



Private Market Environment

Pathway Research

First Quarter 2026



Confidential and Proprietary/Trade Secret



1Q26 Market Review

Private Equity Update

Regional Trends

Secondaries Update

Private Credit Update

Infrastructure Update



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1Q26 Market Review



Macro View

Geopolitical Uncertainty Weighs Heavy in 1Q

Despite the generally constructive outlook entering 2026, volatility resurfaced in the first quarter. Public markets began to decline in early February amid growing concern that advances in AI could disrupt the software sector. Later in the quarter, the onset of conflict in Iran added to investor unease, raising concerns about the potential impact of heightened geopolitical tension and rising energy prices on the global economy. Brent crude, which began the year at roughly \$61 per barrel, ended the quarter at approximately \$126 per barrel. Against that backdrop, public markets weakened over the course of the quarter: the S&P 500 declined 4.4%, its worst quarterly performance since 2022. For private equity, the increase in uncertainty—and the specific concerns surrounding software—caused some pause in certain parts of the market, though overall activity remained relatively healthy. The industry’s direct exposure to the Gulf region is limited outside of its LP base; however, we continue to monitor potential second-order effects closely, including the impact of higher energy prices on global growth, renewed inflationary pressure, and the risk of a higher-for-longer interest rate environment. U.S. CPI, which had eased to 2.4% in February, rose to 3.3% in March, driven primarily by higher energy prices. The yield on the 10-year U.S. Treasury also ticked up, rising from 3.97% in late February to 4.44% near quarter-end. While April has offered some relief, and public markets have rebounded, we expect volatility to remain present in the coming quarters as the market continues to process new developments.

M&A Markets Remain Stable but Selective

Market volatility led to a modest slowdown in M&A market activity during the first quarter, although we have continued to see a healthy pace of deal flow in most segments of the market. U.S. buyout deal value totaled \$86.0 billion during the quarter, down 17% from the prior quarter

and 13% from the first quarter of 2025. The sharpest decline came in the software sector, where public market weakness amid concerns about the impact of AI disruptions contributed to greater uncertainty around valuations and forward business plans. Software buyout activity totaled just \$7.6 billion during the quarter, marking its slowest pace since mid-2023. Exit markets followed a similar pattern: global PE-backed M&A exits totaled \$195 billion, down 11% year over year but still modestly above the trailing 2-year average. Quarterly exit value was supported by Leonard Green’s sale of Jetro Restaurant Depot, which was acquired by Sysco for \$29.1 billion in late March. We expect the market to remain selective in the coming quarters as buyers continue to maintain a high bar for execution and focus on high-quality assets with durable growth and strong forward visibility.

Venture Mega-Rounds Reach Unprecedented Level

U.S. venture capital investment value reached a striking peak in the first quarter, totaling \$267 billion—an amount that exceeds every prior full-year total except 2021 and 2025. The surge reflects continued investor demand for a narrow group of large-scale AI platforms, which are seemingly setting new records for capital raised and valuations with each successive quarter. Nearly half of the quarterly total came from OpenAI’s \$122 billion financing round, which valued the company at more than \$850 billion and included a broad mix of strategic and financial investors. An additional \$73.6 billion came from the next four largest rounds, including \$30.6 billion for Anthropic and \$20.0 billion for xAI. In total, the five largest financings accounted for nearly 75% of quarterly investment value. The scale of capital flowing into later-stage AI platforms has made comparisons with prior periods somewhat less informative and may be obscuring



Macro View (continued)

weakness across other parts of the venture capital market, where liquidity remains constrained, IPO registrations have slowed, and valuations in non-AI sectors have come under pressure. The number of new U.S. venture rounds raised in the first quarter totaled just 3,336, the lowest quarterly figure in more than five years. The pace of technological innovation continues to reshape the venture capital landscape in meaningful ways. Although the current market remains uneven, we believe that the venture capital industry is well-positioned to take advantage of this opportunity to identify the next generation of category leaders and support them through a rapidly evolving technology cycle.

“SaaSpocalypse” Prompts Questions across Private Markets

Market concern around the impact of AI on the software sector rippled across the private markets during the first quarter as investors focused on whether generative AI and autonomous agents could disrupt the traditional SaaS model. Public markets reacted sharply: the IGV Index traded down 24.3% during the quarter amid a broad repricing across the technology landscape. The implications for private equity are meaningful given the sector’s sizable software exposure, but we expect the effects to be more nuanced than the public market reaction suggests. Outcomes are likely to vary meaningfully by company, depending on factors such as customer integration, business model, and product differentiation. We have also seen many private equity firms, including software investors, incorporate this thinking into their investment underwriting and value-creation strategies for several years, moving quickly to embed AI capabilities into underlying products to remain competitive in a rapidly evolving landscape. While challenges remain, AI is also enabling meaningful operational improvements and opening new avenues for growth, particularly for companies with strong data assets and scalable platforms.

The software market selloff also spilled into private credit during the quarter, raising questions about the asset class’s exposure to sectors vulnerable to AI and, more broadly, valuations and potential credit deterioration in underlying loan portfolios. Investor concerns drove a sharp rise in redemption requests among private credit-focused non-traded BDCs and interval funds, many of which serve the retail investor channel. Over \$20 billion of redemption requests were received during the first quarter, representing an estimated 8.5% of total AUM (when including leverage) in the semi-liquid market. These vehicles typically include mechanisms that allow managers to limit or gate redemptions during periods of volatility, which has helped support market stability by preventing forced selling; however, “raising the gate” is likely to dampen inflows into the sector and further impact investor sentiment. Semi-liquid private credit vehicles have scaled rapidly in recent years, and a pullback in their growth may impact capital deployment, average hold sizes, and pricing expectations for their managers. Importantly, the broader private credit market remains healthy and well-capitalized with substantial dry powder to support borrowers and new acquisition financings. Direct lenders have voiced their support and confidence in their existing software investments overall; however, new software loans are facing higher scrutiny and pricing. Payment and bankruptcy defaults in the private credit asset class remain at low levels (below those seen in the syndicated debt markets), and signs of distress are limited primarily to borrowers undergoing idiosyncratic challenges. Nevertheless, we expect the stress and negative sentiment surrounding the asset class will take time to unwind.



Private Equity Update



Private Equity Key Highlights

- Buyout activity remained healthy despite a moderate slowdown in 1Q, which was impacted by concerns in the software sector and the potential ramifications of the conflict in Iran.
 - Capital has continued to concentrate in durable, growth-oriented businesses at the upper end of the market.
- Market stress in the private credit industry is driving higher spreads and more-selective underwriting, although the availability of financing for new buyouts remains robust.
- Venture capital and growth equity remain highly concentrated, with record amounts of capital targeting large AI platforms.
- Exit markets remained active during 1Q but have the potential to slow should prolonged market uncertainty widen bid-ask spreads.
 - Public market volatility has reduced expectations for an improved IPO market in 2026, although several prominent listings have been rumored for late in the year.
- Private equity fundraising remains subdued amid a highly competitive environment, although we expect to see a greater number of quality funds returning to market in 2026.
- The secondaries market continues to expand as a critical liquidity tool, driven by increased investor demand and LP distribution needs.

Pathway Barometer

	YoY	5-Yr. Avg	Sentiment
BUYOUTS			
Investment Activity	↓	↔	●
Fundraising	↔	↓	●
VENTURE CAPITAL			
Investment Activity	↑	↑	●
Fundraising	↑	↑	●
EXIT MARKETS			
M&A Exits	↓	↔	●
IPO Exits	↑	↔	●
Distributions	↔	↑	●
SECONDARIES			
Investment Activity	↑	↑	●
Pricing	↔	↔	●

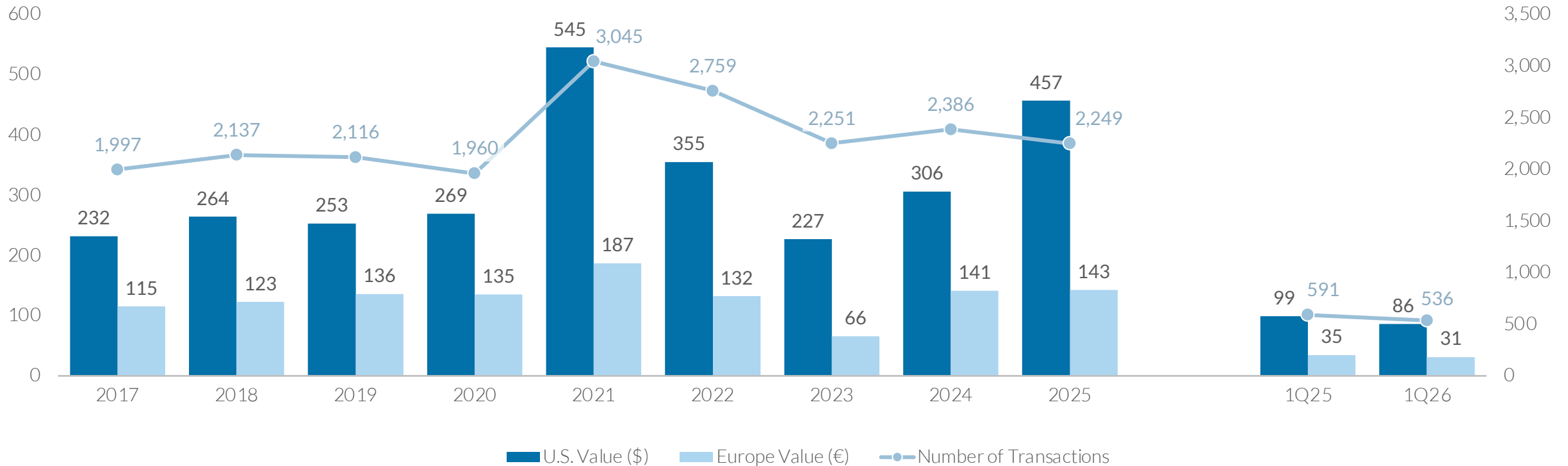


Buyout Activity Maintained a Healthy Pace in 1Q, Despite Market Uncertainty

Moderate year-over-year declines were driven primarily by the software sector amid a public market re-pricing.

Buyout Investment Activity

Value (\$/€ billions)



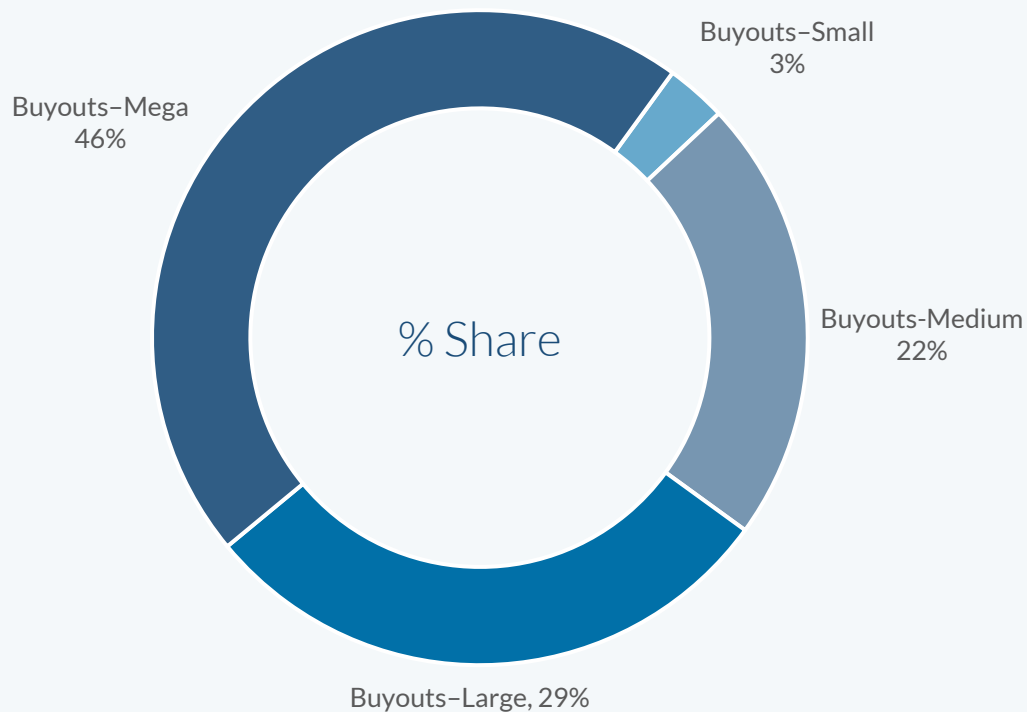
SOURCE: Mergermarket, LSEG Data & Analytics, and Pathway Research. NOTE: As of March 31, 2026.



U.S. Buyout Market Continues to Be Driven by the Large- and Upper-Middle-Market Segments

Large and mega buyouts accounted for nearly 75% of deal value during 1Q26, despite representing just 13% of deal count.

U.S. Buyout Deal Size



Notable 1Q26 U.S. Buyouts

Buyer(s)	Target	Industry	Value (MM)
  GENERAL ATLANTIC	OneStream	Software	\$6,400
 MUBADALA	Clear Channel Outdoor	Media	\$6,200
 THOMABRAVO	WWEX Group	Logistics	\$5,000
 LS Power 	Portfolio of Natural-Gas Power Plants	Energy	\$5,000

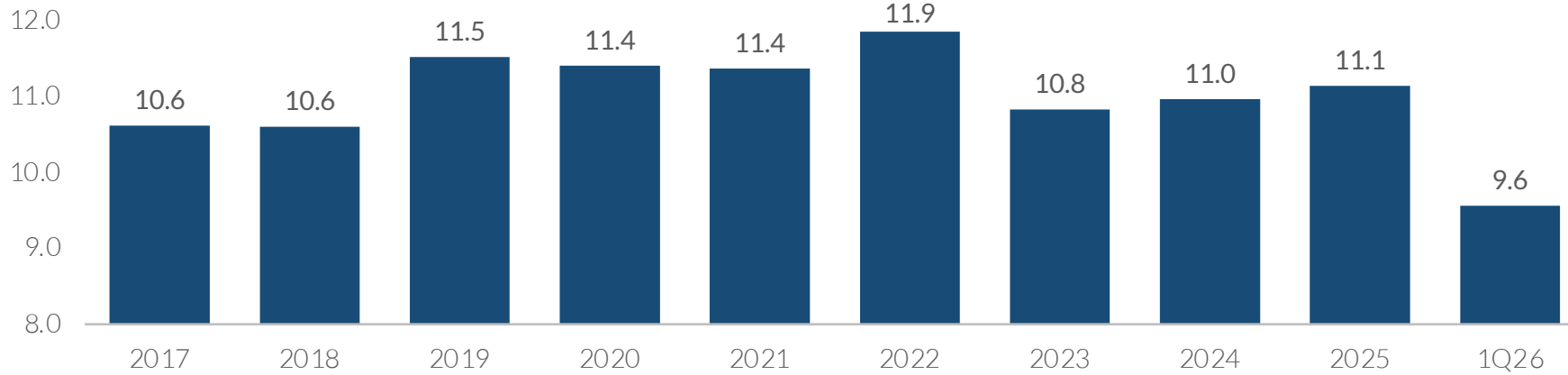
SOURCE: Mergermarket; Pathway Research. NOTE: As of March 31, 2026. Buyout substrategies are based on the following ranges of total enterprise values: Mega >\$10 billion, Large \$2-\$10 billion, Medium \$400 million-\$2 billion, and Small <\$400 million.



Rotation Out of Software in 1Q26 Drives Temporary Dip in Pricing

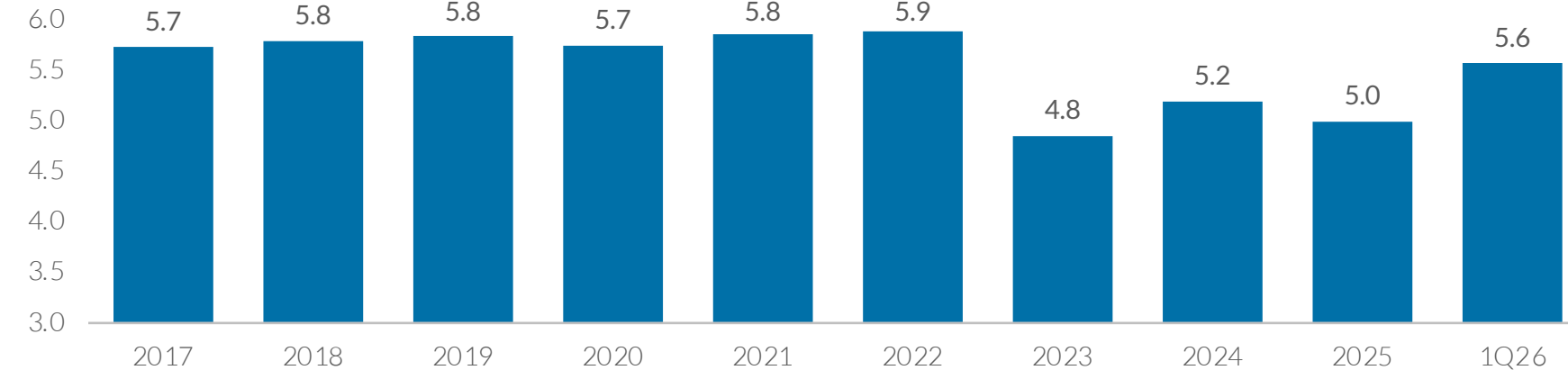
Average Purchase-Price Multiples (U.S.)

EBITDA (x)



Average Leverage Multiples (U.S.)

