



The Alternative Investor

Performance
News
Trends

Regulatory updates

How Family
Offices are
reshaping
today's Private
Markets

This month we turn to the evolving world of family offices, where a wave of senior female appointments is reshaping the landscape, as [Lutyens Advisory's Tanya Lutyens](#) explores the effects of generational wealth transfer and increasingly professionalised hiring on a long male-dominated sector. [Scott Jones and Philip Aubry of Walkers](#) examine how illiquid private assets can spark inter-generational tensions and why structured sales, bank-backed liquidity and co-investment solutions are becoming critical to preserving value. [Andrew White of Capricorn Private Investments](#) highlights the rise of the Outsourced CIO model, giving family offices institutional-grade expertise without relinquishing control. Changing tack, in [Opinion, Evonite's José Pellicer](#) argues that amid geopolitical shifts, tech disruption and oversimplified market narratives, fundamentals - not consensus stories - reveal the real opportunities. In [Letter from America, Prosek's Mark Kollar](#) explains why investors are returning to the lower middle market in search of differentiated, founder-led opportunities heading into 2026. In this month's [Money Maze Podcast](#) article, [Ares Co-President Blair Jacobson](#) reflects on how disciplined underwriting and deep local teams have helped propel Ares into a \$600 billion private-markets powerhouse amid Europe's expanding private credit landscape. Finally, in our new [CAIA section](#), [Aaron Filbeck](#) outlines why private credit—once viewed as easy income—now demands sharper discipline and more rigorous scenario analysis in an era of higher rates and geopolitical volatility.



Hedge Funds Hold Firm as Volatility Creeps Back

In markets driven by geopolitics, strained economic momentum and fading investor complacency (see [market review](#)), hedge funds held up well, with the HFRI Fund Weighted Composite Index rising 0.7%.

Equity strategies were broadly positive, as the HFRI Equity Hedge Index gained 1.1%. Healthcare led the way, up 7.6%, followed by Equity Market Neutral at 1.7% and Energy/Basic Materials at 1.5%. The notable exception was Technology, which fell 1.5% as investors trimmed exposure to what was seen as overstretched growth names.

Event Driven strategies were more mixed, with the HFRI Event Driven Index down 0.3%. Activists delivered a 1.4% gain, but Credit Arbitrage and Special Situations weakened the sector, down 2.6% and 1.0%, respectively.

Macro was a rare uniform bright spot, with the HFRI Macro Index up 1.0%. Commodity-focused managers outperformed at 2.4%, while both Discretionary and Systematic strategies posted solid gains of 0.9% and 0.8%.

Relative Value strategies edged higher, with the index up 0.3%. Yield Alternatives led decisively, up 2.4%, while Fixed Income—Asset Backed and Multi-Strategy gained 0.6% each. The main detractor was Convertible Arbitrage, falling 0.7%.

Regionally, Latin America topped performance tables with a 3.2% gain, followed by North America at 1.1% and Japan at 1.0%. Europe delivered a modest 0.4%, while China lagged materially, down 2.6%.

UPCOMING EVENTS

26 January 2026
SuperReturn Saudi Arabia

27 January 2026
With Intelligence Hedge Fund COO Summit

29 January 2026
AIMA China Live 2026

2 February 2026
Women's Venture Capital Summit

2 February 2026
Pension Bridge Private Credit

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\$10tn

Size of family office US dollar assets (2024)

UBS

45%

Family office allocation to alternative investments (2024)

JPMorgan Private Bank

Warburg's global fund hits \$12bn

Warburg Pincus secured \$12 billion at first close of its latest global private equity fund. The haul puts the firm a long way toward a \$17 billion target, underlining continued investor appetite for scaled, diversified platforms with track records. The fund will back buyout and growth investments across healthcare, technology, financial services and energy transition themes, reinforcing Warburg's long-standing focus on structural growth sectors.

WindRose closes fund at \$2.6bn

WindRose Health Investors closed Fund VII at \$2.6 billion, its largest fund to date. This is a continuation of the firm's strategy that invests in US healthcare services businesses, with a particular focus on outsourced provider services, speciality physician platforms, outpatient care and tech-enabled healthcare companies that improve efficiency and patient outcomes. The firm targets control and minority positions in lower-middle-market companies and typically partners closely with management teams to drive operational and clinical improvement. Since 2008, New York based WindRose has built a concentrated healthcare franchise and today manages more than \$6 billion.

ChrysCapital breaks records with \$2.2bn India fund

Reinforcing its position as one of India's largest managers, ChrysCapital closed its tenth flagship fund, ChrysCapital Fund X, at \$2.2 billion, the largest India-focused private equity raise to date. The firm, founded in 1999 by Ashish Dhawan, has long been one of the most influential investors in the country's growth-equity ecosystem, backing more than 100 companies across financial services, healthcare, technology, consumer and pharmaceuticals. Fund X continues the firm's strategy of targeting high-quality, scalable Indian businesses. The oversubscribed raise highlights sustained institutional appetite for India's long-term growth story and the advantage held by established local managers with proven, cycle-tested track records.

UPDATES (cont.)**BVP Secures \$1bn for Forge II**

Bessemer Venture Partners closed BVP Forge II at \$1.0 billion, completing the fundraise in only four months.

Forge II continues BVP's hybrid-model strategy of investing in profitable, self-sustaining technology and services companies that fall outside the traditional venture profile yet still

benefit from hands-on support. The vehicle blends elements of growth equity, buyout and strategic acceleration, offering founder-led businesses both capital and BVP's operational "Forge" support platform, which provides scaling go-to-market operations, product strategy and talent.

Rockland powers up

Rockland Capital closed its fifth flagship fund, Rockland Power Partners V, at \$1.2 billion. The vehicle continues Rockland's strategy of investing in North American power and energy transition assets, including conventional generation, renewables, storage and grid-supporting infrastructure.

The close reinforces the firm's reputation as a leading independent manager in an increasingly institutionalised energy-infrastructure ecosystem.

OPINION**The Contrarian's Edge**

The world isn't just changing - it's shifting on multiple axes at once. Old geopolitical alliances are crumbling, domestic politics is increasingly polarised, technology is disrupting entire industries, and the monetary system is quietly moving toward something more fragmented and still undefined. Add to this a media ecosystem driven by algorithms, and investors quickly lose the ability to anchor themselves in stable fundamentals. When everything moves at once and nothing feels fixed, humans instinctively reach for simple narratives - and that is the true state of the market today.

Let me give you a few examples. Narrative 1: Data centres must be the future because AI is going to change the world. Narrative 2: Multi-family must be the safest place to be because "there's a housing shortage." Narrative 3: Hotels are an opportunity because people "prefer experiences to things." Narrative 4: Offices must be avoided because working from home has supposedly redrawn the world permanently. These stories are neat and soothing, but they are also slightly simplistic.

This is where Warren Buffett's famous line becomes useful: **"Be fearful when others are greedy, and greedy when others are fearful."** He wrote this in 1986, at a moment when markets were euphoric and valuations felt very topy. His point was that sentiment was detaching from fundamentals - and that when fear eventually arrives, opportunities quietly appear. For example, in the autumn of

2008, when confidence evaporated and banks' creditworthiness was in question, Buffett stepped into Goldman Sachs with a preferred equity investment (allegedly at a 10% coupon).

