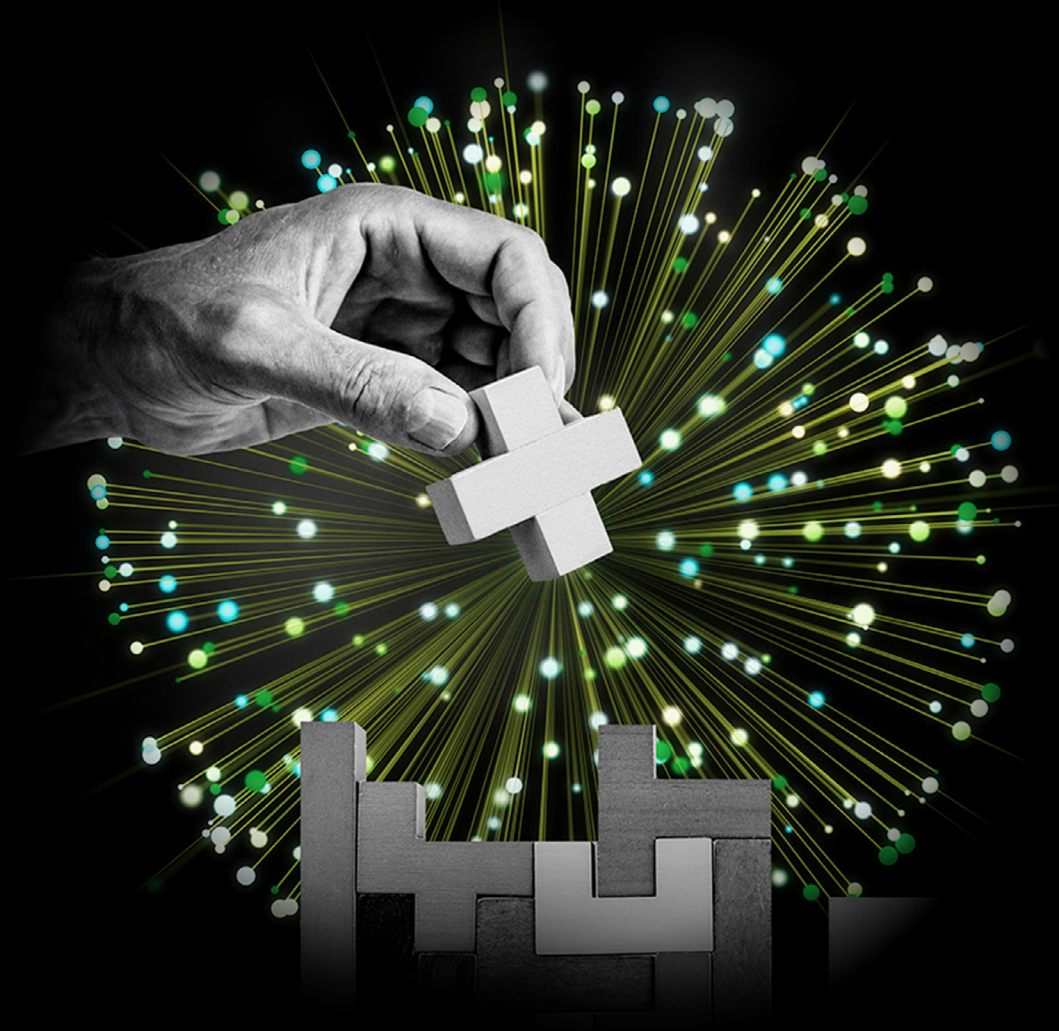


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Private markets Mergers & Acquisitions:
A strategic imperative for fund managers

Deloitte Private Equity | Firm and Fund series



Preface

Welcome to Deloitte's series exploring key strategic drivers and events influencing the evolution of private capital firms and funds.

