



Q3 2025 PRIVATE EQUITY LENS

Schroders Capital Private Equity

Risk considerations

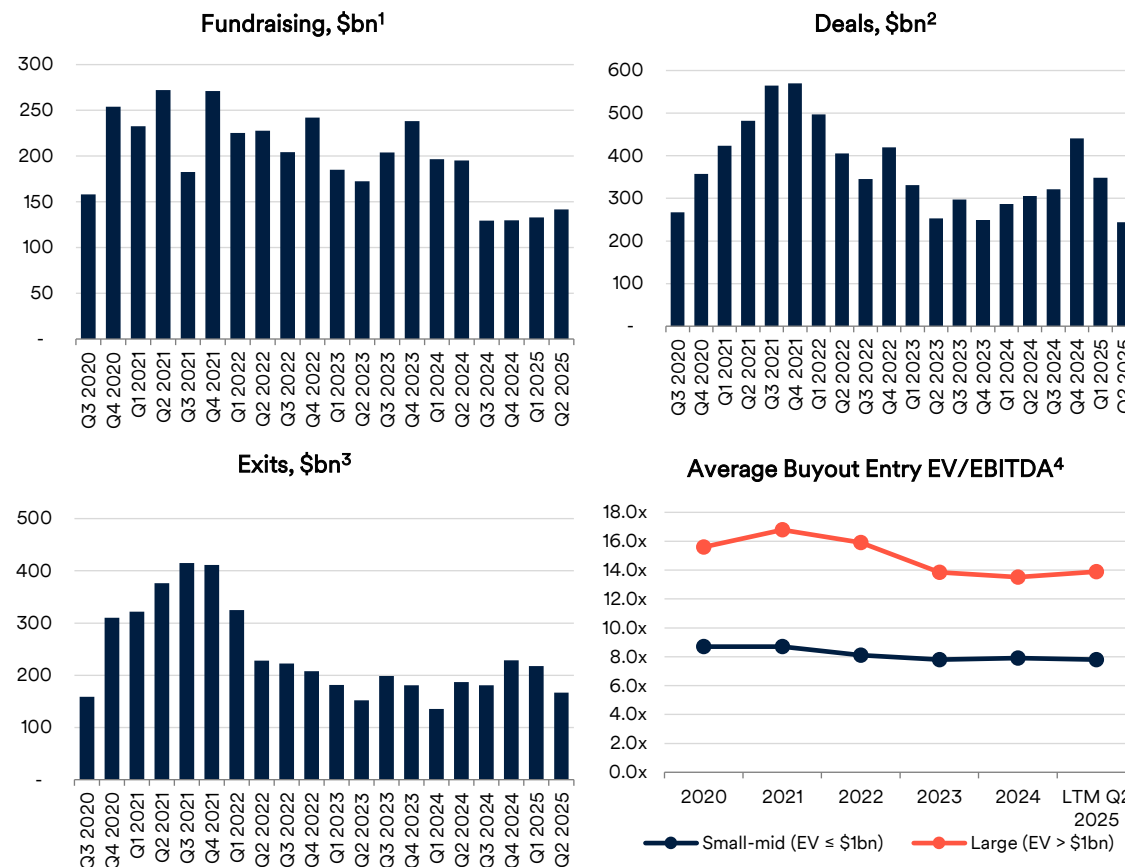
Capital loss risk	The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested
Market risk	Market risk is the risk of investment losses due to negative effects of the capital markets on the overall performance of the fund
Credit risk	The fund will have an investor commitment/draw-down funding model which exposes the investment vehicle to the credit risk of its investors. If an investor fails to comply with a drawdown notice, the investment vehicle may be unable to pay its obligations when due
Liquidity risk	Given the illiquid nature of private equity investments, investing in private equity are subject to asset liquidity risk. This liquidity risk is a result of the likelihood that a loss from current net asset value would be realised if an asset in the fund needed to be sold quickly in the secondary market to meet the obligations of the fund
Currency risk	Investments in companies or instruments which are denominated in currencies other than the fund's respective currency expose the fund to the risk of losses in case foreign currencies depreciate
Counterparty risk	The target investments may utilise derivative instruments for currency hedging purposes, which expose the fund to the risk of a counterparty defaulting
Operational risk	Operational risks are risks of loss resulting from inadequate or failed internal processes, people and systems, or from external events conducted by Schroders Capital and the managers the fund will invest alongside

Source: Schroders Capital, 2025.

Private Equity remains under liquidity pressure, selective tailwinds persist in Q2 2025

Secondaries, small-mid buyouts and AI-driven venture drive activity as fundraising steadies, deal values soften and exits remain muted

- Fundraising edged higher in Q2 2025, while the number of final closes fell as capital remains selective and concentrated in proven strategies
- Deal values declined in Q2 2025 amid rising uncertainty, with a sharper drop in buyout investments
- Exit activity remained muted in Q2 2025, with fewer sponsor-to-sponsor deals and a growing reliance on continuation investments
- Small-mid buyouts continue to trade 40–50% below large-cap and public market peers
- Venture valuations rose in Q2 2025 as AI-driven deals lifted Series C and Series D+ rounds, while early stages held broadly steady
- Small-mid buyouts have delivered the strongest cumulative performance over the past decade, with momentum accelerating since 2022
- Secondaries activity remained strong after a record 2024, with Q2 2025 fundraising rebounding and continuation investments gaining share



Past performance is not a guide to future performance and may not be repeated.