Long-term trends are useful, but with so many unknowns, it is possible - even likely - that they do not materialise in the way we expect. Price, yield and location, however, we can know and broadly control. Take multifamily: core resi often trades at yields around 3.5 percent while the all-in cost of finance sits in the 3.5 to 4 percent range. You are effectively leveraging an asset at a cost equal to or higher than its yield, in a sector facing political scrutiny, regulatory tightening, ESG-driven capex and affordability pressure. Yet capital keeps flowing because the narrative feels safe.

Contrast that with offices, where sentiment is weak. A Manchester multi-let office in the traditional CBD can yield around 8.5 percent. Vacancy and obsolescence risk are still there, but the location is ironclad and the yield is high enough to compensate for those risks.

Investing can be guided by a narrative, but when the fundamentals are tumbling, stick to what you know. Recognising value when the crowd is paralysed by fear is a virtue.

José Pellicer, Partner, Strategy, Evonite

Evonite is an established European real estate team, pursuing a fresh approach to value-add investment. Its goal is to challenge the status quo at a pivotal moment in the real estate industry by applying an evolved investment philosophy aimed at delivering consistent performance across vintages.

UPDATES (cont.)

KKR targets \$15bn to dominate Asian buyouts

KKR has started marketing KKR Asia Private Equity Fund V, targeting \$15 billion, Reuters reports. The fund will invest across high-growth regional markets, including India, Southeast Asia, China, Japan and South Korea. With more than two decades on-the-ground, Fund V follows KKR's successful investments in companies such as BYJU, PHC Holdings Corporation, Jio Platforms Limited (JPL), Max Healthcare and VNG.

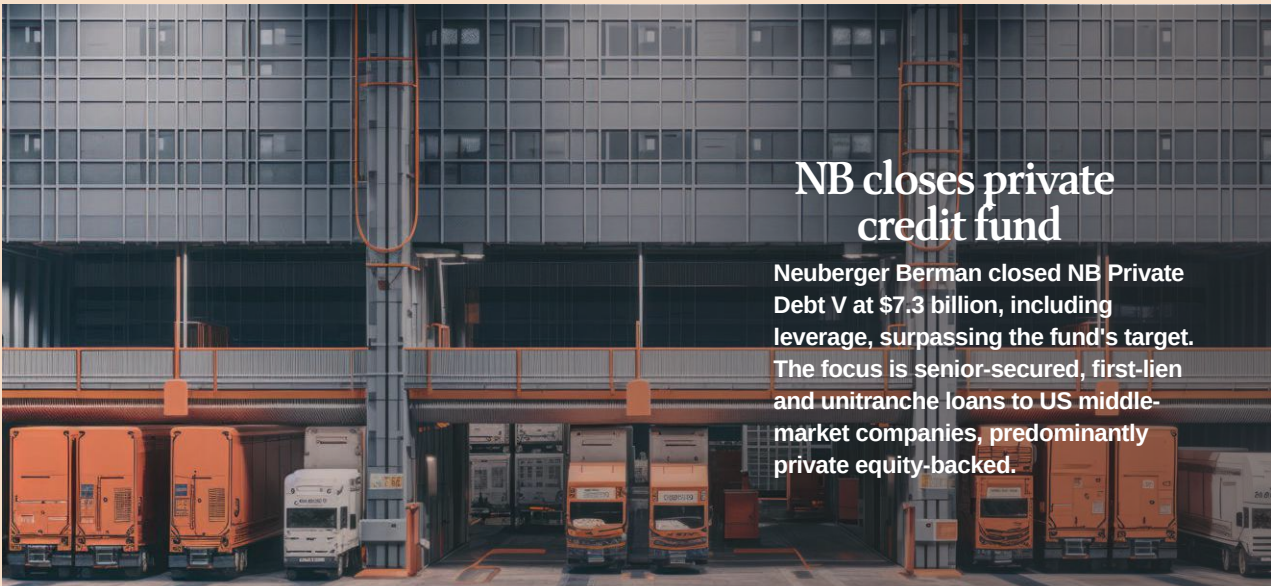
Arrow holds final close on Lending Opps 1

Arrow Global closed Lending Opportunities Fund I at €1.5 billion, marking a milestone for the firm's fast-expanding real estate and private credit platform. The vehicle focuses on originating and acquiring real estate-backed credit across the UK and continental Europe.

This fundraise is part of a broader €4.2 billion capital-raising effort across Arrow's private credit and real estate strategies, underscoring the firm's transition from a traditional credit servicer to a more pan-European private markets manager.

Sterling hits record high with \$1.6bn Fund V close

US middle-market private equity firm Sterling Investment Partners closed Fund V at \$1.6 billion, its largest fundraise to date. The strategy continues Sterling's focus on business services, distribution and related sectors, targeting established companies where it believes it can drive operational improvements, scalability, and long-term growth. Typical investment sectors include logistics, speciality distribution and outsourced service providers.



NB closes private credit fund

Neuberger Berman closed NB Private Debt V at \$7.3 billion, including leverage, surpassing the fund's target. The focus is senior-secured, first-lien and unitranche loans to US middle-market companies, predominantly private equity-backed.

UPDATES (cont.)

Hillhouse tests Asia appetite

Hillhouse Investment is looking to raise \$7 billion for its latest fund, testing investor appetite for Asian private equity. This follows its \$18 billion fundraising in 2021, which at the time was Asia's largest. Founded in 2005 by Lei Zhang, Hillhouse has become a pan-Asian powerhouse with headquarters in Singapore and offices across East Asia, as well as global outposts in London and New York.

Hillhouse built its name on long-term, research-driven investing, backing leading names in technology, consumer and healthcare.

The renewed fundraising push coincides with a broader Asia-wide rebound in deal flow, with Japan and India regaining favour and improved conditions reviving institutional interest across sectors.

Blue Pool seeks \$750m

Blue Pool Capital, backed by Alibaba Group co-founder Joe Tsai, is looking to raise \$750 million for its first fund, Riverside, to invest in global opportunities across consumer, finance and technology, including China.

The move marks a big step up from Hong Kong-based Blue Pool's earlier \$500 million fund-of-funds vehicle, underscoring the firm's intent to deploy capital directly into high-growth companies.

JPM closes \$1bn co-invest fund

J.P. Morgan's Private Equity Group (PEG) closed Co-Investment Fund II at \$1.0 billion, signalling sustained LP appetite for co-investment strategies.

The fund invests alongside PEG's network of global GP partners, which historically has been around 70% in North

America, 20% in Europe, and the remainder in Asia and other markets. The strategy aims to capture attractive entry points and selective exposure to high-conviction transactions without the blind-pool risk typically associated with primary fund commitments.

Aquilius' secondaries wave

Singapore-based Aquilius raised \$1.1 billion for its second flagship regional real estate secondaries fund, surpassing its \$700 million target. Founders Bastian Wolff and Christian Keiber note that Asia has nearly a third of global private-market assets yet receives less than 10% of dedicated secondaries capital.

Deployment is already underway across new-economy asset types - logistics, data centres and living.

CIC taps secondaries in \$1bn sale

News that China Investment Corporation is selling around \$1 billion of US private equity fund stakes marks one of the largest sovereign-driven secondary transactions this year. The portfolio reportedly includes interests in major global buyout firms, signalling a deliberate rebalancing rather than distressed selling.

The growing influence of secondary markets is impossible to ignore, as big institutions increasingly use them as strategic tools rather than a last resort for liquidity. For CIC, the move reflects a desire to trim illiquid dollar exposure, sharpen portfolio construction and recycle capital into areas offering better risk-adjusted returns. More broadly, it highlights how secondaries have matured into a core market infrastructure, offering price discovery, flexibility and balance-sheet management at scale.