EBITDA (x)



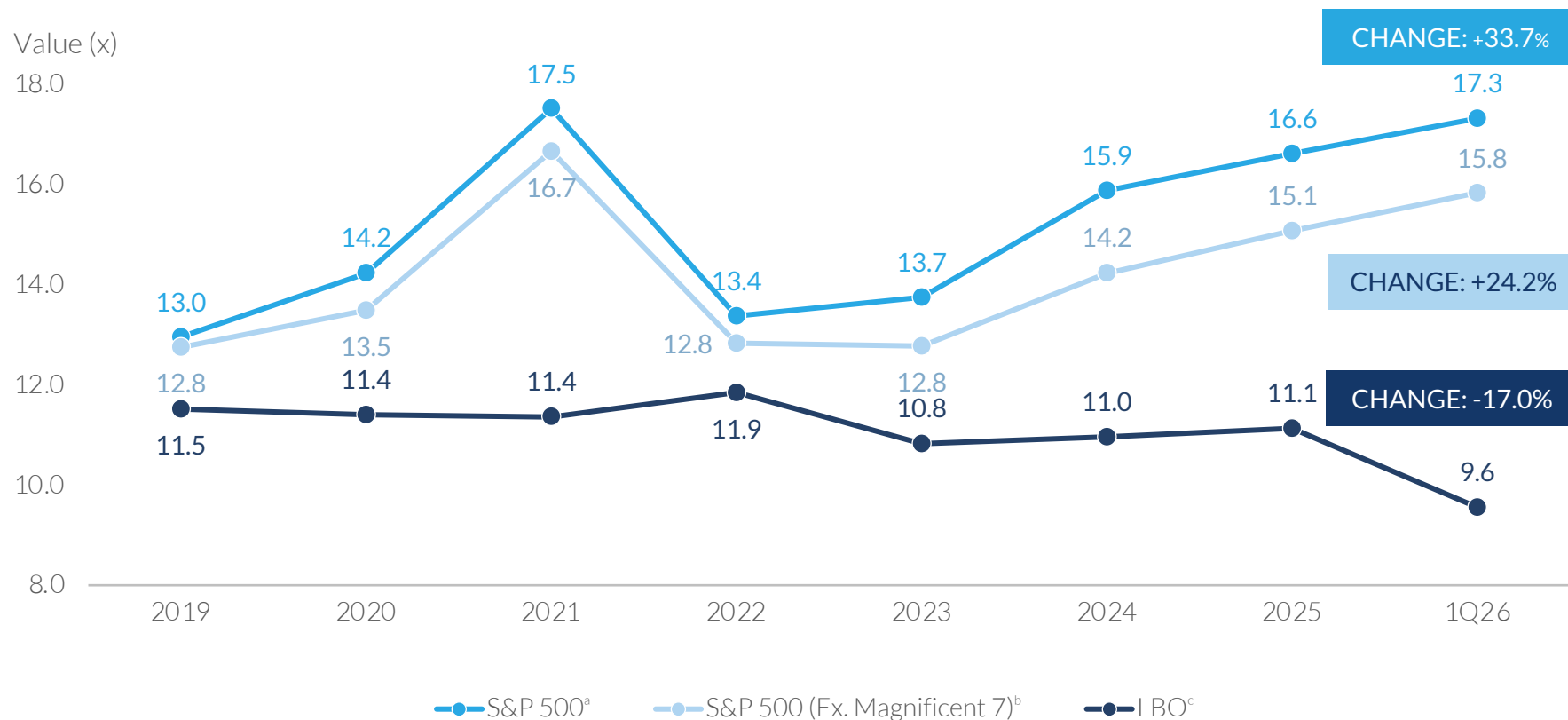
SOURCE: PitchBook LCD.

- Pricing softened in 1Q26, although the sample size remains small.
- Lower software activity contributed to the decline.
- Market uncertainty has potential to widen bid-ask spreads during coming quarters.
- Credit markets remain supportive, although stress in the semi-liquid private credit market is driving higher spreads.



Valuation Gap between Private and Public Markets Continues to Widen

Average Public Market vs. Private Market EV/EBITDA Multiples



- Public valuations have outpaced private valuations since the 2010s.
- The valuation premium persists even beyond the Magnificent 7's influence.
- The current valuation gap has widened significantly to 81% (vs. 10-year avg. of 29%).

NOTES: As of March 31, 2026. Investors should consider the limitations inherent in comparisons between public and private markets; private market investments may pose additional and/or different risks. ^aSOURCE: Bloomberg. NOTE: Represents the average daily EV/TTM EBITDA multiple of all companies included in the S&P 500 index, as of the years listed. ^bSOURCE: Bloomberg. NOTE: Represents the average EV/TTM EBITDA multiple of all companies included in the S&P 500 (ex. Magnificent 7) index, as of the years listed. ^cSOURCE: PitchBook LCD. NOTE: Represents the average trailing EV/EBITDA multiple for all transactions included in the PitchBook LCD data set during the years listed.

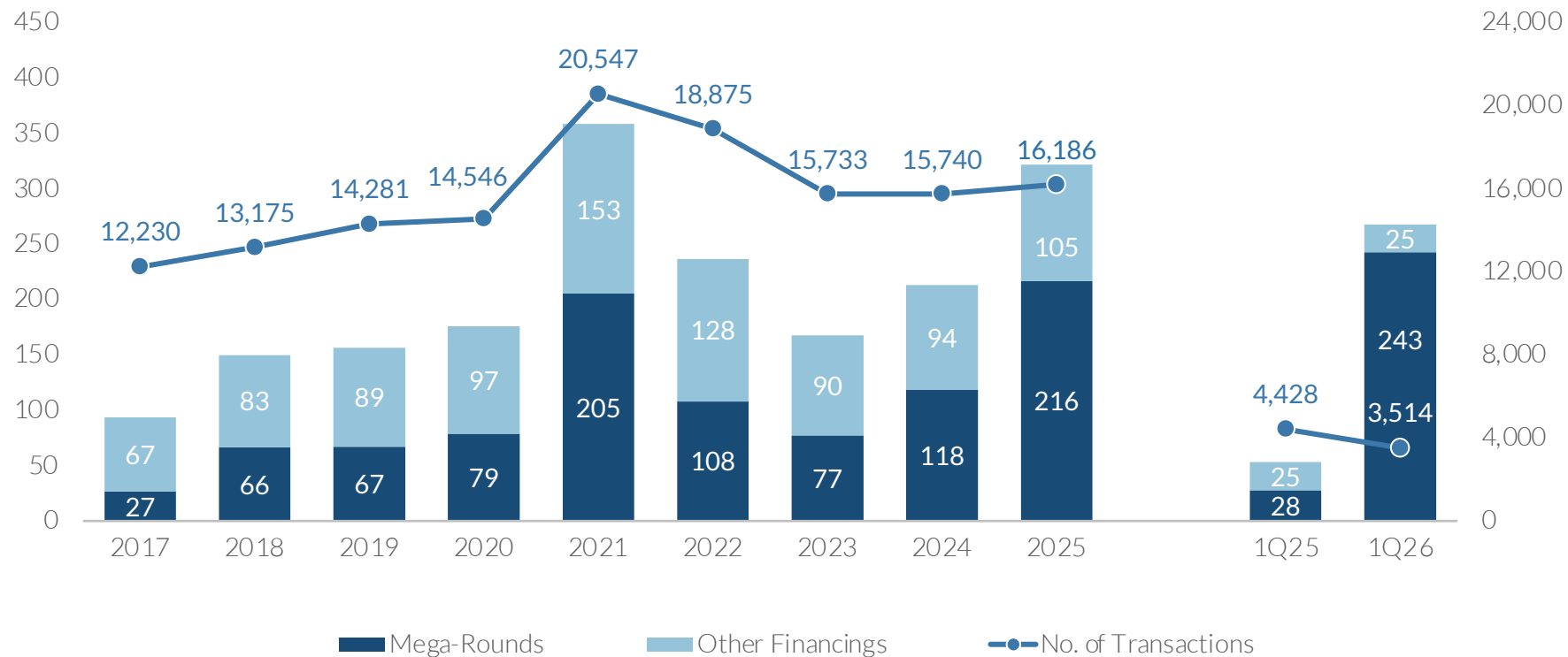


AI Mega-Rounds Reach Unprecedented Scale

Record-sized AI financing rounds continued to drive a sharp rebound in U.S. VC investment.

U.S. VC Investment Activity

Value (\$ billions)



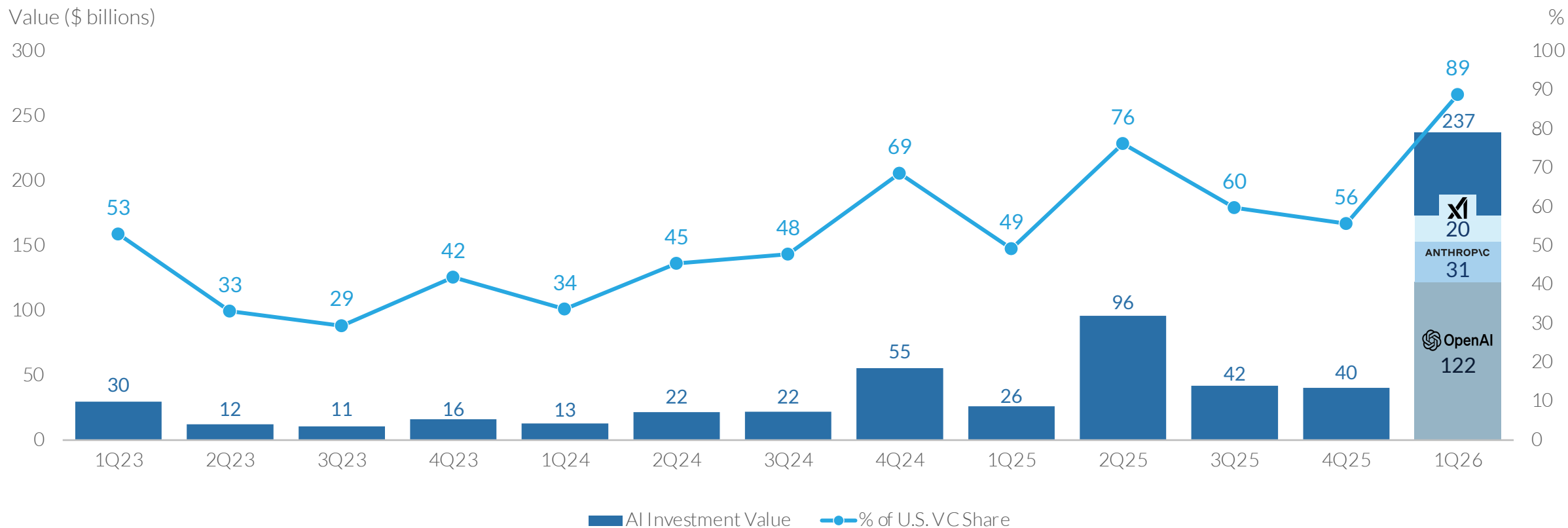
- 1Q26 investment value exceeds all prior full-years except 2021 and 2025.
- Approximately 75% of investment value concentrated in the 5 largest rounds.
- Activity was headlined by OpenAI’s \$122 billion financing round during the quarter.
- Scale is masking weakness in other parts of the VC market: 1Q26 financing count reached a 5-year low.

SOURCE: PitchBook-NVCA Venture Monitor Report. NOTE: As of March 31, 2026.



VC Industry Increasingly Concentrating around Large AI Platforms

U.S. Venture Capital Investment in AI

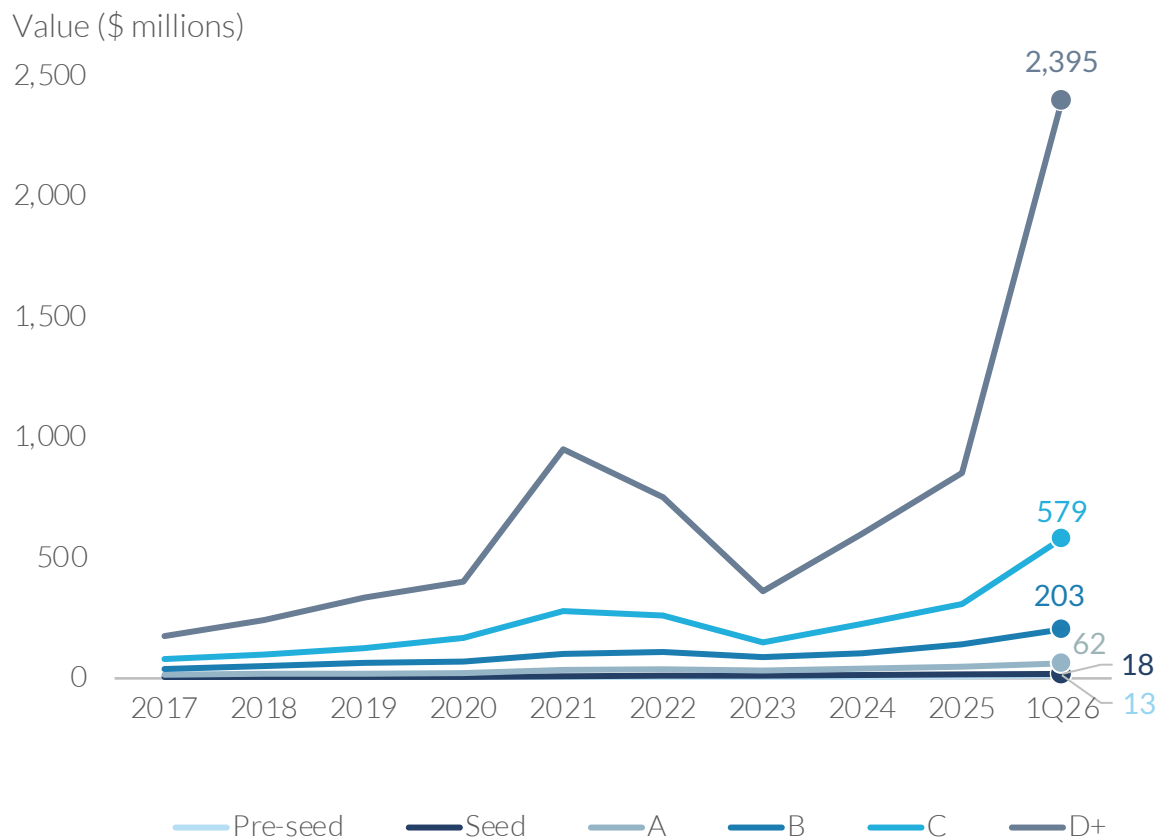


SOURCE: PitchBook Data, Inc.; Pathway Research. NOTE: As of March 31, 2026.

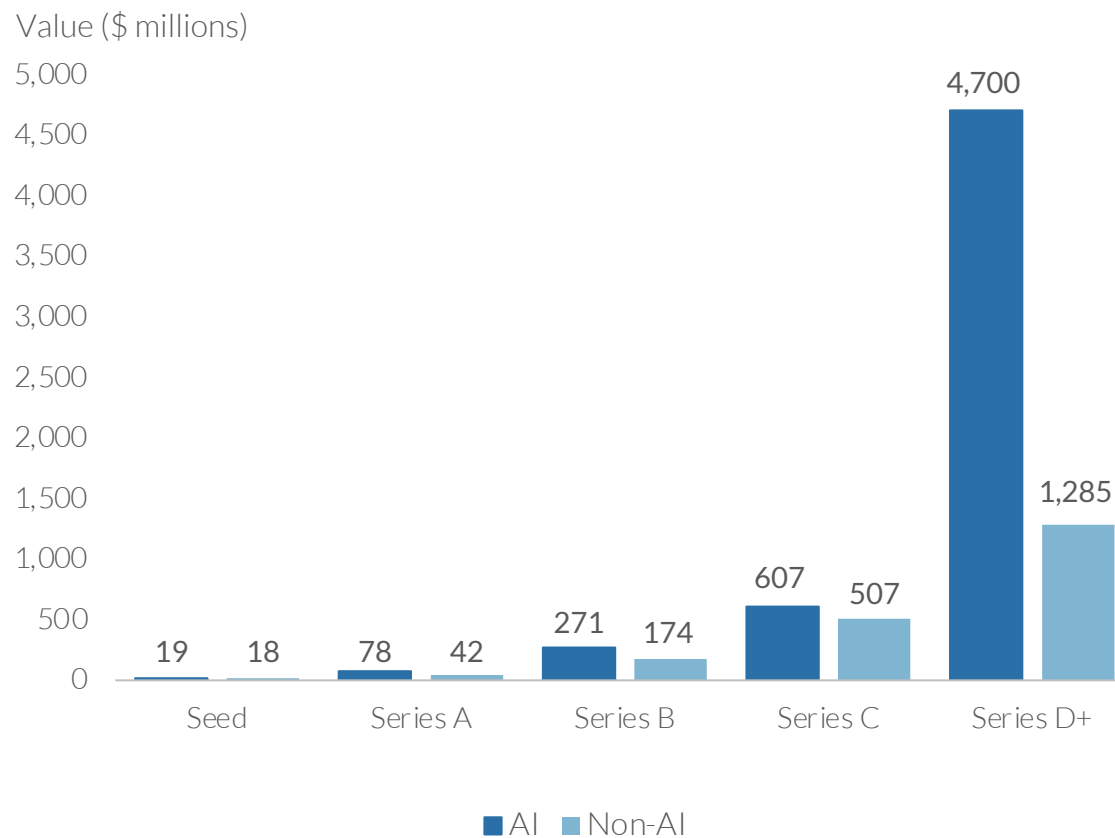


AI Valuations Creating a Wide Gap Relative to the Rest of the VC Market

Median U.S. VC Pre-money Valuation



AI vs. Non-AI Median Valuations



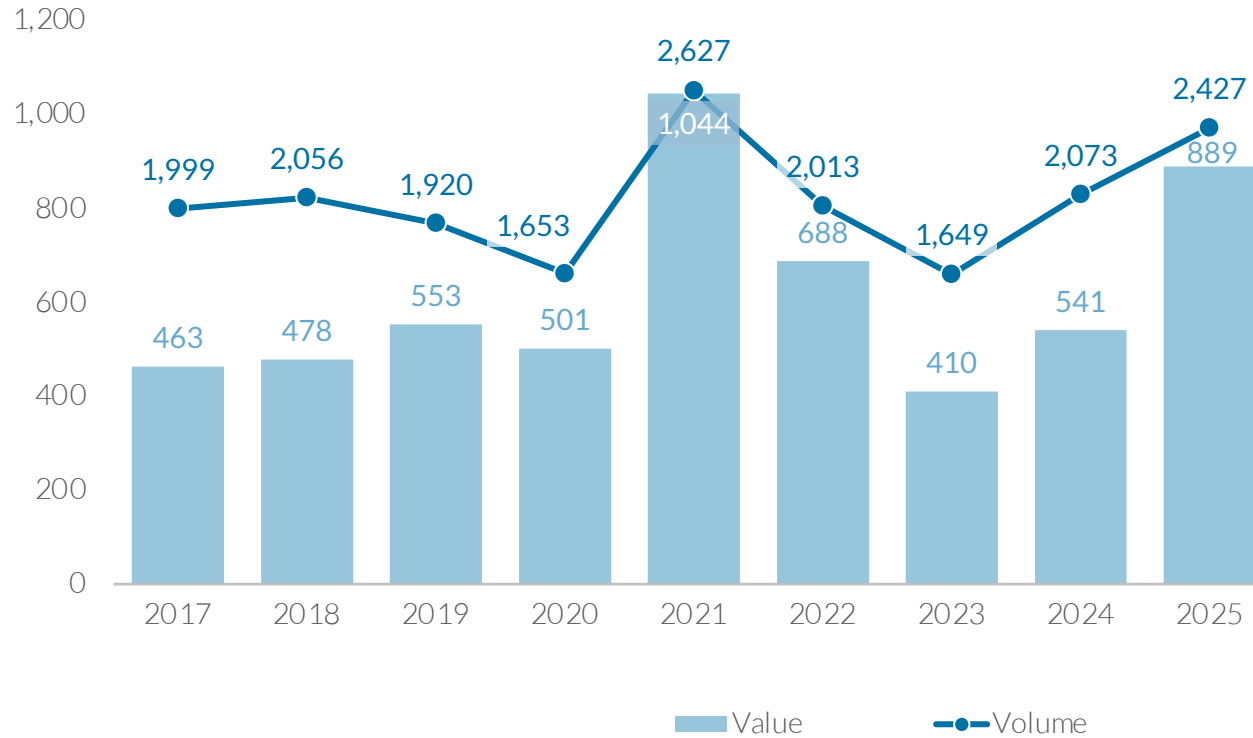
SOURCE: PitchBook-NVCA Venture Monitor Report. NOTE: As of March 31, 2026.