I am really excited to bring this series to you which delves into some of the unprecedented challenges and opportunities facing private capital firms right now. What are we seeing firms focusing on at the moment? There is huge focus on liquidity at both the firm and fund levels, a continued focus on growing assets under management in more challenging markets and of course focus on increasing profitability at the firm level. Many firms are also grappling with succession and transition planning. How are firms addressing these goals? Solutions range from one or a combination of expanding into new strategies and geographies, accessing new investor types, establishing continuation vehicles, undertaking general partner stake sales or full consolidation, implementing new and innovative incentive structures, and firm level optimization. Successfully navigating these events requires careful planning and understanding of market practice as well as a relentless focus on the impact on talent, ownership structures, and organizational frameworks.

This series explores these key events and trends shaping the private capital landscape. Our aim is to bring the breadth of our global expertise and experience to support your firm in understanding the art of the possible, planning out the roadmap to an event and supporting in the design and execution of the chosen solutions.

I hope you find our insights valuable.

Olivia Biggs

Global and UK Private Equity Firm and Fund Services Leader

To the point



The private capital fund management landscape is undergoing significant consolidation as both traditional and private market alternative firms adapt to evolving market demands—a trend we expect to continue.



Buyers often pursue acquisitions to accelerate growth in high-demand areas, improve margins and fee stability, diversify offerings, establish strategic partnerships, access alpha-generating strategies, and potentially achieve cross-sell revenue synergies.



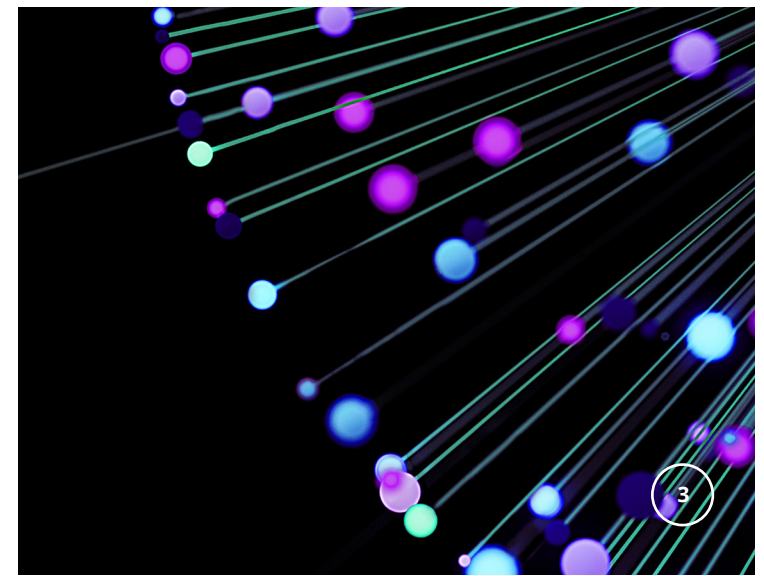
Mid-sized private capital firms might be motivated to sell due to succession planning needs, a complex macroeconomic and regulatory environment, fundraising challenges and market oversupply.



An effective Mergers & Acquisitions (M&A) process requires a three-phase approach encompassing pre-transaction planning, careful negotiation of valuation and structure, thorough due diligence during the transaction, and effective post-transaction integration and proactive stakeholder management.



Efficient and effective mergers often include thorough preparation, clear communication, and a focus on achieving synergies while retaining leading talent. Firms that navigate these complexities effectively will be best positioned for future growth.



