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High Five – 2025 Outlook (Sixth of a Series)

THE LEAD | February 10, 2025

Number four of our five themes for 2025: *"Platform excellence: How managers will win business tomorrow."*

Even as the liquidity squeeze loosens over the coming year, it's clear that LPs are becoming ever-more selective in the managers they back. So, while private markets retain their appeal — nearly all (96%) of respondents to a recent survey said they expected to increase or maintain their exposure to alternative assets in the next 12 months — the bar for attracting new commitments from existing and new LPs is rising. The same survey found that 88% were expecting to refuse a re-up with an existing manager.

In today's sophisticated market, where capital is concentrated among a smaller number of managers, only the highest quality platforms garner investor dollars. A consistent track record, low or no key person turnover, scale and diverse capabilities, and alignment with LPs are the bare minimum in today's market. They may get a manager a foot in the door, but they are far from sufficient to secure a commitment.

Increasingly, an asset manager's success relies on being responsive to investors' needs. This includes developing innovative structures that cater for the varying investment horizons, risk-return objectives and liquidity requirements of different investors. The plain vanilla commingled fund is giving way to product technologies that offer more tailored access points and routes to liquidity, such as collateralized fund obligations and structured products, rated feeder products and perpetual funds for retail investors.

Meanwhile, levered and unlevered sleeves offer investors a choice of risk-return characteristics, and co-investment side-car structures are helping to meet investor demand for more direct investment exposure.

In what has been a liquidity-constrained environment, LPs value managers that efficiently return capital to them. This is true of asset managers and private equity sponsors alike. Over the coming year, the most successful private equity firms will be those that evaluate multiple ways of improving their distributions to LPs, covering all bases by exploring parallel continuation vehicle processes in addition to full exits to new buyers.

Private equity firms also need to think carefully about their portfolio companies' liquidity needs. For longer-hold assets, this means positioning company capital structures to achieve growth and generate value. Refinancings can provide both liquidity and a longer runway to maturity, while junior capital can expand the capacity of a company's capital structure to pursue acquisition strategies.

Next week we wrap up our special 2025 outlook series with our fifth theme: *"A breath of fresh air: Investing and fundraising in 2025."*