As traditional exits remain sluggish and fundraising tightens, the secondary market is becoming the pressure valve for private assets - and an increasingly powerful force in reshaping ownership across global private equity portfolios.

What's 2026 got in store?

All signs point to 2026 looking much like 2025 for private capital: cautious and selective. Capital raising is likely to hinge less on breadth and more on conviction, with allocators doubling down on managers they truly believe in. Should a market correction materialise, its nervous aftershocks will be felt across the board. In such an environment, capital will gravitate towards the familiar: brands with scale, trust and a solid story.

NY Resolution: Define your edge

- ✓ **Tell your Story**
- ✓ **Position don't Promote**
- ✓ **Humanise your Firm**
- ✓ **Multi-channel Consistency**
- ✓ **Communicate Momentum**

In private markets, positioning is often everything, defining not just how you are seen but whether you are chosen. As capital becomes more selective and competition for attention intensifies, firms can no longer rely purely on performance to tell their story. In a market shaped by uncertainty, it is visibility, credibility and differentiation that determines who attracts capital and who fades into the background. Strategic positioning is no longer a 'nice to have,' it is essential.

UPDATES (cont.)

Ackman plots IPO path

Bill Ackman plans to list Pershing Square Capital Management, L.P., with a target of Q1 2026. The move follows years of speculation that Ackman would eventually transition his firm from a traditional hedge-fund model toward a listed, permanent-capital structure.

The Financial Times writes that Ackman views Pershing Square as an “investment institution” rather than a conventional fund, with a model more akin to Berkshire Hathaway than a typical alternative-asset manager.

This comes after the firm sold a 10% stake for \$1.1 billion in June 2024, valuing the business at roughly \$10 billion, a move widely interpreted at the time as laying groundwork for an eventual IPO.

Market commentators have long noted that Pershing Square's growing suite of permanent-capital vehicles and its more scalable organisational model made an IPO increasingly likely.

Amundi buys into ICG

Amundi acquired a 9.9% stake in ICG as part of an accelerated push into private markets. The £550 million deal positions Amundi as ICG's largest shareholder and establishes a 10-year strategic partnership focused on developing private-markets products for wealth clients.

Amundi CEO Valérie Baudson said the partnership represents “a remarkable opportunity to offer our distributor clients access to high-performing strategies with

proven track records historically reserved for institutional investors,” highlighting private assets as a core pillar of the group's long-term strategic plan.

The transaction underscores Amundi's broader ambition to expand its alternatives platform, which currently oversees about €70 billion, and aligns with industry-wide moves to scale in private credit, secondaries, and other higher-growth private-market segments.

Private markets set to power AUM boom

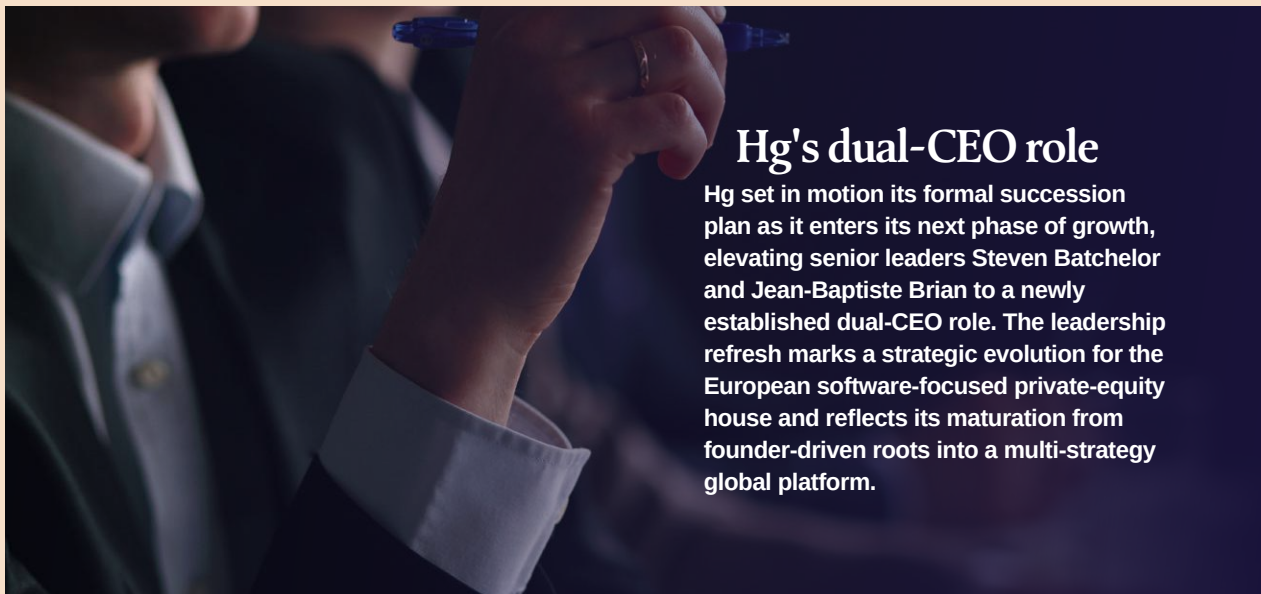
PwC's 2025 Global Asset & Wealth Management Report highlights a sharp rise in private-markets assets, signalling how alternatives are reshaping the industry's growth profile. The report projects global AUM rising from \$139 trillion in 2024 to \$200 trillion by 2030, with alternative strategies capturing a larger share of new capital. This marks a decisive departure from previous cycles, when public-market beta and traditional mutual funds absorbed most inflows.

Private credit is a standout beneficiary of this reallocation. Infrastructure is another primary growth sector, underpinned by multi-trillion-dollar investment needs across energy transition, digital networks, transport and social assets - areas where private capital is increasingly essential.

Real estate, though undergoing cyclical adjustment, is also positioned for renewed expansion in logistics, data centres, life sciences and alternative housing. Private equity remains the largest engine of private-market AUM growth, supported by abundant dry powder, rising allocations from sovereign wealth and pension funds, and the rapid institutionalisation of high-net-worth capital.

Private credit scrutiny

Apollo, Blackstone and KKR signed-up for the UK's first system-wide stress tests for private markets, marking a turning point in how seriously regulators now view rising systemic risk in private credit. Concerns have intensified following recent failures among heavily leveraged US borrowers that collapsed under refinancing pressure. The Bank of England's move to subject the biggest players to stress testing reflects regulatory unease that a sharp downturn could trigger forced selling, funding squeezes and contagion.

UPDATES (cont.)

Hg's dual-CEO role

Hg set in motion its formal succession plan as it enters its next phase of growth, elevating senior leaders Steven Batchelor and Jean-Baptiste Brian to a newly established dual-CEO role. The leadership refresh marks a strategic evolution for the European software-focused private-equity house and reflects its maturation from founder-driven roots into a multi-strategy global platform.

Man Group turns to Bulgaria

Man Group pressed ahead with a restructuring programme that sees various London-based roles move to Bulgaria, where the firm already has an operational footprint. The move reflects the dual pressures of cost efficiency and competition for technical talent, particularly after a difficult period for the flagship AHL. While the group stresses its long-term commitment to London, the relocation highlights how large alternative investment firms are increasingly adopting multi-hub operational models to balance rising wage costs, regulatory overheads, and global expansion.

