

Part 3 of 3: Spotlight on Private Equity

The Evolving Role of Active Management in Private Equity

The first two papers in Dawson's three-part Spotlight on Private Equity series examined how the asset class has evolved. Part 1 of the series looked at the sponsor toolkit: how the levers that drove returns have changed across successive eras and what needs to happen for private equity to return to performance more in line with the prior quarter century. Part 2 of the series examined private equity's evolving role in portfolios, with Dawson concluding that recent moderation in returns is more likely temporal than structural and that the asset class continues to offer an attractive combination of return potential, diversification and stability.

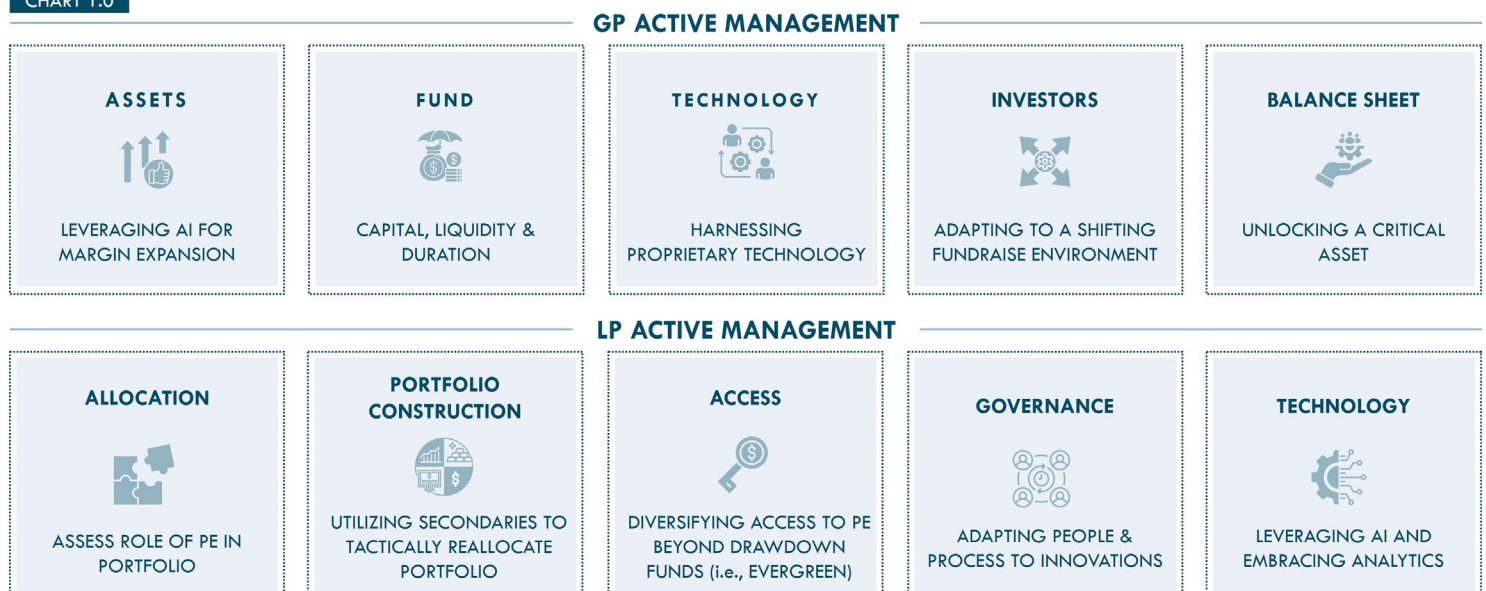
Together, those papers made two arguments: the private equity playbook is changing, but the opportunity remains. This paper asks what follows from both.

We believe the next era of private equity will increasingly be defined by active management. If returns are generated less through leverage, multiple expansion and other historical tailwinds, more value may need to be created and captured by the participants themselves. Additionally, as the sources of returns become more varied, we believe the dispersion between those who adapt and those who do not has the potential to widen.

Importantly, this applies to both sides of the market. For GPs, active management can increasingly extend beyond the underlying asset to the fund and ultimately to the sponsor itself. For LPs, it can extend beyond manager selection and commitment pacing to the construction and ongoing management of their entire private equity portfolio.

We view there to be 10 levers that define this active management framework: five for GPs, spanning assets, the fund, technology, investors and balance sheet; and five for LPs, spanning allocation, portfolio construction, access, governance and technology (see Chart 1.0).

CHART 1.0



Source: Dawson views. Please refer to Legal Disclaimers below for more details.

Together, these active management tools have the potential to provide GPs and LPs with something increasingly valuable in a changing market: optionality. In a market where outcomes may increasingly diverge, having more choices, to work on improving an asset, to seek liquidity, to raise capital, to buy or sell exposures and to respond when conditions change, and the ability to act on them, should carry a premium. In other words, active management tools can help convert opportunity into outcome.

ACTIVE MANAGEMENT FOR GPs

1. Assets | Leveraging AI for Margin Expansion

In Part 1 of the series, we explained how the traditional private equity toolkit has evolved over time. What we call private equity's first era (2000–2007) was defined largely by capital structuring. Its second era (2008–2021) by growth. In 2022, we believe private equity entered its third era, where success will be defined by active management of its assets.

