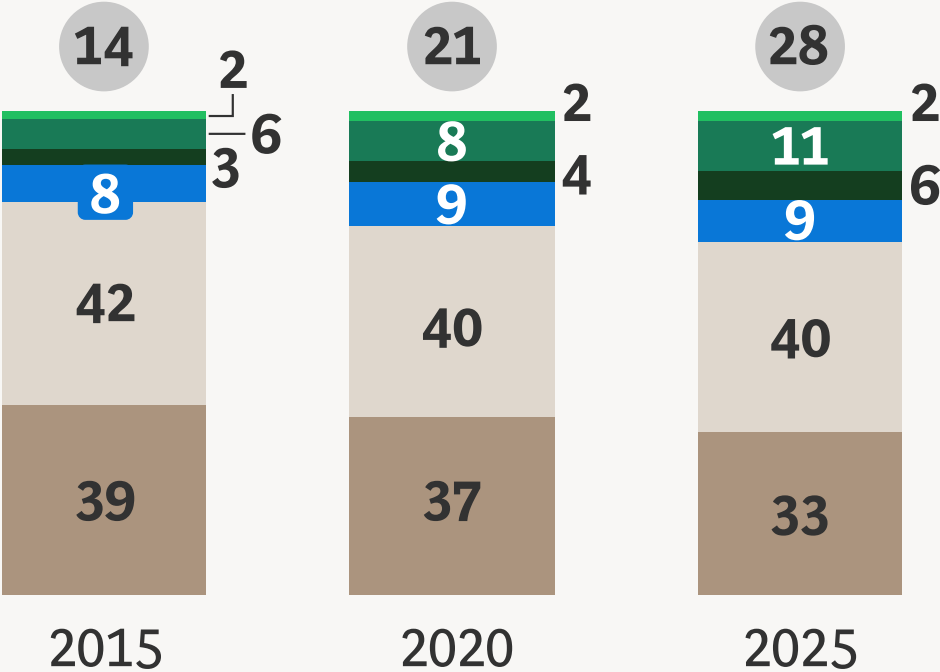
Across SWFs and PPFs, the share of PE and infra allocation has increased meaningfully over the last decade

ASSET ALLOCATION FOR PRINCIPAL INVESTORS (%)

Sovereign wealth funds



Public pension funds



- Total AuM (\$T)
- Hedge funds
- Private equity
- Infrastructure
- Real estate
- Stocks
- Bonds

Private market allocations have grown steadily as a share of PI portfolios over the past decade, driven by PE and infra

- SWF PE allocations have risen from ~23% to ~26% of AuM; PPF PE allocations have grown more materially, from ~6% to ~11%
- Infrastructure has followed a similar trajectory, growing from ~10% to ~15% for SWFs and from ~3% to ~6% for PPFs
- As overall AuM has grown, higher allocation means absolute capital flows into private markets have expanded substantially

Infrastructure has matured from a niche into a core allocation, driven by its return and diversification profile

- PI allocations to infrastructure grew at a 13% CAGR from 2015 to 2025—the second-highest growth rate across asset classes after PE, reflecting its appeal as a natural inflation hedge with stable, contracted cash flows
- More recently, the asset class has been further supported by rising investment in digital infrastructure and green energy, with infrastructure outperforming PE over a one-year horizon

As PE sleeves have expanded, PIs are pushing for greater fee efficiency and direct control over execution

- PIs are increasingly pursuing co-investments and direct deals alongside GP relationships, with targeted co-investment ratios shifting from ~20% to 25% of fund commitments in the early 2000s to close to 100% for larger investments today
- Average deal sizes have stepped up materially, reflecting both larger balance sheets and greater conviction

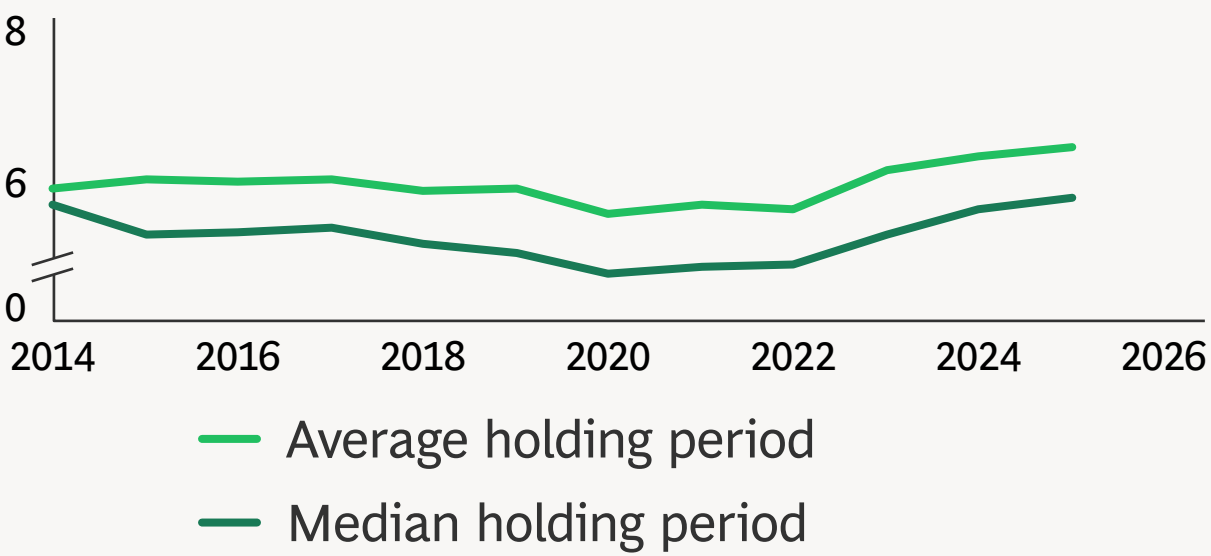
Sources: Global SWF; BCG analysis.

Note: Percents may total more than 100 due to rounding. Global SWF sources allocation information from the funds directly (annual reports and websites) if publicly available; otherwise, estimates are provided based on their knowledge of the funds.

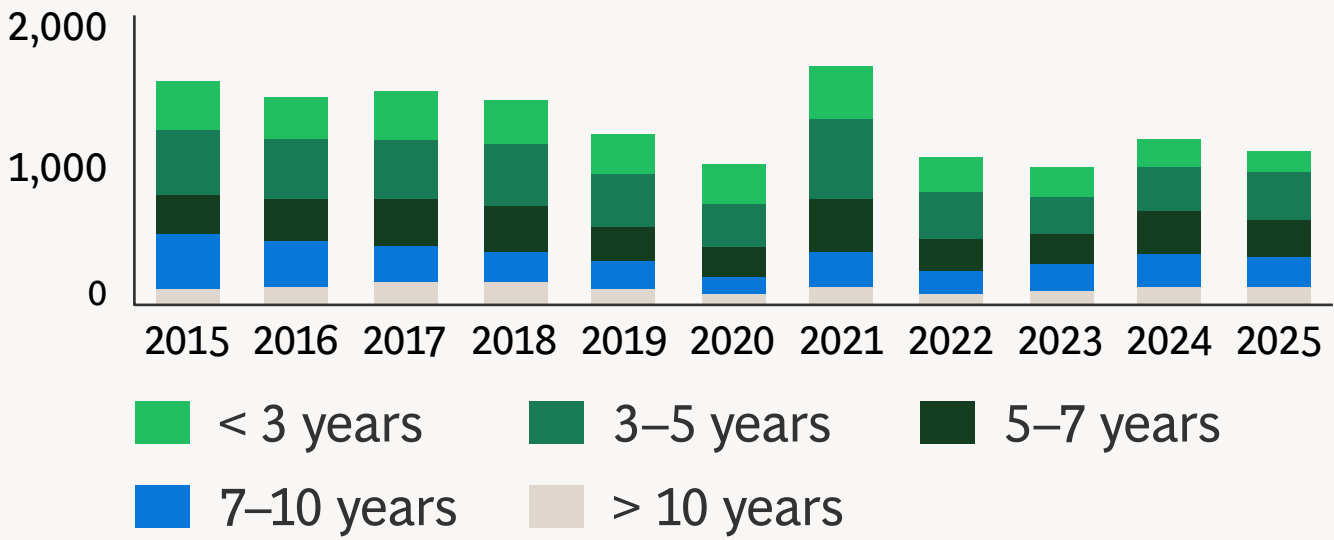
However, at the same time holding periods in private markets have risen, locking in liquidity and constraining reallocation

Average and median holding periods overall and by region

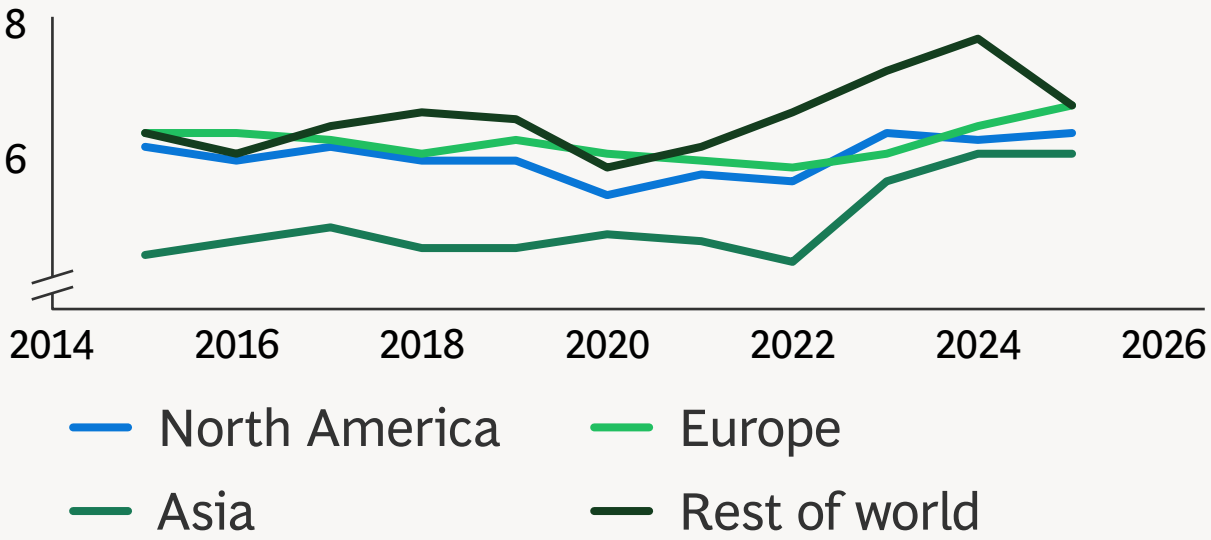
AVERAGE AND MEDIAN HOLDING PERIOD (YEARS), FOR EXIT YEARS 2014–2025



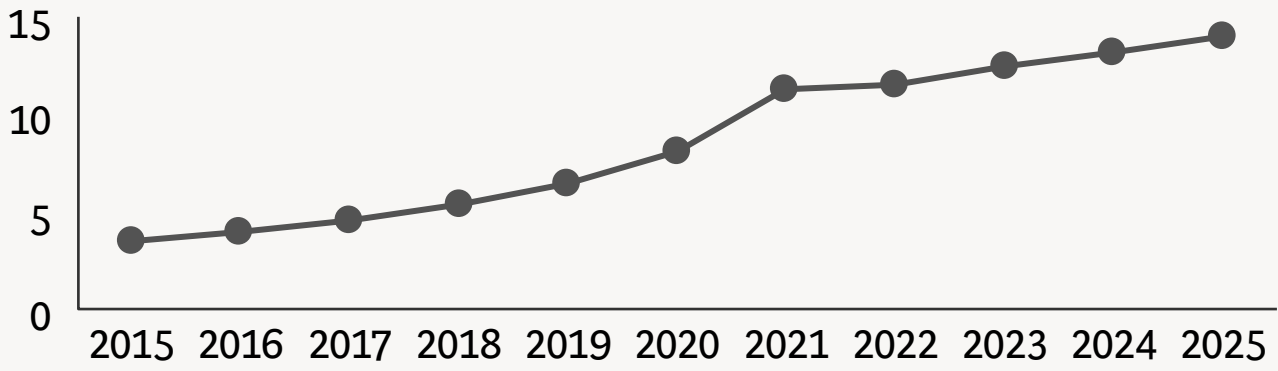
HOLDING PERIOD FOR COMPANIES (#)



AVERAGE PRIVATE EQUITY HOLDING PERIOD (YEARS)



UNREALIZED VALUE (\$T)



Holding periods have lengthened materially since the 2020 trough across all major regions

Both average and median holding periods declined into 2020 but have risen steadily through 2025 across North America, EU, and Asia—with North America peaking highest in 2024 before moderating

The gap between average and median signals a concentration of longer-held assets

Across the full period, the average consistently sits above the median, indicating a subset of deals held significantly longer than the typical investment

Compared to earlier vintages, a growing share of assets are being held beyond five years

The proportion of companies held for more than five years has increased steadily since 2020, reflecting delayed exit activity and extended ownership cycles

Unrealized value has reached record highs

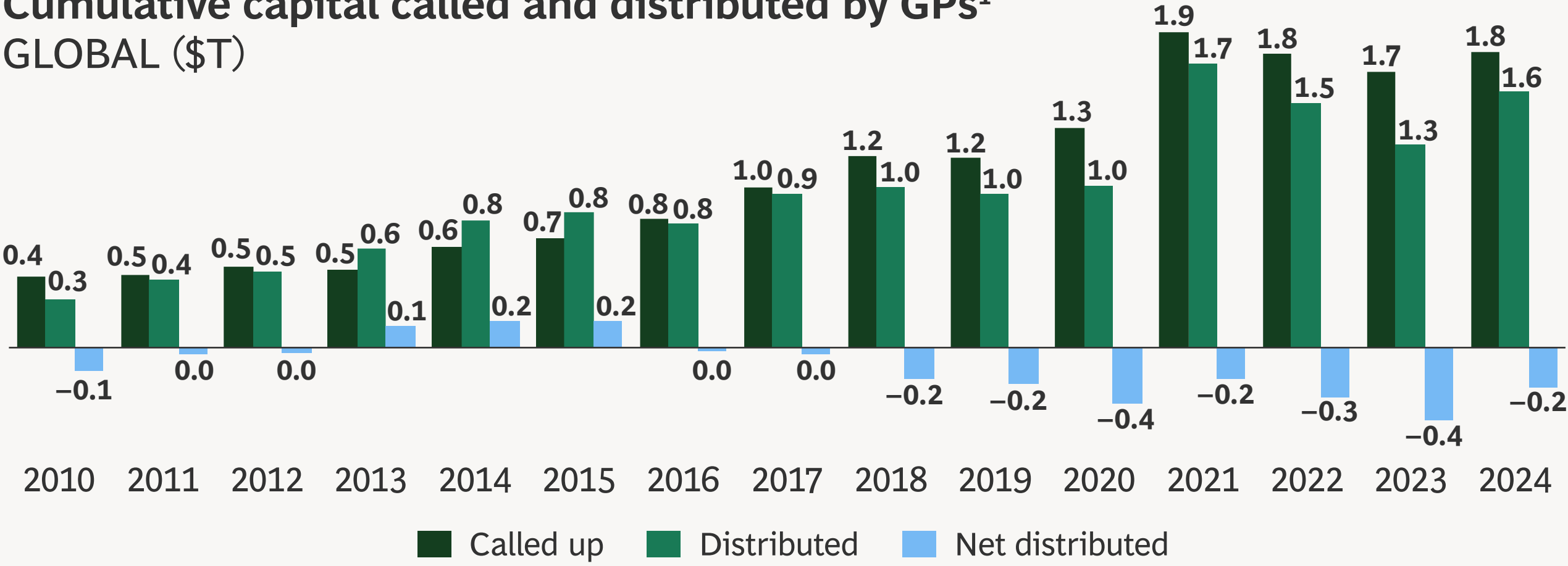
As holding periods extend and exits slow, unrealized value has accumulated to record highs, constraining capital recycling across the ecosystem

Sources: Preqin; BCG analysis.