Source: Preqin Pro, Bloomberg, PitchBook Data, Inc., Capital IQ, Robert W. Baird & Co., Schroders Capital, 2025.

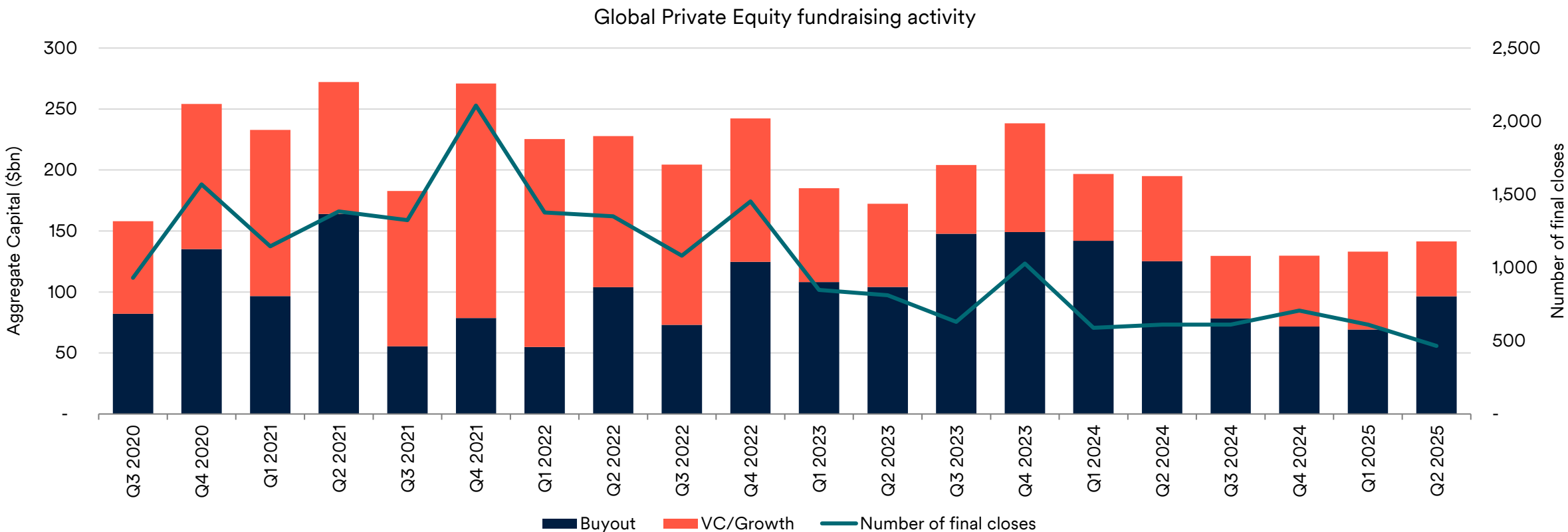
¹Buyout and VC/Growth. Includes closed funds only. Data grouped by the year in which the fund held its final close. ²Buyout and VC/Growth. Completed deals only. ³Buyout and VC/Growth. Completed exits only.

The views shared are those of Schroders Capital and may not be verified. There can be no assurance that any objective or intended outcome will be achieved. Forecasts and estimates may not be realized.

Fundraising stabilises in Q2 2025 as final closes decline

Buyout inflows increase and venture/growth remain subdued; capital remains highly selective