One area where the industry has historically had less relative success is margin expansion. Our analysis in Part 1 suggested that margin improvement has not materialized to the extent some might have expected. However, AI may finally provide a mechanism to enable this.

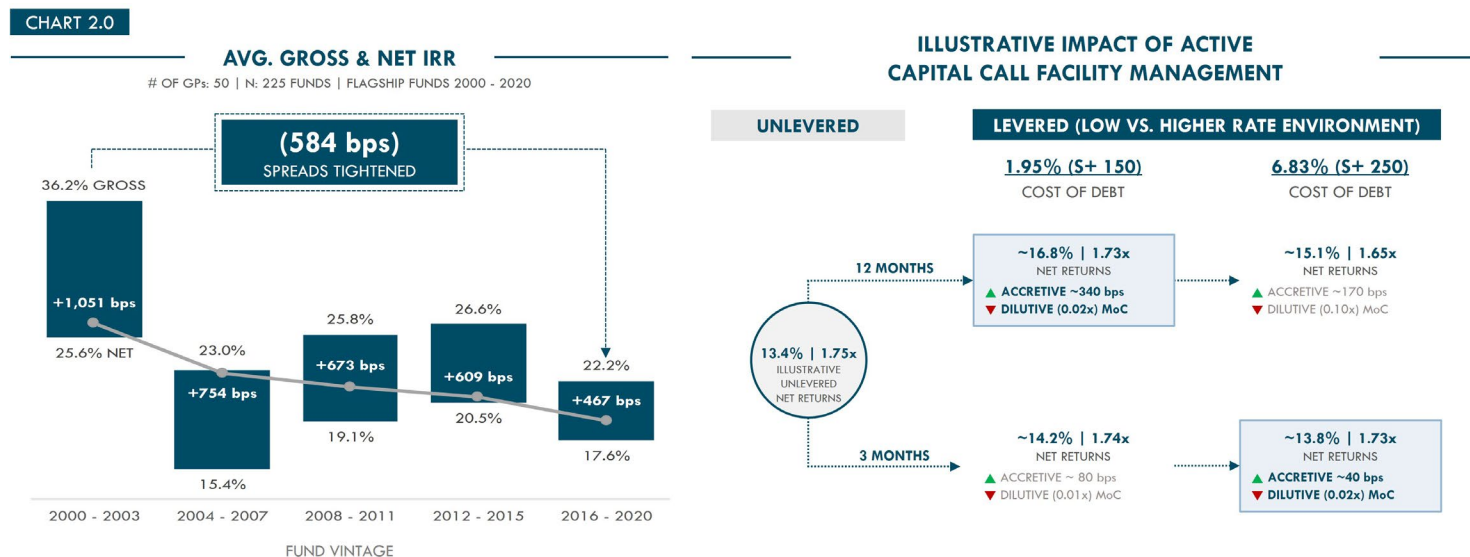
Like prior technological revolutions, we believe AI has the potential to drive 300–400 bps of EBITDA margin expansion (see *Part 1*). For GPs, this could translate into prioritizing the identification of where AI matters most, the development of repeatable capabilities at the GP-level and driving adoption across portfolio companies. That requires more than encouraging individual management teams to experiment. It may require centralized expertise, shared technology, operating resources and a deliberate strategy for translating innovation into measurable efficiency.

The question for sponsors may therefore no longer be whether AI will affect their portfolio companies. But instead, whether they have built the internal capabilities to capture the value potential when it does.

2. Fund | Capital, Liquidity & Duration

Active management should not stop at the asset-level. For decades, the industry has focused on seeking asset-level alpha: looking to buy well, improve companies and exit successfully. We believe the next era will increasingly require attention on potential ways to generate fund-level alpha as well: actively managing capital, liquidity and duration to try to improve the outcome for investors.

