

The Money Is Back in PE

Money came back to private equity this summer. Funds raised \$308 billion in the first half, the most in three years. The IPO window reopened.

The operating numbers went the other way. Sponsor-to-sponsor exits fell to a ten-year low and private credit defaults hit a record. Two-thirds of firms have no formal process for revisiting the thesis they wrote three years ago.

The money got easier. The work did not get better.

When a sponsor sees the plan needs changing, changing it means telling the investment committee the deal was priced on assumptions that no longer hold. So the conversation waits a quarter, then another one.

They experience what Scott Galloway calls: consensual hallucination.

Everyone acts as if things are going to be okay in the hopes that the environment will shift back to the hey days. The hey days are not coming back. Sponsors and companies that make hard decisions now will be ahead of the curve.

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01 Fundraising Recovered, But to Fewer Hands

Private equity funds raised \$308 billion in the first half, up 9%, the best six months in three years. But fewer funds closed, so the same dollars went to a smaller group of managers. Investors wrote bigger checks to firms that had already returned cash. That changes what your sponsor needs from you. A firm that just raised well doesn't have to prove it can attract money. It has to prove the last fund pays out. That runs through your P&L.

Source: "Private equity fundraising grows to three-year high in H1," Buyouts, July 20, 2026, citing PEI Group data.

02 The IPO Window Opened for Assets That Are Already Performing

US IPO activity ran about six times higher in the first half than a year ago, per Jon Gray at Blackstone. Global issuance more than tripled. Look at what walked through the door. Blackstone's portfolio companies grew revenue 11% over the year. Accrued performance revenue hit \$7.5 billion, a four-year high. These companies were already growing before the window opened. What the window did was let out the assets that had already done the work.

Source: Blackstone Q2 2026 earnings call, July 2026.

03 Sponsors Are Not Buying From Other Sponsors

US private equity exits totaled \$102.6 billion in the second quarter, down 46%. Per Madeline Shi at PitchBook, sponsor-to-sponsor sales fell 57% in value and 38% in count, to 94 deals, the fewest in ten years. Corporate buyers pulled back 63%. IPOs took up some slack. Twelve companies went public at \$27.6 billion. That's about 31% of exit value from 5% of the deals. The public route carries a third of the money on a twentieth of the transactions. It's open to a small set of large, clean assets. For everything in the middle, the reliable buyer has gone quiet.

Source: "PE exits seesaw from M&A to IPOs," Madeline Shi, PitchBook, July 7, 2026.

04 But Sponsors Are Buying From Themselves

Secondary volume hit \$121 billion in the first half, a record. Deals where the sponsor sells a company to a fund it also manages made up \$65 billion of that, growing 35% while investor-led sales grew 4%. That's 54% of the market, the highest share Evercore has recorded. Single-asset vehicles drove it: \$34 billion, up 88%. Nigel Dawn, who runs private capital at Evercore, describes these as how sponsors keep their best companies instead of selling them. One line should concern anyone running software. Software continuation vehicles fell eight points as a share of these deals, on worries about AI disrupting the businesses underneath. The secondaries market is pricing AI risk into your category before your sponsor does.

Source: H1 2026 Secondary Market Review, Evercore Private Capital Advisory, July 2026.

05 The Credit Market and the Equity Market Disagree About Software

The US private credit default rate hit 6.0%, a record, up from 5.7%. Fitch counted 32 defaults from 20 new borrowers across roughly 1,300 companies. More than half were maturity extensions rather than missed payments. The sector split is the useful part. Industrials defaulted most, and software defaulted least of any major sector at 1.2%, down from 2.3%. Set that against the secondaries data above, where software vehicles fell eight points on AI concerns. Lenders see the best credit in the market and buyers see the most risk, in the same companies. Lenders grade twelve months of cash flow. Buyers grade what the business is worth in five years, after AI has had a run at it. A software company can pay its debt on time and still be worth far less at exit.

Source: Fitch Ratings, Q2 2026 US private credit default data, released July 30, 2026.

06 Two-Thirds of Firms Never Revisit the Thesis They Bought On

Per AD Bhatia, Hassen Ahmed, Jason Phillips and Robin Ligon at McKinsey, only about a third of private equity firms have a formal process for re-checking a deal after they buy it. Only 35% involve the investment committee. The finding draws on 120+ executives in the Harvard Business School and McKinsey portfolio-CEO program. Firms that do re-check exit faster and at better prices. Holds now average 6.6 years. A plan written in 2020 has been through a rate cycle, an inflation cycle, and AI arriving as a real competitive threat. Most have never been tested against what actually happened. The strategy on the boardroom wall describes a market that no longer exists, and nobody has been asked to say so. For a portfolio CEO that's an opening. If your sponsor has no process for this, run one yourself.

Source: "The second look: An adaptive approach to reunderwriting," AD Bhatia, Hassen Ahmed, Jason Phillips and Robin Ligon, McKinsey & Company, July 21, 2026.

07 The Experience Premium Expires Two Years Before the Hold Does

Sponsors buy proven operators. Per Cathy Anterasian and David Cowan at Spencer Stuart, a repeat CEO's playbook runs out around year four. Median hold is six years. The experience you were hired for expires two years before the exit does. What matters after that is judgment, learning speed and willingness to change direction. The supply is thin anyway. Only about 7% of former CEOs take another CEO job. Most move to board seats, and many are in their sixties and won't commit to another six years. First-time CEOs start at 52 or 53 with eight years ahead of them. Spencer Stuart names the excuses. We'll be out before it becomes a problem. The next buyer will bring their own CEO anyway, which leaves money on the table, because buyers pay more for a team that's ready.

Source: "Creating Value with CEO Succession Planning: Why Private Equity Needs a New Leadership Approach," Cathy Anterasian and David J. Cowan, Spencer Stuart, August 2026.

08 Don't Delay on Replacing a CEO

Russell Reynolds tracked more than 200 European private equity exits completed between 2020 and 2025 at funds above five billion euros. The number that matters is about timing, not change. Companies that appointed a new CEO during the first year of ownership exited after 4.4 years on average. Companies that waited until after year two exited after 7.7. Changing the CEO once barely moved the hold at all, 5.8 years against 5.5 for companies that kept the original. The cost sits in the delay, not the decision.

Per Emily Taylor and Heather Hammond, who co-lead the firm's private capital practice, sponsors delay for a structural reason. By signing, the investment committee approved a price above competing bids and the deal team built a relationship with the CEO. Raising a concern means reopening the deal in front of the people you convinced, so it waits another quarter. Sponsors that act decisively keep momentum behind the value creation plan. Sponsors that hesitate spend successive reporting cycles trying to recover execution, then make the same change anyway under more pressure.

Source: "The CEO Decision: How PE Investors Select and Reassess Leaders from Entry to Exit," Emily Taylor and Heather Hammond, Russell Reynolds Associates, August 26, 2026.

The Through-Line: Consensual Hallucination

Capital conditions improved and the operating results didn't follow. Exits concentrated into a handful of premium assets, defaults hit a record, and continuation vehicles absorbed what the M&A market wouldn't take. None of that is an information problem. Every firm here can see its own numbers. What they're avoiding is the meeting where someone says the plan needs to change, because that meeting reopens a decision the investment committee already approved.

If you run a portfolio company, that's your opening. Don't sit.