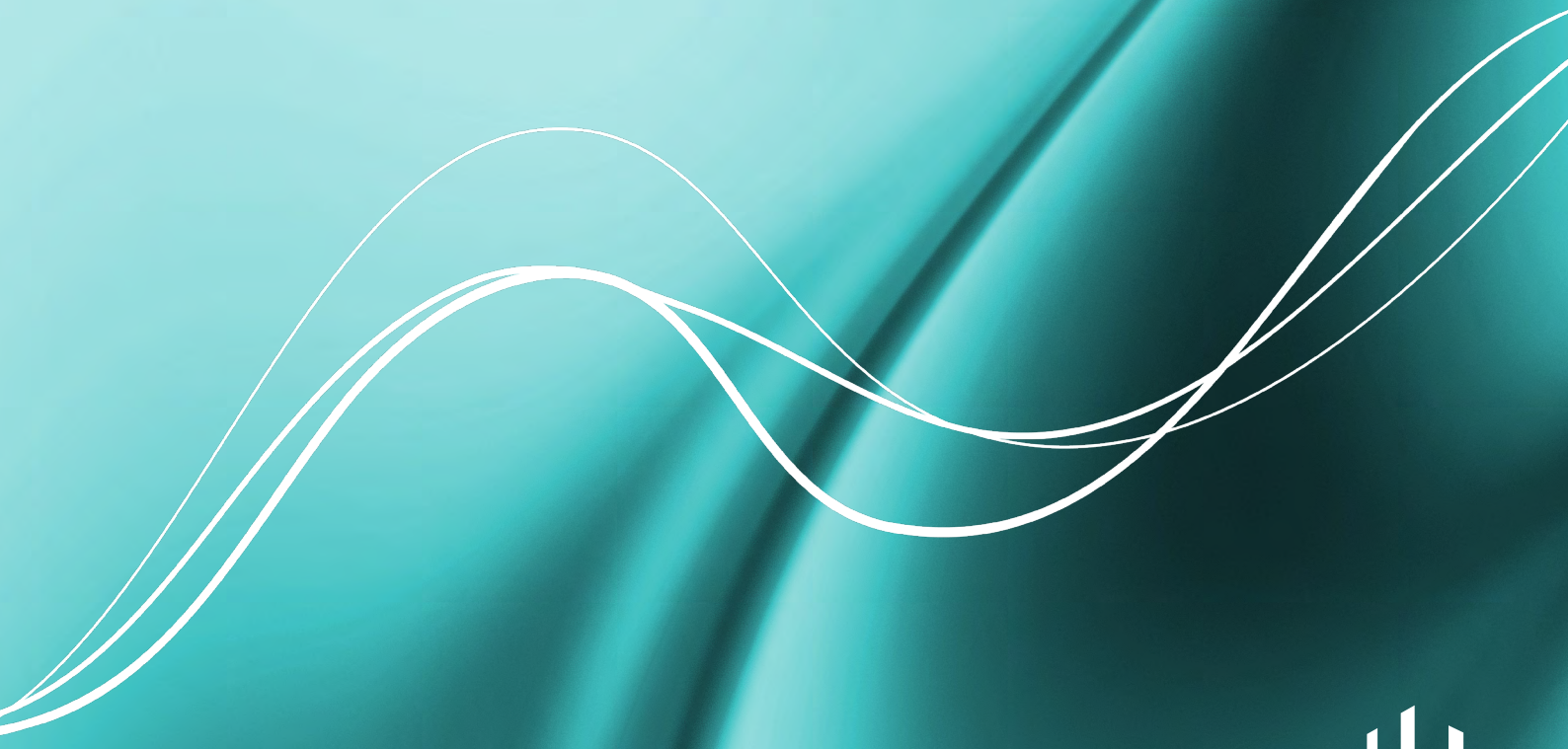
PANTHEON PERSPECTIVES

PANTHEON

OCTOBER 2026

PRIVATE EQUITY'S NEW REALITY FAVORS THE SPECIALIST



PRIVATE AND CONFIDENTIAL

October 2026

PRIVATE EQUITY'S NEW REALITY FAVORS THE SPECIALIST



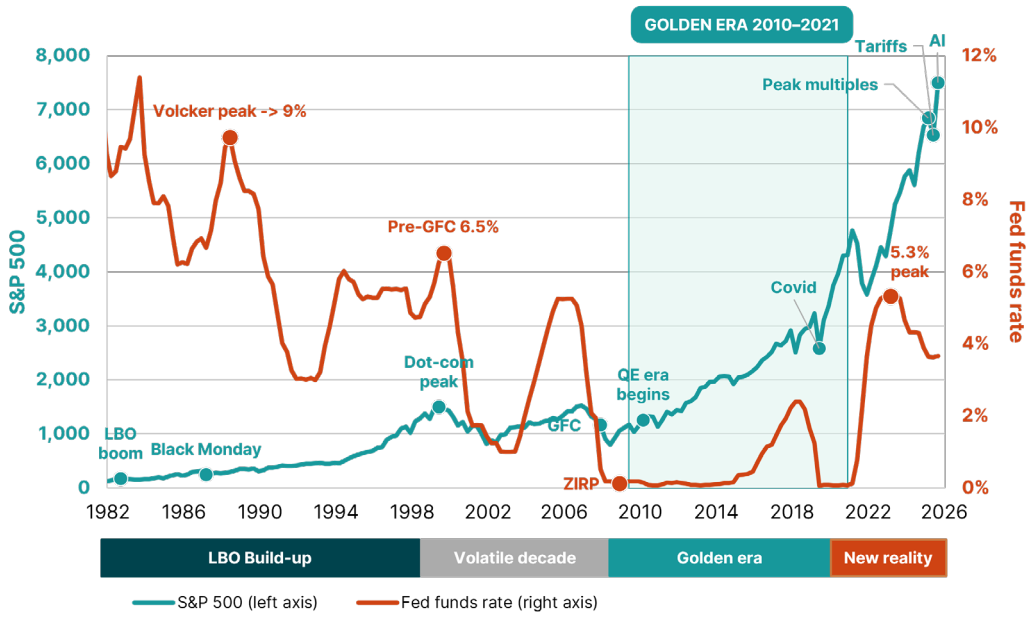
Imogen Richards,
Partner

The structural tailwinds that powered private equity's golden age of the 2010s have faded. In a more uncertain regime with less structural support, operational value creation and deep specialism matter more than ever, and the data shows specialist managers delivering more consistently than their generalist peers.