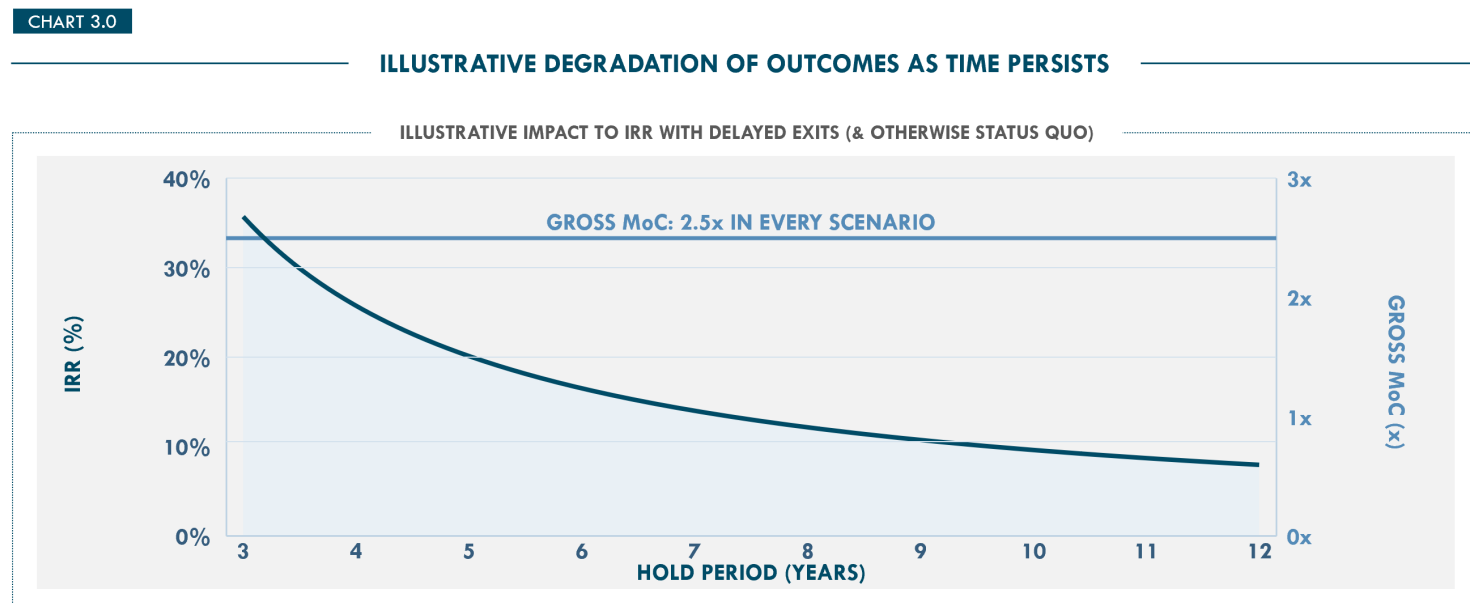
Gross-to-net spreads of flagship funds within their harvesting periods have tightened by almost 600 basis points (bps) since the early 2000s. In a more compressed return environment, the management of those spreads is increasingly relevant. Tools such as capital call facilities and recycling policies can influence the timing and efficiency of investor capital. Illustratively, extending capital call facility usage from three months to 12 months can create a ~100–300 bps differential in the gross-to-net spread depending on the rate environment (see Chart 2.0).



Source: Dawson data. Please refer to Legal Disclaimers below for more details.

We do not view this as a substitute for underlying value creation, but instead one component of seeking to improve net investor outcomes more deliberately. Some GPs now give LPs the choice between shorter and longer facility duration usage, recognizing that different investors may value the trade-offs of longer usage of capital call facilities differently.

Liquidity may present an even larger opportunity. As holding periods potentially extend, time itself can become an increasingly impactful variable to manage. Waiting for the “optimal buyer” or an incremental turn of MoC may improve absolute proceeds while simultaneously eroding IRR in the absence of offsetting growth or other portfolio company-level improvements (see Chart 3.0). GPs increasingly have a wider toolkit with which to navigate that trade-off: single- and multi-asset continuation vehicles, minority sales, equity recaps, structured solutions and, where appropriate, dividend recaps.



Source: Dawson illustrative analysis. Please refer to Legal disclaimers below for more details.

Each involves a different trade-off between liquidity, control, MoC and IRR. And while there are tradeoffs, the value is in the choices that GPs now have. We believe leading managers will increasingly dedicate real mindshare, and potentially more resources, to these fund-level decisions, applying to their funds the same intentionality they have long applied to their assets.

3. Technology | Harnessing Proprietary Technology

Technology is also changing the information available to managers. GPs are increasingly building in-house engines, investing in more sophisticated technology stacks and accumulating proprietary datasets. But simply possessing data is not a competitive advantage. We expect the advantage to come from converting raw data into signals, and signals into better decisions.

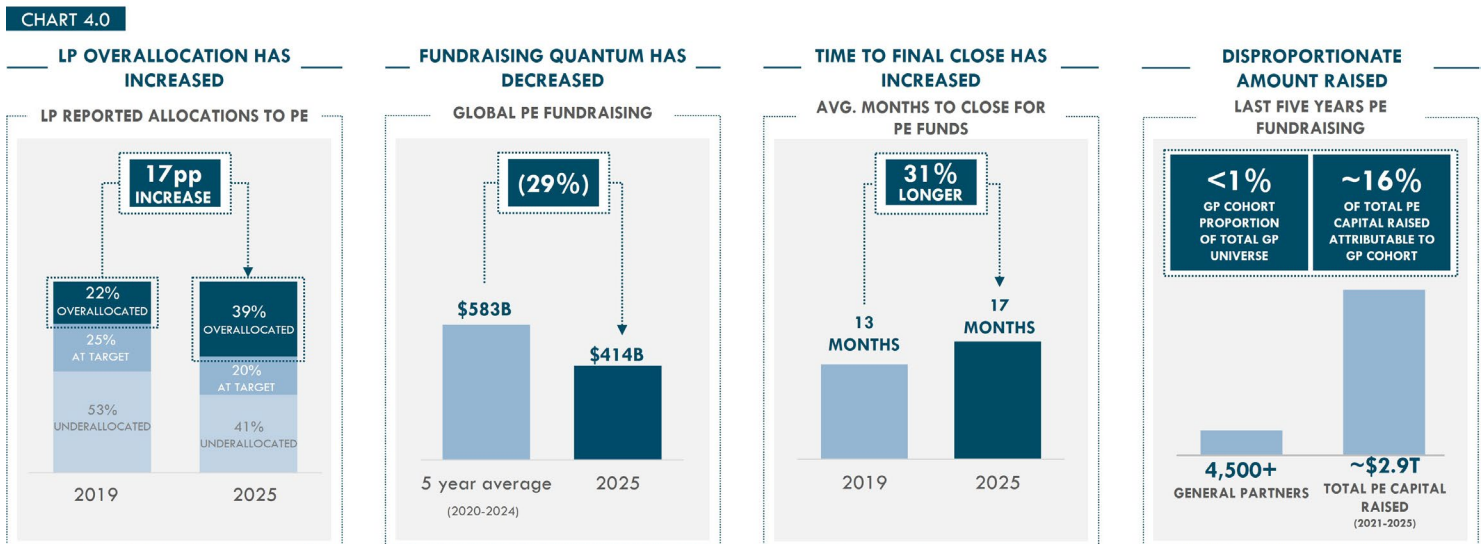
That can mean better sourcing, faster diligence, sharper underwriting and earlier identification of emerging portfolio trends. It can also create a feedback loop: insights from thousands of historical investment decisions can increasingly inform the next one.