Burry shuts Scion AM

Michael Burry closed Scion Asset Management, drawing a line under a period during when he bet against major AI-driven stocks, including Nvidia and Palantir. The move follows months of noisy scepticism from Burry over what he says are inflated valuations in the AI complex and broader “narrative-driven” excess in equity markets. His fund closure signals both a retreat from external capital management and is a statement about the structural disconnect he perceives between earnings reality and market euphoria, echoing the contrarian stance that made him famous.

21 Invest & Tages merge

The Benetton family's Edizione S.p.A. unveiled 21 Next, merging 21 Invest and Milan-based Tages, marking a major strategic expansion into alternative assets. Launching with €3 billion in capital and a bold plan to triple its assets, the Financial Times writes, the firm is looking to become a multi-asset powerhouse spanning the full spectrum of private-market strategies.

Its core focus spans mid-market private equity, growth-oriented venture capital, flexible private credit and large-scale infrastructure, with an emphasis on renewables and energy

transition. The model blends 21 Invest's long-standing European private-equity capabilities with Tages' established presence in infrastructure and alternative credit, creating a diversified platform to capture rising demand for private-market exposure. By pivoting decisively away from its more traditional retail roots, the Benetton family is signalling long-term commitment to building an institutional-grade alternatives manager capable of scaling across cycles. 21 Next says it is planning to expand materially in the coming years through both organic growth and strategic capital deployment.



Money Maze Podcast

*Inspiring interviews with leading figures
from the world of business and finance.*

God of War, King of Credit: Inside Ares' Global Push

Adapted from a Money Maze Podcast interview conducted by Simon Brewer with
Blair Jacobson, Partner and Co-President of Ares Management Corporation

When the founders of Ares chose to name their firm after the Greek god of war, they probably weren't imagining an audience of income-focused retail investors in, say, the American Midwest. Yet almost three decades later, Ares has become one of the defining forces in global private markets, particularly private credit, managing close to \$600 billion with over 4,000 employees and a \$50 billion New York-listed management company anchoring a vast network of private and public funds, as well as specialised strategies.

In a recent interview, Ares Co-President Blair Jacobson sat down with Simon Brewer to discuss how the firm evaluates opportunity across geographies and asset classes, and what its evolution means for institutions and wealth clients increasingly turning to private credit as a core allocation.

Jacobson's own entry into alternatives is classic Wall Street rather than the modern quant pipeline. Raised in a middle-class American family with an early understanding that he would need to earn

his own way, he gravitated toward finance. After graduating from Williams College with majors in political science and economics and a minor in art history, he joined Kidder Peabody in M&A, followed by a stint with Lehman Brothers, and then honed his technical grounding at Chicago Booth to "learn finance where a lot of it was invented."

The pivotal shift occurred in 2001, when Jacobson joined Citibank's private equity and credit business, firmly steering him into the private markets world. In 2005, he moved to London. That early physical presence in Europe would later prove invaluable to Ares' global expansion. Today, the firm employs around 700 people in Europe and manages more than \$120 billion in the region with teams across London, Paris, Frankfurt, Stockholm, Amsterdam, Madrid and Milan, among other markets.

A major part of the discussion centred on the state of Europe's financial plumbing, with the global financial crisis acting as the catalyst for a shift toward private capital. As banks failed, retreated to home markets or fell under state control, new regulations made mid-market corporate lending



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Continued:

increasingly unattractive. With the banking arena shrinking, Ares benefited from the shift. The firm had capital to deploy and hired many former bankers who already knew the companies and their owners. The firm had already committed to building a local presence, opening European offices from 2007 onwards and hiring native-language teams who understood legal systems, corporate cultures and ownership structures across jurisdictions.

Europe still struggles with fragmentation - securitisation limits, the slow path toward a capital markets union and uneven cross-border regulation - yet private funds are able to navigate these complexities with far greater flexibility. Jacobson estimates that while the US private credit market is 90–95% penetrated, Europe still sits closer to 60–65%, leaving a substantial runway ahead.

Ares' sweet spot continues to be the mid-market: companies large enough to be diversified and growing, often private-equity-backed, but not so large that public markets are an obvious solution. This is also the segment most constrained by post-crisis banking rules. Ares recently raised a €30 billion European Direct Lending fund, enabling Ares to support substantial financings while maintaining a diversified portfolio and retaining its focus on the middle market. Investors expect a premium over traded credit, and that defines the firm's underwriting discipline and sector focus.

Beyond core direct lending, Ares has expanded into areas that attract greater public attention, none larger than sports, media and entertainment, with investments in around 15 sports leagues. Yet the approach has tended to be credit-first: Ares seldom takes pure equity, preferring structured positions with substantial equity beneath it in the capital stack. This matters in European football, where relegation risk can severely disrupt cash flows. Ares typically targets clubs with longstanding top-flight positions and broad revenue bases, underwriting downside cases rather than fantasy valuations. The same principle applies to music rights: diversified catalogues with long histories offer predictable cash flows in the streaming era, making them suitable collateral for lending.

Another core area is the infrastructure supercycle, driven not only by ageing physical assets but also by the need for digital infrastructure, energy transition and power-intensive data centres. With government balance sheets stretched, private

capital, particularly infrastructure debt, must step in. Yields may typically be lower than in corporate credit, but long-term contracts and investment-grade counterparties offer attractive risk-adjusted returns. A further trend is the growth of secondaries and continuation vehicles, which give LPs in long-dated funds more control over liquidity and duration. What began in private equity is now extending into private credit as the asset class matures.

This expansion of private credit has inevitably drawn greater scrutiny. Jacobson stresses that Ares' Credit Group has weathered the GFC, European sovereign debt crisis, Brexit, Covid and the inflation shock with minimal losses and consistent yield, outcomes he attributes to disciplined underwriting, broad diversification and a stable, long-term capital base. As private credit pushes further into wealth and retirement markets, he argues that maintaining those same disciplines will be essential.

The message from Jacobson is clear: behind the narrative of private credit replacing banks lies the granularity and operationally intensive reality. It is about local teams having 1,400 conversations to make 50 loans within the European Direct Lending business. It is about structuring in sports and music, not trophy-hunting. It is about data centres and energy transition as much as leveraged buyouts. And it is about a firm which, for all its war-god branding, still defines its mission in the simplest of terms: don't lose money - "our goal in life is capital preservation."

[Click to listen to the full interview](#)

About Ares Management Corporation

Ares Management is a leading global alternative investment manager offering clients complementary primary and secondary investment solutions across the credit, real estate, private equity and infrastructure asset classes. As of September 30, 2025, Ares Management's global platform had over \$595 billion of assets under management, with operations across North America, South America, Europe, Asia Pacific and the Middle East.



Lower Middle Remains Top of Mind Heading into New Year

Stuck in the middle may not be such a bad place to be.

As we head into 2026, it is worth taking a moment to look at where GPs and investors may shift focus in the quest for value in some less-advertised places.

Global PE faces all-too-well-known headlines for the past many quarters of macroeconomic uncertainty, a challenging fundraising environment and not-always-welcoming exit conditions. (Fingers crossed, signs point to improvement on most of these fronts.)

But those currently invested or looking for deals in the lower middle market, also referred to as LMM, see a potential upturn ahead.

Some background: The US middle market is made up of more than 200,000 companies with annual revenues anywhere between \$10 million to \$1 billion, while the lower middle market comprises a subset of companies in the \$50-million to \$100-million range. No matter the number -- because estimates vary widely -- these companies are often seen as the engine of the American economy.

Why does that matter? The opportunity set is vast, comprised of mostly founder-led or family-owned businesses, many of whom are looking for a change of ownership outside of a generational transfer of leadership.