It may be that every investor reaches the point in their career where they believe that everything was easier in the good old days. That deals were simpler to find, that there was less competition for transactions, and that returns flowed more easily. But for many of us working in private equity, our recollection of a 'golden age' in the 2010s is backed by solid macro data.

In the decade from 2010 to 2020, a number of supportive structural tailwinds converged to create attractive conditions for our asset class.

Structural tailwinds converged in the 2010s to create an unparalleled environment for PE returns



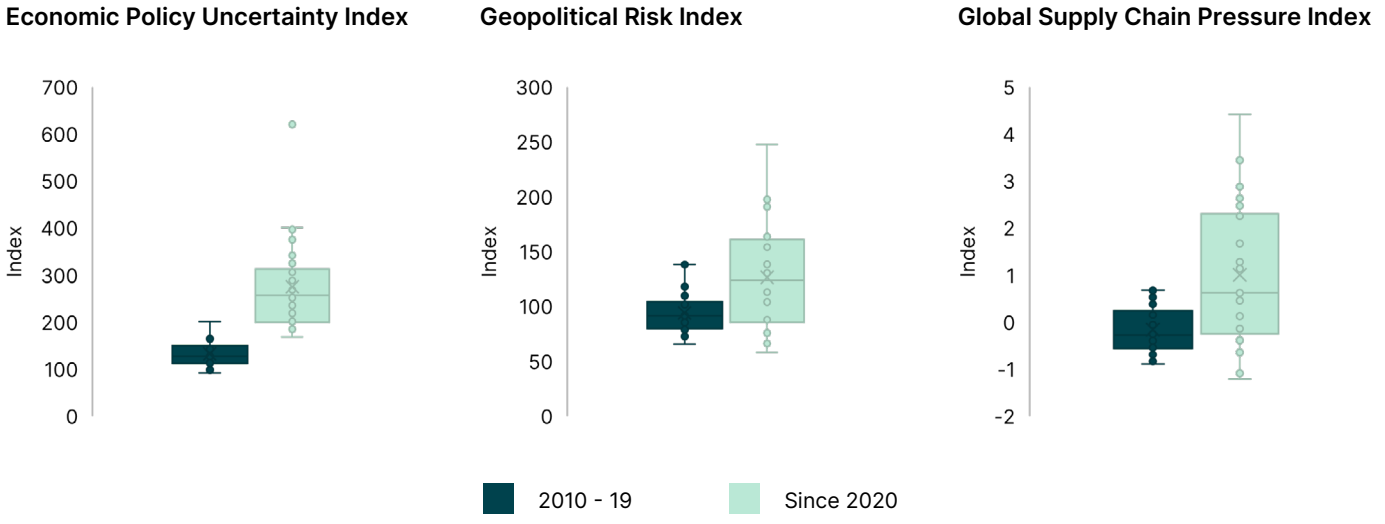
Source: LSEG, Federal Reserve Bank of St. Louis as of September 2026. Labelling of eras is Pantheon opinion. For illustrative purposes only.