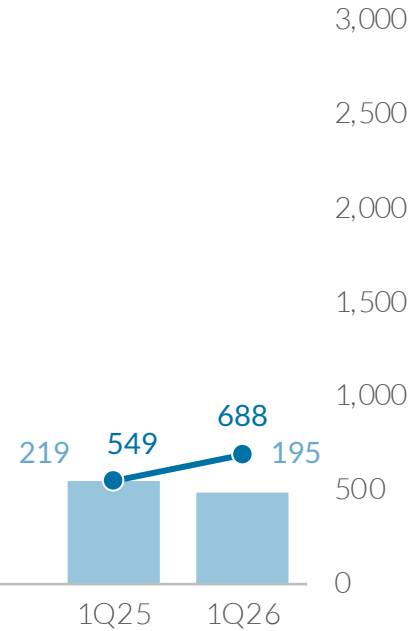
M&A Exit Volume Remained Elevated in 1Q Despite Drop in Deal Value

Global PE-Backed M&A Exit Activity

Value (\$ billions)



No. of Transactions



- M&A exit volume was up 25% YoY during 1Q26.
- Strategics remain key buyers in large-cap exits, accounting for the 4 largest M&A exits in 1Q26.
- Significant backlog of aging PE-owned companies remains.
- Market volatility poses risk to disrupt bid-ask spreads in certain industries.

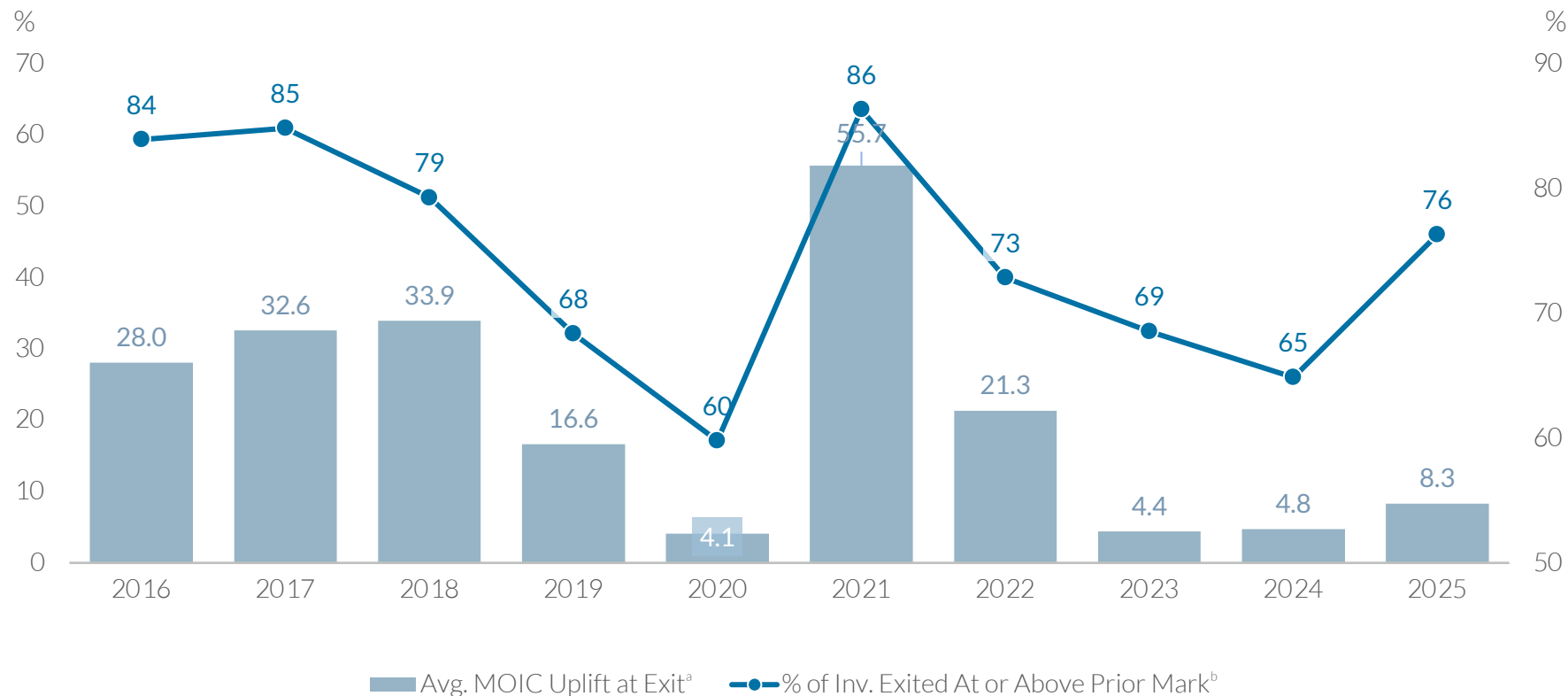
SOURCE: Mergermarket. NOTE: As of March 31, 2026.



Valuation Uplifts at Exit Continue to Support Buyout Valuations

Despite a more challenging exit environment, exits have consistently transacted above prior marks.

MOIC Uplift at Exit Relative to 1 Year Prior



2016–2025

22.0%

Avg. Valuation Uplift at Exit^a

75.0%

Percentage of Companies Exited at or above Prior Mark^b

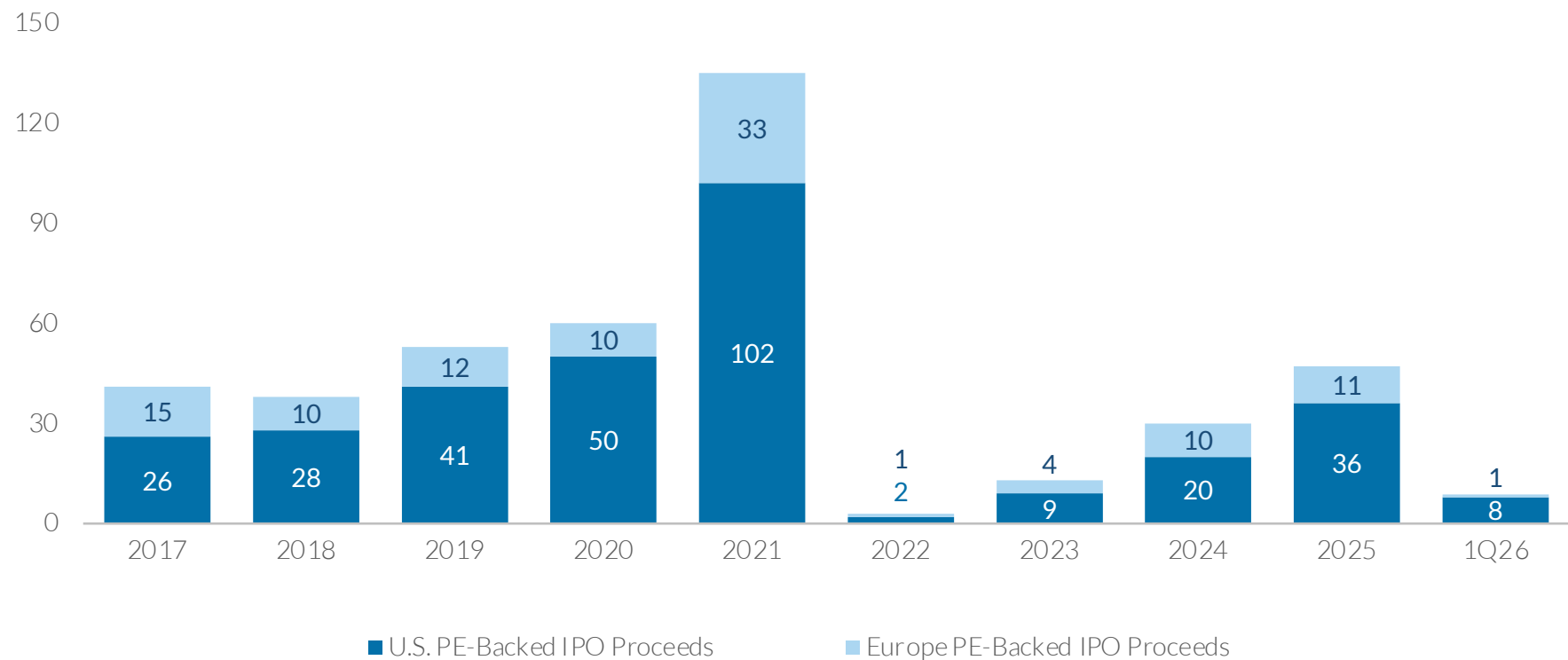
SOURCE: Pathway Research. NOTE: Based on buyout investments in Pathway’s database with exit dates from 2016 to December 31, 2025. Data comprises over 2,800 underlying investments. ^aRepresents the average percentage uplift in MOIC for underlying investments relative to their valuations one year prior to exit. ^bRepresents the percentage of companies exit at or above their valuations one year prior to exit.



Expectations for Improving IPO Conditions Falter with Market Volatility

PE-Backed IPO Issuance

Proceeds (\$ billions)



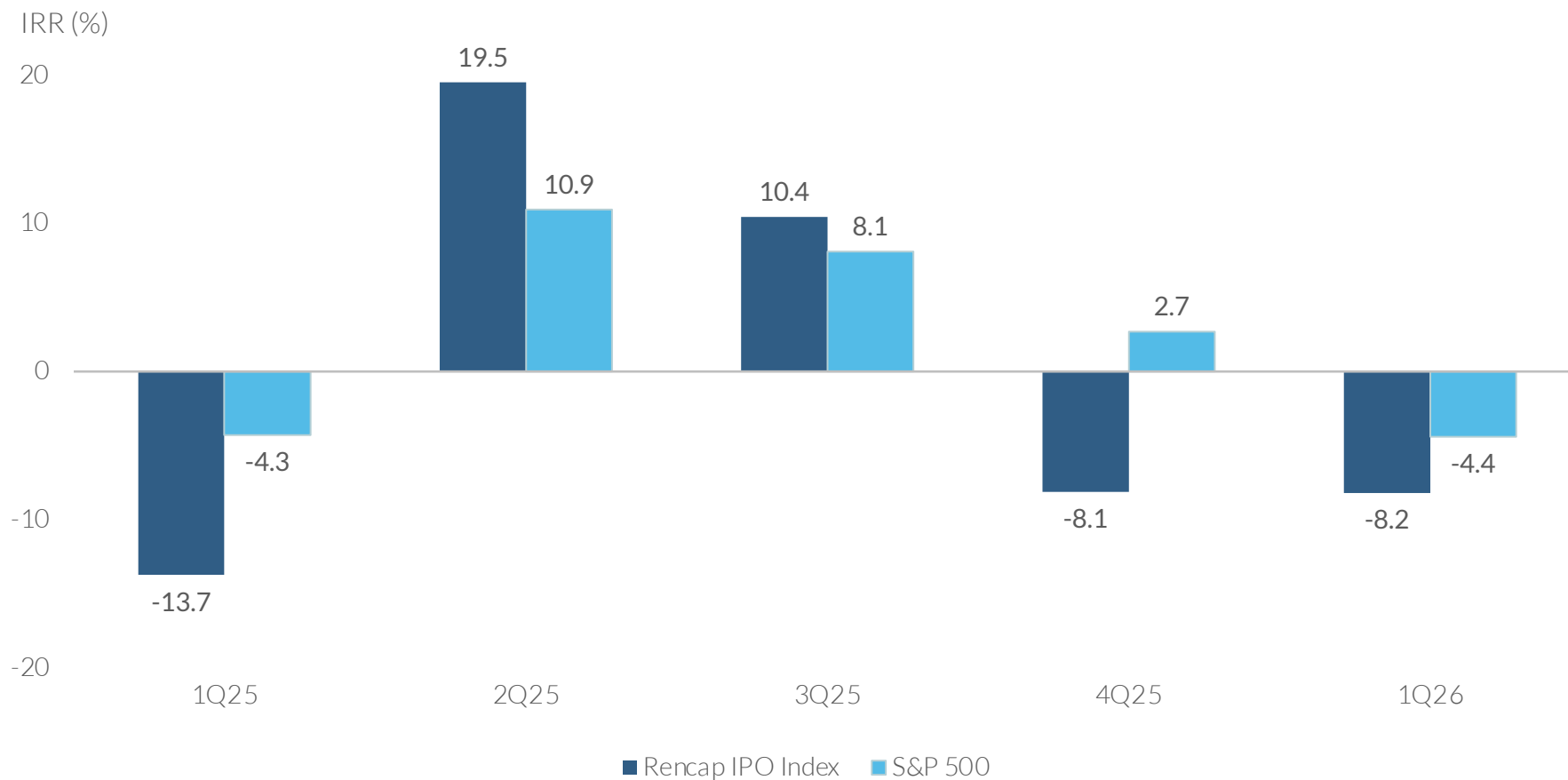
- Declining technology valuations has limited appetite for near-term IPOs.
- Volatility in March brought the market to a near halt.
- New IPOs in 1Q26 generated a quarterly return of just +3%.
- Several notable companies are rumored to be planning IPOs in 2026 (e.g., OpenAI, SpaceX, Anthropic).

SOURCE: Bloomberg; Renaissance Capital; Pathway Research. NOTE: As of March 31, 2026.



IPO Scorecard: Recent U.S. IPO Performance Trails Broader Market

Quarterly Performance



PE-Backed IPOs (2025-1Q26)

63%
Traded down from IPO price

-2%
Average return from IPO price

-17%
Average technology return

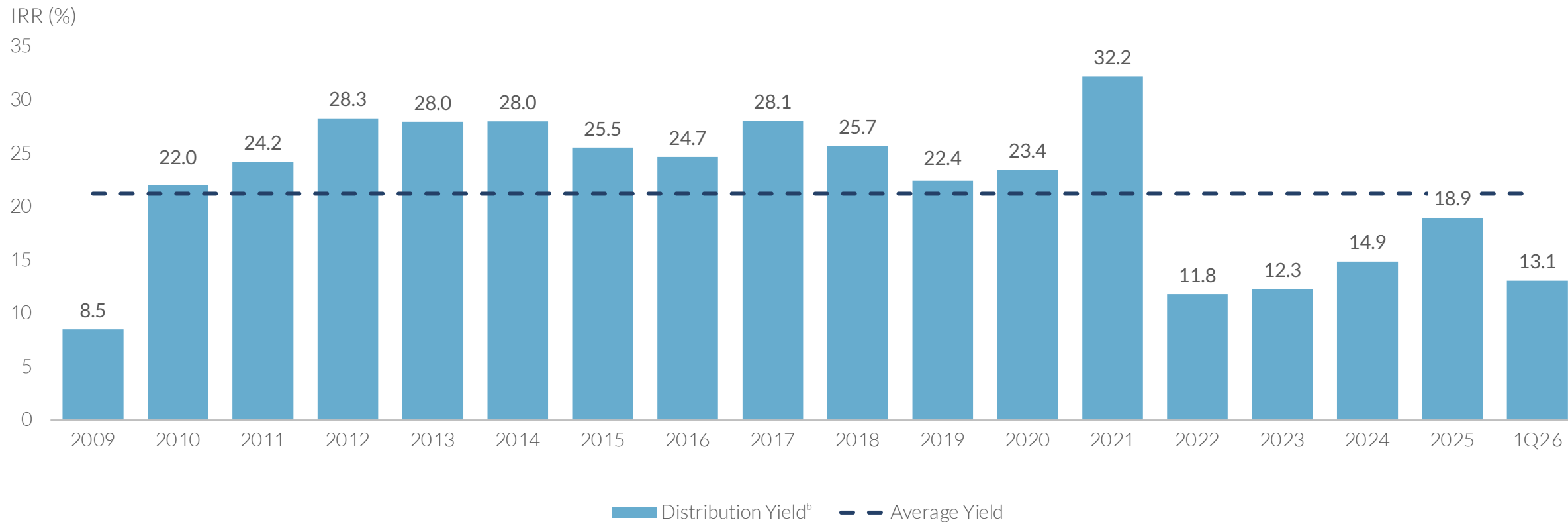
SOURCE: Bloomberg; Renaissance Capital. NOTE: As of March 31, 2026.



