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# Key LP Investments Trends in 2025 and Beyond: Navigating Fee Transparency, Liquidity Solutions and Governance

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After several years of market turbulence, the private equity landscape in 2025 is characterised by a delicate balance of power between Limited Partners (LPs) and General Partners (GPs). Fundraising remains challenging, liquidity pressures persist and regulatory expectations are rising, prompting both LPs and GPs to revisit strategy and negotiate key fund terms. Against this backdrop, LPs are finding new opportunities to assert influence — particularly in areas such as fee transparency, liquidity solutions and governance — while the largest GPs continue to set the tone for the industry.

This client advisory explores the most significant trends shaping the GP-LP dynamic in 2025 and considers key investment developments in the near- to medium-term.

## Fundraising Environment

The private equity landscape continues to be shaped by a subdued fundraising environment. While the overall fundraising market remains challenging, its impact is not uniform. The pace of funds closing has slowed, suggesting that LPs, in theory, have greater leverage. However, the reality is nuanced as larger GPs continue to maintain a stronghold on private equity and attract capital, enabling them to maintain significant influence over fund terms and structures, including the setting of management fees.

Smaller and emerging GPs face longer fundraising periods, making them more receptive to LP demands. This includes increased side letter negotiations, bespoke terms, enhanced environmental, social and governance (ESG) and fee disclosures. It is worth noting that, in the United States, there has recently been less focus on ESG. By contrast, interest in ESG-related matters remains strong in the United Kingdom and the European Union. Some LPs may leverage their position to secure management fee discounts — particularly for early investors, large commitments and "frequent flyer" re-ups. However, private equity funds still seem to offer fewer discounts than other asset classes, and venture capital funds remain largely resistant to fee concessions.

## Injecting Liquidity

Effective liquidity management enables LPs to realise their investments in accordance with expectations and at fair valuations. Inadequate liquidity management poses significant risks to both LPs and broader market stability. Continuation vehicles continue to be front of mind as a means to inject liquidity and manage portfolio exits. LPs are increasingly comfortable with continuation vehicles where there is a compelling asset-level thesis, clear alignment on carry and economics, transparent valuation and price discovery, and robust governance around conflicts. While explicit references to net asset value (NAV) facilities in limited partnership agreements (LPAs) are still rare, there is a gradual shift towards acknowledging their use, albeit infrequently, and collateralised fund obligations have become increasingly popular.

Overall, LPs and GPs are using considerable creativity to deploy financing structures to achieve liquidity goals. As the market evolves, LPs are advised to scrutinise fund documentation for any express or implied rights regarding these facilities.

## Fees and Terms: The Push for Greater Transparency

Fee and expense transparency has become an increasingly critical priority. Historically, fund documents have been silent on categories such as internal legal and travel expenses, with the implication that management fees would cover all internal costs. As funds expand and internal legal requirements grow, LPs demand enhanced disclosure. Increased regulatory focus on expense allocation and the recent Institutional Limited Partners Association (ILPA) reporting template (which comes into effect in 2026) drives a noticeable but still nascent shift from side letter arrangements to explicit LPA provisions. LPs also request bespoke reporting to meet regulatory or internal requirements, though GPs' willingness to accommodate these requests varies depending on the operational burden.

For further information on the updated ILPA reporting template, please see Katten's previous advisory, "ILPA Publishes Updated Reporting Template and New Performance Template."

## Key Person Provisions: Evolving Safeguards

Key person provisions remain a critical area of negotiation, with LPs seeking to safeguard their interests through more nuanced and tiered approaches. While traditional triggers such as departure, death or incapacity remain relevant, there is a trend towards broader definitions that include ethical or legal misconduct and excessive focus on unrelated strategies.

Rather than every departure triggering a "nuclear" event, tiered triggers and substitution mechanisms are being introduced to ensure continuity and avoid unnecessary suspensions of the investment

period. At the same time, LP focus has shifted towards evaluating a firm's and fund's succession planning, recognising that retirements and transitions of key persons are inevitable.

### Key Takeaways for LPs

As the fundraising environment remains challenging, LPs who are proactive and informed will be best positioned to navigate the evolving landscape of private capital in 2025 and beyond. LPs seeking to maximise their bargaining power may consider the following key takeaways:

- leverage the current environment to negotiate bespoke terms, especially around fees, reporting and ESG;
- scrutinise fund documentation for expense allocation and liquidity provisions;
- push for greater transparency and standardised reporting, in line with ILPA's updated reporting template; and
- ensure key person provisions are robust, tiered (if applicable) and reflect the realities of modern fund management.

### Navigating a Complex Landscape

The 2025 private equity market reflects a carefully calibrated balance of power. While LPs have gained some leverage in negotiations, especially with smaller or newer managers, larger GPs continue to set the tone for fund terms and structures. As the market adapts to liquidity challenges, regulatory scrutiny and evolving investor demands, success will depend on both GPs and LPs maintaining agility and transparency in pursuit of their respective objectives.

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