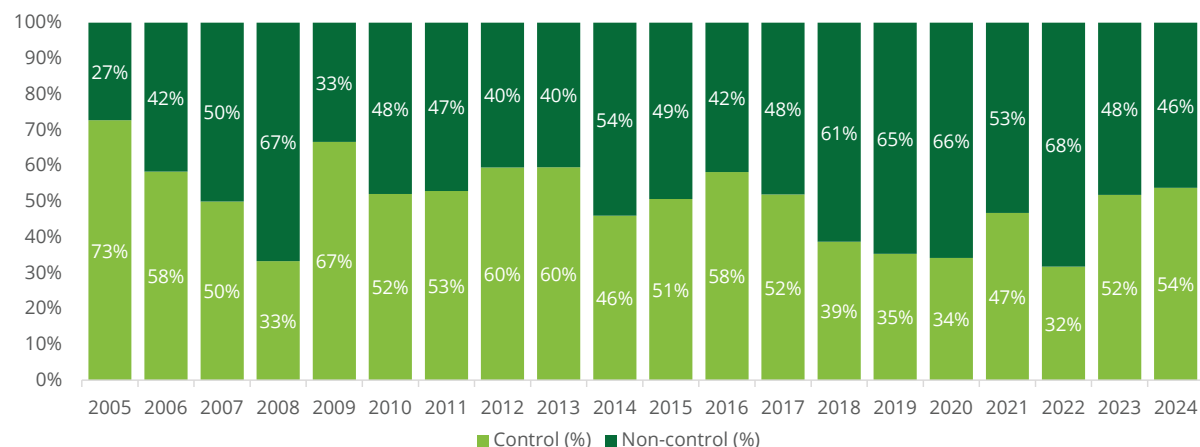
Introduction (1/2)

The private capital fund management industry is experiencing a period of unprecedented transformation, driven by a wave of consolidation that is reshaping the competitive landscape. This dynamic shift involves both traditional and alternative asset managers adapting to evolving market demands, creating a complex environment with significant opportunities and inherent challenges.

This paper examines the key drivers of this consolidation, provides a detailed framework for navigating the transaction process, and explores the potential benefits and risks associated with this transformative trend. Whether you are a senior executive—CEOs, CFOs, or CIOs—within private capital firms involved in strategic decision-making, or part of a team accountable for M&A execution, this paper is a helpful tool for driving value creation.

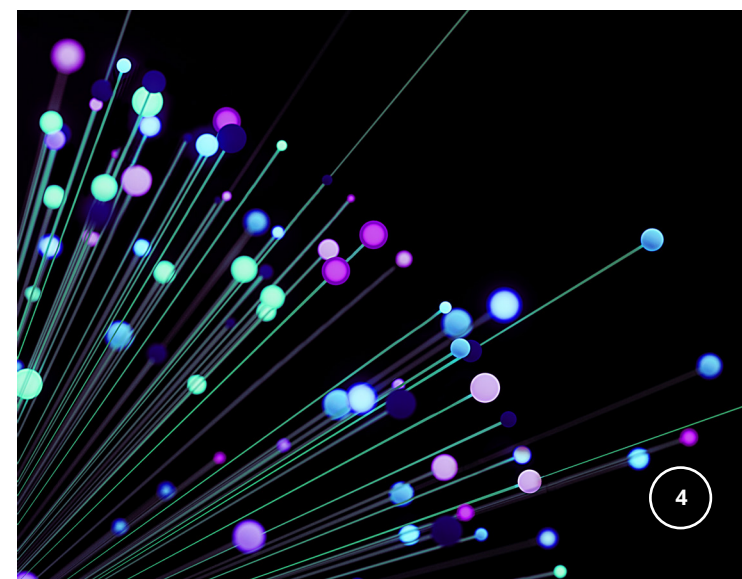
Control transactions have returned to the majority of deals after a decrease in 2018-2022

Share of global General Partner (GP) deal counts by deal types, 2005-2024



Note: Control deal types include M&As, Buyout/LBO; Non-control deal types include GP stakes, corporate deals by traditional managers, PE growth/expansion deals signifying strategic partnerships and secondary transactions.