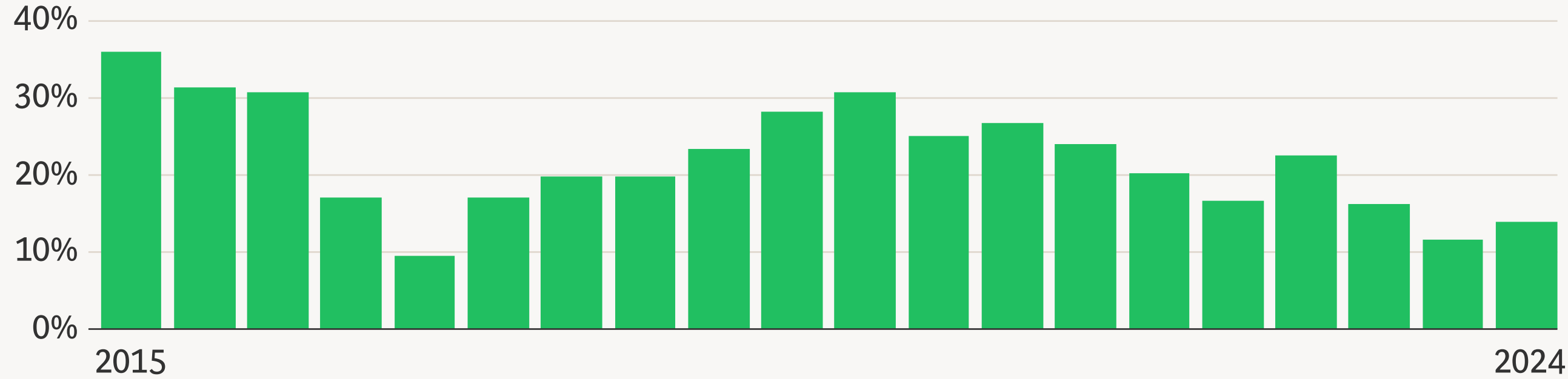
Note: Holding period includes all investor types (PI and others) for the calculation of average. Holding period is calculated by Preqin for buyout deals and typically excludes LP direct, GP stakes, and private debt investment types. Period is calculated as the difference between exit date and deal data. The data set only includes deals where there has been a full exit by the investor. Data cleansing is applied to remove additional holdings from other investors involved in the same transactions. Data for 2025 in unrealized value is as of June 2025.

Distributions have lagged capital calls, resulting in negative cashflows and locked capital for LPs

Cumulative capital called and distributed by GPs¹
GLOBAL (\$T)



Global buyout distribution as % of buyout NAV



Sources: Preqin; BCG analysis.

¹Called-up capital refers to LP's aggregate commitments to the partnership that have been contributed to the partnership. Distributed refers to the called-up capital that has been distributed or returned back to LPs. Net distributed is calculated as the difference between distributed and called-up capital.

Cumulative LP cash flows remain negative
Since 2018, capital calls have exceeded distributions, with the gap widening post-2020 as exits slowed. LPs have therefore remained net cash contributors over the period

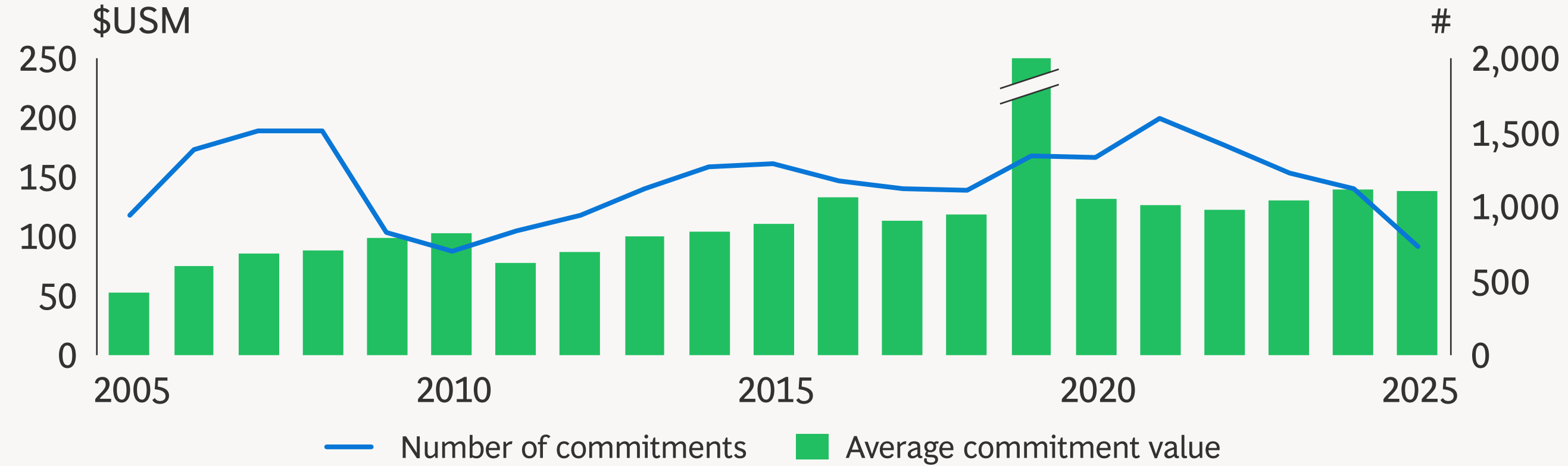
Buyout distributions remain below historical norms
Global buyout distributions as % of NAV have declined from pre-2020 levels, reinforcing liquidity pressure

Delayed realization is driving limited distribution
Weak M&A activity and volatile markets have extended holding periods and built exit backlogs as sponsors are reluctant to sell below target valuations

Higher rates have increased the cost of illiquidity
Attractive public yields have increased opportunity cost of locked capital, driving need for secondaries and CVs to return capital

Consequently, flight to quality is being seen with PIs becoming more selective and discerning in how they engage private markets

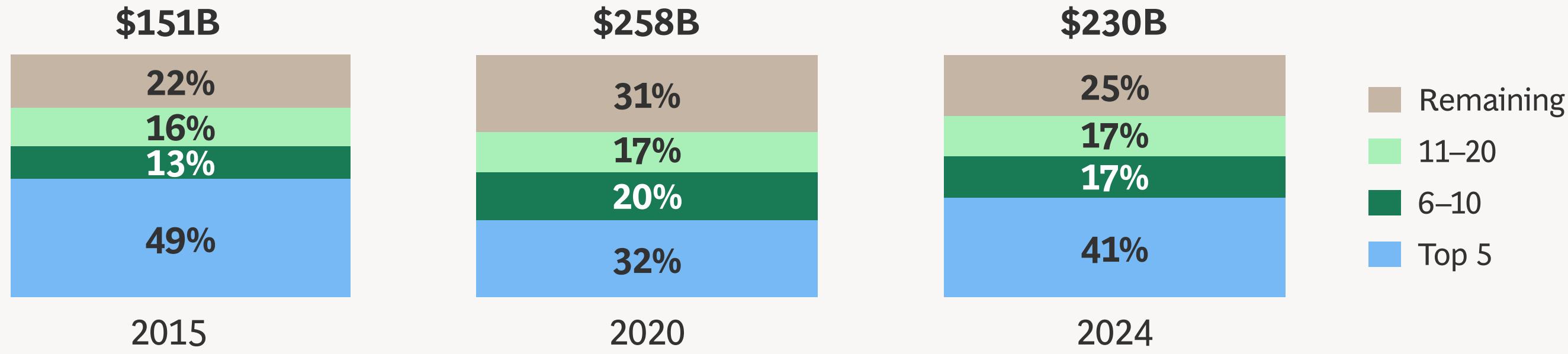
Commitment from SWFs and PPFs to GPs



Flight to quality evident with PIs becoming more selective with funds they engage with

- Fewer commitments (–45%, 2020 vs. 2025), coupled with larger average commitment sizes (+5%, 2020 vs. 2025), indicate that **capital is being concentrated in a smaller set of high-conviction managers**
- Fundraising for closed-end funds is increasingly **concentrated in the largest managers**, with the top five GPs accounting for ~41% and the top ten for ~59% of fundraising in 2024
- Emerging and smaller GPs need to prove they can deliver differentiated access / edge to be attractive against larger GPs or competing mid-market fund

Total annual fund-raising for closed-end funds split by ranking brackets¹



Governance and capacity constraints are further reinforcing concentration in GPs

- With more direct/co-invest activity and monitoring needs, investors are rationalizing bandwidth. Fewer, deeper relationships enable better pacing coordination and more efficient oversight

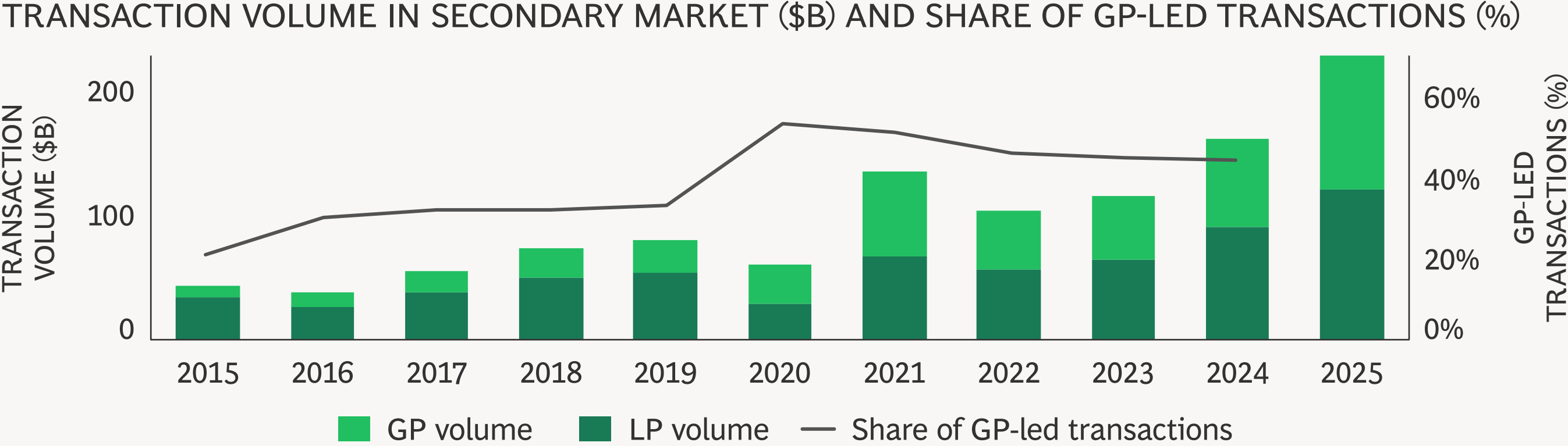
Sources: Pitchbook; BCG analysis.

Note: 2019 average commitment value is high due to SoftBank’s large commitments in the year to Gulf Cooperation Council SWFs. Average commitment value is calculated based on where the size of commitment is disclosed by Pitchbook and includes commitments from top 100 PPFs and SWFs.