LP selectivity and slower distributions concentrate capital in proven managers

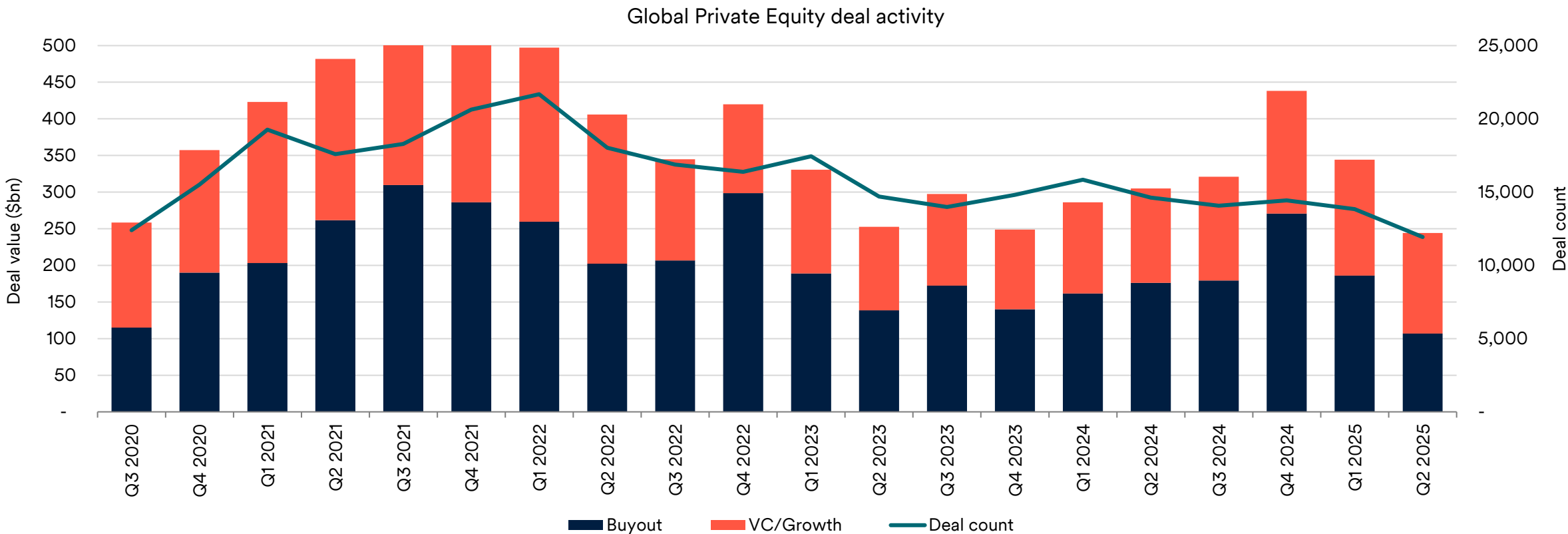


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Source: Preqin Pro. Data as of 5 August 2025, Schroders Capital, 2025.
Includes closed funds only. Data grouped by the year in which the fund held its final close. Fund count includes funds with undisclosed final close fund size. The views shared are those of Schroders Capital and may not be verified. There can be no assurance that any objective or intended outcome will be achieved.

Deal values declined in Q2 2025 amid continued uncertainty

Buyout transaction value fell more than venture/growth

Rising macro uncertainty weighed on investment execution, while AI and tech continue to attract investor interest



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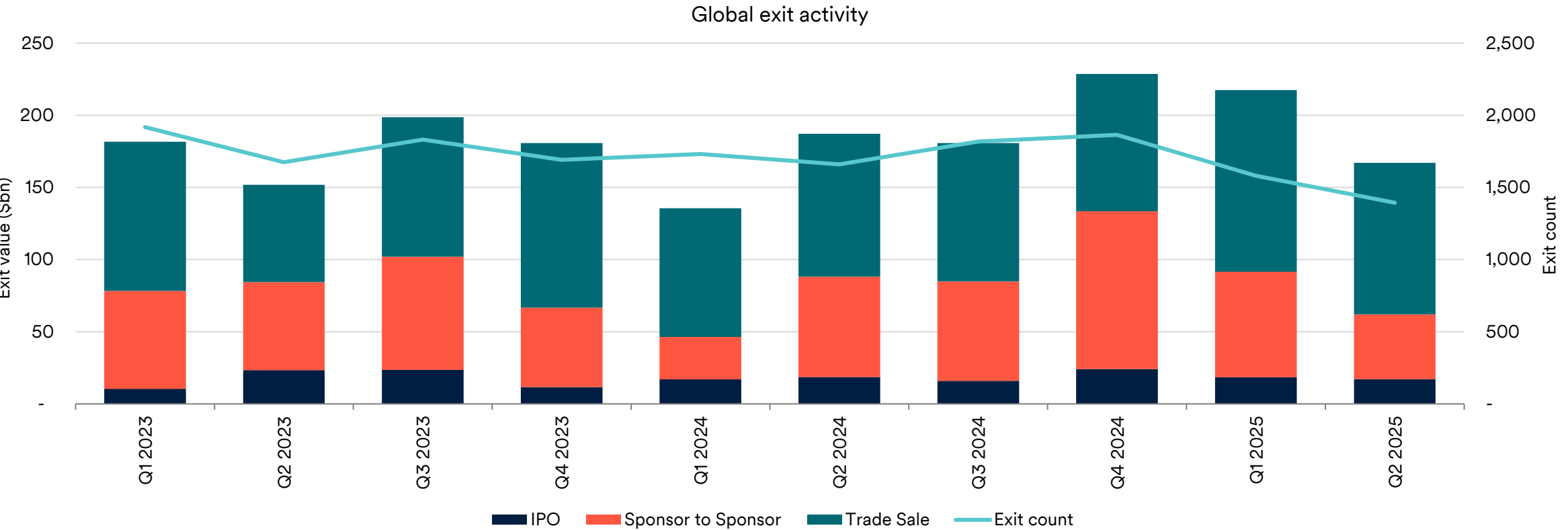
Source: PitchBook Data, Inc. as of 13 August 2025, Schroders Capital, 2025.

Completed deals. The views shared are those of Schroders Capital and may not be verified.

Exit activity remains muted in Q2 2025

Sponsor-to-sponsor exits slowed, trade sales and IPOs remained stable but low

Valuation gaps and liquidity needs sustained continuation investment and structured solutions as traditional routes remain constrained

