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The differing priorities of LPs and GPs

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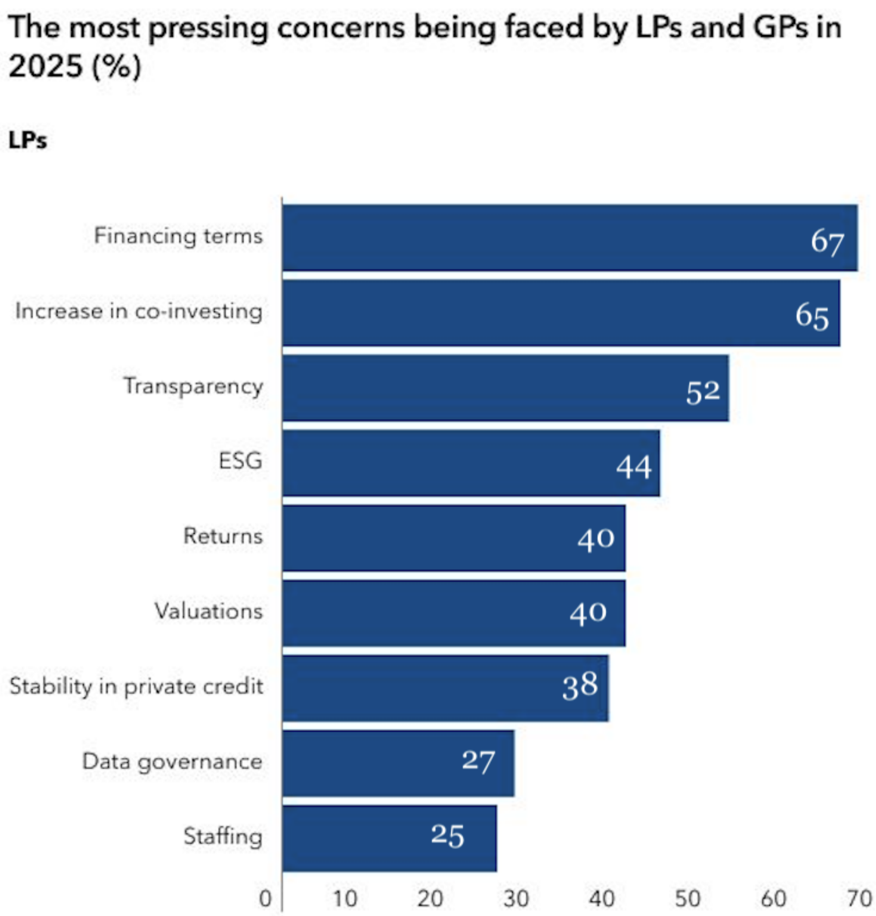

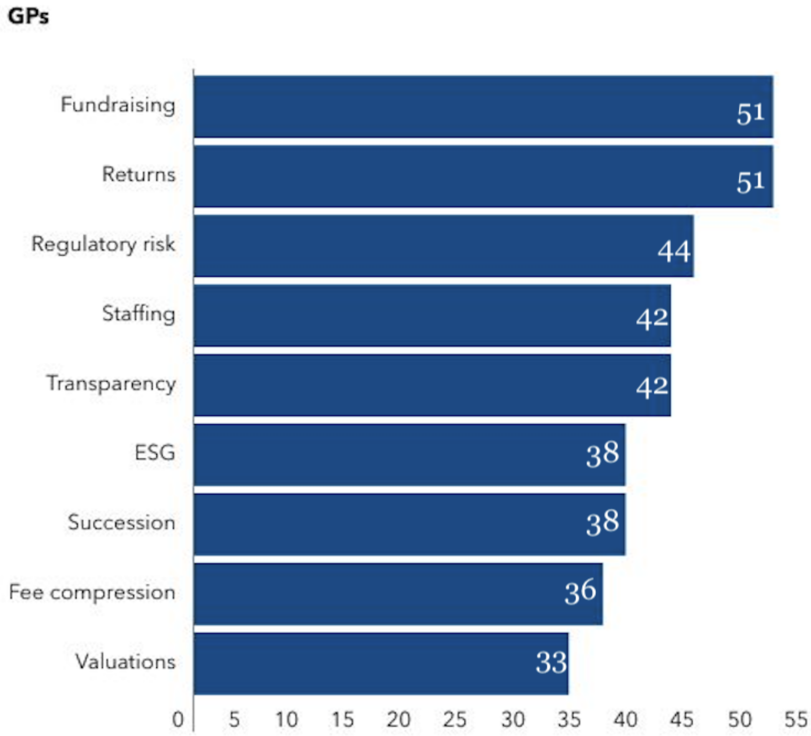

Investors and fund managers have diverging priority lists according to a survey.

The current fundraising environment has given rise to distinct challenges for market players and there is some misalignment between LPs and GPs on which issues are the most pressing.

According to law firm Barnes & Thornburg's *2025 Investment Funds Outlook*, published over the summer, a growing share of LPs believe financing terms and the desire to increase co-investments are their biggest concerns. For GPs, the most pressing issues are fundraising, generating returns and navigating regulatory risks.

"LPs' acknowledgment that co-investing will increase is closely tied to transparency and predictability considerations, as co-investments are more of a known quantity than a blind-pool fund and present an opportunity to reduce overall fee load," said Maria Monte, a partner in Barnes & Thornburg's private funds and asset management practice, in the report.

The *2025 Investment Funds Outlook* is based on a survey of 121 US-based LPs, GPs and service providers. Among the investor respondents, approximately 31 percent focus on private credit, followed by private equity (23 percent), hedge funds (20 percent), and investment banks (19 percent).

When it comes to fund terms, a growing share of investors expect changes in GP commitments over the next 12 months: 76 percent of respondents answered as such, up from 60 percent in last year's survey. A further 72 percent of investors also expect to see an increase in investment period extensions, up from 59 percent last year.

Succession planning, meanwhile, has emerged as an area of significant misalignment between LPs and GPs. About 77 percent of LPs said it is very important for GPs to have a succession plan in place when they consider a fund for investment, more than double the 36 percent recorded two years ago. However, only 47 percent of GPs have already established a succession plan, slightly up from 41 percent in 2023.

Cybersecurity and data management emerged as concerns shared by both LPs and GPs in terms of compliance, with 63 percent of LPs and 62 percent of GPs identifying them as a primary concern.