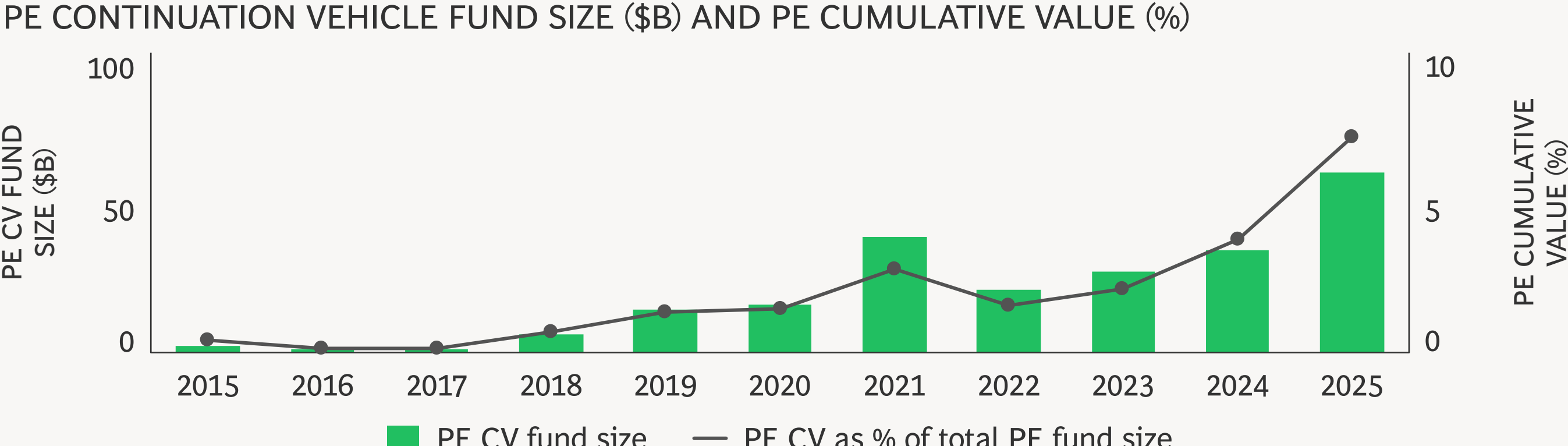
¹Includes flagship buyout/growth/VC/infra fund closes, continuation vehicles, and co-investment funds.

Growth in secondary markets creating viable, alternative investment opportunities for PIs

Growth of secondaries and cumulative value of PE continuation vehicles



Cumulative value of PE continuation vehicles



Capital-efficient entry at a discount
 Secondary buyers acquire stakes in mature funds at NAV discounts, typically 5%–15% for PE, mid-single digits for infrastructure, accessing high-quality portfolios below intrinsic value, an advantage structurally unavailable in primary fund commitments

J-curve eliminated with immediate yield from day one
 Secondary entry skips the capital call and negative return period entirely. For PIs managing against long-dated obligations, receiving distributions from mature, cash-generating portfolios immediately is far preferable to waiting 5–7 years for primary fund cashflows to turn positive

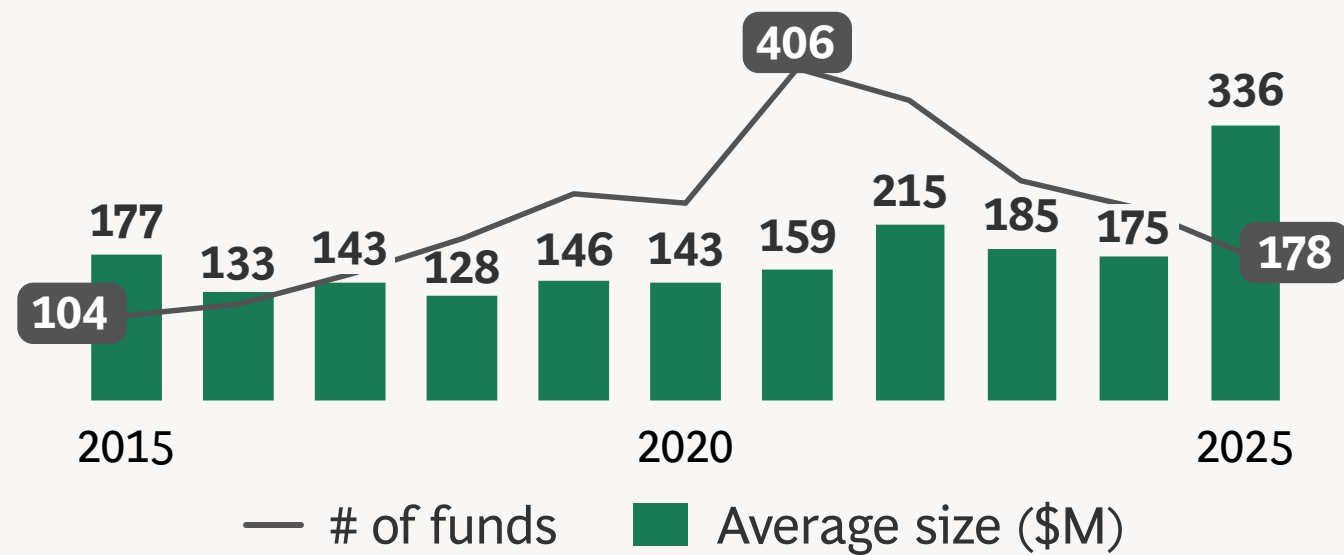
GP-led CVs offer curated access to proven assets
 GPs are selectively migrating their highest-conviction portfolio companies into continuation vehicles. Secondary buyers gain concentrated exposure to performing assets with an established track record, rather than a diversified blind-pool commitment at fund inception

Sources: Evercore 2025 Secondary Market Survey Highlights (Jan 2026); Pitchbook; Jefferies & UBS; BCG analysis.
 Note: CV = continuation vehicle.

Several PIs are also shifting to a more direct posture, spanning direct deals, co-investments, and third-party platform building

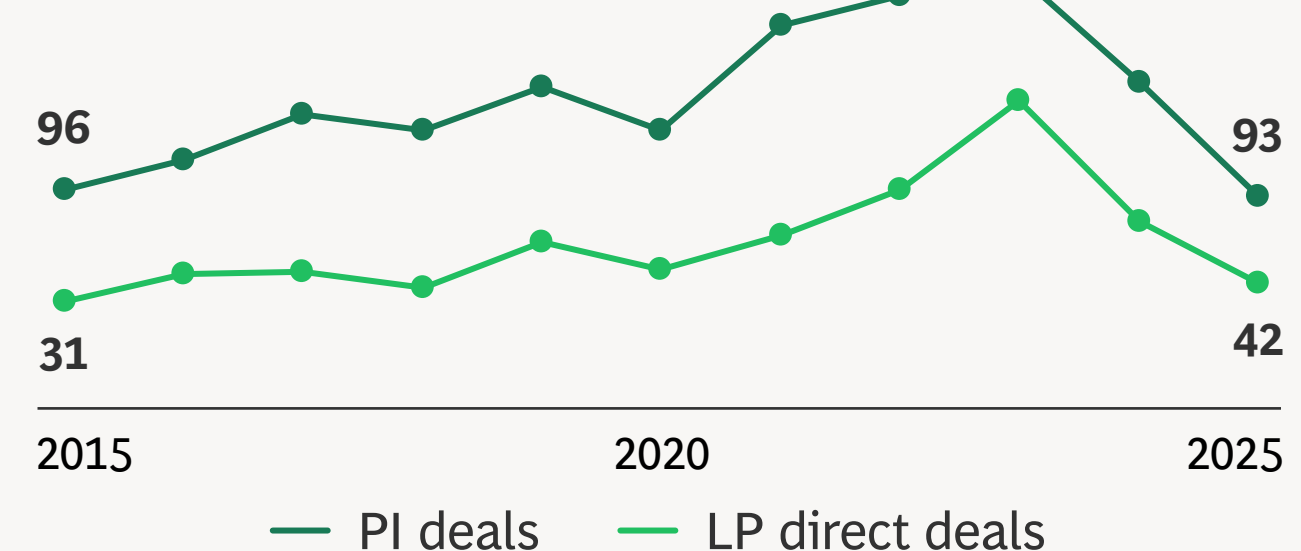
Average ticket for co-investment fundraising is at all-time high

CO-INVESTMENT FUNDRAISING



Direct deals as share of PI deals has expanded

NUMBER OF PI DEALS



PIs are also creating platforms for raising and managing third-party capital

Mubadala Capital

- Used acquisitions to quickly add fundraising capability, products, and client channels—most notably owning 68% of Fortress from SoftBank
- Commitments from TIAA, SoftBank, StepStone Private Wealth, Mutual of Omaha Foundation, among others

Seviora

- Wholly owned by Temasek and operating through a group of asset management companies
- Subsidiaries have raised commitments from NUS Endowment Fund, Singlife, Avendus, Aozora, among others

Co-investment fundraising has grown, with capital consolidating into fewer, larger programs

Average co-investment ticket sizes have reached an all-time high of \$336M in 2025, up from \$104M in 2015—even as fund counts have pulled back from their 2020 peak, signaling a concentration of capital into larger, more selective partnerships

Direct deals as a share of overall PI activity have expanded meaningfully

Share of LP direct deals in PI deals has expanded, reflecting a sustained structural shift toward direct ownership and away from intermediated fund exposure

Leading PIs are moving beyond LP roles to manage third-party capital directly

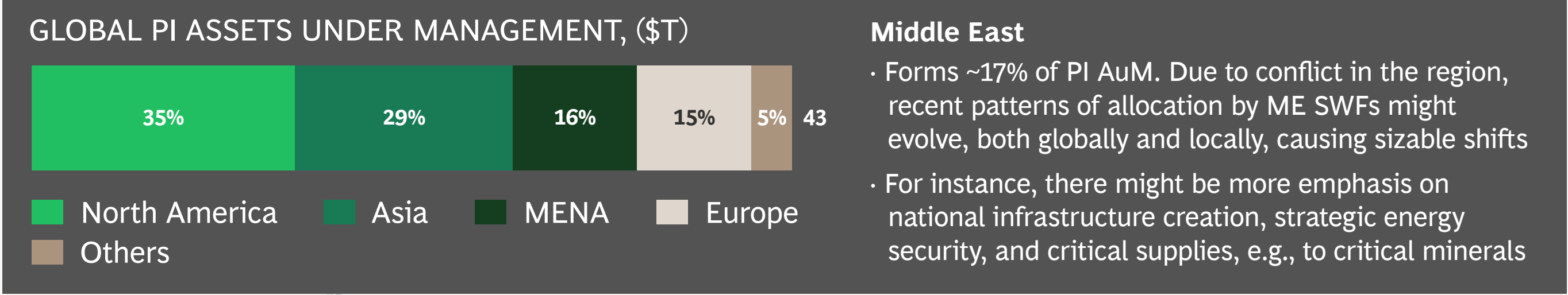
Examples like Mubadala Capital and Seviora show PIs moving from “LP+” to platform managers, using acquisitions and multi-manager structures to raise external capital and institutionalize investing edge

Sources: Preqin; Pitchbook; Mubadala Capital; Seviora; Financial Times; BCG analysis.

Note: Co-investment fundraising refers to global private equity co-investment and co-investment multi-manager fundraising. Preqin uses closed-ended, closed to investment, liquidated, and commingled funds and sums up the final close size for them. This only includes funds where core strategy for the fund is defined as co-investment. PI deals refer to complete buyout deals where one or more of the investors are sovereign wealth funds, public pension funds, and single- and multi-family offices globally. LP direct deals refer to direct investment deals by sovereign wealth funds, public pension funds, and single- and multi-family offices globally. (LP direct deals is a subset of the total PI deals shown in the figure.)

Geopolitical realignments likely to reshape PI capital flows, influencing growth and yields across markets

Geopolitical shifts and realignment likely to shape global allocations, both geographically and sector-wise



Shifting geopolitical affiliations may drive reorientation of geographic exposure

Geopolitical shifts and realignment underway; these may drive changes in geographic exposure and an increasing focus on strategic sectors, particularly for SWFs with explicit national mandates

Geopolitical realignment appears to be reshaping PI capital flows, as investor origin and affiliation increasingly determine access to deals

Liquidity is potentially increasingly valuable in a more turbulent world

As geopolitical dislocations multiply, the ability to reallocate quickly across opportunities is an edge. Overcommitment to illiquid, bloc-sensitive assets concentrates return and political risk

“ In a world where there are more surprises, shocks coming more frequently, it is important to have enough liquidity to be able to pivot and change strategies.
—Dilhan Pillay, Temasek Holdings CEO, 2026

Sources: Global SWF; BCG Global Asset Management Market Sizing Database 2025; Preqin; press search; expert interviews; BCG analysis.
Note: MENA = Middle East and North Africa.

AI is top of mind for investors; PIs are investing across the AI stack, several SWFs are creating dedicated platforms

AI has emerged as a critical megatrend, with implications on where capital is deployed

Investors see AI as the most important megatrend over the next five years

“WHICH DO YOU IDENTIFY AS THE BIGGEST MEGATREND IMPACTING YOUR INVESTMENT DECISIONS OVER THE NEXT FIVE YEARS?” (%)¹



To capitalize on AI growth, investors are looking into five main areas

TOP AI INVESTMENT OPPORTUNITIES (%)¹



Sources: Nuveen EQuilibrium Global Institutional Investor Survey (Feb 2026); BCG analysis.

¹Responses from 800 institutions covering \$17T AuM.