Rates were at historic lows, cheap leverage was available, and the IPO window was wide open as the S&P 500 tripled between 2013 and 2021.[1] Entry multiples expanded from around 9x EBITDA in 2013 to over 12x by 2021,[2] and it was this expansion in multiples, rather than operational improvement, that drove a meaningful share of buyout value creation over the decade.

The period also coincided with several years of relative geopolitical calm and strong globalization, meaning that portfolio companies were able to benefit from frictionless trade and labor cost arbitrage, and private equity fund generated strong returns. Between 2012 and 2019, top-quartile funds averaged IRRs of around 20%.[3] This 'golden age' was the culmination of four decades of compounding macro tailwinds, but those structural supports are now almost all gone, and today's GPs are operating without that same helpful backdrop.

The times are a-changin

The investing environment today is not only marked by wider volatility and uncertainty, but there is more competition for deals, debt is more expensive, and growth is harder to come by.



Note: Box-and-whisker plots are constructed on quarterly data for all variables.Sources: Geopolitical Risk Index from Caldara, Dario and Matteo Iacoviello (2022), "Measuring Geopolitical Risk," as of September 2026; Economic Policy Uncertainty Index from Davis, Steven J., 2016. "An Index of Global Economic Policy Uncertainty," as of October 2026.; Global Supply Chain Pressure Index from Federal Reserve Bank of New York as of October 2026.

[1] S&P Dow Jones Indices. S&P 500 price index, 1426.19 at 31 December 2012 to 4,766.18 at 31 December 2021.

[2] Bain/CEPRES, Bain Global PE Report 2022

[3] Cambridge Associates Benchmarks

In private equity investments, GPs have to underwrite a wide range of potential outcomes – if the backdrop is more uncertain, that range of potential scenarios is wider, there is less certainty in outcomes, and so there may be less willingness to commit new capital without certainty of downside protection.

In this new normal, GPs are facing an operating environment where hold period assumptions must span a much wider range of potential policy outcomes, where fluctuating interest rates mean that they cannot assume the cost of debt at entry will approximate the cost of debt at exit, and where timing exits is harder and public comparables used to anchor private valuations are themselves more volatile. If portfolio companies have physical supply chains, the shifting tariff environment is translating into margin volatility that is genuinely harder for GPs to hedge against, while capex decisions are more difficult.

A specialist approach

This is not to say that there isn't still an opportunity to generate strong returns from private equity, but a different playbook is needed. The flat or declining multiples and the higher financing costs we see today mean there is likely to be greater dispersion in the returns of private equity managers, and because the landscape is more uncertain, liquidity around any asset with a more nuanced story is likely to be more challenged.

There therefore needs to be an increased focus on operational value-add, and it is managers with deep specialisms, whether in sub sectors, geographies, or value creation abilities that are increasingly differentiating themselves from their generalist peers through stronger performance and more resilient value creation.

Across the 2010 to 2022 vintages, specialist buyout funds generated better returns than their generalist peers.[4] According to McKinsey research, specialists had higher pooled IRRs than generalists (17% versus 13%), more attractive total value multiples (2.2x versus 2.1x), and lower loss rates (9% versus 12%).[5]

The stronger performance of specialists is underpinned by a distinct focus on operational value creation. Compared with generalist buyout funds across the 2010–22 vintages, specialists generated nearly four times as much equity value from EBITDA margin expansion (43% versus 10%), while delivering a similarly high share of value from revenue growth (86% versus 82%). Notably, specialists' returns were also largely independent of multiple expansion (5% versus 35% for generalists), highlighting a more resilient and less-market dependent return profile.[6]

None of this is to say that generalist buyout managers are bad, and indeed many of the names that can be regarded as generalists are highly proven and capable GPs that may have specialisms in

[4] Past performance is not indicative of future results. Future results are not guaranteed

[5] McKinsey Global Private Markets Report 2026. 2010-22 Vintage buyout funds

[6] McKinsey Global Private Markets Report 2026. 2010-22 Vintage buyout funds

other areas such as complex transactions or value creation. However, we recognise that generalists are focused on a broader opportunity set than their specialist peers, and may be disadvantaged in sourcing and diligencing opportunities, and ultimately in securing deals.

