



Key LP Investment Trends in 2026: How LP Expectations Are Changing

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Key Takeaways

As limited partners (LPs) across global private markets prepare for fund negotiations in 2027, a clear understanding of the trends shaping their priorities will be critical to protecting their position.

- **Test the rationale for extended holds.** Ask GPs to explain whether a longer hold reflects a genuine value creation plan, and consider how slower distributions affect their own cash flow planning;
- **Look beyond the headline fee.** Focus negotiations on first-close discounts, fee holidays and other less visible concessions, recognising that leverage remains modest with top-performing managers;
- **Secure access rights in writing.** Where co-investment rights or a limited partner advisory committee (LPAC) seat are a condition of commitment, document them clearly in a side letter and seek clarity on the GP's allocation policy;
- **Calibrate their approach to the manager.** With capital concentrating in the largest funds, deploy leverage selectively with the biggest GPs and press for broader concessions where managers face longer fundraising periods;
- **Address multi-vehicle conflicts.** Where a manager runs evergreen and closed-ended vehicles side by side, require the fund documentation to address allocation, conflicts and valuation;
- **Future-proof the LPA for secondaries.** Consider the LPAC's role in approving GP-led conflicts, LPs' information and election rights, the treatment of side letter protections in a continuation vehicle (CV) and the transfer provisions governing LP-led sales; and
- **Negotiate co-investment terms realistically.** Expect fee-free deals to become less common and performance-linked carry more so, and build the relationships and execution capability that GPs reward with allocation.

In our 2025 LP investment trends advisory (see [here](#)), we described a delicate balance of power between LPs and General Partners (GPs), with LPs continuing to focus on fee transparency, liquidity solutions and governance while the largest GPs continued to set the tone. A year on, the dynamic continues to evolve. Exits remain slow, distributions are subdued and fundraising continues to be challenging for many GPs outside of the largest and best-performing managers. LPs remain committed to private equity, but they are increasingly selective about where they commit capital, on what terms and through which structures.

This advisory discusses a few recent global trends shaping the LP-GP relationship during 2026 and sets out the practical implications for LPs negotiating fund terms in the year ahead.

Holding Periods Continue to Lengthen

GPs are holding portfolio companies for longer, and the backlog is significant. Buyout holding periods at exit now hover around seven years, against five to six years between 2010 and 2021, and the unusually large cohort of 2021 and 2022 investments is likely to push that figure higher still. For LPs, the cost is felt in their cash flows, with distributions as a proportion of net asset value (NAV) at record lows for four consecutive years. LPs have been patient, but their patience will not be unlimited. GPs should expect increasingly searching questions about whether an extended hold reflects a genuine value creation plan or simply the absence of an acceptable exit.

Longer holds might be expected to push more assets into CVs. Many industry commentators have predicted that this trend would continue well into 2027. For example, PitchBook predicted that this year continuation fund-related exits would fall below their 2025 record, and by midyear the prediction was on track, with many sponsors preferring to wait out market uncertainty by parking assets in CVs rather than selling at the steeper discounts that secondary buyers frequently demand. Fewer transactions should not be mistaken for waning appetite, however. GP-led secondary volume reached a record in the first half of 2026, and CVs are now an established part of the liquidity toolkit.

LP Expectations: Fees and Deal Access

Fee pressure, often below the headline

LPs' bargaining position on fees has strengthened, though less decisively than the fundraising climate might suggest. Just over half of LPs surveyed by the Institutional Limited Partners Association (ILPA) report more leverage than a year ago, but almost all describe the shift as modest. Headline management fees remain under downward pressure, particularly for larger funds, and around three-quarters of LPs report fee reductions in at least one private markets asset class over the past three

years. The basic management fee rate has been the most common area of change, but some reductions are less visible, appearing as more generous first-close discounts and fee holidays that leave headline fees seemingly unchanged.

