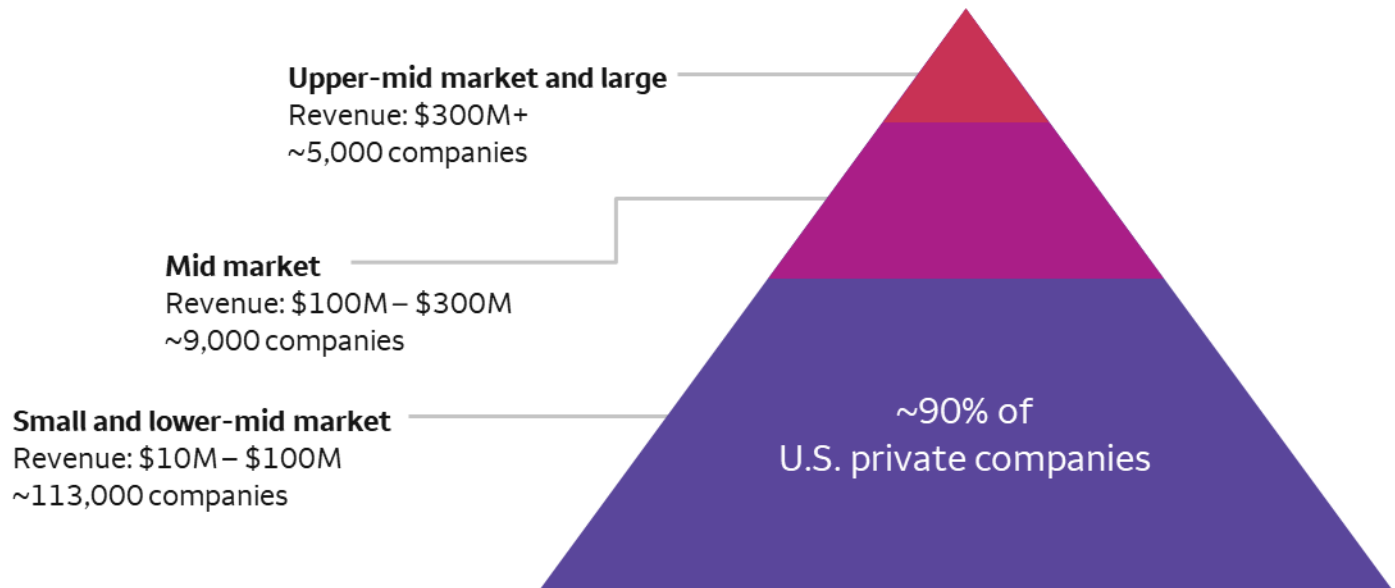


Chart of the Week

Weekly analysis of key themes in markets

May 13, 2025

Tailwinds supporting small- and mid-market buyout



Source: Gerber Taylor, "The Role of Private Equity in Portfolios," Sean Montesi and Kojo McLennon. Data as of October 2021. M = million. ~ = approximately.

Number of private companies in small and middle markets dwarf larger-market peers

While publicly listed small-cap stocks continue to face headwinds, we believe an opportunity exists in Small / Mid Cap Buyout sub-strategies within the Private Equity strategy.¹ In our view, there are longer-term structural advantages as well as several current market dynamics that make this segment of the private-equity market attractive.

One structural advantage is less competition, as shown in the chart above. There are approximately 122,000 companies in the small- and mid-market segments, but smaller buyout funds account for only about 15% of the capital raised according to Pitchbook, meaning fund managers can be more selective on the types of opportunities they invest in. We believe less capital chasing a greater number of opportunities can offer savvy fund managers the potential for high returns.

What it may mean for investors

We remain favorable on Small / Mid Cap Buyout sub-strategies as an improving exit environment, greater access to debt markets, and forecasted lower fed funds rates in late 2025 shape our positive outlook. For more detail on the structural tailwinds and current dynamics we see as supporting these sub-strategies, see our May 5 Investment Strategy report.

Mark Steffen, CFA, CAIA, Global Alternative Investment Strategist

Excerpted from Investment Strategy report (May 5)

Investment and Insurance Products: ➤ NOT FDIC Insured ➤ NO Bank Guarantee ➤ MAY Lose Value

1. Small and middle-market businesses are commonly defined as those generating revenues between \$10 million and \$1 billion.

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