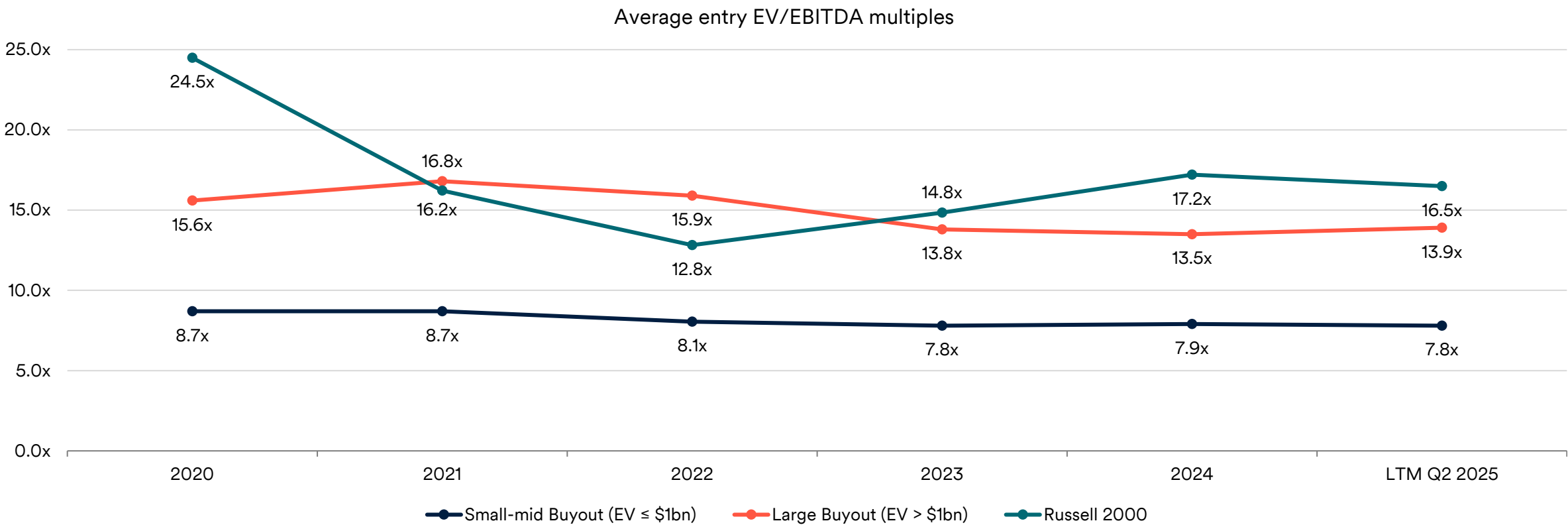


Past performance is not a guide to future performance and may not be repeated.
Source: PitchBook Data, Inc. as of 13 August 2025, Schroders Capital, 2025.
Includes Buyout and VC/Growth. Completed exits. Sponsor-to-sponsor data includes GP-led continuation vehicles. The views shared are those of Schroders Capital and may not be verified.

Small-mid buyouts trade 40–50% below large-cap and public peers

Entry multiples in the small-mid segment remain stable with limited re-pricing

Consistent pricing of small-mid buyouts offers attractive entry points for disciplined allocators

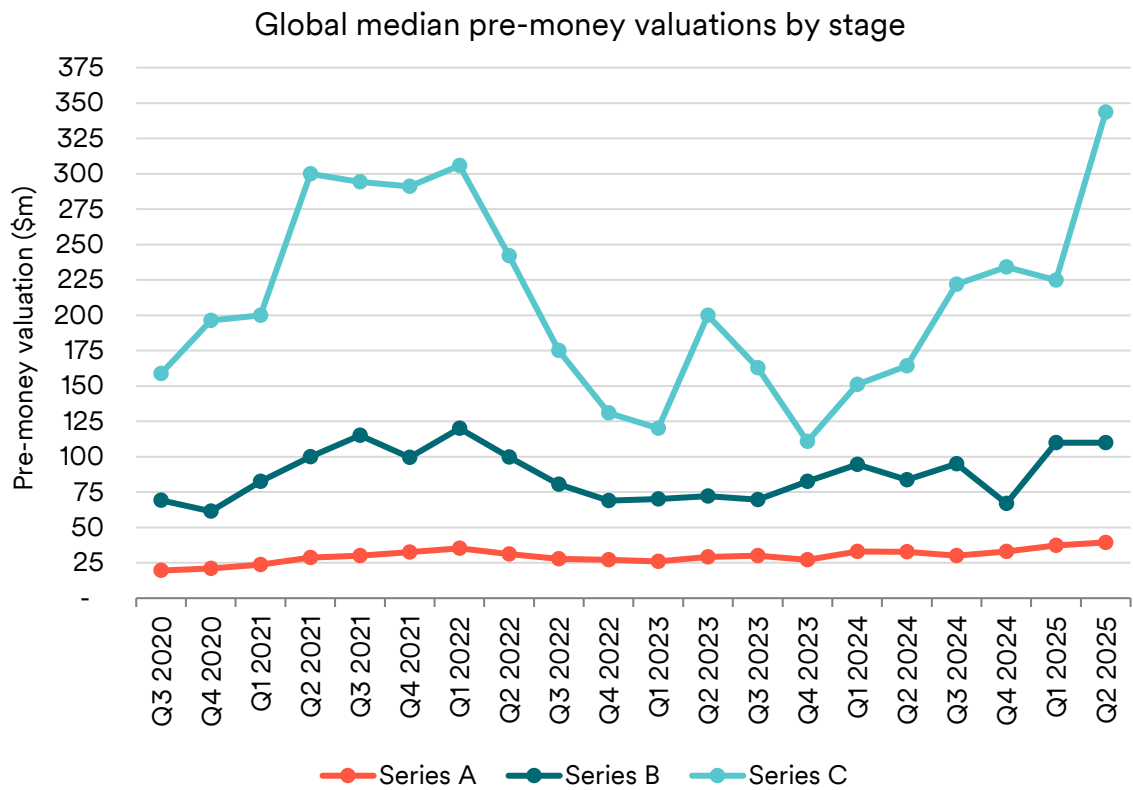


Past performance is not a guide to future performance and may not be repeated.
Source: Capital IQ, Bloomberg, Global M&A Outlook 2025, Robert W. Baird & Co., Schroders Capital, 2025.
North America and Europe M&A. Completed deals. Russell 2000 EV/EBITDA is calculated using EBITDA from the latest trailing twelve months. The views shared are those of Schroders capital and may not be verified or might be subject to change.