Access: co-investment and the LPAC seat

Access now matters as much as price. For many LPs, co-investment rights have become a condition of commitment and, together with a seat on the LP advisory committee (LPAC), are among the 'must-haves' that typically sit outside the limited partnership agreement (LPA). This places greater weight on side letter negotiations and on the clarity of a GP's allocation policy.

Capital concentration and manager selectivity

LP capital is also becoming more concentrated. The largest funds continue to take a disproportionate share of capital raised, as LPs with limited resources favour multi-strategy platforms that allow them to manage fewer GP relationships. According to PitchBook, in the United States, the 10 largest funds captured 40.3 percent of total capital raised in 2025, rising to 48.2 percent in the first five months of 2026, while experienced managers raised 87.3 percent of capital over the same period. More LPs now expect to reduce their number of GP relationships than in 2020, although those planning to add relationships still outnumber them. The trend is therefore better characterised as selectivity than retrenchment, with LPs concentrating commitments on high-conviction managers and rotating away from others. The same discipline is evident in private credit, where appetite to increase allocations has cooled markedly and newly established managers are viewed as less attractive than their established peers.

Evergreen and Semi-Liquid Vehicles

Evergreen and other semi-liquid vehicles are growing rapidly alongside conventional closed-ended funds. According to Morningstar, US evergreen funds held more than \$530 billion at the end of 2025, and Morningstar expects that figure to roughly double by 2029. In Europe, the reformed European long-term investment fund (ELTIF) regime produced a record year of launches, many of them semi-liquid. This growth is being driven largely by the private wealth channel, supported by regulatory change in the US, the EU and the UK.

For institutional LPs, these vehicles raise practical questions about liquidity and alignment. Liquidity terms have been tested: Europe saw its first ELTIF gating at the end of 2025, and redemption limits have since been applied at evergreen private equity and private credit vehicles. On alignment, most LPs say they are less likely to invest with a manager that takes in significant retail capital, and around a third regard the growth of retail capital as the single greatest threat to LP-GP alignment. In our view, where a manager runs evergreen and closed-ended vehicles side by side, LPs should seek clarity on

how investment opportunities are allocated between them, how conflicts are managed and how assets are valued, and should expect the fund documentation to address these points.

Secondaries: From Liquidity Solution to a Portfolio Management Tool

The secondary market recorded its strongest first half on record in 2026, with volume of around \$120 billion according to Jefferies, an investment bank. Liquidity remains the most common motive for LP sellers, but motives have broadened to include winding down older funds, rebalancing overallocated portfolios and exiting noncore managers. For many LPs, particularly sovereign wealth funds, secondaries have become a routine portfolio management tool rather than an occasional source of cash. A similar shift is visible on the GP side, where CVs have become a mainstream exit route.

LP scrutiny of CVs is nonetheless intensifying, making them harder to execute. This is reflected in ILPA's June 2026 draft guidance, which would expect GPs to justify a CV against the alternatives, engage the LPAC early, run a competitive process with independent price validation and leave rolling LPs no worse off. When negotiating an LPA, LPs should therefore consider whether it provides an appropriate framework for future secondary transactions, including the LPAC's role in approving GP-led conflicts, LPs' information and election rights, the treatment of side letter protections in a CV and the transfer provisions governing LP-led sales.

Co-Investment: Still in Demand, on Changing Terms

Co-investment has remained one of the most sought-after features of a GP relationship through 2026. Following a record year in 2025, the market's most active investors expect combined co-investment and direct investment volume to set a further record this year. In Europe, co-investment funds had raised almost as much capital by mid-September as in the whole of 2025.

For LPs, co-investment offers lower blended fees, more targeted portfolio construction and the potential for outperformance, albeit with wider dispersion. The terms, however, are shifting. Fewer LPs now insist on fee-free deals; most will accept performance-linked carry, and GPs tend to favour LPs with the strongest relationships, the largest commitments and the ability to move quickly. With distributions subdued, GPs are increasingly offering co-investment to secure fee-bearing commitments, while LPs are selling co-investments with significant unrealised gains on the secondary market to de-risk their portfolios.

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