With a large pool of targets, the competition for GPs to deploy capital is often less fierce, and the ownership base is not so accustomed to PE courtships. (No doubt, that will change.) So, valuations may be more attractive for these specialized companies for the sponsors.

The LMM universe also allows GPs - firms like Frontenac Company, Huron Capital and P10, to name a few - to flex their operational muscle,

instead of their financial-engineering know-how, in areas like cost controls, disruptive technologies, governance, or AI adoption for greater upside potential than with larger, more mature companies.

As one observer said, "The biggest plus with these opportunities is that you can get in early to improve operations for greater value creation. Would you rather be the first or fifth sponsor of a company."

And the sectors for these businesses also have good runways for growth: technology, business and health services and industrial manufacturing.

These benefits, as you might imagine, do not come easily. The due diligence is a little tougher, there is more "grinding" at the operational level and hold times may be longer. These are buy-and-build plays, where add-ons and bolt-ons may be required to hit growth targets.

Even so, for the GP the LMM offers a "hiding-in-plain" sight opportunity to deploy capital and create real value.

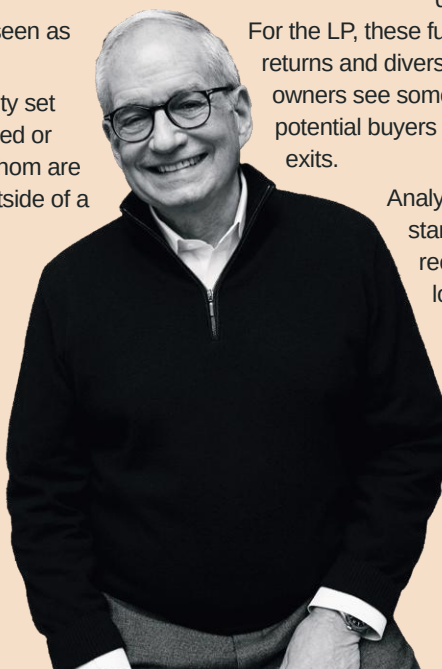
For the LP, these funds offer attractive risk-adjusted returns and diversification. And perhaps business owners see some of the biggest returns with more potential buyers on the scene for growth capital and exits.

Analysts point out that the LMM market started in recovery mode in 2024, and the recovery will continue in the New Year as long as borrowing costs remain lower (or go lower). Time will tell but the LLM opportunities tell us middle may always be better.

Mark Kollar
Partner, Prosek Partners



The [LMM] opportunity set is vast, comprised of mostly founder-led or family-owned businesses, many of whom are looking for a change of ownership outside of a generational transfer...



Credit Where Credit Is (Over) Due: Private Credit's Second Act

Early investors in private credit treated the asset class as a stable income engine: floating rates with consistent yields, low volatility, and safety in seniority of capital structures.

According to Preqin's asset allocation study,¹ although most institutional investors were maintaining or increasing commitments, expectations have diminished.

Beneath the headline fundraising numbers sits a more complex reality shaped by geopolitics, inflation, fractured supply chains, war, regulatory uncertainty and a credit cycle that still has not tested managers in a meaningful way.

Inflation is the clearest example. Rising base rates boosted cash yields, but higher base rates have simply led to spread compression. We may now be testing the limits of interest-coverage assumptions – interest coverage ratios have fallen from 3x to 1.5x from 2020 to 2025.²

Geopolitics amplifies this uncertainty. War in Europe, supply-chain bifurcation with China, and erratic policy shifts in Washington all feed into underwriting credit risk. Some investors noted that allocating to the U.S. used to feel like a “safe haven,” but policy unpredictability now needs to be modeled directly.

Instead of a single central case with mild stress testing, allocators are modeling broader, more volatile paths: inflation surprises, regulatory shifts, supply-chain disruptions and region-specific down-turns.

A Reality (Credit??) Check on Direct Lending, Commoditization, and Competition

Scale has been a strength of private credit's ascent, but it also brings new risks. The private loan market has not truly lived through a deep, prolonged downturn while it has been this large. With more capital chasing similar deals, the market has become more commoditized.

That competition shows up first in underwriting: thinner covenants, higher leverage, and more creative loan structures. When private credit

was small, borrower issues rarely made headlines; now, as funds and borrowers get larger, there's less room for error.

The First Brands Group bankruptcy is a textbook case. Courts ordered an independent probe into allegations of fraud and several BDCs marked loans down significantly. Some argued this was idiosyncratic; others saw it as evidence that underwriting discipline must evolve as structures become more complex.

One or two bad headlines can set the entire industry back. While early indications suggest First Brands was isolated, many GPs underscored the importance of comprehensive underwriting, covenants, and due diligence.

Collateral Damage vs. Collateral Opportunity: Distressed

Along the theme of what's old is new again, there have been recent conversations around growing opportunities in distressed markets. Fitch

announced that the leveraged loan market default rate rose to 5.0%, the highest since 2008, and forecasts 5.5% for the year.³ Private credit markets may begin showing similar signs of strain, which may lead to more refinancing and restructuring transactions.

According to JPMorgan's latest Guide to Alternatives, PIK percentages are nearly 2x their pre-COVID levels, and restructurings are significantly higher. To avoid a technical default, lenders may agree to restructure terms to keep loans performing—kicking the can down the road if earnings do not recover.

Putting It All Together

Private credit can still be a compelling long-term tool for portfolio construction. It just isn't the easy beta exposure it looked like during the era of falling rates and quiet geopolitics..

Aaron Filbeck, CAIA, CFA, CFP®, CIPM, FDP
Managing Director, Content & Community Strategy



¹ Preqin 2025 Asset Allocation Study

² [With Intelligence: Private Credit Trends](#)

³ [Fitch Ratings](#)

GUEST ARTICLES

Turning blind spots into outperformance: Why women are gaining ground in the family office

Tanya Lutyens, Managing Director & Founding Partner, Lutyens Advisory

Last year, celebrated vacuum inventor and one of the UK's largest farmers, James Dyson, promoted Jane Simpson to CIO at Weybourne, his family office that runs an \$18 billion portfolio spanning hedge funds, venture and real estate. In 2022, Michael Dell's single-family office, DFO Management, hired Alisa Mall as CIO and in 2021, Marie Young, already deputy CIO, was made CIO of Bayshore Global, the family office for Google co-founder Sergey Brin.

They join the ranks of other women already in the CIO seat, such as Dawn Fitzpatrick who has managed \$25 billion Soros Fund Management since 2017 and Renata Erlikhman, CIO of OW Management, the single-family office for Oprah Winfrey where investments focus on health and education.

Lutyens Advisory, female-founded and led, has partnered with family offices to help them build their investment teams for the last 25 years, and in a trend that mirrors the trajectory of these women, we notice

a spike in the number of female candidates we are placing. There is notably more interest to work in a sector that has historically under-represented women in senior roles. It's from a low base, and the top jobs are still largely dominated by men, but the tide is starting to turn.

Inclusive and diverse organisations lead to innovation, smarter decisions and better financial results, but effecting change requires other factors that are only now coming into play in the family office sector. For example, the fact that Millennial and Gen X women are inheriting more wealth from their Boomer parents and grandparents than previous generations of women. It follows that these women want female leadership and perspectives, are hiring more women in investment roles and putting in place hiring practices that attract women.

Across MBA programmes and investment pathways, women now represent a much higher percentage of graduates interested in institutional investment.