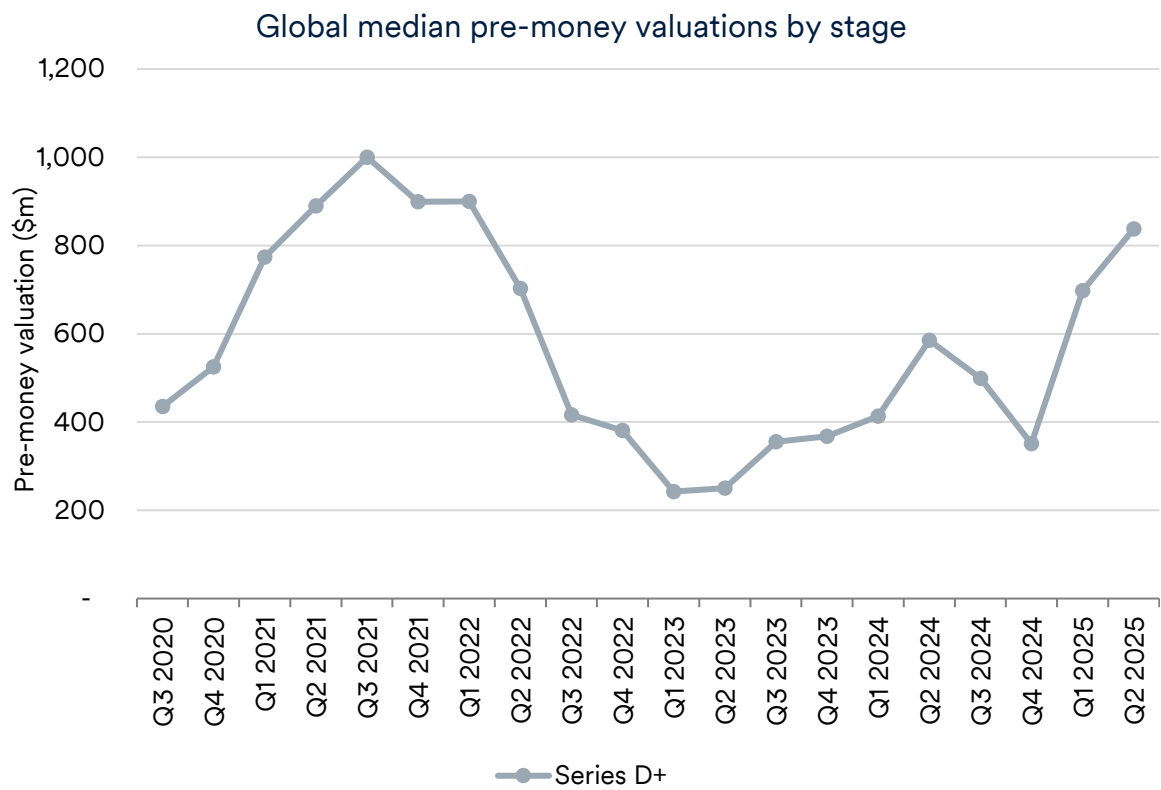
Venture valuations rose in Q2 2025, led by AI-driven later rounds

Series C surged and Series D+ continued to recover, while early stages remained broadly stable