PIs are actively investing across the AI stack

- PIs are deploying capital systematically across the full AI stack—applications and services, models, infrastructure, chips, and energy—combining direct investments in frontier companies with large-scale infrastructure JVs and dedicated platforms
- Leading PIs such as GIC, Mubadala, and QIA are building coordinated exposure—anchoring rounds in frontier model builders (e.g., Anthropic, xAI); co-founding infrastructure initiatives (e.g., QIA-Brookfield JV); and securing upstream compute and energy assets

Several PIs are setting up dedicated vehicles to invest into AI as well as drive orchestration of sovereign AI efforts

- Dedicated vehicles not only meant to support AI investments, but also **drive creation of domestic AI ecosystems**
- **MGX** was created in March 2024 by Abu Dhabi’s AI and Advanced Technology Council, with a mandate to invest across the AI value chain and **build a local AI ecosystem**
- Qatar launched Qai in December 2025. Qai will develop, operate, and invest in AI infrastructure to **position Qatar as a hub for AI and data-driven industries**

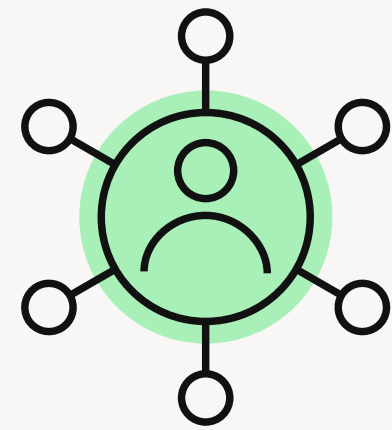
“ At MGX, we see AI as the **most transformative force of our time**, and believe open, enduring infrastructure is key to unlocking its broad societal impact
—Ahmed Yahia, CEO of MGX

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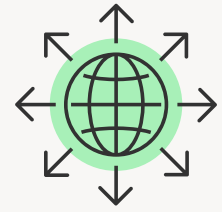
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How general partners can partner with principal investors

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How principal investors must evolve how they lead and deploy capital



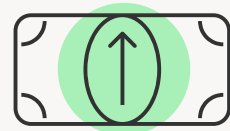
Infrastructure, mid-market, and secondaries are each maturing into viable, systematic allocation opportunities that warrant dedicated strategic attention



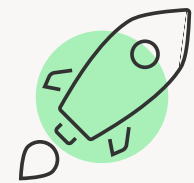
Specialist mid-market access rewards deep manager selection. GP stakes and seeding are growing as vehicles to capture economics, access, and influence alongside capital deployment



PIs must build deeper and more focused strategic relationships with GPs rather than transactional relationships to enable preferential co-investment access, strategic alignment, and stronger governance influence



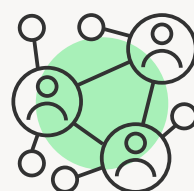
AI is reshaping both investment opportunity and operational performance. PIs must define a clear AI thesis across the stack, concentrate capital in high-value opportunities, and systematically integrate AI into internal operations and portfolio value creation



As complexity increases, PIs must restructure their organizations around high-conviction platforms, rationalizing direct vs. partner-led execution and systematically exiting strategies outside domains of edge



As PIs explore more sophisticated portfolio management approaches, shifts such as **exploring a stronger role for the CIO Office in balancing liquidity and returns and using TPA as a management approach** are potential levers to explore

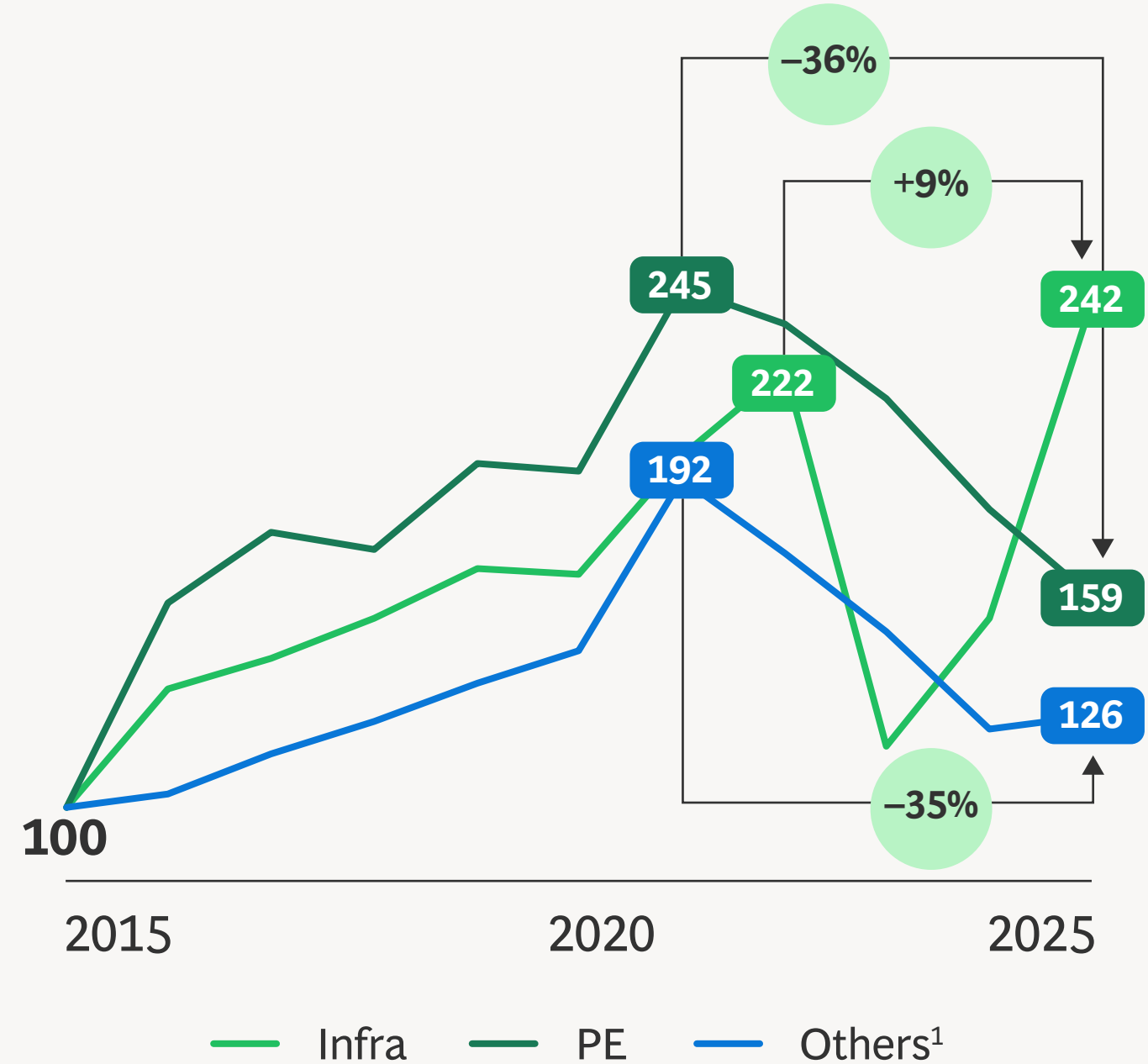


Competition for direct investing talent is intensifying as PI mandates evolve. **Compensation structure and value proposition to PI employees requires careful design while taking into account economics and governance constraints**

Amidst private market uncertainty, PIs must carefully consider relative asset class allocation

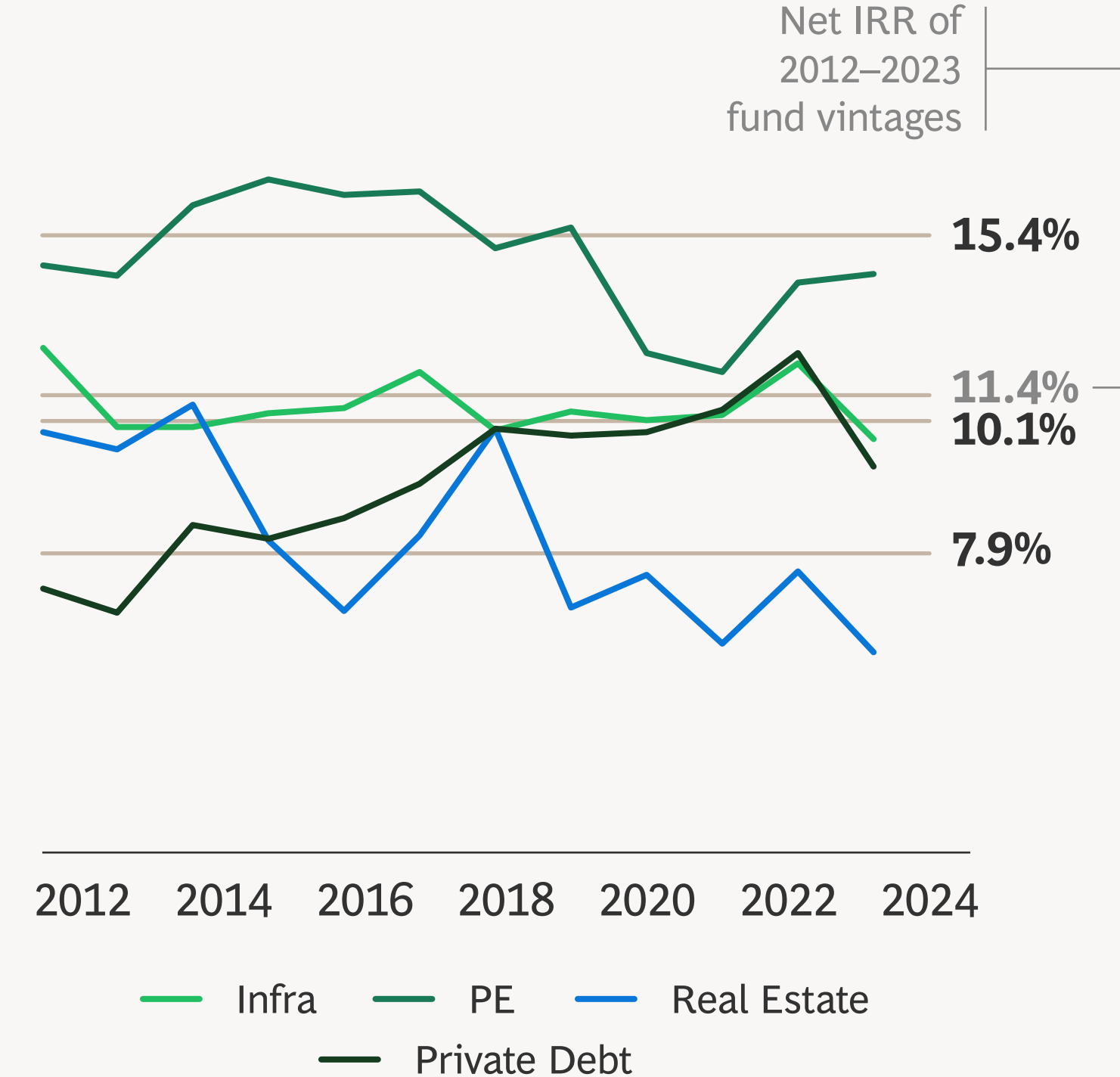
Recent fundraising has shifted, with focus on infra over other private assets

GLOBAL INFRA, PE, AND OTHER PRIVATE CAPITAL FUNDRAISING INDEX
(2015 = 100, % RELATIVE TO PEAK)



In general, PE funds have higher IRR, but infra funds offer lower volatility

WEIGHTED AVERAGE NET IRR (% , 2012–2022)²



PE has historically anchored PI private market allocations, with infra, private credit, and real estate as supplementary positions

Return profiles have shifted in recent years—PE and real estate IRR have become more volatile and declined from historical levels, while infrastructure has remained resilient

Fundraising patterns are also evolving. Infrastructure fundraising has recovered and grown, while PE and other private assets remain below prior peaks

Going forward, PIs must carefully assess relative asset class allocation in private markets. Despite weaker recent performance, PE funds can still potentially deliver higher returns than infrastructure funds. Meanwhile, large inflow of capital to infra funds can create risk of too much capital chasing too few opportunities

Sources: Preqin, BCG Infrastructure Strategy 2026 (March 2026).

¹Includes real estate and private debt; ²Weighted IRR for 2012–2023 is based on net IRR for all funds within a category, weighted by fund size.

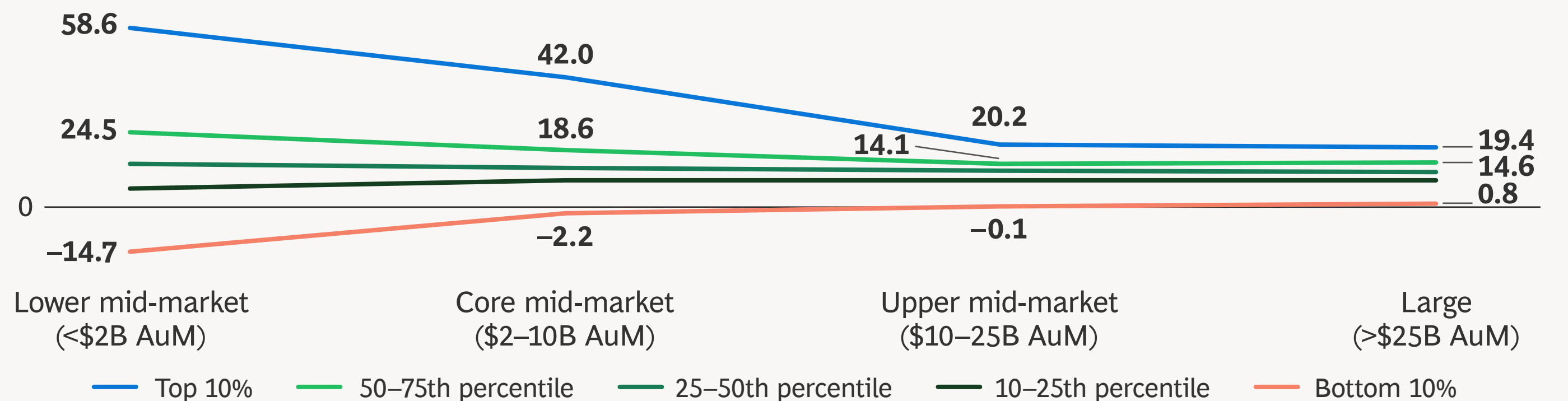
Specialist mid-market access and superior manager selection can unlock alpha, especially where proprietary sourcing / operational edge still exist

Mid-market is structurally attractive in a capital constrained environment

- Mid-market GPs are fundraising-constrained but operationally capable, creating a structurally attractive entry point for LPs
- High-performing mid-market managers are operating in an undercapitalized segment where anchor capital is scarce, creating openness to structural alignment that mega-platforms will not offer—sub-2% fees, enhanced co-invest rights, LPAC seats, and governance protections that reflect LP leverage at its highest
- In addition, mid-market exposure allows LPs to tap into niche strategies and specialization. Excess return opportunity increasingly sits in specialist subsegments (e.g., sector-focused GPs, regional champions with proprietary sourcing, and operationally-led strategies where the GP brings genuine competitive advantage)

Mid-market segment sees larger IRR dispersion but can offer superior upside potential against large-scale funds with proper manager selection

AVERAGE NET IRR OF MANAGERS (%)¹



Significant value in identifying differentiated deal access beyond the mainstream

Proprietary sourcing can still unlock value in the mid-market. GPs operating in niche sectors, geographies, or with founder/family-owned deal pipelines with limited competition