Distributions Slow Moderately during the First Quarter

Private Equity Distribution Yield

Assumes Consistent Annual Commitment Pace^a



SOURCE: Pathway Research. NOTES: As of March 31, 2026. Data based on a representative sample of private equity portfolios tracked by Pathway, which comprise over \$65 billion committed from 1993 to 1Q26. ^aOutput reflects modeled cash-flow trends for a portfolio committing consistent annual amounts per year, indexed for inflation, to primary private equity funds beginning in 1993. Data is representative of a mature private equity portfolio and may differ from overall market statistics. ^bDefined as annual distributions divided by the prior period ending market value.



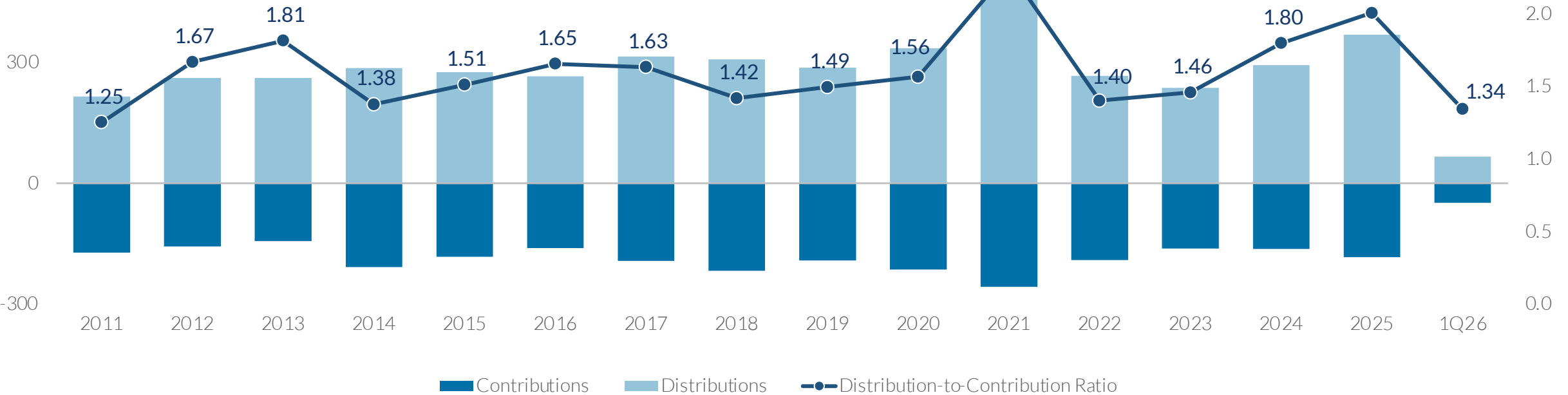
Despite Liquidity Concerns, Mature Portfolios Are Seeing a Healthy Level of Positive Cash Flow

Private Equity Distribution-to-Contribution Ratio

Assumes Consistent Annual Commitment Pace^a

Value (\$ billions)

600



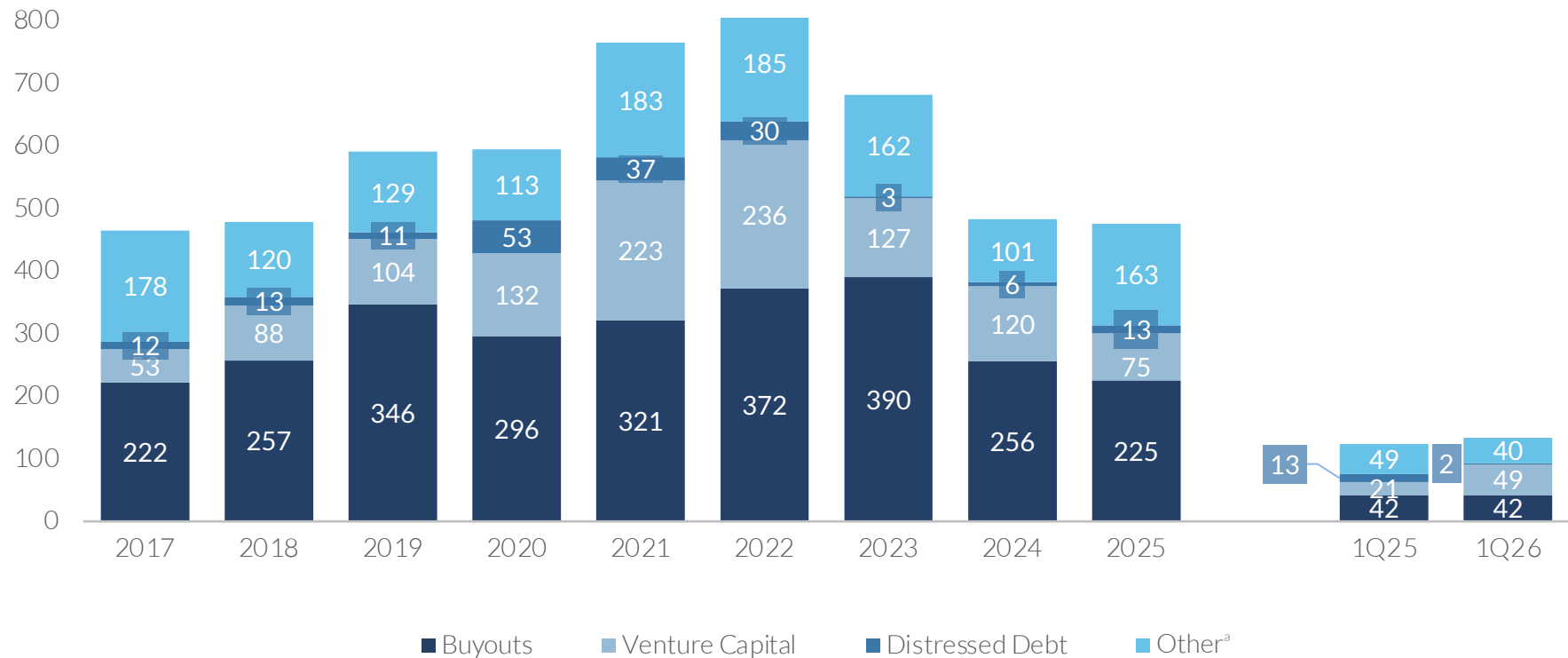
SOURCE: Pathway Research. NOTES: As of March 31, 2026. Data based on a representative sample of private equity portfolios tracked by Pathway, which comprise over \$65 billion committed from 1993 to 1Q26. ^aOutput reflects modeled cash-flow trends for a portfolio committing consistent annual amounts per year, indexed for inflation, to primary private equity funds beginning in 1993. Data is representative of a mature private equity portfolio and may differ from overall market statistics.



Fundraising Remained Slow in 1Q26 Despite an Improving Pipeline for the Year

Global Fundraising by Strategy

Amount Raised (\$ billions)



- Fundraising continues to lag due to market uncertainty amid a prolonged liquidity crunch.
- The market remains highly competitive, concentrated in proven, established managers.
- Venture capital fundraising is expected to have a stronger year in 2026.
- The selective environment has benefited active LPs through greater access and expanded allocations.

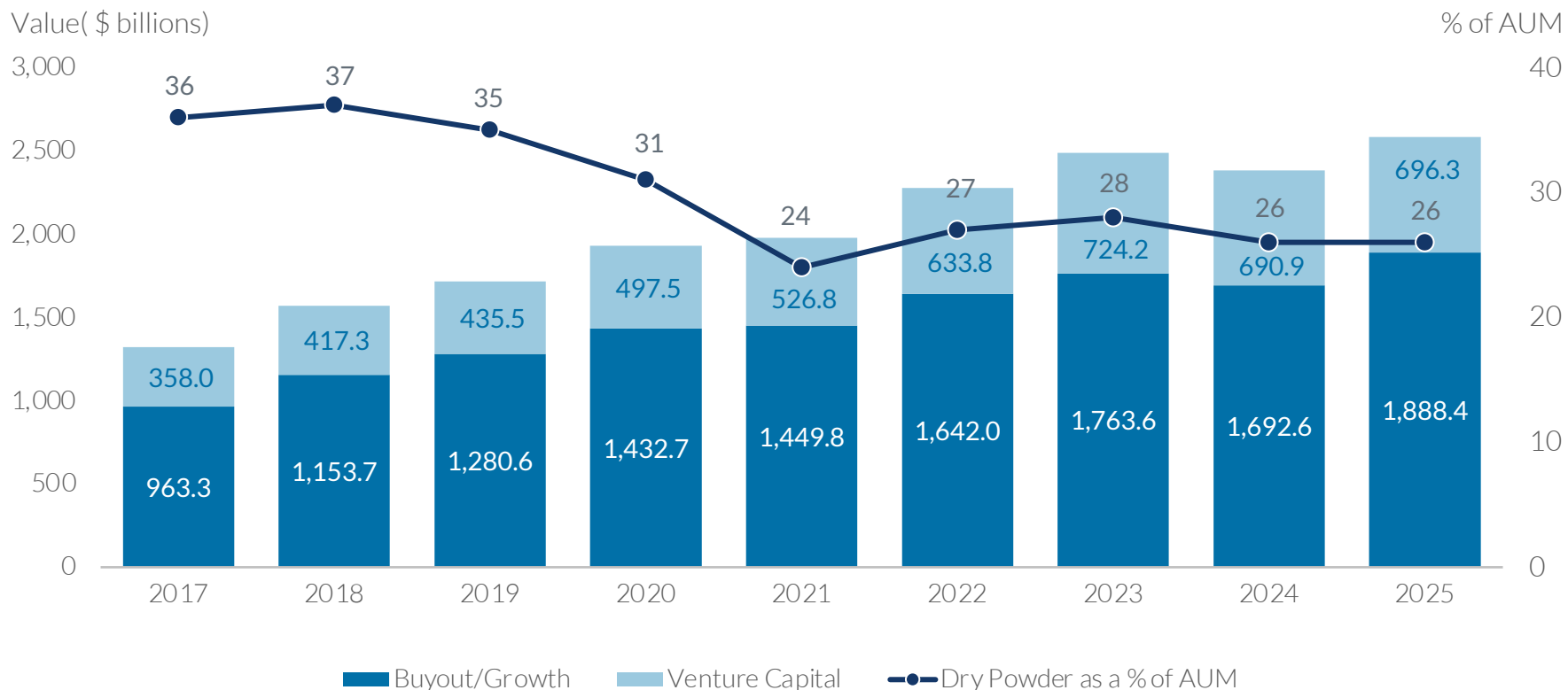
SOURCE: LSEG Data & Analytics; Pathway Research. NOTES: As of March 31, 2026. Data is continuously updated and therefore subject to change. Amounts may not foot due to rounding.

^aComprises special situations and other fund strategies not classified as buyout-, venture capital-, or credit-focused.



Slower Fundraising Has Tempered Dry Powder Growth

PE Dry Powder



- Following a decade of rapid growth, dry powder has moderated in recent years.
- Total dry powder remains healthy relative to deployment pace (~3 years of deployable capital).
- Lower levels of distributions have driven declines in dry powder as a % of AUM.

SOURCE: PitchBook Data, Inc. NOTES: As of December 31, 2025. Data is continuously updated and therefore subject to change. Amounts may not foot due to rounding.



Regional Trends



North America

North American private equity markets remained resilient despite an increase in market volatility during the quarter. Continued turmoil related to market stress in the software sector and broader impacts of the Iran conflict pose risks for a broader market acceleration in the coming quarters.



Investment Activity



- Buyout activity declined moderately in 1Q26, falling 13% in value and 17% in count year over year.
- **Market concerns in the software sector led to its least active quarter since 2023.**
- Outflows in the private credit markets have placed upward pressure on spreads for some sectors, although the availability of financing for new buyouts remains healthy.
- In the VC market, substantial capital has continued to support a small number of large AI platforms at ever-growing valuations.
 - U.S. VC investment activity in 1Q26 alone surpassed all but 2 prior full-year totals.

Exit Markets



- M&A exit markets delivered a solid showing in 1Q26; however, market uncertainty has potential to impact bid-ask spreads and slow the recovery we have seen over the past year.
- The market remains selective, but **quality, durable businesses are commanding attractive prices from both financial and strategic buyers.**
 - Corporates accounted for the 4 largest exits during 1Q26.
- Mixed IPO aftermarket performance has dampened hopes for a stronger year of activity in 2026.

Fundraising

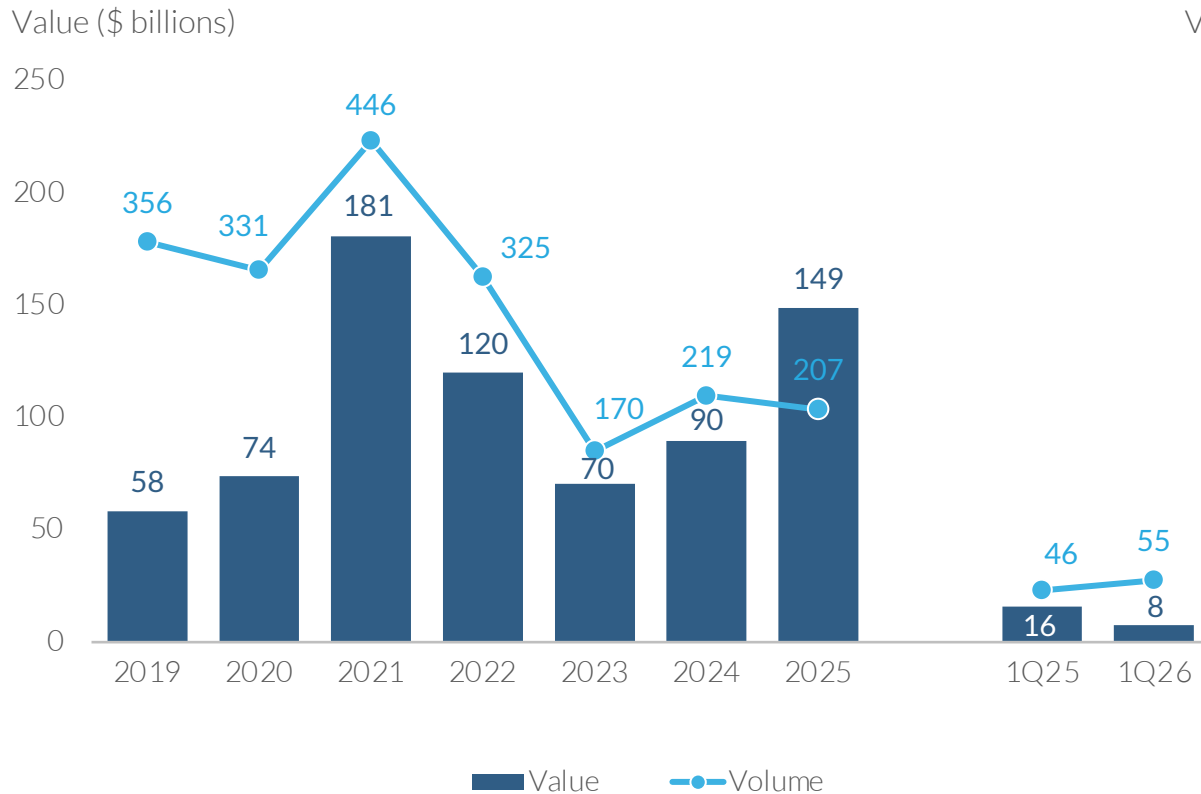


- Muted exits and slower distributions have increased LP selectivity, driving fundraising value to its lowest level since 2016.
- We are seeing a **stronger pipeline of quality funds targeting 2026 fundraisings**, which may increase activity over the year.

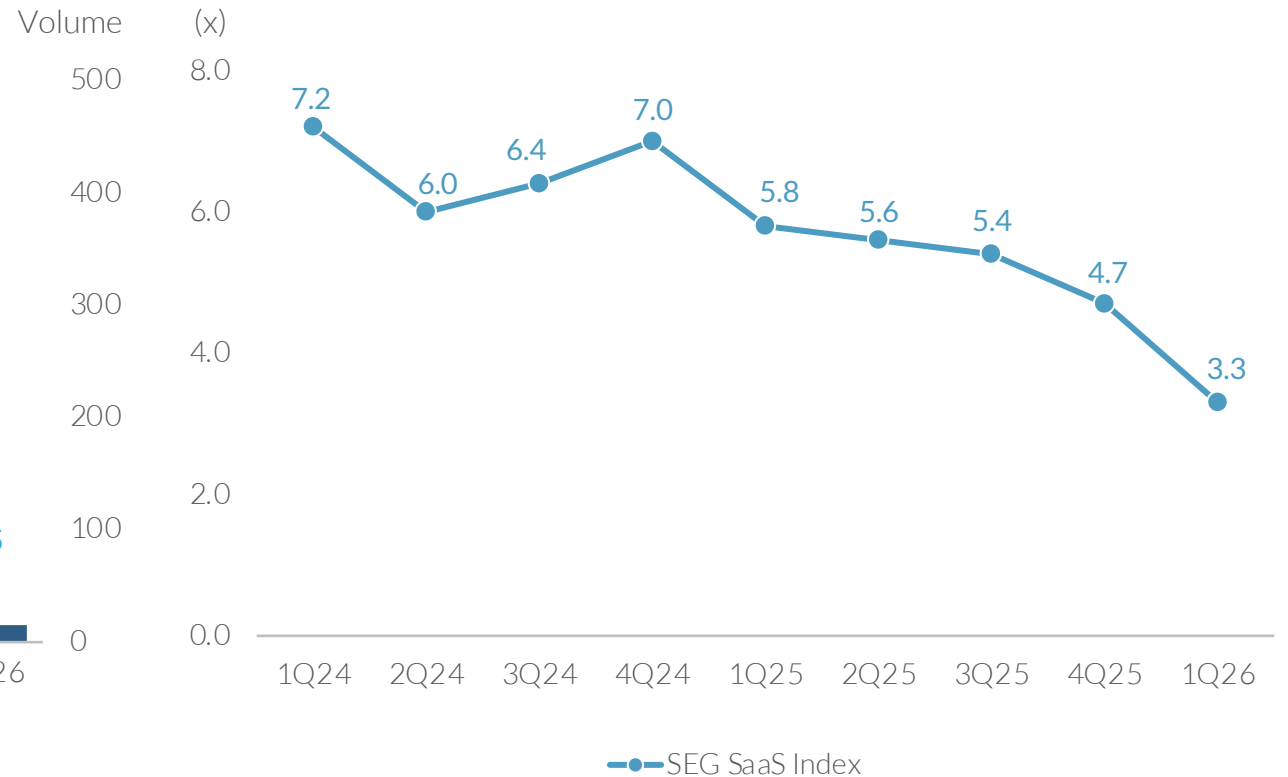


Chart in Focus: Declines in Public Software Valuations are Driving Uncertainty in M&A Markets

U.S. Software Buyout Activity



SaaS EV/TTM Revenue Multiple



SOURCE: MergerMarket. NOTE: As of March 31, 2026.