Series C surges on large AI rounds



Late-stage valuations continue their recovery in Q2 2025

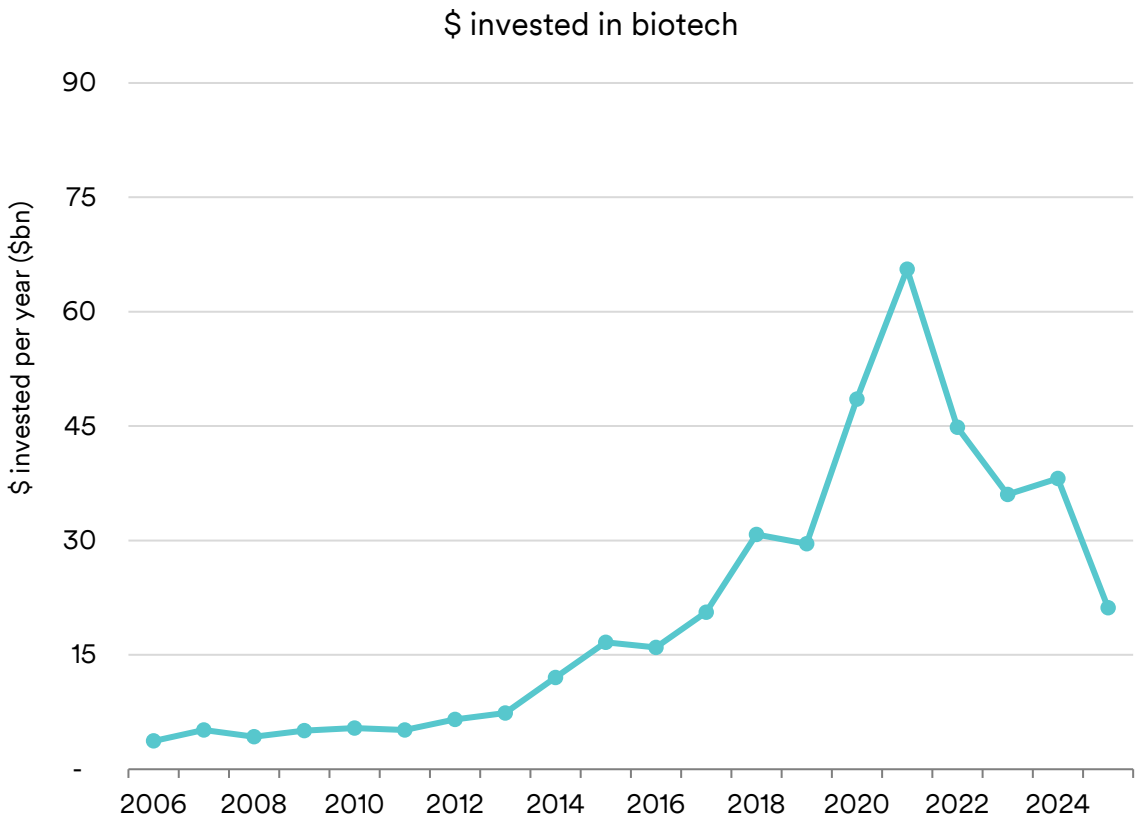


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Source: PitchBook Data, Inc. as of 23 August 2025, Schroders Capital, 2025.
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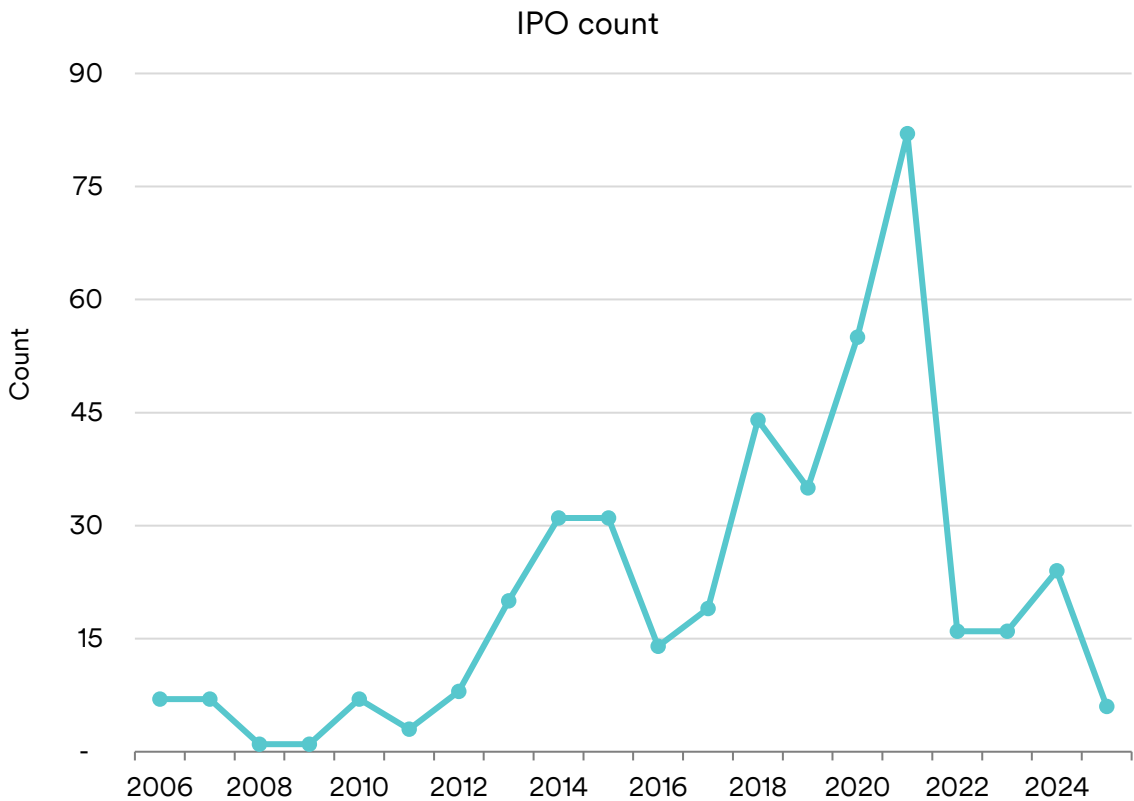
Biotech VC market cooled further, opening contrarian opportunities

Biotech funding and IPO activity has been decreasing over the last five years

Venture capital investment in biotech deals (\$bn)



