(Re)Starting Private Equity: Aspects for Building a Resilient Programme from Day One

Private equity continues to play an important role in long-term investor portfolios, offering access to companies, sectors and value creation opportunities that are often unavailable in public markets. At the same time, private equity investments are generally long-term and illiquid in nature, and involve risks, including the potential loss of capital. Successful investing in private equity therefore requires more than simply allocating capital. Investors must navigate manager selection, portfolio construction, liquidity management and pacing considerations, while understanding how factors such as the J-curve and deployment schedules can influence outcomes.

For many investors, a well-constructed fund-of-funds approach may provide a practical way to access the asset class while benefiting from diversification, institutional manager access and professional oversight. Bregal Anthos' private equity platform is built on these principles, combining disciplined manager selection, portfolio construction and selective co-investments within a diversified private markets programme. Furthermore, for some long-term investors, including endowments, pension funds, family offices, private equity is an established component of a diversified investment programme aimed at generating long-term returns. The characteristics of the asset class align well with long-term investment horizons, offering the potential to enhance overall portfolio returns while providing exposure to a broad opportunity set beyond public markets. By way of example, according to research, over the last fifteen years, private equity buyout outperformed the listed markets by 2,8% per annum [1]. **Past performance does not predict future returns.**

While the asset class remains an important component of many long-term investment portfolios, translating investor interest into a well-designed private equity programme is often more complex than anticipated, and accessing the opportunities available within private equity is not without its challenges. A range of practical, operational and governance considerations can create meaningful barriers to implementation and, in many cases, delay investment decisions. With suitable expertise, governance frameworks and implementation support, however, these challenges can be effectively navigated, assisting investors in building diversified private equity portfolios aligned with their objectives.

In this article, we explore **five key considerations** when establishing or revitalising a private equity allocation and, more importantly, how investors can effectively address and mitigate these challenges.

1. Building a Private Equity Programme: The Importance of a Long-Term Perspective

The development of a private equity allocation is a multi-year endeavour. In our experience, private equity funds, on average typically require four to five years to deploy committed capital, followed by a further period of approximately five years to realise investments through exits. As a result, investors embarking on a private equity programme should expect actual invested capital levels to remain relatively modest during the early years compared with most liquid asset classes, where capital can be fully deployed from the outset.

While capital deployment occurs gradually, the governance, manager selection, administration and monitoring infrastructure must be established from day one. Effective manager selection requires experienced professionals with deep market knowledge and a well-developed network. In addition, specialised legal and tax expertise is often needed to navigate the wide range of fund structures, terms, jurisdictions and regulatory frameworks encountered within private equity portfolios.
Generally, in many programmes, less than 5% of committed capital has been drawn after the first year, despite the full operating infrastructure already being in place. For many investors, this means maintaining programme resources for several years before the allocation reaches a scale that can meaningfully contribute to overall portfolio returns.

There are, however, ways to mitigate these effects. Acquiring mature portfolios through secondary transactions or gaining exposure through co-investments can accelerate deployment and potentially bring forward distributions. These approaches can materially shorten the path to a fully functioning private equity allocation, although they require specialist sourcing, underwriting and execution capabilities.

2. Managing the J-Curve: Aligning Expectations with Long-Term Value Creation

Historically, a significant portion of value creation in private equity has often been realised at exit. According to research, buyout investments have historically been sold at meaningful premiums to their carrying values, with average exits realised at a 24% premium to valuations recorded three quarters earlier and a 42% premium to valuations five quarters prior.[2]

Against an average holding period of 6.1 years for private equity-backed companies between 2011 and 2020 [3], these observations highlight that investors should be prepared for a period during which portfolio value creation may not fully be reflected in realised returns.

While investment value is created over time, the drawdown of management fees during the deployment phase can place downward pressure on portfolio performance in the early years. This dynamic gives rise to the well-known private equity J-curve, whereby returns are initially negative before improving as investments mature and exits begin to occur.

These effects, however, may become less pronounced in mature programmes, where approximately 15% to 25% of invested capital may be realised annually through a continuous flow of exits and distributions. For portfolios still in the ramp-up phase, investors can consider complementary strategies designed to accelerate deployment and improve near-term cash flow characteristics.