SOURCE: Software Equity Group; Bloomberg



Europe

Following a strong 2025, European private equity activity moderated: deal value remained concentrated in large-cap transactions as geopolitical and AI-related uncertainty weighed on dealmaking.



Investment Activity



- Buyout deal value amounted to **€31 billion, a decline of 25% QoQ** and 10% versus the prior-year quarter.
 - Only 9% of deal value closed in the last month of the quarter due to uncertainty surrounding “SaaSocalypse” and the conflict in Iran.
- Large-cap transactions continued to drive activity, led by Advent’s €7.8 billion take-private of InPost, which alone accounted for roughly 25% of total European buyout value in the quarter.
- Outside of the large-cap segment, market activity remained subdued: deal value was **41% below the prior 5-year average**.
- AI-related disruption weighed on dealmaking: weaker public market comparables and increased technological uncertainty slowed deal execution and contributed to a **46% YoY decline in TMT deal value**.

Exit Markets



- Exit activity similarly slowed from the strong pace observed in 2H25: **total exit value declined 46% QoQ** in 1Q26.
- PE-backed IPO proceeds fell 58% YoY and were 68% below the 5-year quarterly average.
- **Sponsor-led acquisitions represented key liquidity channels**, accounting for the majority of 1Q26 exit value.

Fundraising



- European fundraising experienced a subdued 1Q26: LPs remained selective and concentrated capital in proven managers.
- Mid-market buyout funds were the most active; no large-cap funds closed during the quarter.

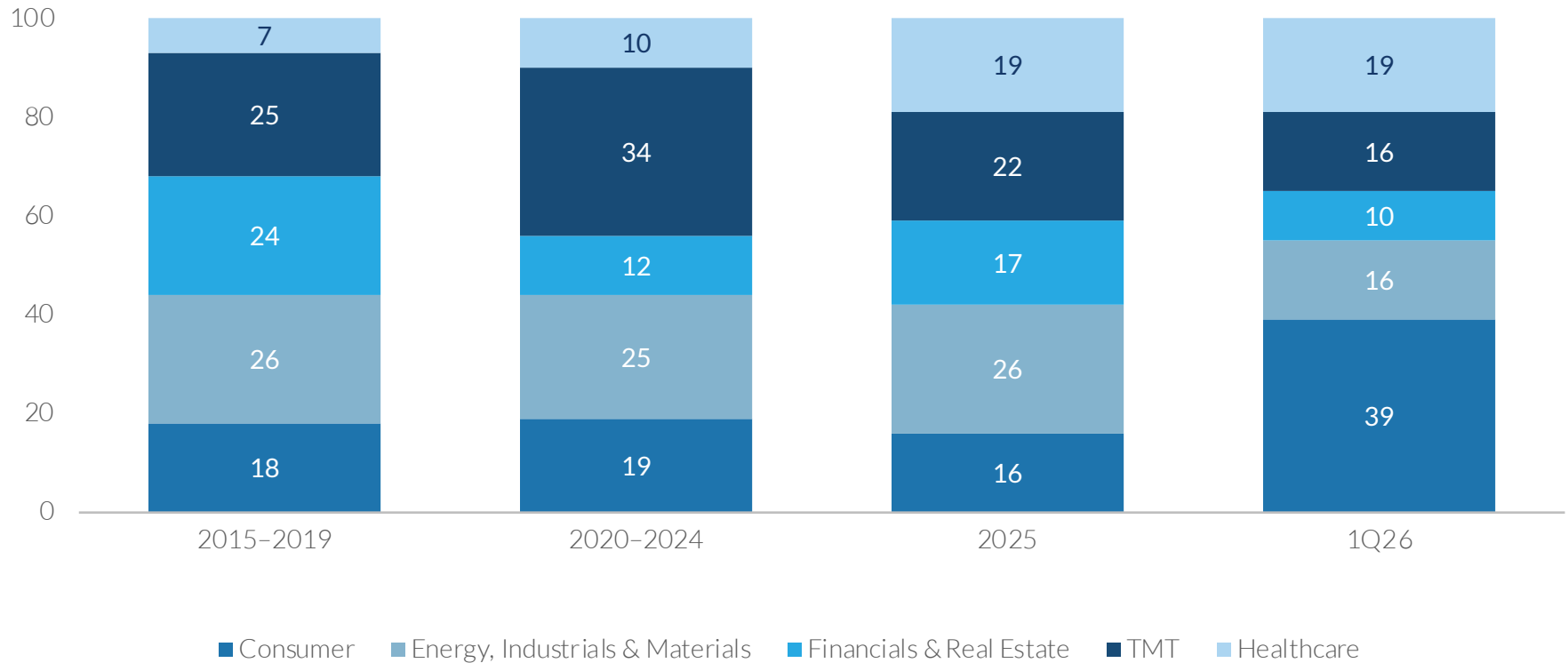


Chart in Focus: European Buyouts Show Shift in Sector-Mix amid Uncertainty

TMT's share fell to a recent low in 1Q26 as AI uncertainty weighed on the software market.

European Buyout Value by Sector

% Share



-54%
1Q26 TMT value vs. 5-year average

1 of 6
Large-cap deals was in TMT

-74%
Mid-market TMT deal value vs. 5-year average

SOURCE: LSEG Data & Analytics



Asia

Private equity markets in Asia experienced a strong start to 2026: China reclaimed the top spot in APAC deal activity and Hong Kong retained pole position in global IPO rankings.



Investment Activity



- **Asia PE investment value nearly doubled YoY in 1Q26, reaching \$34 billion**, driven by a sharp increase in China investment activity.
- **China reclaimed the top position in Asia PE activity (+362% YoY)**, marking the third-consecutive quarter of growth and affirming views that the market has recovered from its trough.
 - AI and deep-tech sector trends have supported China's recovery, although activity remains below the market peak in 2021.
- It was a quiet quarter in Japan, but deal activity remains resilient on a trailing 12-month basis.

Exit Markets



- **HKSE topped the global IPO market, raising \$14 billion of proceeds in 1Q**, around half of which were from PE-backed Chinese companies. High-tech, biotech, and consumer companies dominate.
- The top 10 PE-backed Chinese IPOs have delivered strong aftermarket performance: share prices are up by an average of 140% as of 3/31/26 compared with their IPO prices.
- The HKSE's IPO pipeline remains robust: there were 390 active A-1 filings, including 100+ A-to-H dual listings and 140+ TMT companies.

Fundraising

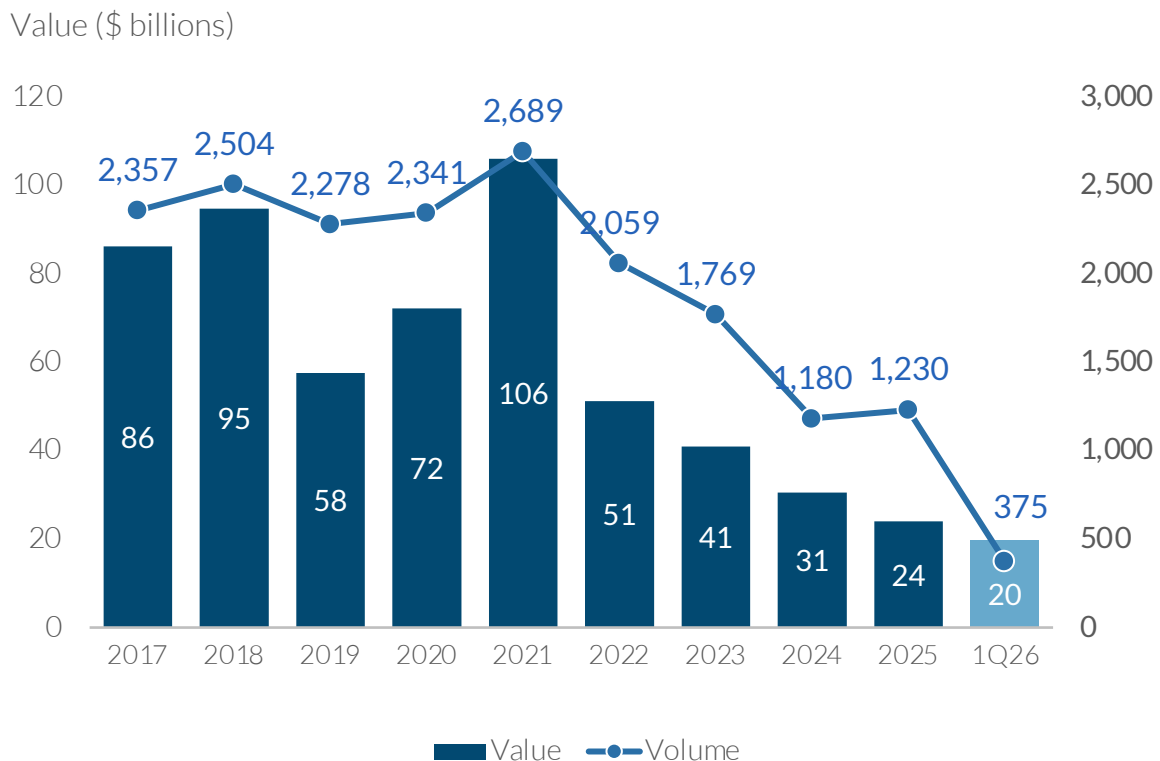


- Fundraising hit a 12-year low in 2025, though scale continues to prevail. The 6 largest funds launched in 2025 have a combined target of \$60 billion+, have made solid progress, and are expected to meaningfully contribute to 2026 fundraising.
- While China fundraising has shown early signs of recovery since the start of 2026, most managers are targeting smaller sizes than in previous vintages, reflecting a more cautious assessment of the opportunity set.

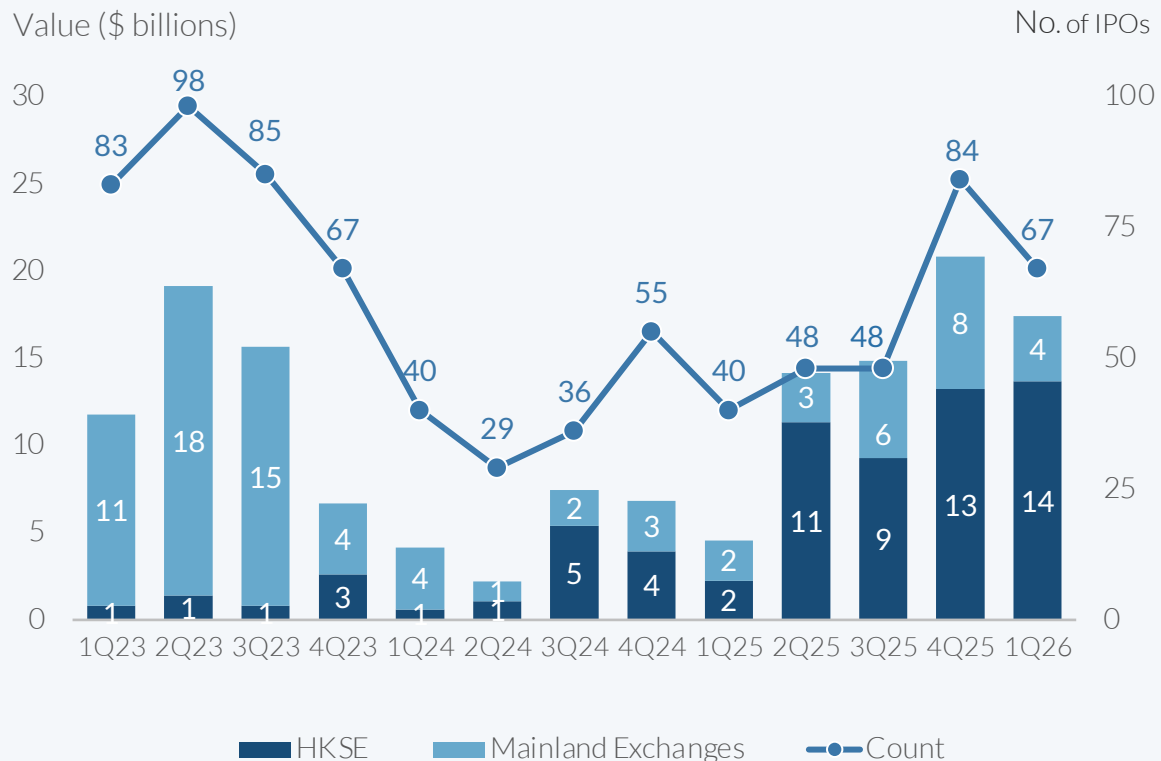


Chart in Focus: Investment Activity in China Rebounded Strongly, Supported by a Resilient IPO Market

China PE Investment Activity



Chinese Stock Exchanges IPO Activity



SOURCE: Mergermarket; Pathway Research. NOTE: As of March 31, 2026.



Secondaries Update



Secondaries Key Highlights

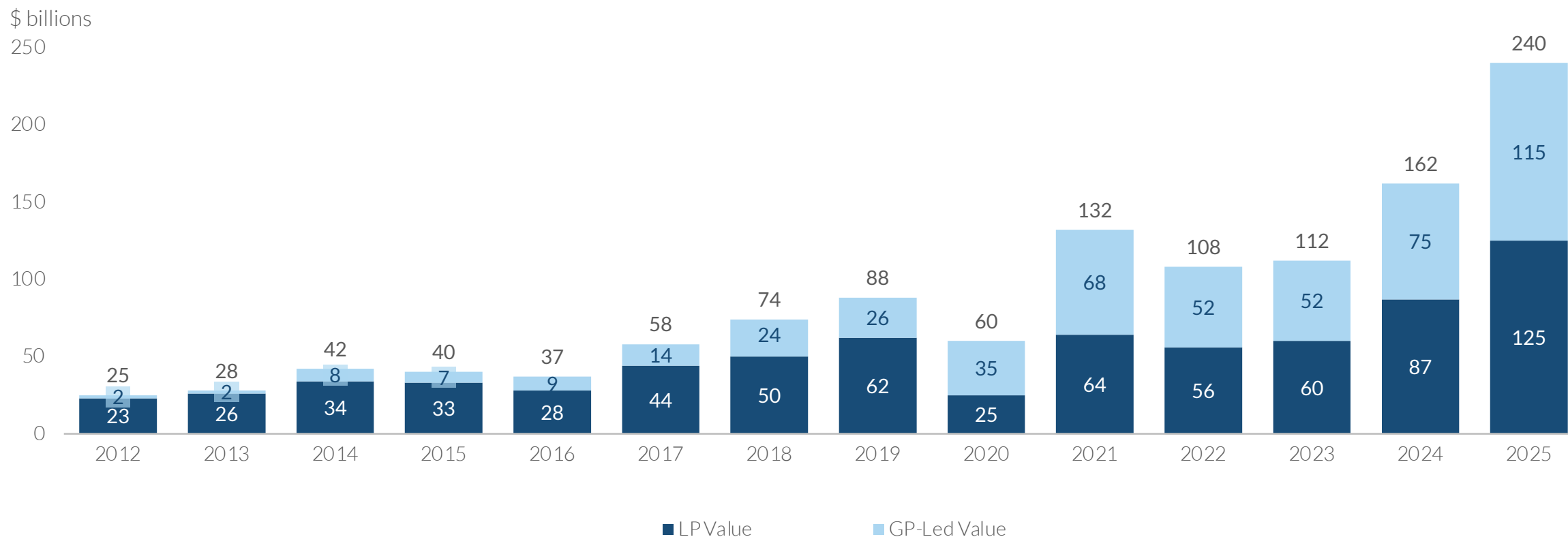
- Secondary market transaction activity maintained an active pace in 1Q26, following a record year in 2025.
 - In early 2026, the secondaries market had the strongest structural support for continued expansion in its history.
 - The first half of 2026 should exceed \$100 billion of total volume, based solely on backlog.
- In early 2026, the continuation fund market continued its growth trajectory as an additional exit path for private market funds, having accounted for ~15% of global M&A exit value during 2025.
 - The capacity for continuation fund investing is supported by ~61% of investors maintaining over \$500 million in dry powder dedicated to investing in continuation funds.
- The credit secondary market had its largest year ever in 2025, with \$20 billion in volume, and 1Q26 continues to build upon the strong growth.
 - For the first time in credit secondaries, GP-led transactions accounted for most of the volume in 2025, and the number of investors and the desire for liquidity among sponsors continued to grow in early 2026.
 - The first half of 2026 should exceed \$15 billion of total credit secondary volume, based solely on backlog.
- In 2026, there is a fundraising target of over \$200 billion, reflecting the continued scale of the secondary market.
 - Capital overhang multiples declined to 1.4x transaction value in 2025, down from 1.8x in 2024, reflecting tighter capital coverage relative to elevated secondary market activity.
 - When including an estimated \$150 billion of traditional LP capital shifting from primaries and co-investments,¹ the implied capital overhang multiple increases to 2.0x, bringing it back in line with historical averages.

SOURCE: Jefferies 2025 Global Secondary Market Review; Jefferies 2025 Credit Secondary Market Review; Evercore 2025 Secondary Market Report; Morgan Stanley 2025 Continuation Fund Market Review. NOTES: The information presented has been developed internally and/or obtained from sources believed to be reliable; however, Pathway does not guarantee the accuracy, adequacy, or completeness of such information. Pathway has not independently verified such information and accepts no responsibility or liability for any error, omission, or inaccuracy of such information. 1. SOURCE: Jefferies Capital Markets Intelligence. Midpoint of estimated \$100-\$200 billion traditional LP capital allocated to secondaries.