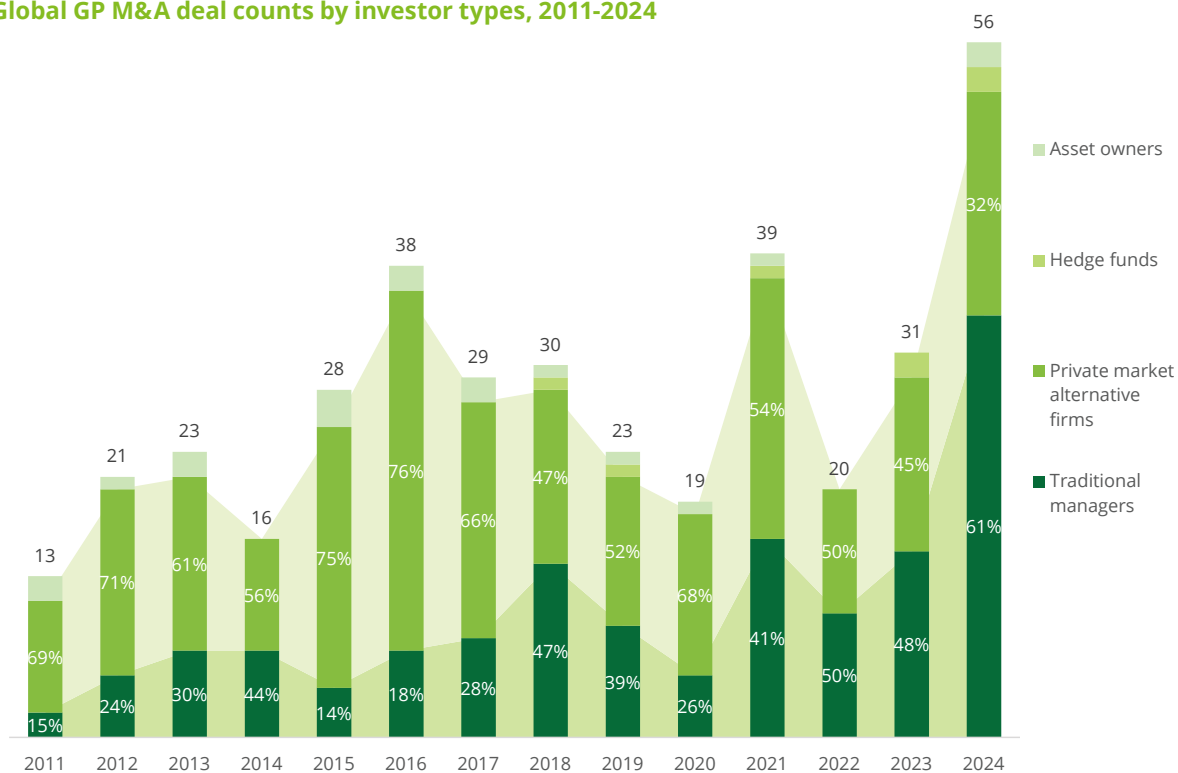
Source: Deloitte analysis of Pitchbook data, 2005-2024 (2025).



Introduction (2/2)

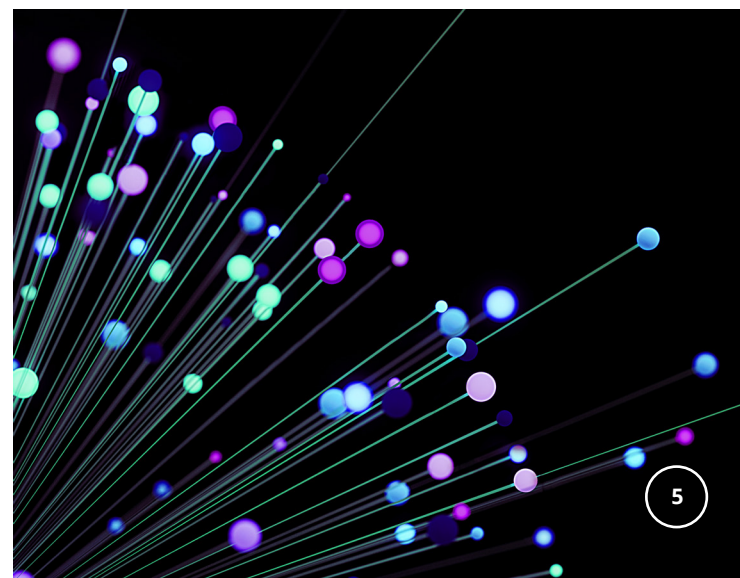
Traditional managers are strategically expanding into private market asset classes through M&A, peaking in 2024 at 61% of global GP M&A deals.