Data/AI-based models can be very valuable to surface right managers early

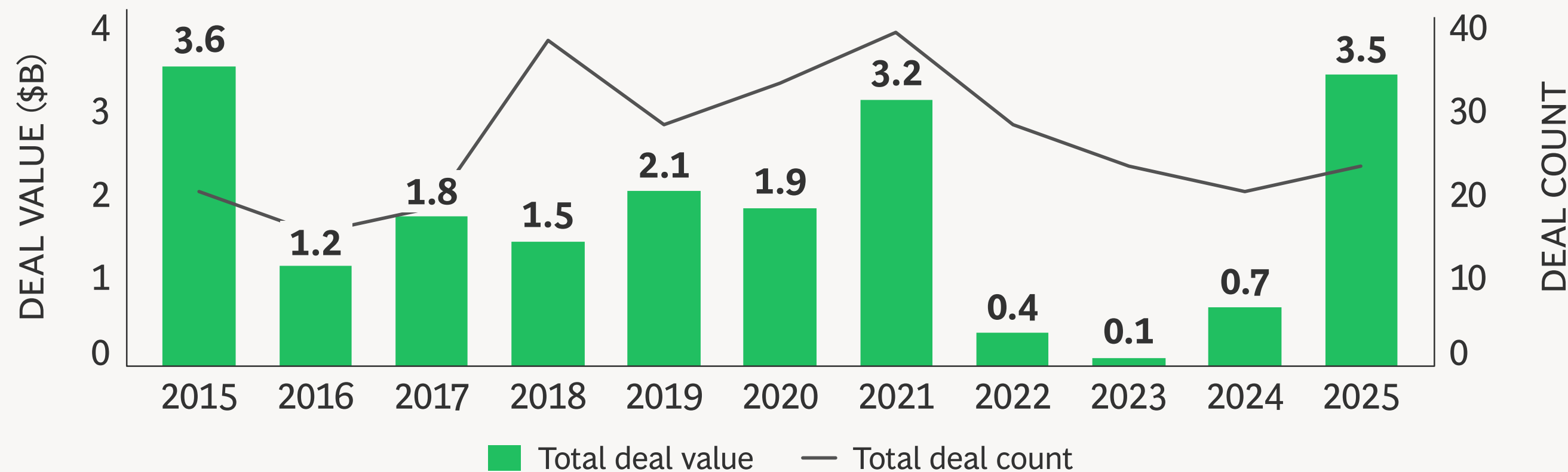
Use AI-enabled screening to identify managers with repeatable edge before they become fully “brand-priced.” Leverage as a monitoring layer to look out for predictive leading indicators such as DPI momentum, loss ratio, value creation bridge, % proprietary deals, etc.

Sources: Preqin; BCG analysis.

¹Only closed and liquidated funds included within private equity asset class. Calculated as average of net IRR within quartiles of managers. Lower mid-market n=1273; core mid-market n=366; upper mid-market n=98; mega n=125. Preqin as of March 1, 2026.

Some PIs are using GP stakes to access mid-markets, serving as an alternative fixed-income vehicle with additional equity upside

GP stake deal value rebounding over the past years, driven by stakes in middle-market managers



- Mid-market GPs are actively seeking external capital as traditional sources are holding back, creating a receptive environment for structured partnerships linked to capital commitments
- For LPs, GP stakes deliver compounding structural advantages, serving as fixed income with equity upside. Fee and carry economics across all future strategies, permanent co-invest access, and AuM growth upside
- Strategic PIs are seeking to steer GP strategy more closely. GP stakes provide governance rights and board-level influence that no fund commitment can replicate
- Growing exit options available (e.g., management buyback, secondary sales, strip sales, etc.) making investment option more liquid and simple when exit is required

Recent examples of scaled LPs strengthening presence in GP stakes

Mubadala Capital

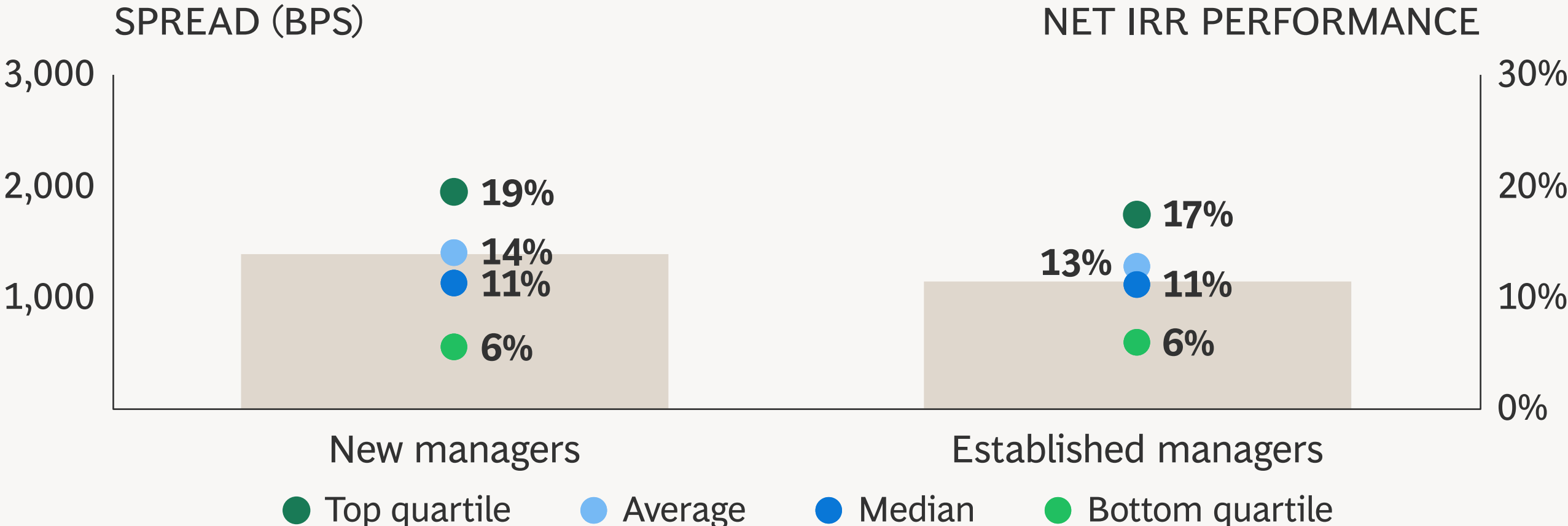
- **Stakes taken in Silverlake** (2020) with a \$2B long-dated fund commitment, **Hayfin** (2025) driven by strong alignment to strategic priorities
- **Most recent GP stake in November 2025 involves** Ares, ADIA, and Mubadala founding a new business together to take minority stakes in mid-sized PE firms

Blue Owl

- **Democratized access to GP economics through pooled vehicle structure**, enables lower minimums and **no operational burden** for investors as Blue Owl handles monitoring of cash flows, manager relationships and negotiations, etc.
- **Funds have performed strongly:** net IRR of ~13% to 38% across funds III to V

GP seeding viable path to anchor and catalyze mid-market managers; earnings economics commensurate with the risk capital deployed early

New managers can outperform established ones without large additional downside risk¹



- **GP seeding is structurally undercapitalized.** Less than \$5B has been raised globally for seeding vs. \$60B+ for GP stakes, a fraction of the capital despite comparable return potential

- **New managers outperform without added downside.** Top-performing new managers (Fund I–III, <\$2B AuM) generate higher net IRRs than established managers. Bottom-quartile performance is identical across both cohorts

- **GP seeding a way for PIs to anchor and catalyze mid-market managers.** Especially in the context of long-term capital stewardship and regional market development (e.g., in GCC and SEA), seeding is a means of meaningfully driving growth in the mid-markets

Sources: Preqin; GCM Grosvenor; TPG NEXT; BCG analysis.
 Note: GCC = Gulf Cooperation Council, SEA = Southeast Asia.

¹Preqin data as of March 10, 2026. New managers (n=1179) defined as fund ordinal less than 3 and fund size <\$2B. Established managers (n=1110) defined as fund ordinal of 4+, only net IRR of closed and liquidated funds evaluated.

TPG NEXT and GCM key recent examples of investors entering GP seeding

TPG NEXT, anchored by \$500M CalPERS commitment, invests as a GP in emerging funds

Demolis Equity Partners (2025): Mid-market growth and buyout fund, focused on tech; TPG Next’s investment include capital market, investment sourcing, and diligence support

Cohere Capital Partners: Buyout fund in tech-enabled sectors; TPG Next’s investment access to TPG’s network, operation and ecosystem support

GCM Grosvenor’s Elevate, anchored by CalPERS \$500M commitment, makes seed investments in emerging PE firm founders

Excolere Equity Partners (Oct ’23): Mid-market buyout fund focused on human capital, education, and tech-enabled services; GCM provides support on key non-investment functions

Tayeh Capital (Oct ’25): PE fund focused on family-owned mid-market service companies; GCM provides access to resources in Sponsor Solutions platform

Deeper and more programmatic GP partnerships can create structural advantages for PIs, especially in terms of superior co-invest opportunities

Institutional relationships can unlock meaningful benefits preferential co-investments, joint pursuit of strategic objectives through JVs, and better governance influence and rights

PIs can substantively strengthen GP relationships through three approaches

Anchor GP relationships with programmatic commitments

Mega-GPs reserve their best co-investment deal flow for LPs who reduce fundraising uncertainty. Committing early gives the GP a reason to treat the LP as a structural partner rather than a transactional allocator

Offer co-underwriting capacity, not just co-investment appetite

LPs taking on execution risk alongside the GP and who can move agilely become useful to GPs on certain transactions and get embedded into the deal flow structurally

Bring sovereign or strategic value the GP cannot source through capital alone

A newer LP that can credibly open doors in its home market in investment spaces that need regulatory relationships, government access, and local legitimacy gives the GP a reason to bring them in early

Danantara — Building mega-GP network for strategic sector exposure

Context: Launched February 2025, Danantara is deliberately courting mega-GP relationships to access global deal flow and sector expertise ahead of building direct investment capability

Early partnership activity

- Actively in discussions with global PE, private credit, and real estate managers to **secure fund commitments and co-investment rights in priority themes** (e.g., digital infrastructure, AI in China)
- **Establishing co-investment frameworks early:** \$4B joint fund with Qatar Investment Authority (April '25) signals intent to underwrite deals at scale alongside strategic partners

Lunate — Evolving from new LP to integrated partner in under three years

Context: Founded 2023 and headquartered in Abu Dhabi, Lunate manages ~\$115B in AuM and has deployed \$13.5B in its first two years—raising \$17B in 2024 alone for flagship funds. Purpose-built as a sophisticated private markets allocator, with a mandate to operate simultaneously as LP, co-investor, and GP stakes partner

Early partnership activity

- Relationships with 100+ GPs established within two years, including BlackRock, Blackstone, CVC, Brookfield, Blue Owl, and HPS
- Over 70 direct deals and co-investments alongside GPs; 30+ as LP fund commitments; rapid progression from passive LP to active deal partner
- Concrete co-investments: Clayton Dubilier & Rice (Sanofi €16B OTC buyout), Brookfield (Neoen €6.1B take-private), CoreWeave (senior and mezzanine debt)

PIs must assess investment implications linked to AI and rapidly determine how to integrate across value-chain

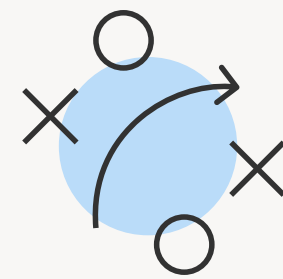
AI EXPOSURES AND USE CASES

PIs need to consider where they are exposed to AI portfolio risk and how to identify AI managers

AI is seen as an important fund enablement engine, enabling fund selection, due diligence, and value creation



Investments in AI



AI in fund strategy and operations



AI in value creation

PI TRENDS AND DEVELOPMENTS

- Major PIs anchoring AI model and compute platforms as both strategic and financial investments
- **Infrastructure plays** (e.g., data center, power, semiconductors) also emerging as a means to create **AI exposure**. **Several PIs are creating infrastructure-focused platforms**

- AI repositioning investment thesis work, identifying AI-exposed sectors and stress-testing existing portfolios for disruption risk
- GP selection is increasingly data-driven, with AI used to screen, benchmark, and monitor manager performance at scale
- Agentic AI pilots emerging in due diligence (automated data room analysis); operational impact still early but accelerating

- Leading PIs standing up AI centers of excellence to systematically deploy AI across PortCos with standardized playbooks, shared tooling, etc.
- AI embedded into value creation agendas from day one: maturity assessments at entry, board-level accountability, rollout programs
- AI aimed to systematically uplift EBITDA through commercial analytics, cost efficiency, and operational automation across PortCo base

Rise of AI implications for allocation and manager selection; significant opportunity to strengthen internal operations

Investments in AI: Rise of AI likely to increase importance of private markets; manager selection critical

AI companies are staying private longer, reinforcing the case for private markets exposure and GP selection

- AI companies are staying private longer, with the bulk of value creation occurring well before any public listing—meaning **LPs without private market exposure risk missing the most significant compounding phase**
 - For LPs, this points towards **deeper engagement with PE and growth equity GPs active in AI and selective venture fund allocations** to maintain access to frontier opportunities
-

Selecting the right GP partner is critical; in the absence of historical track record, need to understand specific edge

- AI is a nascent industry. **Historical returns are weaker indicators** as most managers are only 2 to 3 years into the cycle
 - GPs will present strong deal-making and operational capabilities, but LPs have **few tools to distinguish genuine expertise from narrative**
 - Evaluation must shift from what have they returned to **what is their sourcing edge and operational value-add**
-

AI in Fund Ops: AI increasingly embedded across fund operations; several PIs building bespoke capabilities

AI offers PIs a material opportunity to improve the quality and efficiency of internal operations across the investment lifecycle. The most ambitious PIs are moving toward embedding AI across front, mid, and back office functions

Several PIs actively applying AI in fund operations, including in manager selection