Continued Supply of and Robust Demand for LP- and GP-Led Deals Fuels Active Market

Secondaries Transaction Value

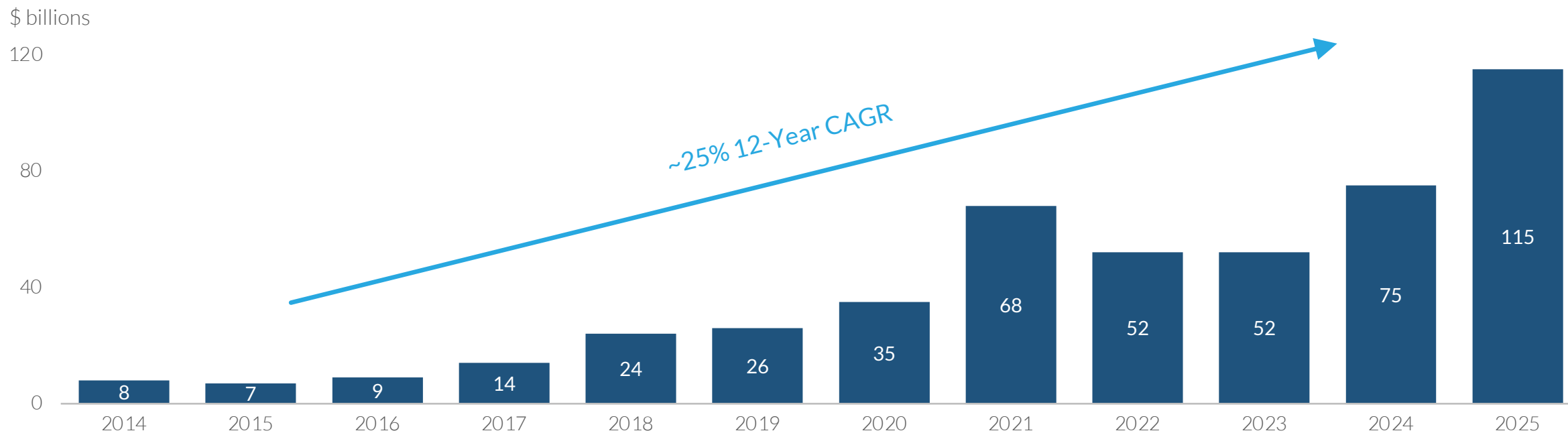


SOURCE: Jefferies 2025 Global Secondary Market Review. NOTE: The information presented has been developed internally and/or obtained from sources believed to be reliable; however, Pathway does not guarantee the accuracy, adequacy, or completeness of such information. Pathway has not independently verified such information and accepts no responsibility or liability for any error, omission, or inaccuracy of such information.



GP-Led Market Continues to Grow as a Portfolio Management Tool for High-Conviction Assets

GP-Led Annual Transaction Value



48%
Of Secondaries Value is GP-Led

~15%
GP-Led Value
(% Share of M&A Exit Value)

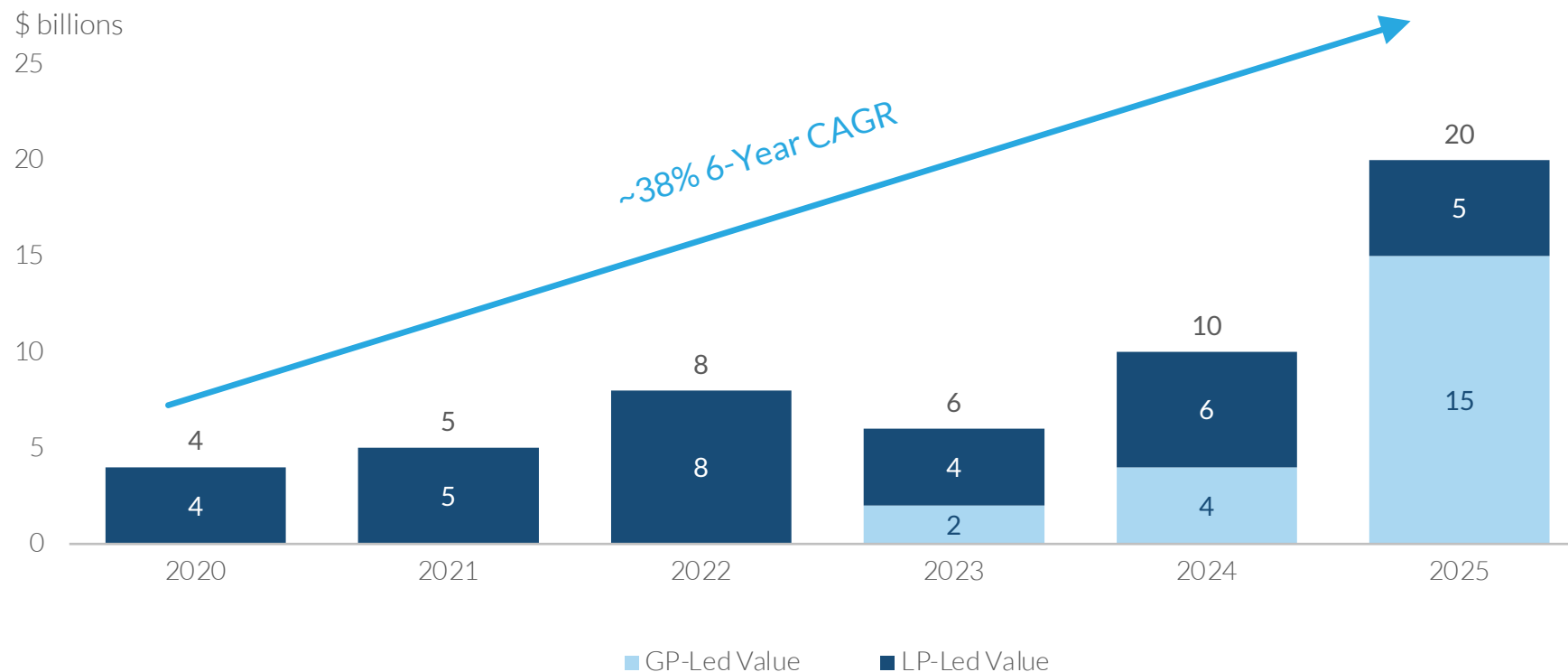
~89%
Continuation Fund Transactions
(% Share of GP-Led Value)

SOURCE: Jefferies 2025 Global Secondary Market Review. NOTES: The information presented has been developed internally and/or obtained from sources believed to be reliable; however, Pathway does not guarantee the accuracy, adequacy, or completeness of such information. Pathway has not independently verified such information and accepts no responsibility or liability for any error, omission, or inaccuracy of such information.



Credit Secondaries Demonstrate Significant Growth, Becoming the Second-Largest GP-Led Strategy

Credit Secondaries Transaction Value



Credit secondaries account for 13% of 2025 GP-led volume

Near 3x increase YoY in credit CVs

Quantity of \$1.0bn+ CVs grows YoY from 1 deal to 5 deals

Yields are higher compared with new direct lending assets^{1,2}

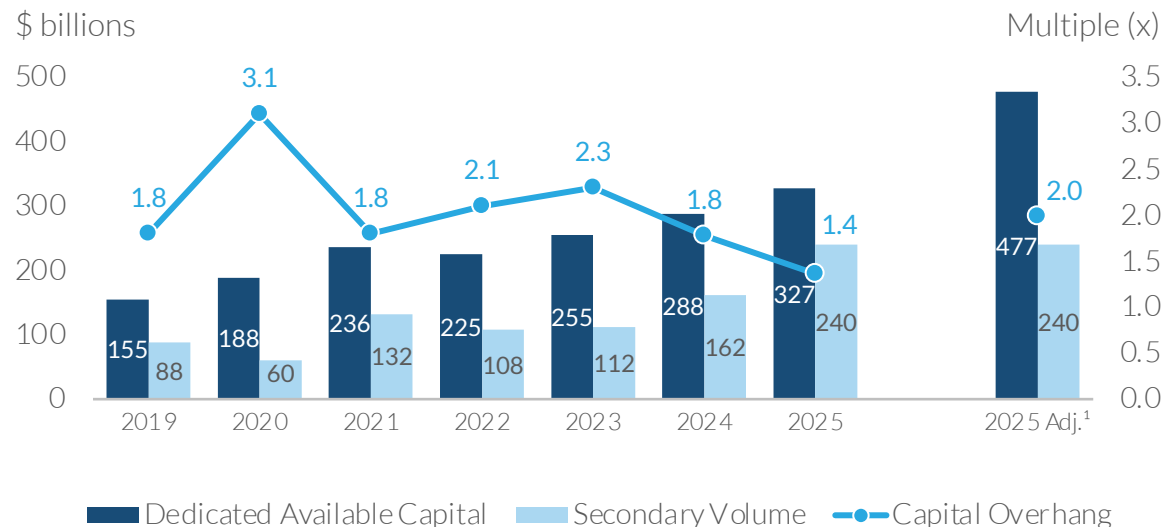
Redemption requests are running at up to ~3x the standard 5% cap³

SOURCE: Jefferies 2025 Credit Secondary Market Review; Reuters (April 2026). NOTE: The information presented has been developed internally and/or obtained from sources believed to be reliable; however, Pathway does not guarantee the accuracy, adequacy, or completeness of such information. Pathway has not independently verified such information and accepts no responsibility or liability for any error, omission, or inaccuracy of such information. 1. SOURCE: Jefferies estimates, Jefferies Credit Secondary database, and Jefferies FY2025 Credit Secondaries Buyer Survey. Credit secondary transactions in 2025 typically have spreads between ~550 and 600bps. 2. SOURCE: PitchBook LCD Private Credit Monitor. Direct lending spread data reflects senior secured first-lien loans and unitranche facilities, with spreads between ~450 and 550bps. 3. SOURCE: Reuters. Based on reported ~15.7% redemption requests for Carlyle's private credit interval fund versus typical quarterly redemption caps of ~5%.

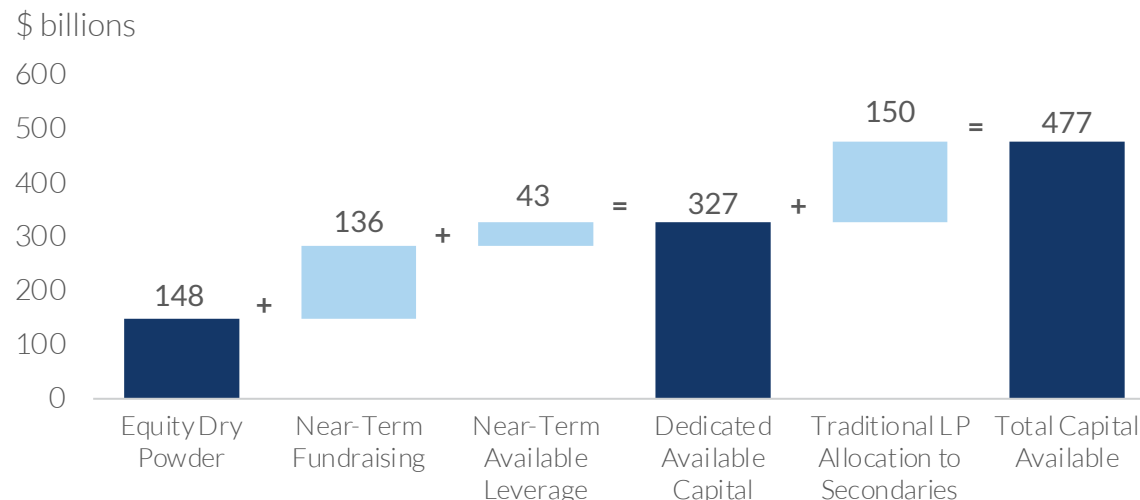


Strong Investor Interest Has Driven Substantial Growth in Secondaries Dry Powder

Capital Overhang Multiple



Dedicated Available Capital



NOTE: Available leverage estimated at 15% of equity dry powder plus current fundraising.

Capital Overhang Key Stats

\$327bn
Dedicated Available Capital

\$240bn
2025 Secondary Volume

1.4x
Secondary Market Capital Overhang

2.0x
Adj. Secondary Market Capital Overhang¹

SOURCE: Jefferies 2025 Global Secondary Market Review. NOTES: The information presented has been developed internally and/or obtained from sources believed to be reliable; however, Pathway does not guarantee the accuracy, adequacy, or completeness of such information. Pathway has not independently verified such information and accepts no responsibility or liability for any error, omission, or inaccuracy of such information. 1. SOURCE: Jefferies Capital Markets Intelligence. Midpoint of estimated \$100-\$200 billion traditional LP capital allocated to secondaries.



Private Credit Update



Private Credit Key Highlights

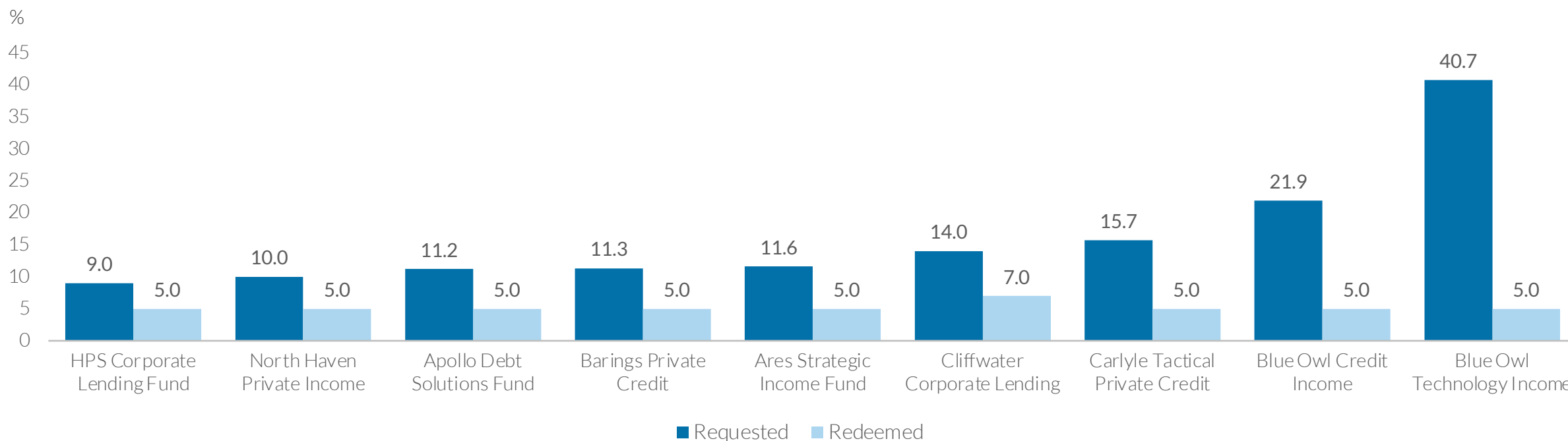
- Sentiment in the private credit asset class turned sharply negative in 1Q26 due to a confluence of events, including declining yields, concerns about the impact of AI disruption on software loans and valuations, and a steep rise in redemption requests among semi-liquid private credit vehicles.
- Software loans account for ~20% of BDC portfolios and ~15% of the leveraged loan market. Average bid price of software leveraged loans fell 8% in 1Q26. Direct lenders have voiced their support and confidence in their existing software investments; however, new software loans are facing higher scrutiny and pricing.
- Semi-liquid private credit vehicles (non-traded BDCs and credit interval funds) received over \$20 billion of redemption requests in 1Q26, representing approximately 8.5% of total levered AUM.
 - Managers have handily met up to 5% redemptions, but liquidity may be strained if negative/flat net flows persist.
- Notwithstanding the negative headlines, the private credit asset class remains healthy overall. Payment and bankruptcy defaults remain at low levels, and signs of distress (e.g., cash-to-PIK conversions and distressed maturity extensions) are limited primarily to borrowers undergoing idiosyncratic challenges.
- Direct lending activity increased in 1Q26, driven by several large-cap facilities. Credit spreads remained stable during the quarter but early 2Q data indicates upward pressure on pricing (+25-50bps). Healthcare overtook software as the most active industry sector during the quarter.
- Broadly syndicated debt markets were in risk-off mode for most of the quarter due to the conflict in Iran, the AI-induced software selloff, and rising inflationary pressures. All-in spreads for new issue B-rated loans increased by over 100bps since the end of 2025.
- Similar to the private credit market, indicators of distress in marketable non-investment-grade markets remain at low levels. The TTM default rate for the LSTA Leveraged Loan Index was 1.4%, as of March 31, 2026. Including distressed debt exchanges and other liability management exercises (LME), the default rate was 3.5%.
- Institutional private credit fundraising market remained resilient in 1Q26: a total of \$99 billion was raised across all strategies, an 11% increase YoY. In contrast, most retail-focused semi-liquid vehicles experienced negative or flat net flows during the quarter.