All of the ingredients (the raw data) already reside at the portfolio company-level. Sponsors receiving operating information from their underlying companies have the potential to generate a live read on demand, pricing and cost trends spanning sectors and geographies, often well ahead of quarterly reporting cycles or publicly available datasets. The potential for sponsors is compelling: turn company-level data into earlier signals, and signals into faster action.

AI should accelerate that process. Sponsors may first use it to improve their own workflows and investment processes before deploying those capabilities more broadly across portfolio companies. In our view, the breadth of available proprietary data has the potential to become an important moat for private equity, but only for managers capable of putting it to work.

4. Investors | Adapting to a Shifting Fundraise Environment

The fundraising environment has become more challenging and success more concentrated (see Chart 4.0). Many institutional investors remain overallocated, while incremental pools of capital are increasingly emerging from private wealth, insurance and evergreen structures. The managers capturing those dollars are increasingly the ones that invested early in the products, distribution and infrastructure required to better reach these audiences.



Source: Bain & Company, Buyouts, PitchBook, Private Equity International, Dawson analysis. Please refer to Legal Disclaimers below for more details.

We believe this reflects a broader change: the asset management company itself increasingly needs to be actively managed. Different investor channels operate on different cycles. A diversified LP base therefore has the potential to provide a more resilient source of capital through changing environments. But reaching those investors typically requires different access points, products and infrastructure. Drawdown funds may remain the desired structure for some investors, while evergreen vehicles, structured products and private wealth solutions may be better suited for others.

Importantly, adapting to this environment may increasingly be necessary not only for fundraising success, but also for franchise stability. A more challenging fundraising environment can put pressure on the economics of the traditional model, including through fee compression and greater demand for co-investments. At the same time, the cost of competing is rising. Managers are investing more in technology, adding talent and capabilities, and building the infrastructure required to serve an increasingly diverse set of distribution channels, including private wealth. These forces can pull in opposite directions: pressure on revenues at precisely the time greater investment may be required. In our view, both GPs and LPs should recognize this tension. Managers that fail to evolve their products, distribution and operating models may not simply grow more slowly; they may introduce greater volatility into their franchises or risk being left behind as the market evolves.

The fundraising edge, in our view, will increasingly come from meeting different investors where they are, with the right product, through the right structure and at the right time. That diversification creates another form of optionality: capital optionality.