CPP: Using generative AI to extract patterns across 100+ GP reports and Pitchbook deal activity data; conducting deep dives with partners to sharpen understanding of the AI landscape; deploying bespoke AI research agents for investment analysts to improve the speed and depth of manager assessment

GIC: Applying AI “opinion mining” to assess GP sourcing quality and deal flow edge; extracting key insights from large volumes of manager and market information to cut through noise in an increasingly information-dense environment

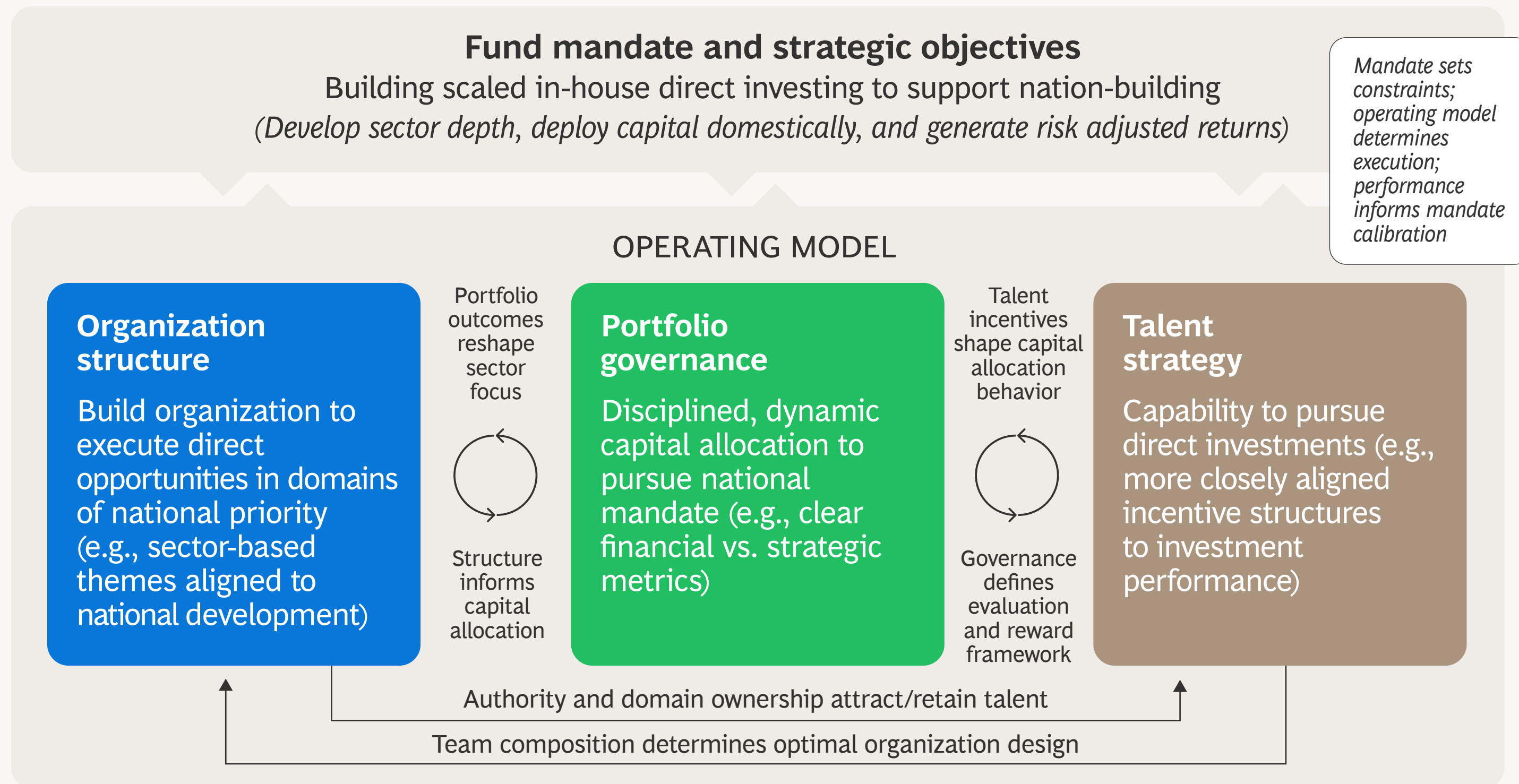
ADIA: Has built out a 100+ person quant R&D team alongside ADIA Lab, focused on AI and data science for investment analysis and monitoring; exploring applications across manager selection, portfolio monitoring, and broader investment process support

PIs are re-examining their organizational structure to enable more active involvement in the markets

Mandate delivery requires coherence across organization structure, governance, and talent

How the operating model enables mandate delivery

Illustrative



- **Mandate delivery requires alignment across organization structure, portfolio governance, and talent:** all three must reinforce each other
- **Agile, total portfolio management (e.g., TPA) requires organization structure with sufficient sector, geo- or asset-class coverage.** Limited coverage constrains the ability to capitalize on market dislocations
- **Talent without active portfolio governance under-delivers.** Top talent is only helpful insofar as portfolio governance enables capital to be dynamically reallocated at pace to avoid missing time-sensitive opportunities

PIs especially reorganizing around areas where they can lead and partnering elsewhere

Drive to reorganize

Scale complexity, rising private markets specialization, and shifting mandates (especially for sovereigns) are creating impetus for reorganization

Imperatives

1 Decision on what to own vs. access to inform capital deployment strategy

- Funds are choosing between passive allocation to GPs, co-investing, deal leadership, and partnerships based on where they have genuine edge
- Internal resources are being dedicated only in domains of edge—by sector, geography, or asset class—while other markets are accessed through partnerships
- Where pursued, direct investing capabilities such as value creation are being institutionalized

2 Imperative to modularize organization around sources of repeatable advantage

- Funds are structuring for speed and repeatable edge in their highest-conviction domains
- Organizations are being designed around domains where funds have repeatable advantages, enabling greater agility and value-realization potential

In recent years, PIs have visibly been acting on these imperatives in three concrete ways

Restructuring the organization around conviction platforms

PIs sharpening focus on conviction themes and geos where they have clear edge, exiting peripheral markets and creating dedicated platforms around these domains

Leading PIs are reorganizing or creating new entities to sharpen focus on conviction strategies

Temasek: Creating new wholly-owned entities to manage focus on three key segments (effective April 1, 2026): Singapore-based portfolio companies; global direct investments; and partnerships, funds, and asset management companies

Mubadala: Expansion of sector-led platforms (e.g., Mubadala Energy, M42, MGX)

Convergence of SWFs to a more partner-led model

PIs are especially looking to invest directly in areas with clear edge while being more partner-led (e.g., expanding partnerships/GP allocations) elsewhere

GP-partnered co-invest model generally preferred over solo direct ownership

Canadian pension funds (e.g., CDPQ, OTPP) are reducing direct PE exposure and building more partnerships

Similarly, ME and APAC SWFs are doubling down or maintaining co-investment as a core model

Institutionalizing portfolio pruning and exit discipline

Leading PIs are systematically exiting legacy portcos and strategies that no longer align with current focus or institutional expertise

Institutions scaling back operations in regions with lower strategic alignment

Several Canadian pensions have scaled back direct investing in Asia, especially China: OMERS disbanded its Singapore-based Asia private equity team, OTPP closed its Hong Kong office consolidating APAC coverage into Singapore and Mumbai, and CPP cut its Hong Kong-based China PE team

Where PIs are taking a more active role, some are building more GP-like value-creation capabilities

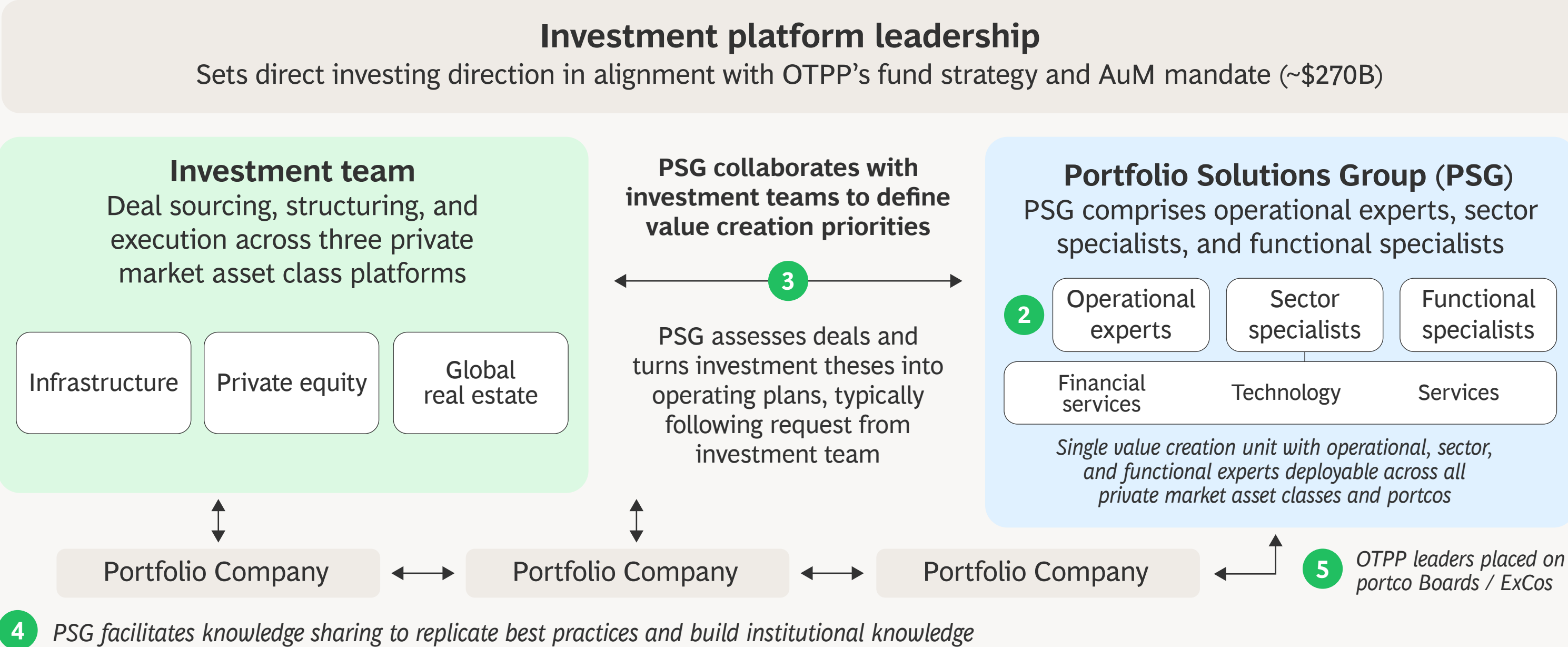
Key principles and considerations

- 1 **Evolving toward hybrid value creation models**
Combining central platforms (standards, playbooks) with selectively embedded expertise at the deal and sector level
- 2 **Increasing alignment of operating capabilities with investment strategy**
Shaping value creation resources around priority sectors and investment themes to enhance relevance and impact
- 3 **Clarifying roles across investment and value creation teams**
Defining how strategy-setting and execution responsibilities are shared as operating models mature
- 4 **Scaling institutional knowledge to drive repeatability**
Building mechanisms to codify and transfer best practices across portfolio companies
- 5 **Strengthening fund–portfolio alignment mechanisms**
Leveraging governance and engagement models to more consistently translate strategy into value creation outcomes

Several PIs are strengthening operational value creation teams in-house *Illustrative*

Case study: OTPP strengthening value creation team with operational experts and sector specialists

- OTPP**
- In 2024, OTPP established the **Portfolio Solutions Group (PSG)** to consolidate value creation oversight across its private markets portfolio, operating as a **lean, MD-led team** that works alongside investment teams to shape portfolio strategy and drive asset-level outcomes
 - PSG is expanding through **targeted hiring of operational and sector strategy experts**, with **functional capabilities (e.g., data analytics) being added in parallel** to broaden its execution capabilities



Sources: Bloomberg; company websites; market participant interviews; expert interviews; BCG analysis.

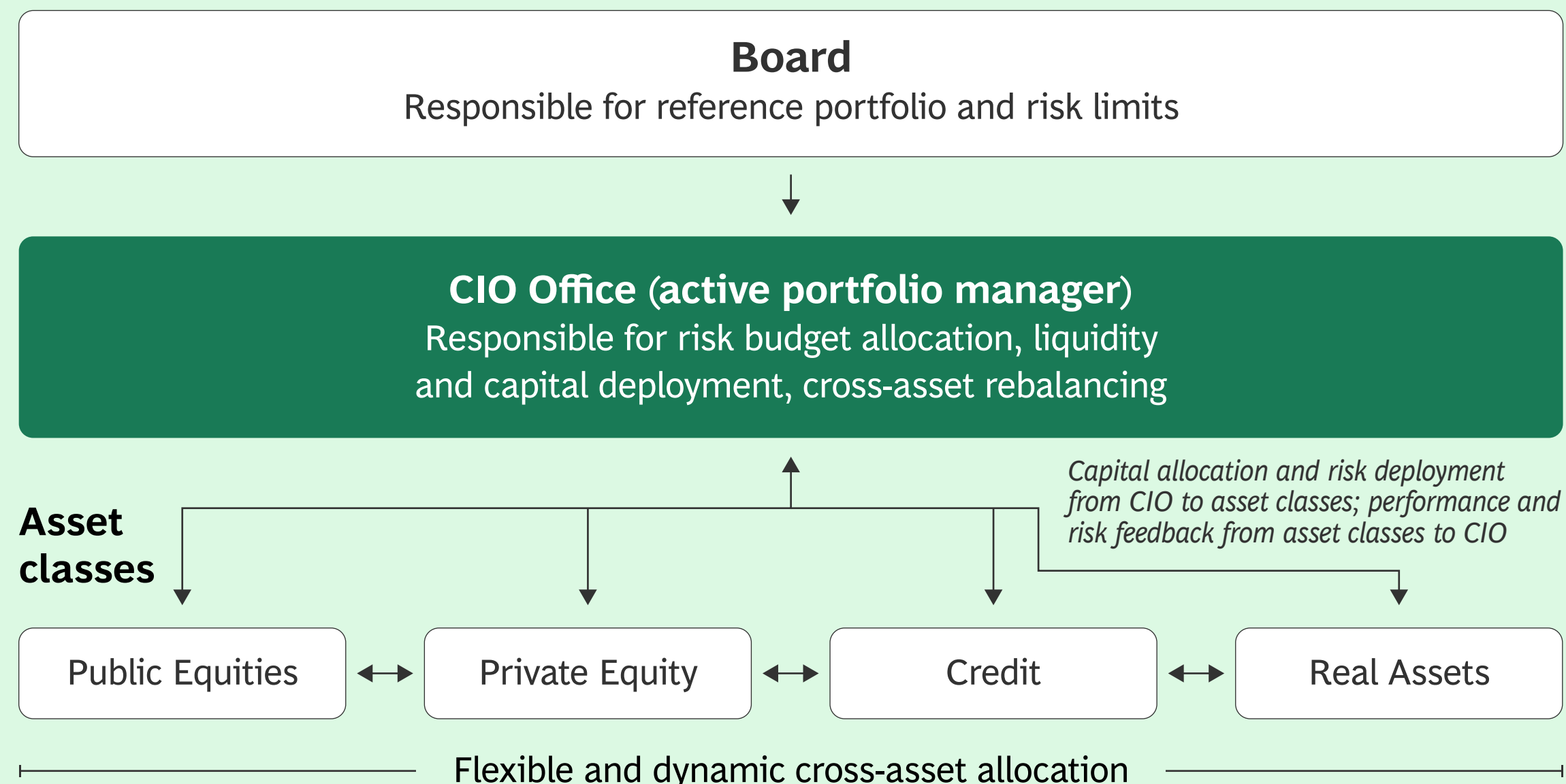
A stronger CIO office is becoming more valuable, especially as portfolio complexity expands