Inclusive and diverse organisations lead to innovation, smarter decisions and better financial results, but effecting change requires other factors that are only now coming into play in the family office sector.

Tanya Lutyens, Lutyens Advisory

GUEST ARTICLES (cont.)

“...we hear female candidates say the family office focus on philanthropy and mission-driven and impact investment, areas where they are already strong, is more compelling than institutional asset management.”

Tanya Lutyens, Lutyens Advisory

Expanding family offices, which used to hire almost exclusively from personal networks, are broadening their recruiting channels to tap finance, wealth management, legal and accounting industries where so many more women now work.

As the family office arena becomes more professional, organisations are introducing structured hiring, diversity goals and external CIO models, and large multi-family offices are also publicly highlighting their diversity efforts. Stonehage Fleming, just one example, integrated diversity policies in 2021 and has committed to improving gender balance at all levels.

Meanwhile, we hear female candidates say the family office focus on philanthropy and mission-driven and impact investment, areas where they are already strong, is more compelling than institutional asset management. They are attracted to cultures characterised by wealth preservation, custodianship and long-term, as opposed to quarterly performance and distribution targets. On this point, we have had principals embed a female quota in their search, and within a short list, because they believe women are more likely to

take a balanced, long-term approach to investing. Candidates are also opting for the work-life balance and smaller, more collaborative teams that are prevalent in the family office.

It is important not to rose-tint the sector. Female candidates may still have to navigate entrenched patriarchal governance structures, generational differences in attitudes towards female leadership and long-in-the-tooth male advisors. There is limited transparency and benchmarking in the family office sector, and although the idea of connecting on a personal level with the family is compelling, navigating family dynamics is challenging. We tell candidates to always remember they are working for the family and are not of the family. A cosy team will always be stretched by the need for deep expertise across portfolio construction, manager selection, operational oversight, risk modelling and even direct investments.

Nevertheless, the fact that more diversity in the family office will increasingly turn blind spots into outperformance is a cause for celebration.

Tanya Lutyens, Managing Director & Founding Partner, Lutyens Advisory



GUEST ARTICLES (cont.)

Building for the future: Why succession planning should be at the centre of every private market strategy

Scott Jones & Philip Aubry, Senior Counsels, Private Capital and Trusts Group, Walkers

What happens to illiquid assets in a portfolio—stakes in private equity funds, venture capital investments, or direct real estate holdings—after the death of an (U)HNW individual? Unlike publicly traded stocks, these assets cannot be simply sold on an exchange to fund death duties or distributions. The typical solution is (before the dreaded event) to place these holdings into a trust or dynastic asset-holding structure like a family office but this often means similar issues in a different form: members of one cohort of beneficiaries may want immediate cash flow, while another is focused on lock-up and capital growth.

Diverging objectives, inherent illiquidity and valuation uncertainty necessitates clever legal and professional structuring of SFOs from the outset.



Philip Aubry, Walkers

Further, given the increasing share of Alternatives in UHNW/SFO portfolios, succession planning at an asset or portfolio level is also necessary – this can involve financial institutions as partners and – indeed – can differentiate them in the race to secure attractive multi-generational UHNW capital.

Three primary solutions have emerged for inter-generational private markets transfers:

The Asset-Based Solution

In this, the current asset holders/controllers identify certain positions that need to be liquidated or transferred to the cohorts who desire to stay invested (the buyers). A professional third-party valuation is secured, and the interests are sold to a newly formed, dedicated structure (i.e. a Family Investment Company) owned by (or held for) the relevant family members.

The immediate beneficiaries who need cash receive their



...given the increasing share of Alternatives in UHNW/SFO portfolios, succession planning at an asset or portfolio level is also necessary...

Scott Jones & Philip Aubry, Walkers

GUEST ARTICLES (cont.)

As asset managers have become more active credit originators, we have noted they are increasingly willing to step in as finance parties as part of a broader client attraction/retention strategy...

Scott Jones & Philip Aubry, Walkers

proceeds, while those who want long-term exposure take ownership of the illiquid assets. This creates internal liquidity while preserving the private market strategy. It is, of course, predicated on the availability of funds and everyone reaching an agreement on valuation.

The Bank Solution

A private bank extends a line of credit to the trust/family office or a new asset-holding SPV, secured by the underlying private market assets. The proceeds fund immediate cash requirements or buy out beneficiaries who need liquidity. The next generation inherits the assets and the debt, which is paid down over time from asset distributions. This provides instant liquidity without forcing a premature sale of investments.

As asset managers have become more active credit originators, we have noted they are increasingly willing to step in as finance parties as part of a broader client attraction/retention strategy, earning returns on the debt component and also securing investment into their other funds as the quid pro quo.

The Co-Investment Solution

This solution often arises with direct operating businesses where the goal is to keep the asset within the family orbit while introducing a new dynamic (either capital or management); this

can equally apply to long-term investment portfolios. Here, a third-party family office enters as a co-investor (thereby gaining exposure to a 'vintage' asset), allowing a partial exit for the original holder. Equity release may be staggered, tied to performance metrics or specific events (e.g. an IPO or a major acquisition) or adjusted to account for other factors.

Such co-invest vehicles may also be an opportunity for management roles or advisory board seats, providing an environment for skills sharing/transfer and the strategic relationship building between families. Some smart asset managers are now acting as discrete matchmakers, introducing investment clients to one another and maximising opportunities for all (themselves included).

Investors who think ahead, understand the particularities of their portfolio and work with experienced and creative professionals and agile institutions can ensure the transfer/realisation of private market wealth without undue value leakage. Further, there are many sophisticated variations and add-ons to the above solutions which can be used to ensure that those who exit or those who remain invested don't unduly suffer the thing which can really divide families: seller's remorse.

**Scott Jones & Philip Aubry,
Senior Counsels, Private
Capital and Trusts
Group, Walkers**



Scott Jones, Walkers

GUEST ARTICLES (cont.)

Insourcing vs Outsourcing: Why an Outsourced CIO can make sense for Single Family Offices

Andrew White, CFA, Senior Investment Principal, Capricorn Private Investments

As the family office space has grown in both size and sophistication in recent years, so has demand for independent investment support for families' own investment activities. One of the major areas of growth has been the emergence of the 'Outsourced Chief Investment Officer' or 'OCIO', as an alternative to the typical approaches of either a fully in-house investment team, or appointment of discretionary managers. For our own clients, including single family offices and institutions with smaller in-house teams, such as charities and foundations, this route serves to deliver primarily highly-customised investment support while retaining final decision-making authority in-house.

What is an Outsourced Chief Investment Officer (OCIO)

Fundamentally, an outsourced CIO provides a dedicated full-service investment offering, equivalent to that of an in-house investment team. An outsourced CIO can be an attractive option allowing for more efficient deployment of existing resources, adding

independent professional expertise at a meaningfully lower cost than either scaling an in-house team or fully delegating responsibility to discretionary managers.

An effective OCIO should simplify life for internal investment teams and principals by providing support on investment research and decision-making, without adding the additional complexity of hiring and managing additional in-house staff. Equally, the OCIO should be regarded as an extension of an in-house team, capable of understanding the specific requirements of the client, while also offering a resource for objective investment advice and access; in other words, an investment partner, not a service provider.

We see the primary benefits of this as follows:

- *Complementing and supplementing existing team capabilities:* Adding asset class experience and knowledge without increasing headcount
- *Cost efficiency:* Economies of scale can lead to reduced ongoing operational and investment costs



“

...the OCIO model represents a compelling solution by delivering efficiency without sacrificing control, full customisation and total transparency on investment performance.

