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The Force Awakens – Churchill 2Q Private Equity Survey (Part Two)

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In response to our *Reflections on Wimbledon* two weeks ago, a long-time *Lead Left* reader informed us that the famed tournament is expanding. While we had opined "no one is building new grass courts," he learned that the All-England Club has purchased an adjacent 100-acre golf course. "Subject to zoning approvals," he wrote, "plans include 39 new grass courts, a 9,000-capacity stadium court and lots of corporate hospitality." Thanks, dear reader: 15-love.

While our comment was meant generally, this news supports our thesis that growth and sophistication is coming to the game, both tennis and asset management. Putting points on the board remains necessary to win, and reducing mistakes puts you in the best position to do that.

Back to our survey results, 164 private equity executives revealed new confidence in both their deal activity and returns. Along with expectations that M&A will see restoration over the next twelve months to normalized levels, is the resumption of exits from portfolio companies. Most GPs see two portfolio exits within the next year, with over 33% predicting three exits or more.

As our *Chart of the Week* highlights, 2024 exit activity showed steady improvement quarter-by-quarter, but those numbers slowed in 1Q 2025. The second quarter will likely be modest as well, given April's Liberation Day. But then be prepared for better volume in the second half.

That is how the PE flywheel works. As the Fed eases rates, financing conditions should improve. That strengthens the backdrop for buyouts, which leads to more realizations for LPs. Exits support GP fundraising, boosting deployment, and providing LPs with yielding assets, and so on.

And helpfully, 90% of PE executives expect 2025 base-case returns will match or exceed 2024's.

The global pipeline of corporate M&A is valued at $3 trillion. Rome wasn't built in a day; it won't be sold in a day. This year global deal activity was up through mid-June versus 2023 and 2024. Our survey reflects that confidence. We note that macros – rates, the economy and consumer spending – are solid for private credit, despite trade and geopolitical noise.

Survey respondents also said tariff effects have been isolated – beneficial to business and financial services, utilities, and tech, not favorable for consumer and auto.

Our own deal flow picked up month-over-month since April, with 2Q deals jumping almost 50% from 1Q. But key to investor confidence is maintaining portfolio quality as tariff policies still roll out. Most opportunities are curated from 400 GPs (where we are investors and often advisory board members). The quality of asset managers' portfolios determine success as investors and keep the flywheel spinning.

Next week we wrap up our discussion of the mid-year PE leader survey with a look at how sponsors pick lenders, how they view financing strategies, and understanding their use of continuation vehicles to preserve the values of portfolio companies.