Portfolio management led from top-of-house, empowered CIO office

CIO office as a dynamic capital allocation engine across asset classes

Illustrative

Teams involved in investment implementation process



Board sets the guardrails, while CIO deploys capital dynamically to maximize total-fund outcomes

Shifting the mandate from policy oversight to active portfolio optimization

- Moving beyond periodic SAA design to **continuous portfolio optimization**, recognizing that **performance is increasingly determined between policy resets**
- Dynamically rebalance risk and capital across the full portfolio to capture relative value opportunities (e.g., potential for CIO office to deploy overlay strategies like using derivatives to rebalance aggregate exposure across portfolio)

Making the CIO accountable for total-fund outcomes

- Elevate CIO from compliance monitor to performance owner
- Align incentives and evaluation to total-fund outcomes rather than siloed benchmarks

Redesign governance to enable disciplined agility

- Maintain board-owned reference portfolio with total-fund risk limits as enforceable anchor
- Vest portfolio-wide allocation authority in CIO office, operating within defined risk budgets and breach protocols
- **Enable flexible allocation across assets**, so liquidity rules and commitments do not prevent acting on attractive opportunities
- Scaled governance and accountability in line with AuM and portfolio complexity

Some PIs are embracing TPA in push for agility and performance gains; however, this requires organization and governance design shifts

As portfolio management becomes more complex, several PIs are exploring shifting, or have shifted, from SAA to TPA to get better value from their portfolio and optimize capital allocation

Leading institutional adopters

NZSUPERFUND

2010

CPP INVESTMENTS

Mid-2000s

FUTUREFUND

Mid-2000s

GIC

Early-2020s

Recent adopters

Calpers

First US public pension to adopt TPA; effective July 1, 2026

CalSTRS

TPA used to enable dynamic allocation to optimize portfolio

HOOPP

TPA launched in Jan 2026, anchored by liability-aware investing

Aware Super

Announced a revamped investment structure in Feb 2026 to support TPA

SAA allocates capital within fixed asset class buckets, potentially limiting a fund’s ability to respond as markets evolve. TPA enables continuous, portfolio-wide reallocation toward the highest risk-adjusted opportunities

Sources: Global SWF; CAIA Association; company websites; BCG analysis.

Note: Fund returns (latest fiscal year) and SAA vs. TPA classification from Global SWF; SAA (n=36) TPA (n=8).

However, TPA should not be seen as a magic bullet; governance is required to reap advantages

TPA is not a magic bullet; effective governance is required to reap advantages of TPA, especially at larger funds

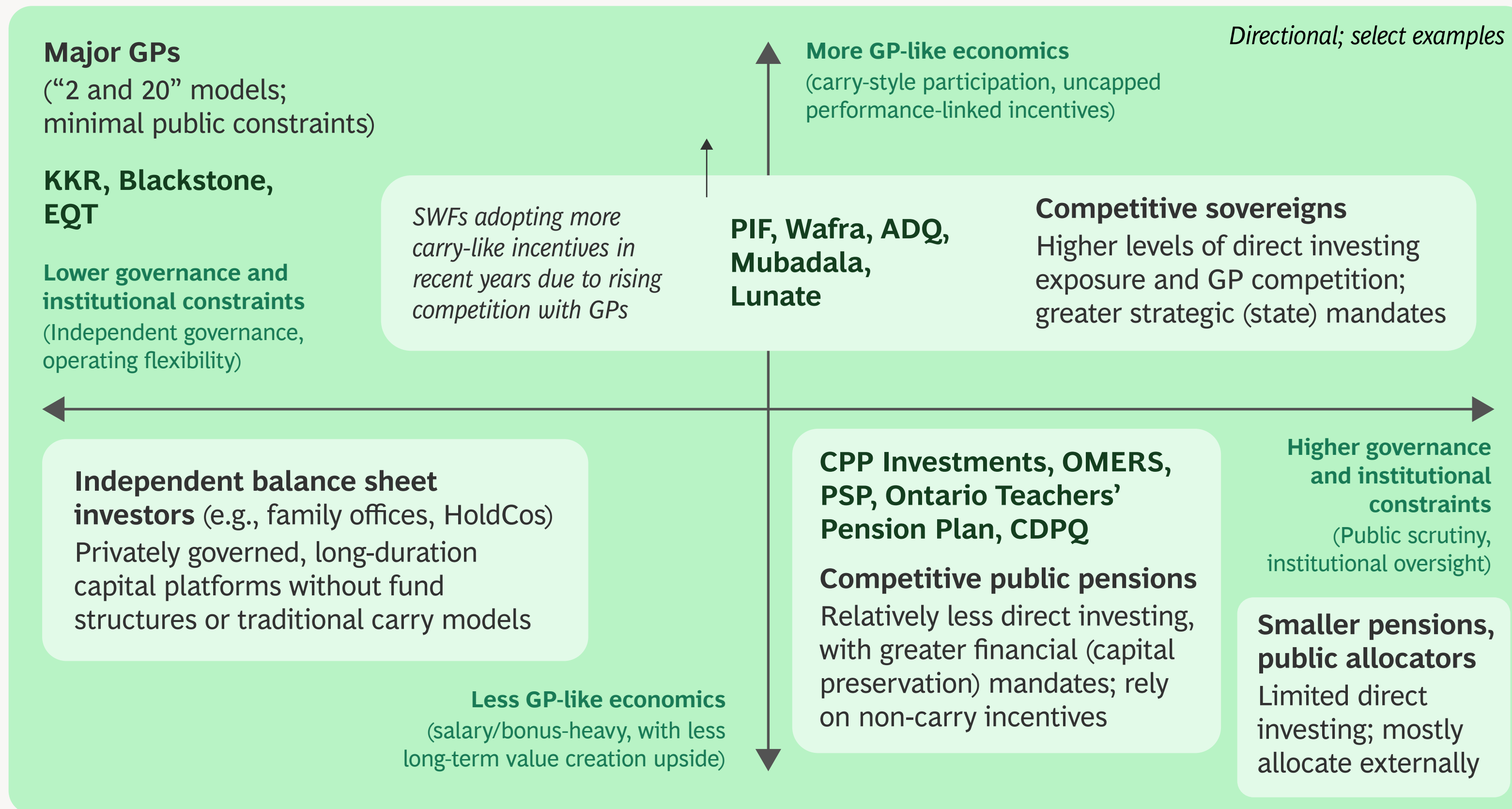
- Larger funds face alpha headwinds from complexity and diseconomies of scale
- Sustained outperformance increasingly depends on TPA “in practice” (e.g., flexible allocation across assets, portfolio-wide allocation authority vested in CIO office)

Beyond that, TPA is only one driver of outcomes; broader institutional design matters equally

- Investing mandate (e.g., strategic vs. financial) and domain specialization (e.g., by asset class, sector, geo) ultimately govern risk and return expectations
- **TPA is an enabler of the given strategy or mandate** a fund chooses to employ, **enhancing execution efficiency and flexibility** rather than being primary driver of returns

As direct and co-invest roles deepen, some PIs are selectively adapting incentive models

Institutional and governance constraints shape compensation models across investors



- **Leading SWFs are selectively adopting more flexible, performance-linked incentive structures**, increasingly aligning with private market norms as direct investing scales
- **Alternative carry constructs (e.g., synthetic / shadow carry) are emerging** as a way to replicate upside participation within institutional constraints
- **Where full carry is constrained, differentiation is shifting toward broader value propositions**, including innovative incentive design, competitive base and bonus, and access to co-investment opportunities and non-financial incentives (e.g., lifestyle perks, deal access)

Source: BCG analysis.

Note: ADQ's assets have been consolidated under L'IMAD following a resolution by Abu Dhabi's Supreme Council for Financial and Economic Affairs.

Some PIs replicating “carry-like” incentives; vital to account for distinct economics suited to balance-sheet model and governance requirements

Key structural issues

1 Need to manufacture distinct carry mechanisms from GPs as “2 and 20” economics do not apply

- PIs predominantly invest proprietary capital instead of 3P capital; do not have built-in management fee or carry
- Alternative carry structure must specify which returns qualify as “alpha” and over what horizon before triggering compensation

2 Need to embed governance guardrails in carry design

- Incentives must operate within appropriate political, reputational, and accountability frameworks
- Incentive structure will also need to be balanced with broader fund economics
- Organizational strategic objectives or mandates should be considered as part of carry design

Several PIs are experimenting with carry-adjacent structures, navigating the boundary between competitive economics and institutional constraints

Lunate

Driven by high direct investing exposure, Lunate has begun providing synthetic carry to some employees, helping them attract talent from large PE firms

Synthetic structure avoids the legal and governance complexity of true carry (no profit participation agreement, no entitlement to fund economics), while still providing meaningful long-term upside tied to investment performance

CPP Investments

Designed long-term incentive program (deferred award and FRU grant)¹ to offer distinct carry mechanisms and a strategic component to value generated beyond “alpha”

Long-term incentive program aligns executives to multi-year fund compounding rather than annual performance cycles; discretionary strategic component provides governance flexibility to override benchmark distortions²

OMERS

Wound down a deal-profit sharing plan in 2021, prompting a lawsuit; underscores challenges of GP-style economics within pension constraints

OMERS ran a vintage-year LTIP giving PE professionals a share of deal profits, but repeatedly modified terms (caps, hurdle rates, profit share) before winding it down entirely in 2021; illustrates how carry-like plans at public institutions are vulnerable to unilateral amendment when fund economics or governance priorities shift

Sources: CPP Annual Report 2025; expert interviews; BCG analysis.

¹Based on compensation breakdown of C-suite disclosed across 2023–2025; Base salary is fixed, benchmarked annually against global asset managers and PEs. In-year award is short-term driven by fund multiplier x dept./individual multiplier. Deferred award vests over multiple years with value tied to fund performance. Senior staff must defer mandatory performance. Other compensation includes pension and “all other compensation.” ²For example, when passive indices are structurally unbeatable (e.g., US mega-cap tech major rally post COVID).

Contents



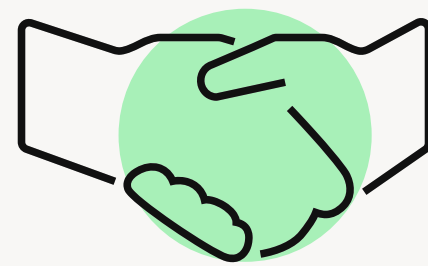
Principal investors are playing a more active role in an increasingly complex market landscape

01



How principal investors are changing the way they lead

02



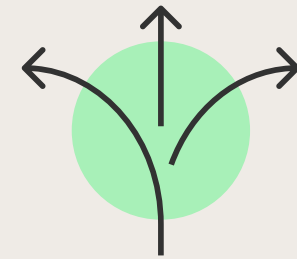
How general partners can partner with principal investors

03

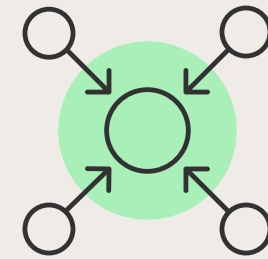
As the LP landscape evolves, GPs must adapt how they partner and build capabilities to differentiate



GPs must offer greater flexibility across partnership models and evolve from product providers to strategic partners—supporting PIs' domestic mandates, talent development, and co-investment origination, as strategic alignment becomes an increasingly important selection criterion for large LPs



Retail-originated AuM in private markets is growing faster than institutional. Structural separation of vehicles, teams, and incentives is essential to protect institutional LP interests and fund economics



Family offices are professionalizing and shifting toward deal-level engagement over blind-pool commitments. GPs that offer co-investment access and tailored vehicles are best positioned to capture this growing capital pool



As PIs concentrate capital with fewer, higher-conviction managers, generic positioning is harder to defend. GPs—particularly in the mid-market—should build a differentiated thesis by sector, geography, or theme, backed by the sourcing depth and operational capability to substantiate it



LPs are increasingly evaluating GPs on their ability to assess AI disruption risk and unlock value creation potential across the portfolio. GPs that articulate a clear AI framework in diligence and build operational capability to support portfolio companies are becoming a more differentiated choice

GPs must evolve beyond the standard fund model, offering more flexible partnership structures to retain and deepen relationships with PIs