Andrew White, Capricorn Private Investments

GUEST ARTICLES (cont.)

- *Improved access to investment opportunities:* Direct access to institutional-quality managers and deals, without the additional layer of access fees typically charged by private banks
- *Centralised reporting and improved governance:* Formalised investment decision-making process helps avoid emotion-based decisions, and provides a centralised source for investment reporting
- *Maintains principal control:* Ultimate control remains in-house

The SFO Challenge: Large AUM, lean teams

The hackneyed saying ‘when you have seen one family office, you have seen one family office’ is intended to highlight the myriad differences between individual SFOs. While this trite phrase does have an element of truth, there are also challenges faced by family offices that are common to many. Chief among these is that, no matter the size of the assets they oversee, most SFOs are ultimately small enterprises with lean in-house teams, often composed of generalists wearing multiple hats.

While this is generally prudent for controlling costs, it can inadvertently create inefficiencies and risks producing suboptimal investment outcomes. Counter-intuitively, a smaller team can lead to unintentionally higher expenses being incurred on investment portfolios through inefficient allocations, excessive diversification or duplications, and insufficient consideration of ongoing fees and other costs.

Options for investment implementation

Before deciding on the right model, principals and trustees must weigh:

- *What is an acceptable all-in fee budget for investment activities?*

Including direct costs (e.g. wages), and indirect costs (fees)

- *Who has ultimate accountability for investment performance?* Principal, trustees, CEO / CFO, or a combination? i.e. who carries the can for failure to meet investment objectives

The answers to these will heavily influence the most suitable route. Broadly speaking, we see three potential investment implementation models: Full-In House Team, Full Delegation and Outsourced CIO (see below table).

Why should families consider appointing an OCIO?

For SFOs navigating the complexity of managing large pools of capital with lean teams, the OCIO model represents a compelling solution by delivering efficiency without sacrificing control, full customisation and total transparency on investment performance. Ultimately, an OCIO empowers families to pursue their investment goals with greater confidence, clarity, and cost-awareness—while preserving the values and control that define the family office model.

Andrew White, CFA, Senior Investment Principal, Capricorn Private Investments

Capricorn Private Investments is a London-based private investment office, serving as an outsourced investment partner to family offices, entrepreneurs, endowments and charitable foundations. Capricorn provide highly customised investment solutions across asset classes and aim to deliver to clients a service equivalent to having capital managed by their own dedicated family office with the investment approach of a leading institution.



Model	Control	Costs as proportion of assets	Typical investible asset range	Description
Full In-house Team	High	High	\$2bn+	Build a dedicated investment team internally. Ideal for very large SFOs or those with an institutional mindset
Full Delegation	Low	Medium-High	\$100m+	Engage private bank(s) or discretionary managers to handle all investment decisions. Can suit clients with little desire to influence individual investment decisions
Outsourced CIO (OCIO)	High	Lower	\$300m+	Partner with a dedicated external advisor to act as a full-service extension of existing in-house capability, while retaining decision-making control internally

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...the way we think about gold is essentially that the leverage in the miners, despite how far they've also moved, is still under-appreciated. And the leverage turns into free cash flow, which turns into buybacks and dividends and so on.

Toby Clothier, Senior Fund Director, Oberon Investments



REGULATIONPresented by  **RQC GROUP****UK**

FCA consults on updating the transaction reporting regime: CP25/32

The [FCA](#) has published consultation [CP25/32](#), Improving the UK transaction reporting regime (“**UK TR**”).

The transaction reporting regime was first introduced in the mid-2000s as a market abuse surveillance tool for EU national state regulators. The regime was revised in 2018 as part of the adoption of the Markets in Financial Instruments Regulation (“**MiFIR**”). This more complex iteration increased the number of reportable fields from 26 to 56 and a larger number of firms were brought in scope.

MiFIR was onshored from the EU on 31 December 2020. HM Treasury intends to repeal these rules, thereby enabling the FCA to make handbook rules. The FCA aspires to revise the rules to reduce costs for businesses while maintaining effective oversight of the marketplace.

The UK TR Framework

Whilst the FCA proposes that the holistic UK TR framework remain unchanged, it advocates changes to certain aspects of UK TR:

- **Back reporting:** A requirement to retrospectively resubmit transaction reports affected by errors and omissions. The FCA proposes a shorter back reporting period of three years, compared to five years currently.
- **Exclusions:** Revisions to the scope of exclusions covering the creation or redemption of units, corporate events and actions, and employee share incentive plans.

- **Systems and controls:** Expectations on the frequency of reconciliations, materiality thresholds for submitting breach notifications, and timelines for remedial work and back reporting, in a new transaction reporting user pack. The FCA will consult on this in 2026.

Scope of UK TR

- **Firms**

For UK Markets in Financial Instruments Directive (“**MiFID**”) investment firms, the firms in scope would remain unchanged. Hence, portfolio managers subject to MiFID would continue to be subject to the regime. Whilst the data provided by buy-side firms is often duplicative, the FCA considers buy-side data to be valuable.

However, the FCA proposes to revise the “conditional single-sided reporting” concept. This is where a transaction involving two firms is reported by one firm only, for instance a broker reports but the transmitting firm does not report. Thus far most firms haven’t used this mechanism, due in part to the burden of providing information to the reporting firm, and the reporting firm’s reluctance to take responsibility for the accuracy of data. To address this, among other things, the FCA proposes to reduce the information that a transmitting firm must provide to a reporting firm.

Conversely, firms subject to the Alternative Investment



REGULATION (cont.)Presented by 

Funds Managers Directive (“AIFMD”) and Undertakings for Collective Investment in Transferable Securities (“UCITS”) would remain out of scope.

- **Instruments**

The FCA proposes to limit the scope of UK TR to financial instruments tradeable on UK trading venues only. Therefore, financial instruments tradeable on EU – but not UK – trading venues would be brought out of scope. This amounts to approximately six million financial instruments representing 30% of total financial instruments currently in-scope.

Furthermore, the FCA is considering removing foreign exchange (“FX”) derivatives from the scope of UK TR.

Content of transaction reports

The FCA proposes changes to certain fields to improve data

quality and make reporting more efficient. It also proposes to remove some fields; the total number of fields would be reduced from 65 to 52.

The extent to which this impacts firms would in part depend upon which of the 65 fields are currently completed. As an example, almost half of the removed fields are in the section currently entitled Trader, algorithms, waivers and indicators (to be re-named “Traders and algorithms”).

In addition, the number of instrument data reference fields would be reduced from 48 to 37.

Next steps

The FCA seeks feedback by 20 February 2026. Final rules should be published in a Policy Statement in H2, 2026.

 EU

SFDR 2.0: The European Commission streamlines transparency rules for sustainable finance products

Background

The Sustainable Finance Disclosure Regulation (“SFDR”) - the EU’s framework for financial products with environmental, social or governance (“ESG”) objectives - was adopted in November 2019 and has been in force since March 2021.

Overhaul

On 20 November 2025, the European Commission officially [published](#) revolutionary [amendment](#) proposals to the SFDR, long felt not to be fit for purpose. These [revise](#) the disclosure framework, define the essential features of the proposed ESG product categories, and empower the Commission to develop implementing rules to supplement these elements with more technical standards.