Dislocation in Semi-liquid Private Credit Vehicles

- High level of redemption requests from investors in private BDCs and credit Interval funds beginning in March 2026
 - Over \$20 billion of redemption requests were received in 1Q26, representing an estimated \$40 billion (incl. leverage) or 8.5% of total semi-liquid AUM.
 - Semi-liquid funds handily met redemption requests of up to 5% during the quarter; however, persistent negative net flows will strain liquidity and increase financing costs.
- Private credit managers are exploring asset sales to improve their liquidity position but are currently not willing to accept significant discounts.
 - Pricing gap between public BDCs that are trading at an average 20% discount to NAV and non-traded BDCs valued at NAV is exacerbating bid-ask spreads.
- Slowing inflows to semi-liquid funds is expected to reduce overall capital deployment and average hold sizes for certain private credit managers

1Q26 Redemption Activity for Select BDCs and Interval Funds

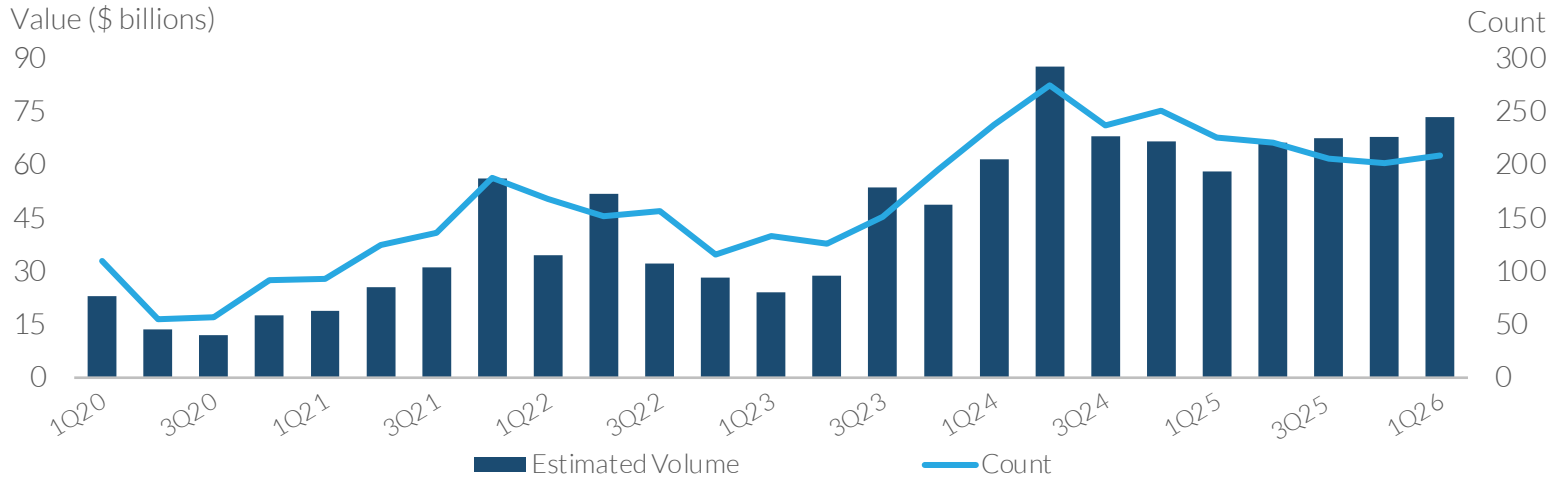


SOURCE: Pathway Research.



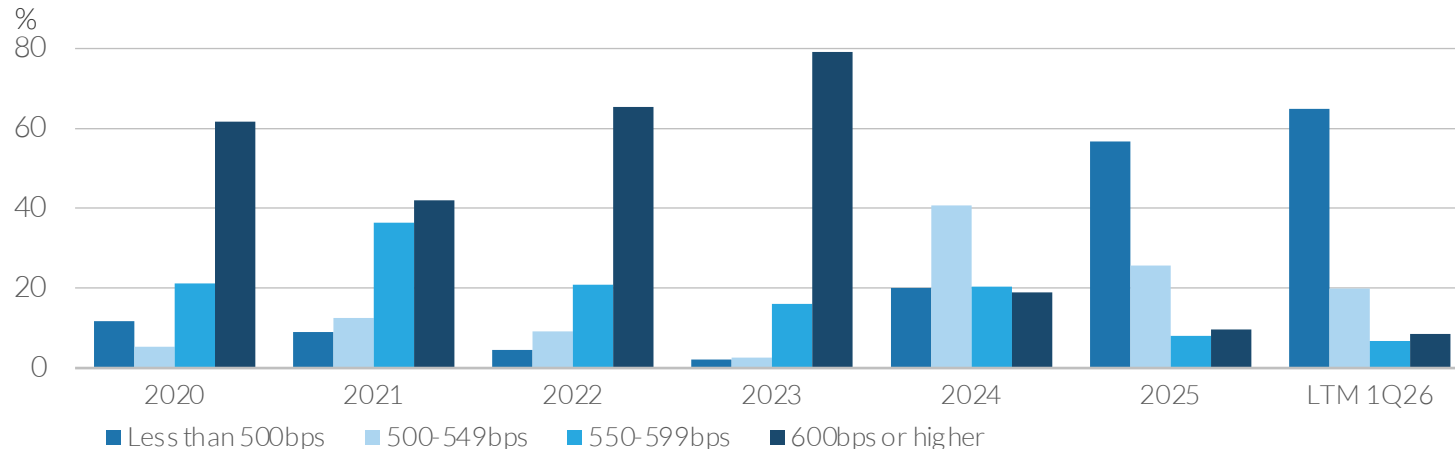
Direct Lending Activity Boosted by Larger Deals; Spreads on New Financings Facing Upward Pressure

U.S. Direct Lending Deal Count and Estimated Volume



SOURCE: PitchBook LCD. NOTE: As of March 31, 2026.

Spread Distribution of PE-Backed Private Credit Loans



SOURCE: PitchBook LCD; Pathway Research. NOTE: As of March 31, 2026.

- Direct lending activity totaled \$73.5 billion in 1Q26, a 26% YOY increase. Large-cap deals drove quarterly activity, led by the \$5 billion unitranche financing for WWEX Group. Deal count declined YOY from 226 to 209 in 1Q26.
- Over 60% of all loans priced below 500bps in the LTM 1Q26 period, up from 20% in 2024. However, early 2Q data indicate a 25-50bps increase in pricing (to 500-550bps) for some middle-market sponsor-backed loans.
- Spreads for software and software-adjacent borrowers have increased even further (75-100bps spread premium) amid declining lender appetite and risk tolerance.
- Healthcare investments garnered the largest share of activity at 22%, followed by services & leasing at 19%; technology deals fell from 18% in 2025 to 14% in 1Q26.
- Middle-market CLOs raised \$9.5 billion in 1Q26, a decrease of 21% from 1Q25.



Direct Lending Market Conditions: Sponsored Middle Market

		2021	1H23	1Q26
Credit Documentation	▶▶▶	Less Restrictive	More Restrictive	Restrictive
Middle-Market Spread	▶▶▶	500–600bps	600–725bps	450–550bps
3-Month SOFR	▶▶▶	~0.0%	~5.0%	~3.7%
OID	▶▶▶	98	97	98/99
Unitranche Leverage Multiples	▶▶▶	Up to 6.5x	Up to 5.5x	Up to 6.0x
Unitranche Loan-to-Value	▶▶▶	Up to 65%	Up to 50%	Up to 60%
Average Equity Contribution %	▶▶▶	35%–50%	50%–60%	40%–55%
Unitranche Yield-to-3-Year Call	▶▶▶	6.5%–8.0%	11.5%–13.0%	9.0%–10.0%

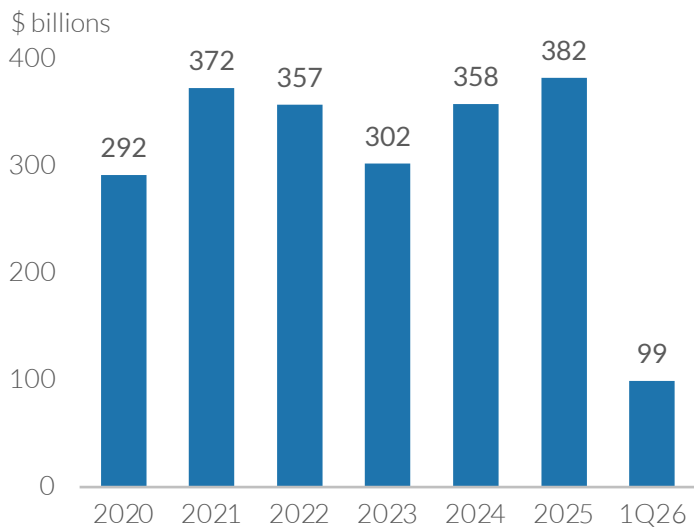
SOURCE: Pathway Capital Management. NOTES: Based on Pathway's general observations of current market data and is subject to change depending on the market environment. Not all deals will have all these characteristics. Past performance does not guarantee future results.



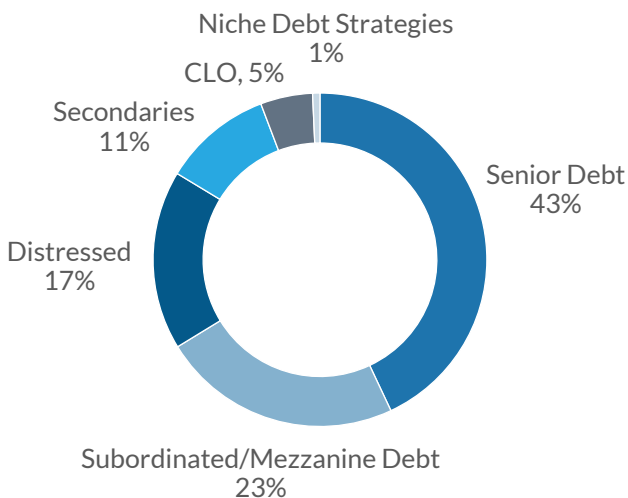
Institutional Private Credit Fundraising Market Remains Healthy but Retail Sentiment Turns Sour

- Institutional private credit funds raised \$99 billion across all strategies in 1Q26, the highest first-quarter total on record. However, the full impact of the negative news cycle may not be seen until later in the year.
- Net flows into retail-focused private credit vehicles, including evergreen private BDCs and credit interval funds, fell sharply in 1Q due to a spike in redemption requests. Most non-traded BDCs experienced negative or flat net flows in 1Q26.
- Secondary funds continue to garner an increasing share of fundraising, accounting for 11% of total capital raised during the quarter. Distressed and opportunistic credit funds accounted for 17% of the quarterly total, up from 12% in 2025.

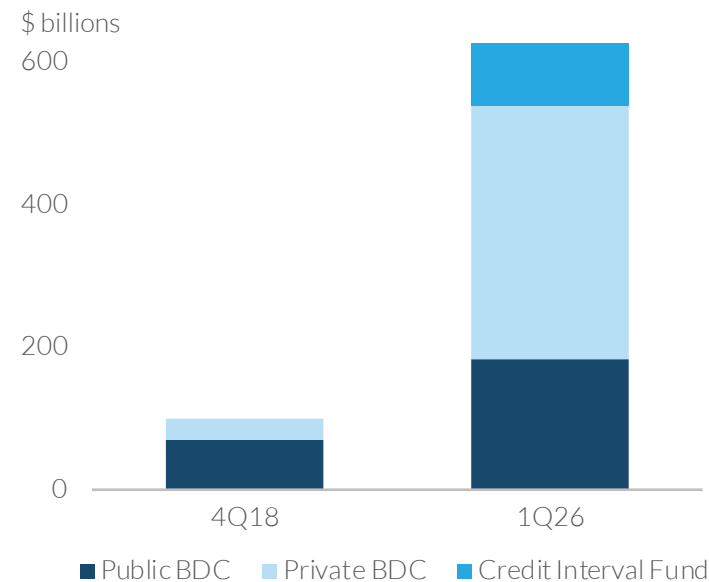
Annual Private Credit Fundraising



Fundraising by Strategy (1Q26)



AUM Growth of BDC and Credit Interval Funds



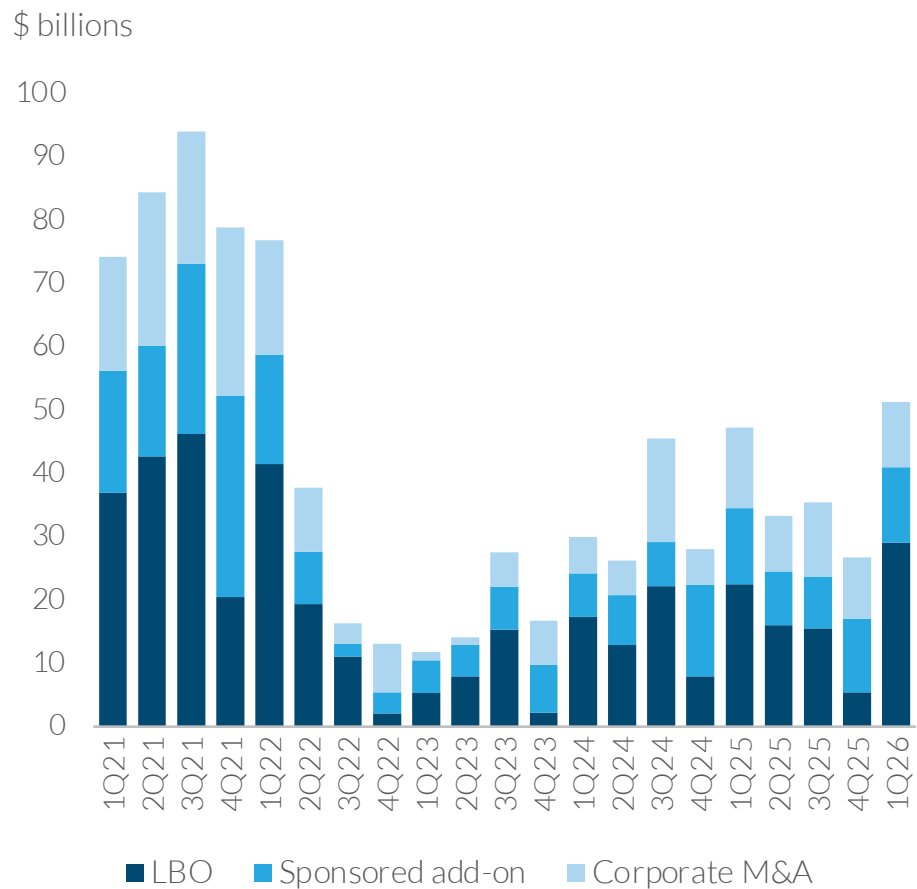
SOURCE: Private Debt Investor (PDI) 2025 Fundraising Report.
NOTE: As of March 31, 2026.

SOURCE: Interval Fund Tracker; Raymond James BDC Weekly Insight.
NOTE: As of March 31, 2026.



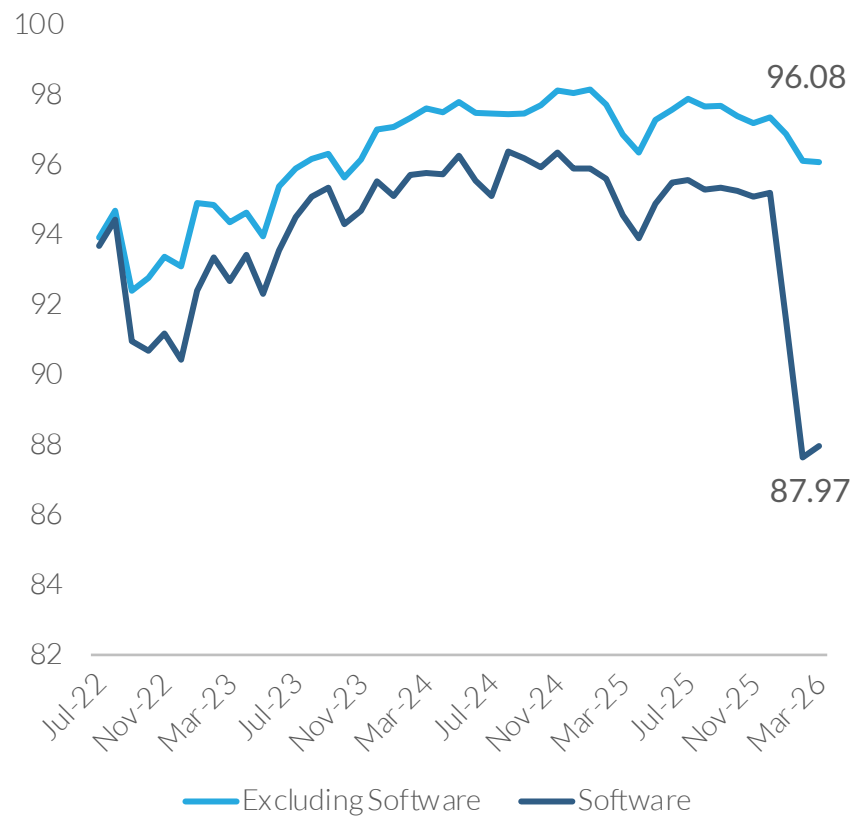
BSL Market Impacted by Risk-off Sentiment in 1Q26; however, M&A Loan Issuance Reached 4-Year High

U.S. Institutional M&A Loan Issuance



SOURCE: PitchBook LCD. NOTE: Repricings and extensions done via amendment only. NOTE: As of March 31, 2026.

Average Bid Price of Leveraged Loans



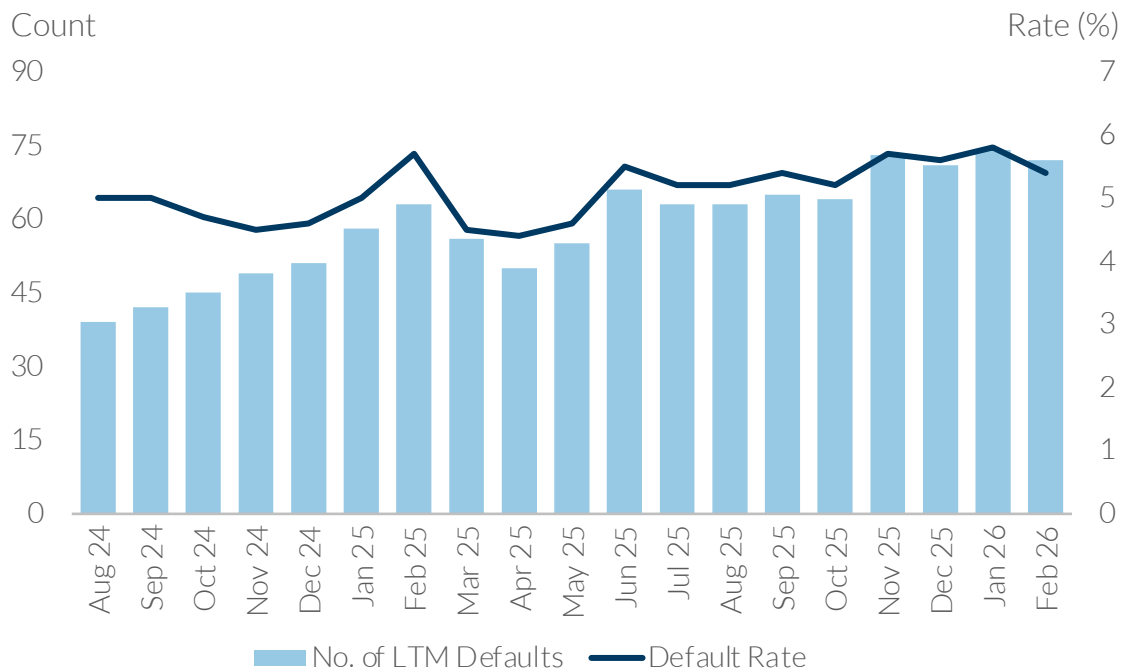
SOURCE: PitchBook LCD; Morningstar LSTA U.S. Leveraged Loan Index. NOTE: As of March 31, 2026.