One example is investing in funds that remain open to new commitments despite having already invested a substantial portion of their capital. These so-called early secondaries, or late primaries, may accelerate programme development by several years and potentially provide earlier access to distributions. The trade-off for investors, however, is that these opportunities require specialist underwriting expertise to evaluate both the existing portfolio and the circumstances behind the prolonged fundraising period.

3. Securing Access: Accelerating Portfolio Construction

Establishing deployment momentum early can materially shorten both the ramp-up period and the associated J-curve. Nevertheless, investors embarking on a private equity programme often proceed cautiously when determining the pace at which commitments are made. While understandable, a slower commitment pace can meaningfully extend the time required to achieve a mature allocation and realise the associated portfolio benefits.

Although caution may play a role, practical constraints such as team capacity, market access and deal flow often prove equally important. Building a sustainable private equity programme requires more than capital; it requires access to attractive opportunities and the organisational capabilities needed to evaluate and execute them.

Many of the most sought-after private equity opportunities remain capacity-constrained. Incremental fund capacity is frequently allocated to investors that are viewed as long-term strategic partners; investors capable of conducting timely due diligence, onboarding efficiently and supporting successor funds over multiple cycles.

Consequently, even experienced investment professionals with extensive personal networks cannot guarantee immediate access to in-demand opportunities for a newly established programme.
The same challenge applies to co-investments. While co-investments may enhance returns, improve diversification and accelerate capital deployment, access is generally derived from primary fund relationships. New entrants to private equity are therefore likely to experience a period during which proprietary co-investment opportunities remain relatively limited. At the same time, growing competition within the co-investment market has increased expectations around execution speed, due diligence capability and reliability as an investment partner.

One way to address these challenges is through partnerships with established private equity platforms. Such partnerships may provide immediate access to sourcing networks, underwriting expertise and operational infrastructure, while allowing internal capabilities to be developed over time. These relationships may be structured through fund-of-funds investments, dedicated mandates or specific strategies focused on co-investments and secondaries. Even for larger and more experienced programmes, external partnerships can remain valuable in areas where additional diversification, market access or specialist expertise is sought.

4. Diversification at Scale: Strengthening Portfolio Resilience

Diversification is widely regarded as an important tool for managing investment risk, although it does not eliminate risk entirely. Increasing the number of underlying portfolio companies has historically been associated with lower idiosyncratic risk and improvements in the consistency of outcomes. A recent analysis shows that exposure to 100 positions can reduce company-specific risk by more than 90% compared with a single-company investment. [4]

Achieving a high level of diversification requires substantial scale. At any given point in time, exposure to what we consider a well-diversified portfolio of approximately 200 companies typically requires commitments across around 20 fully invested private equity funds. Since funds spend only a limited period fully invested, investors generally need a larger number of active fund relationships to maintain comparable levels of underlying exposure over time.

Diversification across vintage years, managers, geographies and sectors may contribute to further improving the portfolio's risk-adjusted return profile. However, constructing a portfolio of this breadth creates practical challenges, particularly for smaller and medium-sized investors. Our experience shows that with a typical minimum commitment size of €5 million, building a programme with seven to twelve commitments per year may require annual commitment capacity of €35 million to €60 million.

Rather than compromising on diversification, investors may consider a fund-of-funds structure. A single commitment can provide immediate access to a highly diversified portfolio of managers and underlying companies. Fund-of-funds solutions can also play a strategic role within larger programmes, offering efficient access to specific geographies or market segments. For example, an investor managing a predominantly European programme may use a fund-of-funds allocation to build diversified exposure to North America.

5. Manager Selection: Reducing the Risk of Underperformance

For many allocators, the greatest concern is not access, deployment or the J-curve, but ultimately whether performance will meet expectations. Given the long-term nature of private equity, disappointment may only become evident several years after commitments have been made, at which point capital remains largely illiquid.