The Commission’s review found that the existing framework produced disclosures that were too long and complex, leaving investors unable to understand or compare the ESG features of financial products. Further, the regime’s informal use as a labelling system confused retail investors, and increased the risk of greenwashing.

a. **Simplified disclosures:**

Entity level disclosures: Entity level sustainability risk disclosures remain, but the Commission proposes to remove the requirement for manager-level remuneration policy disclosures, and for principal adverse impacts (“PAI”) disclosures which, like

taxonomy-alignment disclosures, would no longer be mandatory for all products.¹

Product-level disclosures: Disclosure templates should be simplified, the number of topics reduced, pre-contractual disclosures limited to two pages and periodic disclosures to one page – templates to follow in regulatory technical standards yet to be published. Disclosures should be coherent with the new product categories and rely on clear, measurable concepts. Providers should be able to present their products’ sustainability features or objectives with greater clarity, enabling investors to compare and better understand products’ sustainability characteristics. No additional website disclosures would be required.

b. **New categorisation system**

Following stakeholder feedback, and informed by the latest regulatory [guidance](#), the Commission proposes a simple categorisation for financial products making ESG claims. The existing Article 8 (“light green”) and Article 9 (“dark green”) designations would be replaced by three new categories:

- **“Transition category” (new Article 7)** - products channelling investments towards companies or projects not yet sustainable, but on a credible

¹ Some PAI disclosures, and taxonomy disclosures, would remain, but only for new Article 7 and Article 9 funds with an environmental objective (see post).

REGULATION (cont.)Presented by  **RQC GROUP**

transition path, or which contribute towards ESG improvements;

- **“Sustainable category” (new Article 9)** - products contributing to sustainability goals, e.g. investments in companies already meeting high standards; and
- **“ESG basics category” (new Article 8)** - products not meeting either of the other two criteria, but integrating a variety of ESG investment approaches.

Further:

- A new **Article 9a)** is a **“combined” category** for products investing in more than one of Articles 7, 8 and 9.

Categorised products must ensure that at least 70% of investments in their portfolio support the chosen strategy and exclude investment in harmful industries and activities – in relation to human rights, as well as to any involvement with tobacco, controversial weaponry or excessive fossil fuels.

Helpfully for private markets managers, the 70% minimum asset allocation may be reached by the end of a disclosed phase-in period, provided the timeline is disclosed in pre-contractual documents.

To combat greenwashing and build trust in sustainable investments, ESG claims in names and marketing would be reserved for categorised products. SFDR 2 would be breached if a fund claimed to invest in a manner specified in Articles 7, 8 or 9, without qualifying and being categorised as such.

The “do not significant harm” and “good governance” requirements are replaced by category-specific exclusions.

Uncategorised products (new Article 6a)

Where a manager decides not to categorise their product, any sustainability references must be clear, fair and not misleading, not prominent within the disclosures, and not feature in the product's name, key investor information

document, or marketing communications. No claims may encroach on Article 7, 8 or 9 status.

While Article 6a) allows for limited inclusion of sustainability-related information in “pre-contractual disclosures”, restrictions under Article 13(3) prohibit the inclusion of sustainability-related claims in the names or “marketing communications” of financial products referred to in Article 6a). Distinguishing between limited sustainability disclosure under Article 6a) and prohibited sustainability claims and Article 13(3) may prove challenging.

Other proposals:

SFDR 2.0 re-defines the scope from financial market participants (which currently includes AIFMs, UCITS management companies and MiFID firms) to financial products. AIFs and UCITS funds would be in scope but portfolio management and investment advice would not. From a MiFID firm's perspective, firm-level or product-level disclosures would be out of scope, but they would not be able to utilise new Article 7, 8 or 9.

The Packaged Retail and Insurance-Based Investment Products (“**PRIPs**”) regime would be amended, requiring Key Investor Information Documents (“**KIIDs**”) to set out the product's categorisation, sustainability objectives and relevant indicators.

Transition:

Existing closed ended funds, created and distributed before the regulation applies, can opt out of SFDR 2.0.

However, open-ended funds would need to assess how they transition to the new rules.

Next steps:

The Commission's proposal will be reviewed by the European Parliament and Council of the European Union, which may trigger updates and amendments before it is finalised. SFDR 2.0 is expected to apply 18 months after it comes into force – possibly the end of 2027 or in 2028.


US

SEC Division of Examinations announces 2026 priorities

The US Securities and Exchange Commission's ("SEC's") Division of Examinations ("the Division") announced its [2026 Examination Priorities](#). The Division [releases](#) its annual examination priorities to offer insight into areas it believes pose potential risks to investors in an evolving financial and regulatory landscape.

The following areas, amongst others, were highlighted by the Division:

Investment Advisers

Consistent with last year's priorities, the Division will continue to focus on investment advisers' adherence to fiduciary standards of conduct. Areas of focus will include:

- Review of advice provided to clients, focusing on the impact of financial conflicts of interest; consideration of influencing factors such as costs, risks, liquidity, volatility, product characteristics and objectives; and adherence to best execution.
- Investment products such as alternative investments (including those with extended lock-up periods), complex investments and products which have higher costs associated with investing.
- Consistency of advice against client investment objectives and product disclosures, including consideration of conflicts of interest between clients, particularly between private funds and separately managed accounts; management of market volatility

and the management of new product offerings, such as private funds, and associated conflicts.

For firms with a retail focus, the 2026 Examination Priorities have made clear that the Division will be focusing on how these firms adhere to their duty of care and loyalty, particularly for more vulnerable clients, such as those saving for retirement.

Advisers' Compliance Programs

Examinations will continue to focus on core areas of an adviser's compliance program, including marketing, valuation, trading, portfolio management, custody, disclosure and filings.

The Division also highlighted the following areas of concentration:

- Analysis of advisers' annual reviews of the effectiveness of their compliance programs, including amendments made for changing business models and product offerings.
- Tailoring of policies and procedures to address requirements of the Investment Advisers Act of 1940, as amended, as well as conflicts within an adviser's business, with the Division specifically referencing fee-related conflicts.
- Effective implementation and enforcement of policies and procedures.



REGULATION (cont.)

- Activist engagement practices, including accuracy of filings required under Section 13.

Cybersecurity

The Division will continue to focus on advisers' cybersecurity practices, including whether they are reasonably managing information security and operational risks.

Particular attention will be on advisers' governance, data loss prevention, access controls, account management and recovery from cyber incidents. Training and security controls to identify and mitigate new risks relating to Artificial Intelligence ("AI") will also be scrutinized.

Use of AI

The SEC will focus on advisers' management of risks associated with the use of emerging technologies and alternative sources of data, including AI, automated investment tools, algorithmic trading and platforms. The Division will consider whether technologies used are fit for their intended purposes and whether representations and disclosures made to investors are fair, accurate and consistent. The Division will assess whether advisers have implemented adequate policies and procedures to oversee their AI use. With the rise of AI use, the Division will also consider advisers' integration of regulatory technology to

automate internal processes and optimize efficiencies.

Regulation S-ID and Regulation S-P

The Division will also focus on advisers' adherence to Regulations S-ID and S-P and engage with advisers on readiness both ahead of and after the compliance dates. In respect of Regulation S-P, the Division will focus on development of incident response programs and administrative, technical and physical safeguards employed to protect customer information.

Advisers not previously examined

As in previous years, the Division has confirmed that it will prioritize examinations of advisers that have never been examined, including recently registered advisers.

Other Market Participants

Examinations will continue for other market participants, including registered investment companies and broker-dealers, as well as self-regulatory organizations.

The 2026 guidelines are not exhaustive, and the scope of any specific examination includes a registrant's history, operations, services, products offered, and any other risk factors.

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