- M&A loan volume reached a 4-year high in 1Q26, driven by several large-cap buyout financings, including Hologic & Electronic Arts.
- Weighted average bid price for software loans was 88 at end of 1Q, down 7.6% from year-end 2025.
- All-in yields for new issue B-rated loans increased by over 100bps (to 8.49%) from the prior quarter.



PIK Conversions and DDEs Elevating Default Rates; Bankruptcies and Payment Defaults Remain Low

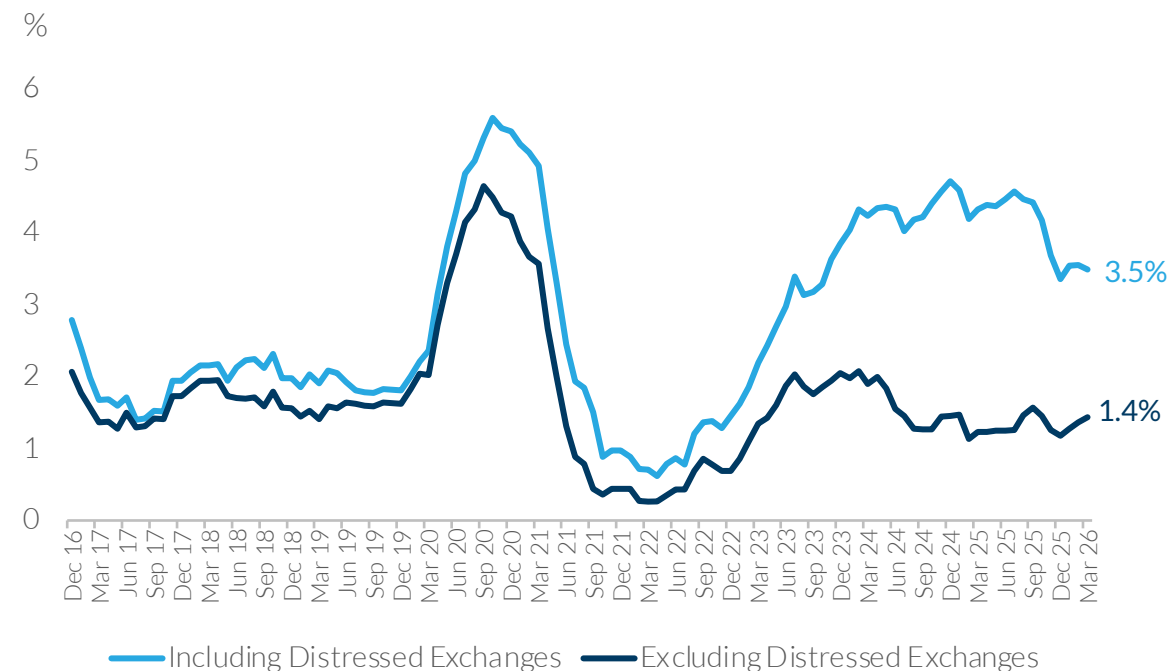
Fitch Private Credit Default Rate



SOURCE: Fitch Ratings PRO U.S. Private Credit Default Rate. NOTE: As of February 28, 2026.

- The Fitch Private Credit Default rate, which includes interest deferrals and PIK conversions, declined to 5.4% at the end of February 2026. The default rate including only payment defaults and bankruptcies was less than 1%.

LSTA U.S. Leveraged Loan Default Rate



SOURCE: PitchBook LCD. NOTE: As of March 31, 2026.

- The trailing 12-month default rate for LSTA Leveraged Loan index was 1.4% at the end of the first quarter, little changed from the end of 2025. Including distressed debt exchanges and other liability management exercises (LME), the default rate was 3.5%.



Infrastructure Update



Infrastructure Key Highlights

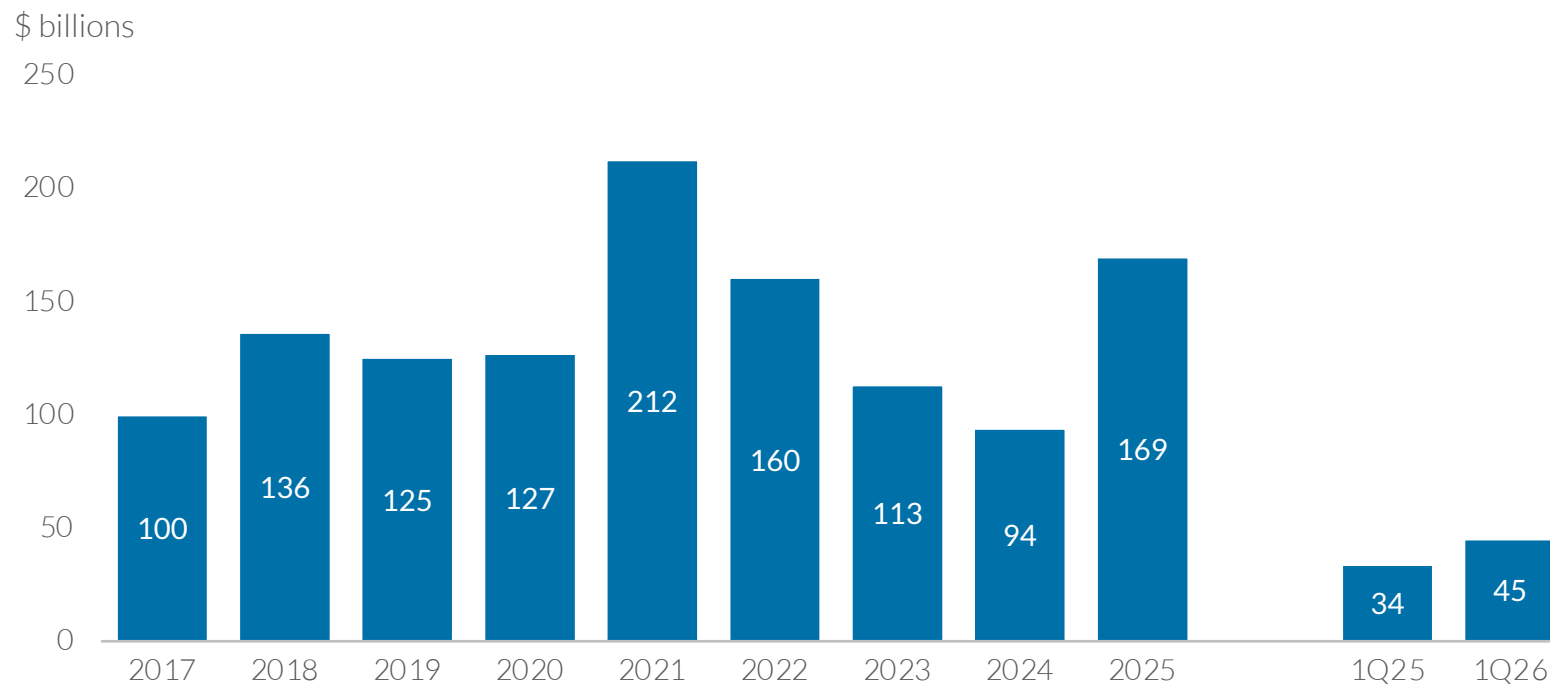
- Infrastructure fundamentals held strong entering 2026, supported by secular tailwinds from the energy transition, power demand growth, digitalization, and ongoing investment in energy security and aging infrastructure.
- Market conditions continue to add complexity, including grid constraints and interconnection bottlenecks, higher financing costs, supply chain pressures for critical equipment, and regulatory and permitting delays.
- Deal activity remained robust in 1Q26: over 55% of capital was allocated to data center or power generation projects, reflecting sustained momentum for both digital infrastructure and the energy required to support it.
- Capital for data center-related investments continues to shift toward greenfield builds rather than M&A of existing assets, underscoring demand for data center capacity that is outstripping existing supply.
- After a record-setting year in 2025 driven by a number of \$10 billion+ funds holding closes, infrastructure fundraising is off to a slower start in 2026. However, strong market sentiment remains, and fundraising is expected to ramp up throughout the year.
- Infrastructure continues to attract strong investor interest, supported by resilient returns, inflation protection, and exposure to essential assets supporting the global economy.



Infrastructure Deal Activity Builds off a Strong 2025

Deal value increased by over 30% year over year to start the year.

Infrastructure Deal Value



1Q26 Notable Deals

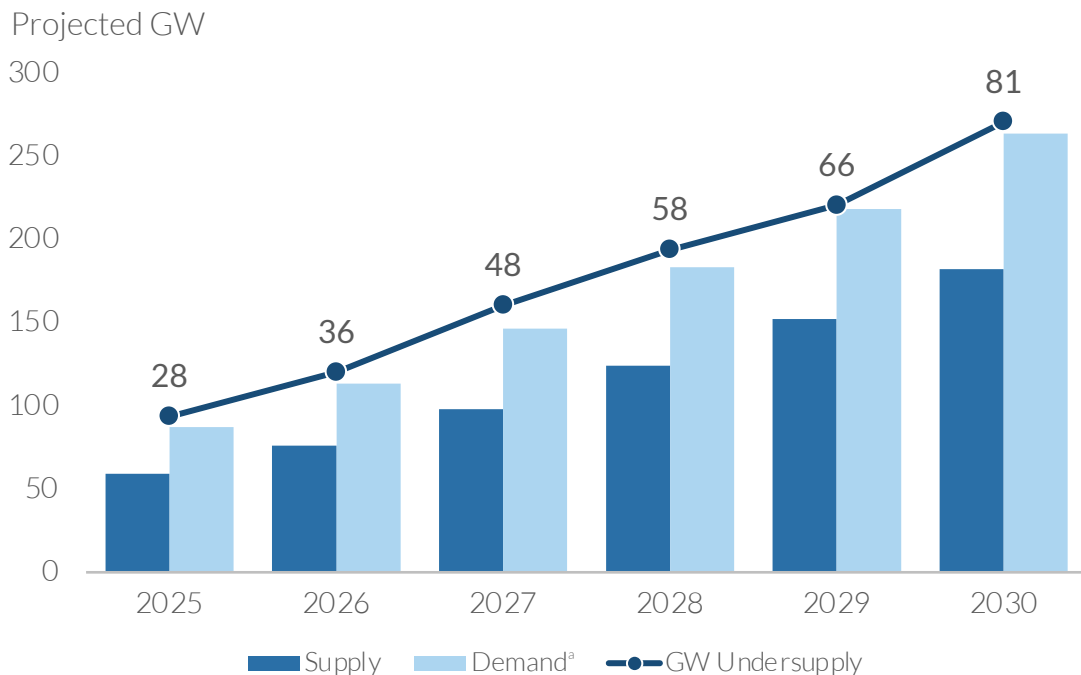
Target	Acquirer	Deal Size (\$MM)
AES	EQT, GIP, QIA, CalPERS	10,700
TenneT	KFW Group	3,900
Inkia Energy	CPP Investments	3,400
Exolum Group	KKR	2,800
Save S.p.A.	Ardian, Finint Infrastrutture	2,500

SOURCE: PitchBook Data, Inc.; Pathway Research. NOTE: As of March 31, 2026.



Power Demand Remains at the Center of the Data Center Conversation

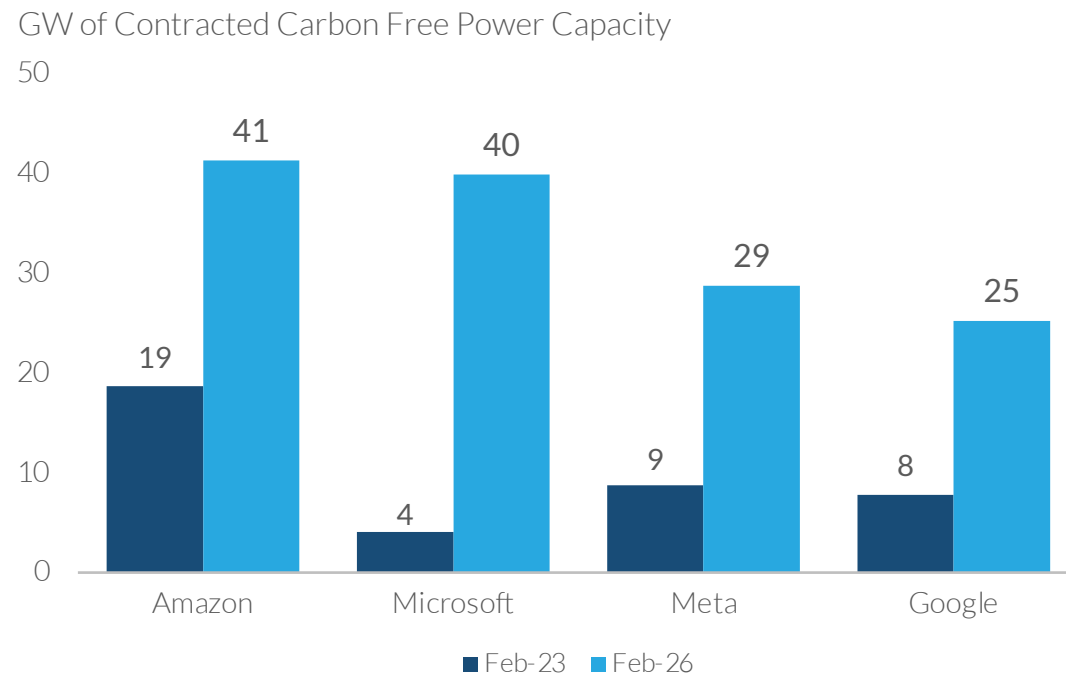
Data Center Power Supply–Demand Gap Expected to Widen



SOURCE: CBRE Investment Management; JP Morgan, Communications Infrastructure 2026 Outlook, December 12, 2025. ^aBased on forecasted chip shipments with associated power consumption across colocation, third-party leased hyperscale sites and hyperscale self-builds.

- Data center power demand is projected to widen relative to supply, with demand growth materially outpacing expected capacity additions over the coming years.

Hyperscalers Turning to Alternative Power Sources



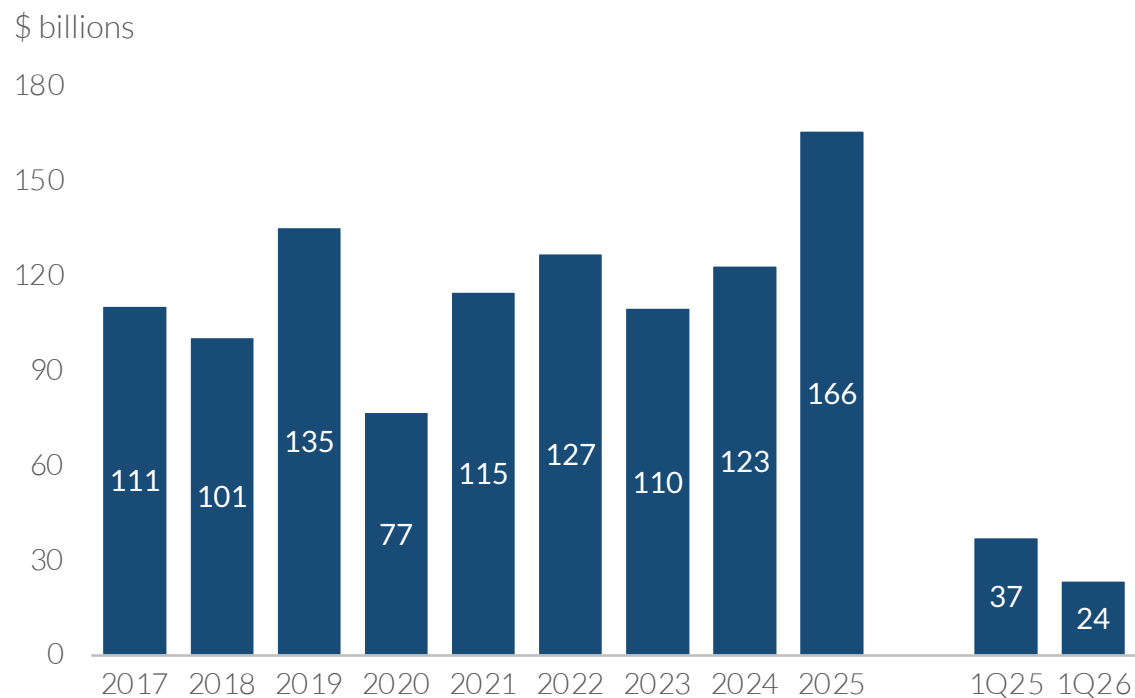
SOURCE: S&P Global Market Intelligence; public reports. NOTES: As of February 27, 2026. Based on database updates. Reported and estimated carbon-free energy capacity contracted with U.S. projects only. Cumulative contracted carbon-free capacity. Includes only deals with sufficient details available. Analysis does not include most on-site corporate renewable capacity, such as rooftop solar systems. Figures provided are estimates.

- Hyperscalers are increasingly turning to alternative power sources for data centers to address the growing power gap (e.g., contracted carbon-free power supply expanded rapidly over the past 3 years).



Infrastructure Fundraising Slows after 2025 Surge

Global Private Infrastructure Capital Raised



Notable Funds Raised in 1Q26

Fund	Regional Focus	Value (\$MM)
InfraVia European Fund VI	Europe	9,300
Digital Realty Hyperscale-Focused Data Center Fund	U.S.	3,300
Meridiam Infrastructure Europe Core Fund	Europe	2,600
OIC Credit Opportunities Fund IV	North America, Europe	1,600
Valor Upstream Credit Partners II	North America	1,000

SOURCE: PitchBook Data, Inc.; Pathway Research. NOTE: As of March 31, 2026.