US based VC backed biotech IPOs

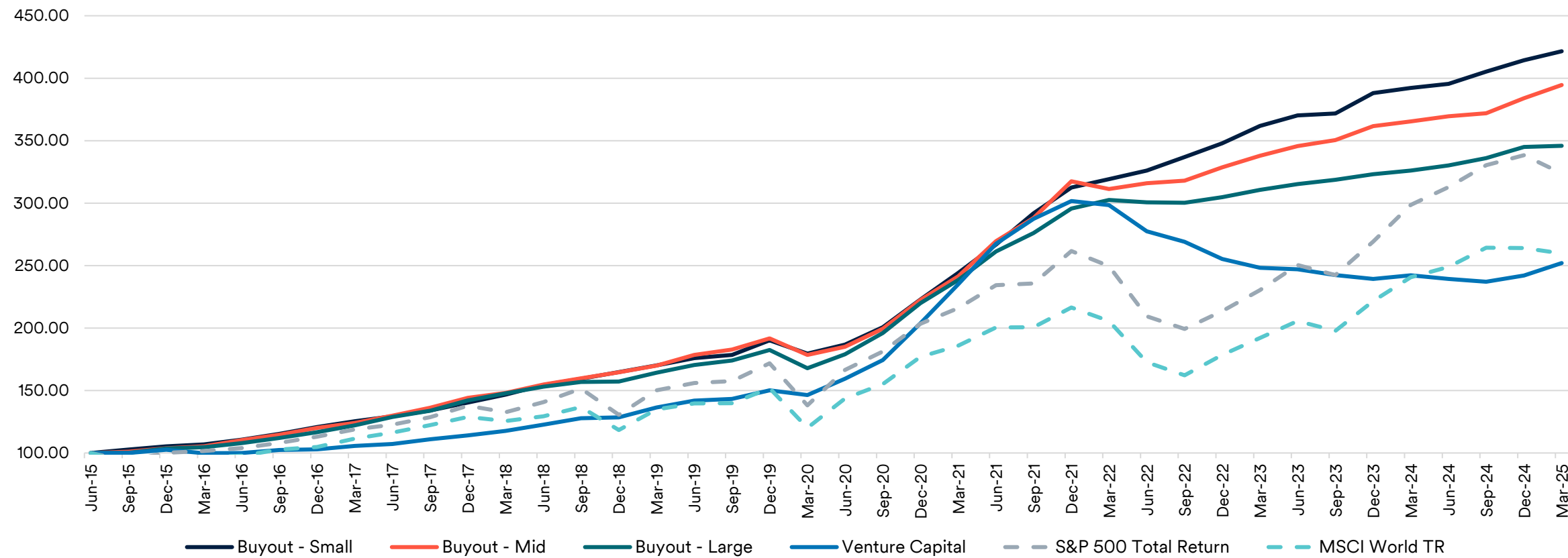


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Source: PitchBook Data, Inc. as of 1 September 2025, Schroders Capital, 2025.
The views shared are those of Schroders Capital and may not be verified.

Small and mid-cap buyouts have led long-term performance

Outperformance of lower mid-market has strengthened since 2022; venture picked up in Q1 2025

Prequin quarterly performance indices and public benchmarks



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Source: Prequin Pro, data as of 5 August 2025, Schroders Capital, 2025.