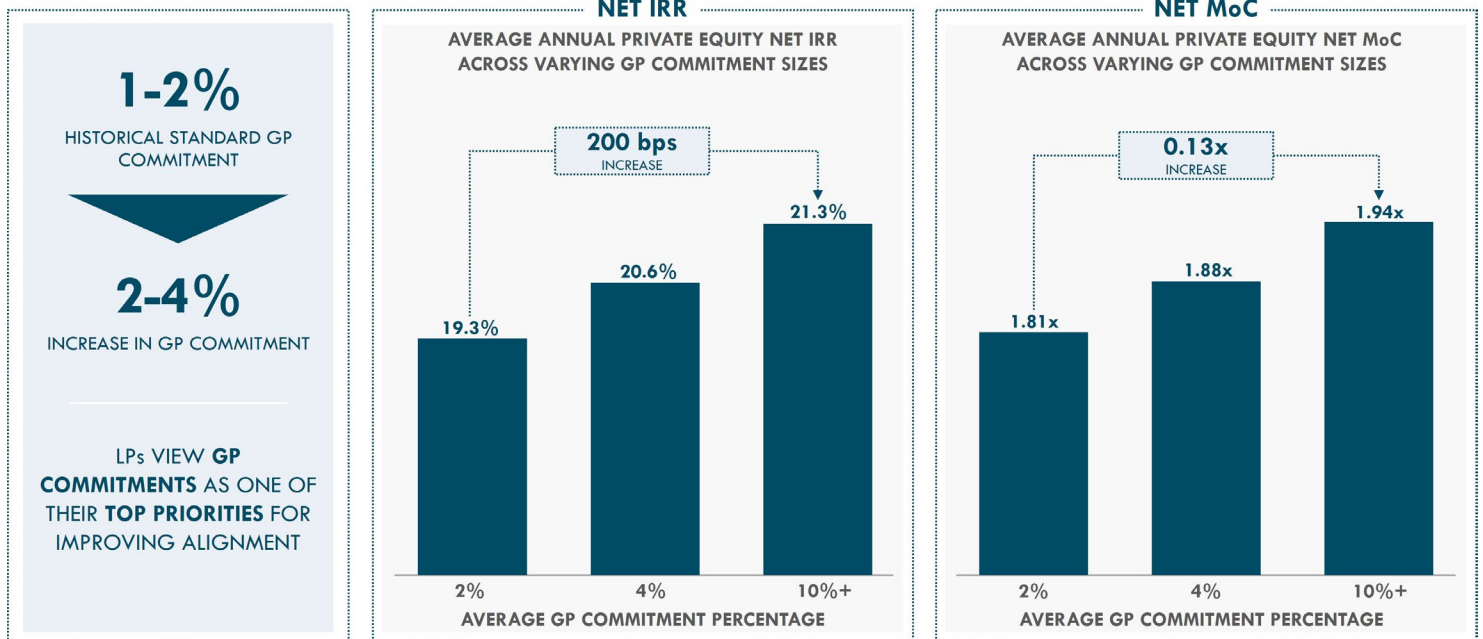
5. Balance Sheet | Unlocking a Critical Asset

A well-developed balance sheet can help finance many of the capabilities already discussed: AI, technology and data, people, distribution and larger GP commitments. The latter is particularly notable. The data in *Chart 5.0* suggests a positive correlation between larger GP commitments and stronger investor outcomes, while LPs themselves increasingly view GP commitment as an important source of alignment.

CHART 5.0

– A TOP PRIORITY FOR LPs –

POTENTIAL POSITIVE CORRELATION WITH RETURNS



Source: Torgy, Ropes & Gray, Preqin, Institute for Private Capital. Please refer to Legal Disclaimers below for more details.

GPs are at very different stages of building this capability: some have spent years developing dedicated balance sheet functions while others are only beginning to consider how the management company should be capitalized, resourced and financed. We believe the strategic value of a dedicated balance sheet extends beyond any single use case. Just as a strong balance sheet has the potential to provide resilience and flexibility at the portfolio company-level, it can do the same for a GP: allowing a manager to invest when opportunities arise, increase alignment, build new capabilities and/or better withstand periods when fundraising or realizations slow.

Summary for GPs

Taken together, we view these five levers as creating an interconnected system. Leveraging AI has the potential to improve asset-level performance. Active management at the fund-level has the potential to further improve investor outcomes. Adopting a more holistic tech and data strategy has the potential to further entrench these outcomes through an information advantage. Better performance should beget further fundraising success, but GPs will create further resiliency in capital optionality by meeting different investors with the right product and the right structures at the right times. All the while, leveraging one's balance sheet can enable GPs to make the requisite investment into these underlying capabilities while driving further alignment with their investors.

Put simply, we believe great GPs will be those that increasingly manage more actively in this next era of private equity.

ACTIVE MANAGEMENT FOR LPs

Active management should not solely be a focus for GPs. If the private equity toolkit is changing and the capabilities required to succeed are evolving with it, LPs face their own version of the same challenge: how to move from simply owning private equity to actively managing it. We see five levers for LPs: allocation, portfolio construction, access, governance and technology.

1. Allocation | Assess Role of PE in Portfolio

We believe private equity's role in portfolios is evolving beyond solely providing alpha generation potential. As Part 2 of our series discussed, over the last quarter century the asset class generated returns with less volatility than public markets while also becoming increasingly important in ensuring enhanced diversification in an investor's portfolio. That suggests private equity can serve a dual purpose: potential alpha generation while also broadening exposure across the corporate economy and contributing to portfolio risk management through greater diversification.

This matters because some legacy institutional allocation frameworks may have been built for a different market. LPs should therefore periodically reconsider not simply whether they own private equity, but why, how much and what role it should play alongside other asset classes.

That is the first act of active management: being intentional about the objective before deciding how best to pursue it.

2. Portfolio Construction | Utilizing Secondaries to Tactically Reallocate Portfolio

Once the desired allocation is established, LPs increasingly have tools to manage that exposure rather than simply wait for it to mature. While commitment pacing remains important, it no longer has to be the primary lever. Co-investments can increase exposure where there's high conviction. Secondaries can fill vintage gaps, add strategies, reduce unwanted concentrations or generate liquidity. Structured solutions can provide capital without requiring an outright sale. The breadth and scale of these tools has increased dramatically with LP-led secondary volume reaching approximately \$125 billion in 2025 after double-digit annual growth over the last decade (see *Chart 6.0*).

CHART 6.0


Source: Jefferies. Please refer to Legal Disclaimers below for more details.