What GPs must do



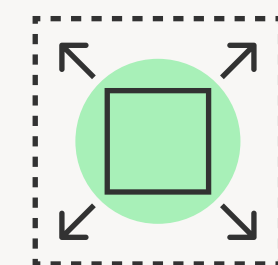
Move beyond standard fund structures to bespoke approaches

GPs must build deal capacity to process fast, large co-invest decisions and complement this with tailored vehicles: Separately Managed Accounts (SMAs) for custom mandates, open-ended funds for perpetual capital, and long-dated structures for sovereign horizons



Shift from product provider to strategic partner and co-creator

PIs increasingly seek GPs who can support their domestic mandates, talent development, knowledge transfer, and co-investment origination, not simply deliver IRR. Strategic alignment is becoming a significant selection criterion for large LPs



Adopt more flexibility in fee structure, especially for anchor LPs

Traditional “2 and 20” is under pressure: GPs must adapt their fee structures (e.g., offer tiered or performance-linked fee structures) for PIs to remain attractive partners to LPs

Leading mega-GPs are already adapting

KKR’s infrastructure AuM explicitly includes SMAs and the Diversified Core Infrastructure Fund, an open-ended vehicle designed for large LPs seeking long-duration, customized exposure outside the standard fund structure

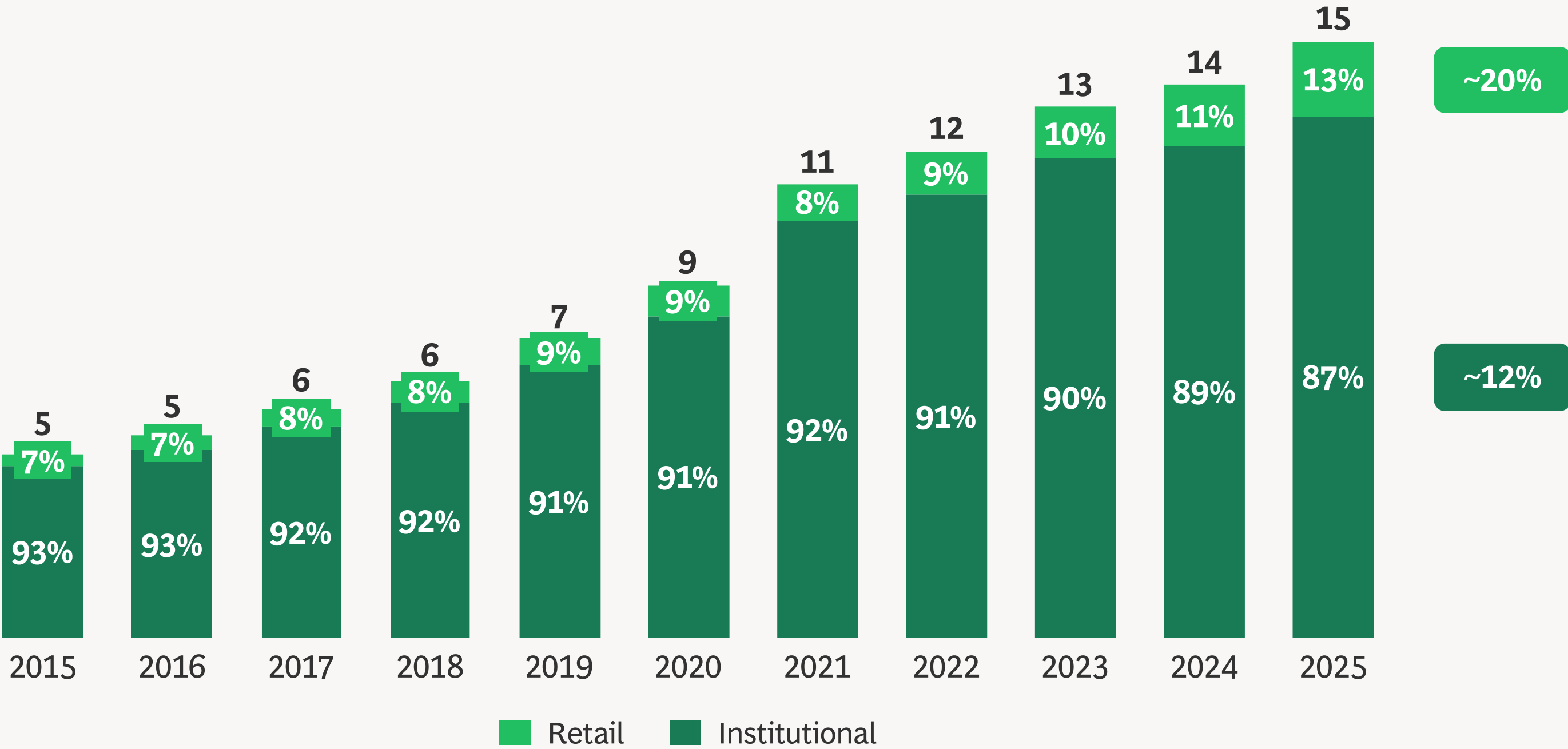
Blackstone pioneered perpetual-life fund vehicles (BREIT, BXPE, BCRED), open-ended structures with no capital call cycle or fixed exit that directly address liquidity and pacing challenges for large institutional and wealth allocators

Mubadala committed \$2B to a dedicated Silver Lake strategy in 2020 with a 25-year deployment lifecycle, a bespoke structure designed to invest outside the mandates of Silver Lake’s standard fund vehicles

Retail capital is greater share of private capital investment, creating structural trade-offs but reducing GPs' reliance on institutional capital

Global retail investment as a proportion of capital to private markets has grown ~20% from 2015 to 2025

PRIVATE CAPITAL AUM FROM GLOBAL RETAIL INVESTORS, (\$T)



Retail is becoming a structural growth engine in private capital

- As of 2025, global retail investors account for ~\$1.9T in private capital AuM, representing ~12.8% of the total market¹

Retail capital is growing faster than institutional flows

- Expansion is driven by regulatory liberalization, access through retirement savings system, digital platforms, and GP product innovation, reducing barriers for retail capital

Retail access introduces structural trade-offs for GPs

- Serving retail requires liquidity features, operational scale, and enhanced transparency, which can reduce return optimization and alter fund economics if not carefully structured

Sources: Preqin "Private Markets in 2030"; BCG analysis.

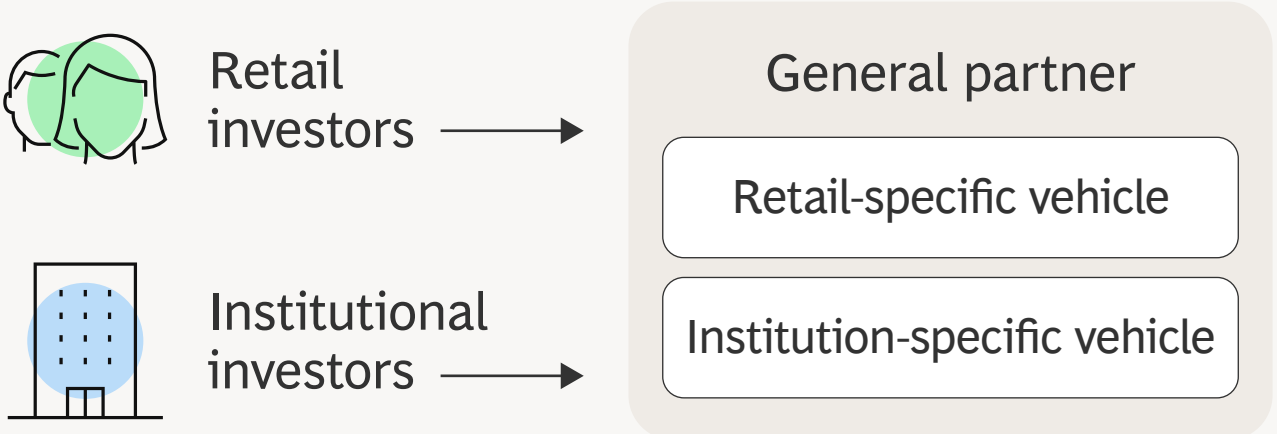
Note: Compared to the US, retail investors in the EU currently have greater access to private assets through alternative investment funds (AIFs). However, by 2030, the gap in projected AuM is expected to decrease as recent US regulatory moves and financial innovation are lowering barriers for retail participation. APAC and Rest of World retail AuM estimated proportionally by applying each region's share of total private capital AuM (Preqin) to the known and forecasted US and EU retail base.

¹(~\$1.9T retail investors' private capital)/(\$14.8T in total private capital AuM in 2025) = 12.8%

Institutional-retail structural separation matters to institutional PIs; as GPs broaden capital channels, they must design for segregation

Vehicle segregation allows for separation of economics and required holding periods

Retail and institutional capital reside in separate vehicles



Separate vehicles needed to align structure, liquidity, and governance by client segment

- Retail vehicles require liquidity buffers to fund redemptions and continuous deployment, creating differentiated risk/return profile
- Separation of vehicles can mitigate allocation conflicts, cross-subsidization risk, and misaligned fee incentives. It is critical for GPs to also ensure auditable fair allocation policies in line with regulation²

Sources: Expert interviews; BCG analysis.

¹70% is institutional. ²GPs regulated by Investment Company Act of 1940 and Investment Advisers Act in the US and by AIFMD in Europe to disclose any conflicts between fund types etc.

Separate organizational structures most effectively prevent sales channel conflicts

Retail team



Institutional team



Different coverage, compensation, information access, reporting, and CRM needed

Establish fully dedicated teams to protect institutional and retail mandates

- Retail distribution tends to generate higher management fees than institutional, causing a unified team to systematically prioritize retail AuM
- Institutional LPs share sensitive information (e.g., co-investment appetite/strategic priorities) and expect confidentiality; a shared sales organization creates higher structural risk that information is leaked

CASE STUDY

Blackstone was an early mover in retail private markets, but learned that serving institutional and retail clients from a single platform creates structural tensions

- When retail vehicles launched, they typically lacked dedicated investment teams. Professionals from institutional vehicles wore two hats—sourcing deals for both institutional funds and the new retail vehicle simultaneously—creating tensions where differing investment mandates and client expectations pulled in conflicting directions
- Misaligned compensation and governance structures created dissatisfaction across stakeholders, ultimately prompting Blackstone to build dedicated client-facing and distribution teams for its retail vehicles, alongside separate governance structures
- Today, retail accounts for approximately 23% of Blackstone's AuM, held in structurally separate vehicles with dedicated distribution teams and distinct governance—though investment professionals and deal flow may be shared

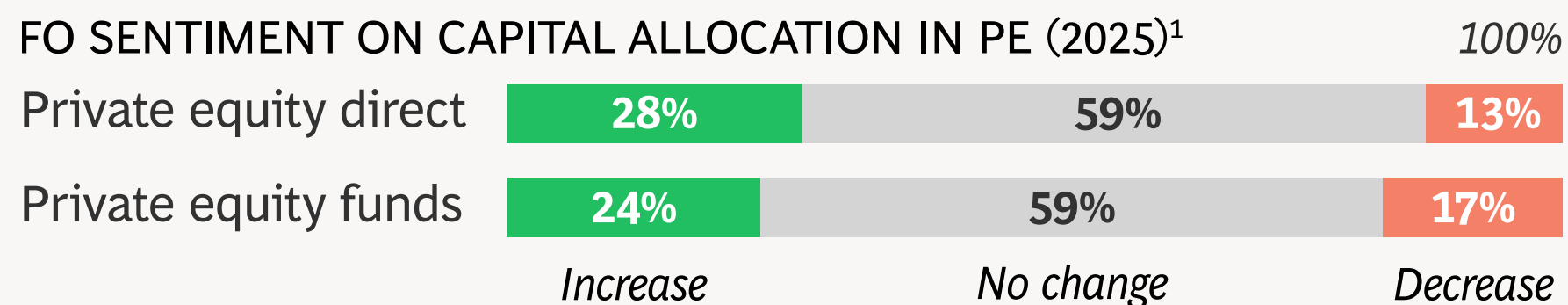
As FOs become more important, several opportunities exist for GPs to engage and capture value

FO professionalization is accelerating but uneven

- Large FOs (\$1B+) are hiring institutional-grade talent and competing directly with PE firms for investment staff, while sub-scale FOs (<\$100M AuM) face economic constraints that limit full team buildout, relying instead on hybrid, fractional CIO, or OCIO models
- Increasing appetite for direct deal participation; however, scale is the binding constraint: only the largest FOs can build institutional-grade direct investment teams, creating opportunities for platform vehicles

Co-investment structures are emerging as the preferred vehicle for FO private markets exposure

- PE fund commitments have fallen while interest in co-investment and direct deal participation has grown. For GPs, this represents a growing opportunity to engage FOs at the deal level rather than through committed capital vehicles
- Larger proportion of FOs anticipate an increase in private equity direct investments rather than private equity fund investments
- Historically, larger FOs have been more active in direct investments, reflecting stronger in-house capabilities



Expanding co-investment opportunities to large FOs will help deepen relationships

- Deal-by-deal participation, with early visibility and preferred economics, reflects how large FOs increasingly want to engage
- KKR's dedicated FO program offers selective co-investment rights as a core relationship tool, enabling deal-by-deal participation alongside primary funds

Subscale FO capital can be aggregated through feeder vehicles or platform partnerships

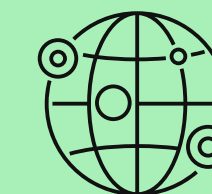
- Structured access vehicles can reach FOs below traditional minimums, reducing LP concentration risk



iCapital partnered with Blackstone and KKR to distribute fund access via standardized feeder structures, opening each GP to a wider FO universe

Platform opportunity: structures where the FO network itself generates proprietary deal access

- A small number of GPs may find value in FO-native structures where families are genuine platform participants



Built around major tech founder families; the network's relationships generate proprietary late-stage deal access that defines the platform's competitive edge

Sources: Citi Global Family Office Reports 2023–2025; UBS Global Family Office Reports 2024–2025; expert interviews; BCG analysis.

¹Citi FO Report 2025, based on 346 FOs surveyed.

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