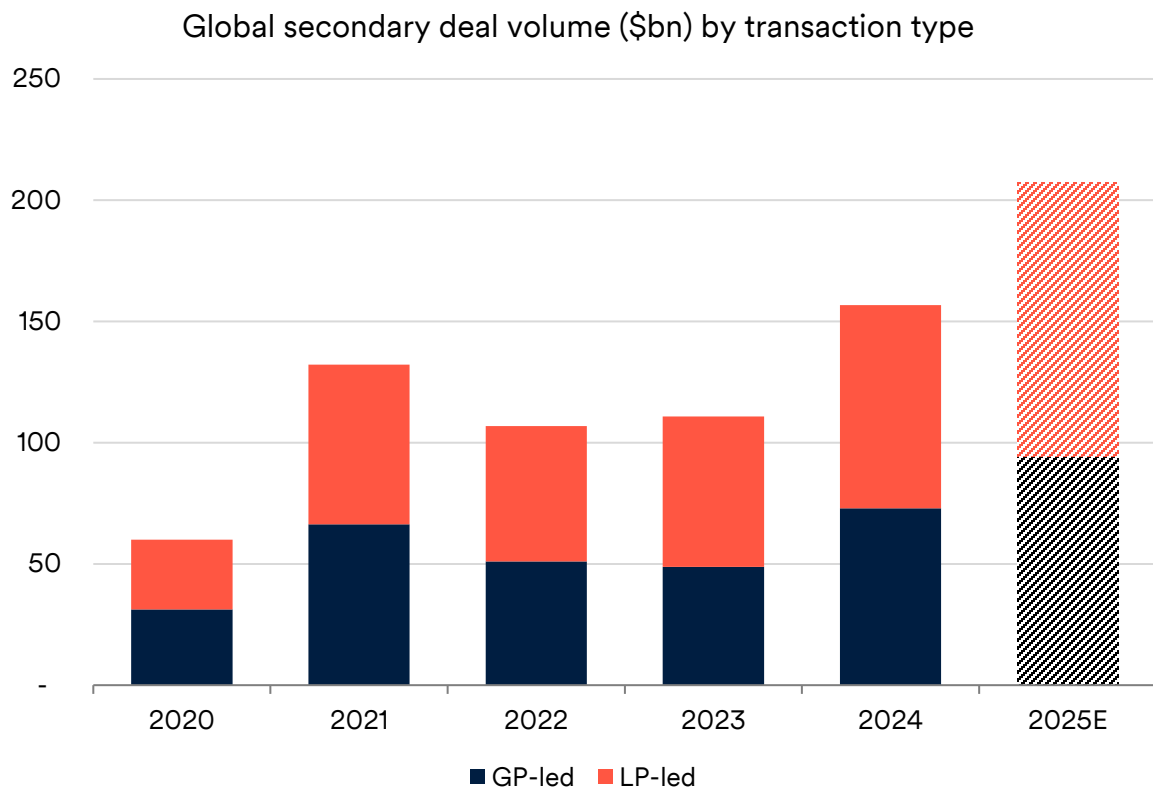
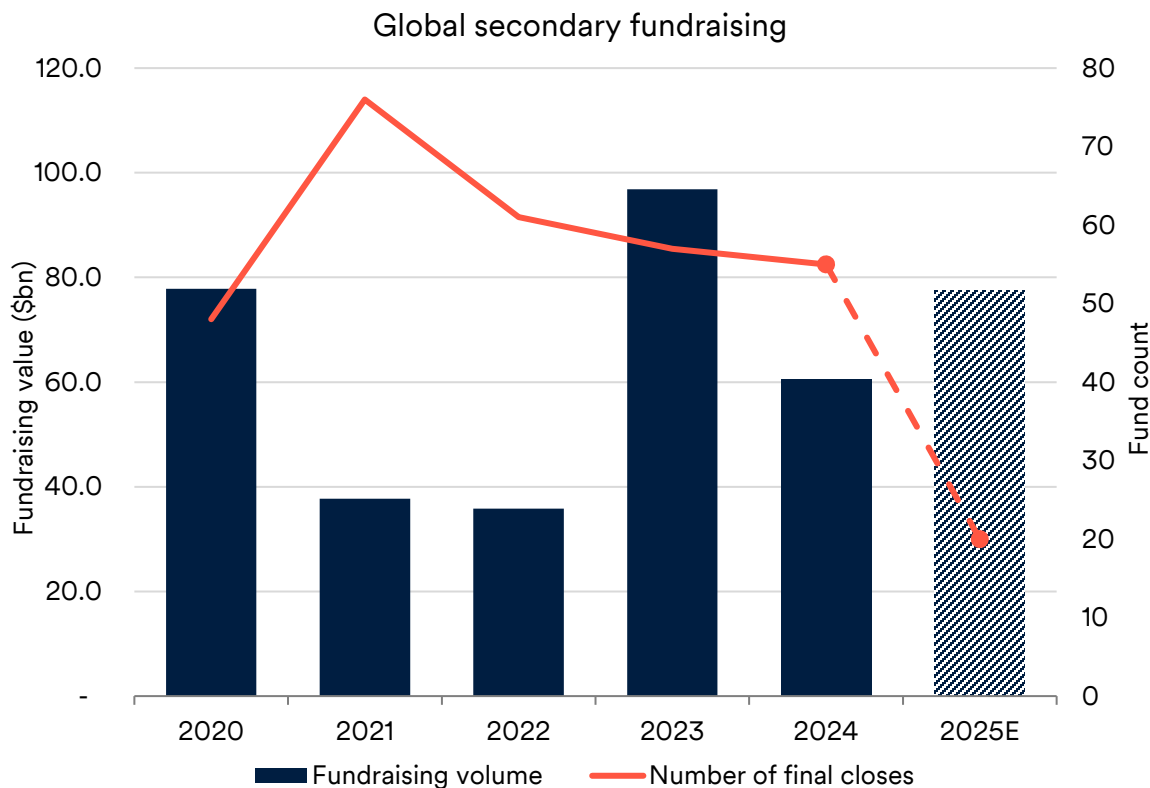
Currency used is \$. Buyout – Small includes Private Equity closed-ended funds below \$500m, Buyout – Mid between \$500m and \$1.5bn and Buyout – Large between \$1.5bn and \$4.5bn.

2025 annualised secondary volume on track for record

Secondaries provided liquidity and alternative exits amid constrained IPO and M&A windows

Q2 2025 secondary fundraising rebounded, driven by mega funds

Record 2024 deal volume, with strength continuing in Q2 2025



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Source: Preqin Pro. Data as of 5 August 2025, Evercore Secondary Market Review, Schroders Capital, 2025.
2025E is annualized data with H1 2025 actualized doubled. Figures indicative only.
Data includes closed funds only. Data grouped by the year in which the fund held its final close. Fund count includes funds with undisclosed final close fund size. The views shared are those of Schroders Capital and may not be verified. Forecasts and estimates may not be realized.

Redefining Private Equity as continuation investments disrupt the buyout market

- The continuation investment market could grow more than fourfold by 2034 to over \$300bn annually, cementing its role as a key engine of value and liquidity for investors
- Most of the growth of continuation investments is structural, not cyclical
- Investor demand is driven by lower perceived risk, more predictable returns, faster liquidity, and lower fees compared with traditional buyouts
- The main disruption lies in who retains ownership as continuation vehicles let the original sponsor maintain control while adding new capital
- Nearly every third buyout company is a candidate for continuation investment
- “GP-led” is a misnomer because managers often retain or increase ownership, do not realise performance fees at closing, and the deals are shaped by lead underwriters who are usually new investors
- Continuation investments to displace an estimated additional 8% of total mid and large buyout deal flow over the next 10 years

Read full article: [“Redefining private equity: How continuation investments are disrupting the buyout market”](#)

Source: Schroders Capital, 2025.

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Tatjana Berg

Business Manager Private Equity

tatjana.berg@schroders.com

Viswanathan Parameswar (Param)

Head of Investments Asia/EM

Co-Head Schroders Capital Private Equity Global Program

viswanathan.parameswar@schroders.com

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