Selling can reduce overweight exposures, concentrate capital behind higher-conviction managers or accelerate liquidity. Buying can fill portfolio gaps or deploy capital quickly, sometimes at a discount to NAV. Structured solutions can occupy the space in between. The important shift is from reactive to proactive management.

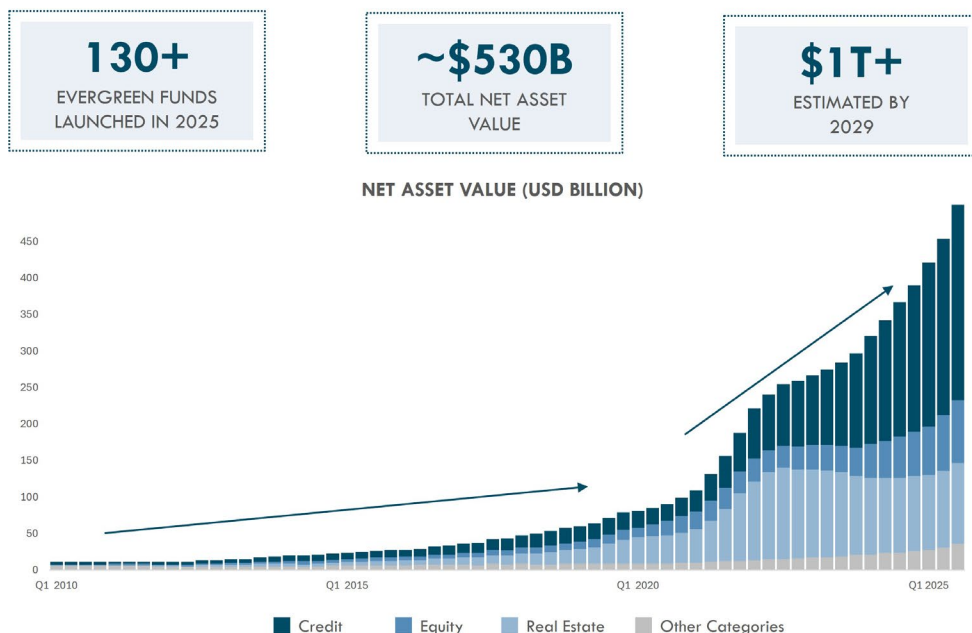
LPs can increasingly establish target exposure ranges, connect commitment pacing to cash-flow forecasts and consider potential responses before markets force them to act. In effect, we believe LPs have the ability to bring to their own portfolios the same intentionality that they have long expected from their managers.

3. Access | Diversifying Access to PE Beyond Drawdown Funds (i.e., Evergreen)

Investors also have more ways to access private equity than ever before. The decision has evolved beyond just which manager or fund to choose from. It increasingly includes how to own the exposure: traditional drawdown funds, evergreen vehicles, or some combination. Evergreen vehicles reached approximately \$530 billion of NAV across private asset classes in 2025, roughly double their level three years earlier (see Chart 7.0).

CHART 7.0

EVERGREEN FUNDS: MOVING FROM NICHE TO MAINSTREAM



COMPELLING LP ATTRIBUTES

1
SIMPLIFIED ACCESS &
EASE OF USE

2
IMMEDIATE DEPLOYMENT
& DIVERSIFICATION

3
PERIODIC
LIQUIDITY

Source: Preqin, Morningstar, MSCI, Dawson analysis. Please refer to Legal Disclaimers below for more details.

We believe these structures can increasingly complement traditional drawdown funds. An LP might use an evergreen vehicle to reach a target allocation more quickly, then reduce that exposure as drawdown commitments mature. Others may value the diversification, immediate deployment or potential for periodic liquidity these vehicles can provide.