We hear time and time again from our GPs that their reputation as a specialist in a given industry went a long way to winning over the management team of a company they were trying to buy, whether it was a proprietary or bilateral process or a competitive process.

A specialism is not only an advantage in actually securing an opportunity but then also in adding value post-acquisition, and it is the specialist GPs with proven value creation expertise that can drive real alpha generation.

Clearly, this is a key focus for investors with primary or co-investment strategies, while maintaining relationships with a network of specialists GPs with long experience in accessing difficult to reach assets is paramount for secondaries investors.

Those of us who remember the golden age are right that conditions were easier a decade and a half ago. But an easier backdrop rewarded everyone. Today's environment rewards the specialist, and that is where the opportunity now lies.[7]

[7] Pantheon opinion. Past performance is not indicative of future results. Future results are not guaranteed

IMPORTANT DISCLOSURE

This publication has been prepared solely for illustration, educational, and/or discussion purposes. It does not constitute independent research and under no circumstances should this publication or the information contained in it be used or considered as an offer, inducement, invitation, solicitation, or recommendation to buy or sell any security or financial instrument or service or to pursue any investment product or strategy or otherwise engage in any investment activity or as an expression of an opinion as to the present or future value or price of any security or financial instrument. Nothing contained in this publication is intended to constitute legal, tax, securities, or investment advice. This publication may include "forward-looking statements". All projections, forecasts, or related statements or expressions of opinion are forward-looking statements. Although Pantheon believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct, and such forward looking statements should not be regarded as a guarantee, prediction, or definitive statement of fact or probability. Pantheon has taken reasonable care to ensure that the information contained in this document is accurate at the date of publication. However, no warranty or guarantee (express or implied) is given by Pantheon as to the accuracy of the information in this document, and to the extent permitted by applicable law, Pantheon specifically disclaims any liability for errors, inaccuracies, or omissions in this document and for any loss or damage resulting from its use. Unless stated otherwise, any opinions expressed herein are current as of the date hereof and are subject to change at any time. Unless stated otherwise, all views expressed herein represent Pantheon's opinion.

This document is distributed by Pantheon, which is comprised of operating entities principally based in San Francisco, New York, London, Dublin, Singapore, and Tokyo. Pantheon Ventures Inc., Pantheon Ventures (US) LP and Pantheon Infra Advisors LLC are registered as investment advisers with the U.S. Securities and Exchange Commission ("SEC") and Pantheon Securities LLC, is registered as a limited purpose broker dealer with the SEC and is a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). Pantheon Ventures (UK) LLP is authorized and regulated by the Financial Conduct Authority (FCA) in the United Kingdom, as well as a registered investment adviser with the SEC. Pantheon Ventures (Ireland) DAC is regulated by the Central Bank of Ireland ("CBI"). Pantheon Ventures (Singapore) Pte. Ltd holds a capital markets service license from the Monetary Authority of Singapore ("MAS") to conduct fund management with accredited and institutional investors. The registrations and memberships described above in no way imply that the SEC, FINRA, SIPC, FCA, CBI or MAS have endorsed any of the referenced entities, their products or services, or this material. All materials published herein are protected by copyright and are owned or controlled by Pantheon as the provider of the materials. If you download any information or software from this Site, you agree that you will not copy it without the prior written consent of Pantheon or remove or obscure any copyright or other notices or legends contained in any such information.

This material may incorporate insights or content generated through the use of artificial intelligence ("AI") tools, including generative AI. The use of AI can pose risks to Pantheon and its investors. Certain risks may be exacerbated by the use of AI, such as exposure of material non-public information and threats to cybersecurity. Pantheon maintains a comprehensive AI Acceptable Use Policy and related AI Enablement Framework that governs the responsible and compliant use of AI technologies in accordance with applicable regulatory frameworks across the jurisdictions in which the Pantheon Group operates. AI's analysis is reliant on the input of data and it is unlikely that all relevant factors will be captured and considered, and consequently, it is likely that the AI output could be inaccurate or flawed. All work carried out and work product created by Pantheon and its affiliates are always subject to human review, oversight, and approval to ensure accuracy, appropriateness, and regulatory compliance. Pantheon does not use AI to make investment, allocation, or other portfolio-related decisions, which remain under the exclusive purview of experienced investment professionals applying established processes and discretion.

Copyright © Pantheon 2026. All rights reserved.