Historically, according to research, the difference in net IRR between top-quartile and median private equity funds has been approximately five percentage points. A further five percentage point gap has traditionally separated median and bottom-quartile performers. More recently, however, performance dispersion has widened significantly, with the spread between quartiles increasing meaningfully in 2022 vintage funds.[5]

We believe this reflects the legacy of an extended low-interest-rate environment, during which a broader range of managers gained access to capital. As market conditions have become more challenging, performance differences between high-quality managers and the wider market have become increasingly pronounced. At the same time, we observe the threshold for top-quartile performance to have risen, with top-performing 2022 vintage funds now generating approximately 20% net returns. While access to top-quartile managers remains highly desirable, avoiding persistent underperformers may be equally important. Funds managed by teams unable to raise successor vehicles may face additional challenges, in the form of liquidity limitations and constraining an investor's ability to redeploy capital to more attractive opportunities.

Identifying future winners and avoiding potential underperformers remains one of the most challenging aspects of private equity investing. Historical track records provide a useful starting point but offer only a partial view. Leadership transitions, organisational growth, strategy drift and changes to investment focus can all materially influence future outcomes.

In our experience, navigating these challenges requires extensive market coverage, deep due diligence and robust manager research. Detailed portfolio analysis, comprehensive reference checks and company-level underwriting can provide valuable insights into the factors that may have contributed to a manager's historical results and the strength of the team responsible for delivering potential future returns. Finally, secondary market transactions can also play an important role in active portfolio management. Disposing of mature assets whose future upside may be limited may accelerate cash generation and facilitate redeployment into higher-conviction opportunities. Where sellers can offer well-diversified portfolios that combine established performers with remaining growth potential, secondary buyers are often willing to pay more attractive prices than for isolated positions.

Closing Thought

Private equity remains a compelling asset class for investors able to commit capital with a long-term perspective. Yet achieving successful outcomes requires thoughtful portfolio construction, disciplined manager selection and careful management of liquidity and deployment dynamics.

For investors seeking exposure to the asset class without the complexity of building and managing their own programme, a diversified fund-of-funds approach can offer a practical entry point -providing access to established managers, broad diversification and institutional investment expertise across market cycles.

Whether an investor is considering a first allocation to private equity, seeking to complement an established programme through co-investments, broadening diversification, or gaining access to specific geographies and market segments, successful implementation requires a clear strategy and a suitable partner.

Bregal Anthos' private equity platform has been built around these principles. Drawing on more than two decades of experience in manager selection, portfolio construction and programme implementation, we offer a diversified platform spanning primary fund investments, co-investments and secondaries, enabling us to support investors across a wide range of investment objectives and stages of portfolio development.

We partner with family offices, charitable foundations, faith-based organisations and other long-term investors, tailoring our support to their unique circumstances, governance structures and investment ambitions. For some, this may mean building a private equity programme from the ground up. For others, it may involve expanding an existing portfolio, accessing differentiated opportunities, strengthening diversification, or increasing exposure to specific markets such as the United States.

Our objective is to support investors wherever they are in their private equity journey and help them develop programmes that reflect their long-term objectives, resources, and circumstances.

We believe investors benefit from an experienced sparring partner. Having invested through multiple market cycles and cultivated a broad global network of managers and portfolio companies, we seek to share not only investment opportunities, but also the insights, relationships and lessons learned that can help investors navigate an increasingly complex market landscape.

FOOTNOTES:

1 Preqin Global Private Equity Buyout closed end fund index versus MSCI World TR, 15 year TWR per 31 December 2025. Over the fifteen years to 31 December 2025, the Preqin Global Private Equity Buyout Closed-End Fund Index generated higher returns than the MSCI World TR Index; however, future performance may differ materially.

2 Are private equity valuations too high?, StepStone, April 2023.

3 Private equity: Clearer view, tougher terrain, McKinsey, February 2026.

4 The only free lunch in secondaries: why company-level diversification matters, Coller Capital, November 2025.

5 Preqin Global Report Private Equity in 2026, Preqin, December 2025.

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All investments involve risk, including the possible loss of capital. Private equity investments are generally illiquid and long-term in nature.

Past performance does not predict future returns.
Over the fifteen years to 31 December 2025, the Preqin Global Private Equity Buyout Closed-End Fund Index generated higher returns than the MSCI World TR Index; however, future performance may differ materially.

Depending on portfolio size, strategy and investment period, a fund-of-funds structure may provide exposure to a broad range of managers and underlying portfolio companies. Diversification does not eliminate investment risk.

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