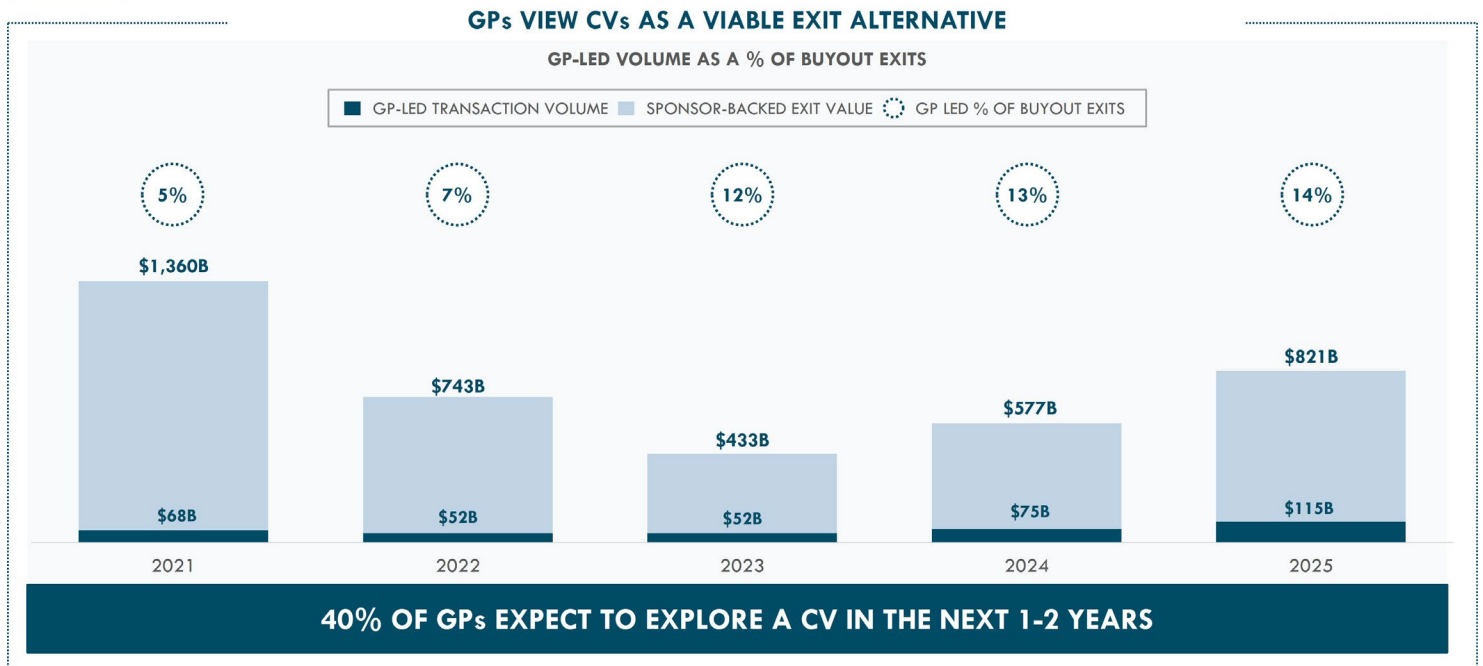
There is no universally correct structure. But there is increasingly a choice. And choice, actively managed, can increase control.

4. Governance | Adapting People & Process to Innovations

New investment structures are evolving at a pace that likely challenges traditional institutional governance frameworks.

Continuation vehicles provide a useful example. With 40% of GPs expecting to explore a continuation vehicle over the next two years, LPs increasingly need the people and processes to evaluate these transactions rather than treating them as one-offs (see Chart 8.0). That may mean establishing internal policies, developing the requisite in-house capabilities or utilizing specialist expertise to more actively assess buy-sell-hold decisions.

CHART 8.0



Source: Jefferies, Bain & Company. Please refer to Legal Disclaimers below for more details.

But the implication extends beyond just continuation vehicles. If the capabilities that drove GP success in the last era are not necessarily those that will define the next, manager selection itself needs to evolve.

Historical returns will remain important. But LPs may increasingly need to assess whether a manager is building the capabilities required for what could come next: operational resources, technology and AI, proprietary data, fund-management expertise, a resilient investor base and a strategic balance sheet. In other words, the five GP levers outlined in the first half of this paper may increasingly become part of the LP's manager selection framework.

LPs may be best positioned when their own organizations evolve with (or ahead of) the managers they evaluate, rather than assessing new capabilities through old processes.

5. Technology | Leveraging AI & Embracing Analytics

Finally, many LPs are becoming more technologically sophisticated themselves.

In a recent SS&C Intralinks survey of 280 global limited partners, 92% consider generative AI potentially transformative for how they monitor their investments and performance. Belief and adoption alone, however, are not active management. The objective should be to use technology to improve decision-making: better understanding company, sector, vintage and geographic exposures; improving cash flow forecasting; running more scenarios; improving pacing; and re-underwriting managers more efficiently. Technology in service of decisions, not dashboards.

As AI is expected to remove technical bottlenecks, LPs should be able to evaluate more funds, analyze more underlying data and react more quickly. Pacing and other investment-related decisions can increasingly be informed by live data rather than stale marks. Secondary opportunities can be identified more systematically rather than opportunistically. Manager re-underwriting can become more repeatable rather than episodic.

That capability matters because active management ultimately comes down to decisions. Technology is not meant to replace judgment. Instead, it can increase the number of informed decisions an organization can make, and potentially the speed at which it can make them. In an increasingly volatile environment with sentiment shifting more rapidly, reducing response times may become a real, distinct and alpha-generating advantage.

Summary for LPs

We see these five levers for LPs reinforcing one another. A deliberate allocation sets the objective and portfolio construction tools like secondaries give LPs the ability to steer exposures rather than waiting for them to mature. The choice of access structure can shape how quickly positions can be built or unwound, while stronger governance can allow organizations to evaluate new structures as fast as managers introduce them. Underpinning it all, technology has the potential to expand the number of informed decisions an LP can make across the other four levers.

Said differently, we believe the strongest LPs will be those that treat their portfolios as something to be managed, not merely held.

CONCLUSION: FROM OPPORTUNITY TO OUTCOME

Private equity's future will not look identical to its past. But we believe its potential remains intact.

Part 1 of our series argued that the private equity playbook must evolve. Part 2 argued that private equity's role in portfolios should evolve with it. Part 3 argues that the organizations managing private equity, both GPs and LPs, must evolve as well.

We believe the way that opportunity is captured is evolving.

For GPs, this means adapting to a shifting environment by actively managing their assets, funds, technology, investors and balance sheet. For LPs, this means moving beyond simply selecting managers and pacing commitments towards also managing allocation, portfolio construction, access, governance and technology.

We believe the 10 levers described in this paper are available, in some form or another, to a large part of the market. The difference will increasingly come from how deliberately these levers are utilized, how effectively they work together and how quickly organizations can act when conditions change.

This creates what in our view will be one of the defining characteristics of private equity's next era: the asset class can remain relatively steady in aggregate while outcomes within it increasingly diverge.

If the market provides fewer easy sources of return, skill matters more. If the range of available tools expands, the ability to select among them matters more. And if markets change faster, optionality becomes more valuable.

From our perspective, active management is therefore about creating choices and building the people, processes, capital and information needed to act upon them. For much of the last 25 years, we believe the market at least partly rewarded participants simply for showing up. Increasingly, we expect it will reward them for active management.

Exposure helps buy the opportunity. Active management helps convert it.

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Chart 2.0: Source: Dawson proprietary data and analysis as of March 31, 2026. The gross and net IRR analysis reflects the average gross and net IRRs of 225 flagship funds across 50 GPs with vintages 2000-2020 that Dawson is invested in, grouped by vintage cohort. 225 flagship funds represent all flagship funds where Dawson is invested and has such gross and net data. The analysis includes only funds in their "harvesting period", therefore excluding flagship funds with vintages after 2020 as these funds are five years or less into their fund life and are therefore still maturing. A fund's "harvesting period" refers to the stage of a fund's life following its investment period, during which the fund is primarily focused on managing and realizing existing investments rather than deploying new capital. The illustrative capital call facility analysis is drawn from the same underlying Dawson proprietary dataset, but is further limited to a subset comprising the latest flagship funds of 18 GPs that have completed or are near completing fundraising and for which sufficient cash flow and facility usage data is available. The 13.4% illustrative unlevered net return represents the average modeled unlevered net IRR for this subset and serves as the base case for the facility duration and cost-of-debt scenarios shown. Facility duration scenarios reflect the observed range of facility usage across those funds, and the analysis assumes facility sizing of 20% of fund commitments with illustrative costs of debt of 1.95% (S+150 bps) and 6.83% (S+250 bps) representing lower and higher rate environments. The capital call facility analysis is hypothetical, for illustrative purposes only, and does not reflect the actual performance of any fund. Different flagship funds and GPs yield different results. **Chart 3.0:** Source: Dawson illustrative analysis assuming a single capital outlay at entry and a single distribution at exit with no interim cash flows, and gross MoC held constant at 2.5x across all illustrative hold periods. All figures are hypothetical, for illustrative purposes only, and do not reflect the actual performance of any fund or investment. All figures are presented on a "gross" basis and therefore do not reflect the deduction of management fees, carried interest, costs and expenses, which will reduce returns. **Chart 4.0:** Sources (LP reported allocations to PE): "Global Private Equity Report 2020" - Bain & Company (2019 data); "LPs go from overallocation to private equity to underallocation" - Buyouts (January 2026) (2025 data). Sources (Global PE fundraising Avg months to close for PE funds): "2025 Annual Global Private Market Fundraising Report" - PitchBook (February 2026). Sources (Last five years PE fundraising): GP cohort represents 16 GPs as a proportion of the total GP universe (4,500+ GPs); total GP universe based on Private Equity International's GP database and includes North American and European GPs that are currently fundraising as of April 30, 2026; total private equity capital raised from 2021–2025 sourced from "2025 Annual Global Private Market Fundraising Report" - PitchBook (February 2026). **Chart 5.0:** Sources: Historical standard GP commitment (1–2%) and increase in GP commitment (2–4%): "How Sponsors Are Funding Increasingly Large GP Commitments" - Torys (October 2025); and "Latest Trends in GP Stakes Financing" - Ropes & Gray (October 2025). LP views on GP commitments as a priority: 2025 Preqin Private Capital Fund Terms Advisor - Preqin. Average annual private equity net IRR and net MoC across varying GP commitment sizes: "Do GP Commitments Matter?" - Institute for Private Capital (December 2024), based on data from StepStone, which contains 1,503 private equity funds across 917 GPs with vintages from 2000–2019 making investments in 38 countries across 15 industries. **Chart 6.0:** Source: "Global Secondary Market Review" - Jefferies (January 2026). **Chart 7.0:** Sources: Evergreen funds launched in 2025: Preqin Pro, Evergreen Funds database (accessed May 2026). Total net asset value and estimate by 2029: "The Rise of Evergreen Funds: A New Way to Access Private Markets" - Morningstar (April 2026). Net asset value (USD billion) by category, Q1 2010 – Q1 2025: "The Ascendancy and Implications of Evergreen Funds in Private Markets" - MSCI (March 2026). Compelling LP attributes are based upon Dawson's current views informed by published sources and third-party and proprietary data. **Chart 8.0:** Sources: GP-led transaction volume, sponsor-backed exit value and GP-led volume as a percentage of buyout exits, 2021–2025, as of December 31, 2025: "Global Secondary Market Review" - Jefferies (January 2026). Survey of GPs expecting to explore a continuation vehicle in the next 1–2 years: "Global Private Equity Report 2026" - Bain & Company (February 2026).