Global GP M&A deal counts by investor types, 2011-2024



Note: Traditional managers include asset managers, insurers and banks; Private market alternative firms include PE, VC, real estate, infrastructure, private debt, and other alternative managers; Asset owners include sovereign wealth funds and pension funds.

Source: Deloitte analysis of Pitchbook data, 2011-2024 (2025).



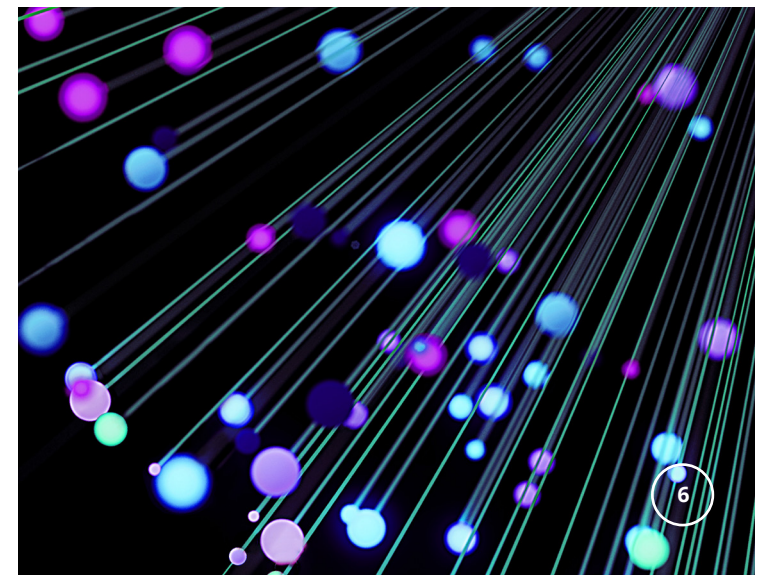
M&A drivers

The current wave of consolidation is not a singular phenomenon but rather the result of a complex interplay of factors that affect both buyers and sellers:

A Buy-side dynamics:

Large, established asset managers, insurers, and private equity firms are actively pursuing acquisitions for several strategic reasons:

- 1 Accelerated growth in high-demand areas:** Acquisitions provide a faster route to market entry into high-growth asset classes such as private credit, infrastructure, and real estate, allowing for immediate integration into existing sales channels and cost efficiencies, bypassing the lengthy and resource-intensive process of organic growth.
- 2 Strong margins and fee stability:** Private markets fund managers command higher management fees than public markets, and their base management fees are more predictable because they are charged on committed/invested capital, or on typically less volatile net asset values (NAVs). This is an attractive offset to low and still declining margins in the liquid active and passive segments.
- 3 Strategic diversification and cross-selling:** Consolidation enables firms to expand their product offerings, catering to investors seeking diversified portfolios managed by fewer, larger, and more established firms. This diversification also facilitates cross-selling opportunities, increasing revenue streams and strengthening client relationships.
- 4 Pursuit of alpha:** Acquiring firms with specialized private markets experience allows larger players to access proven alpha-generating strategies and capabilities, enhancing their overall investment performance and attracting capital.
- 5 Strategic collaboration:** Insurers are increasingly collaborating with alternative managers to access higher-yielding private market investments, with a mutually beneficial thesis – a mix shift of their longer-term capital toward private capital asset classes should generate higher margins than typical fixed income securities, while that longer term capital, funded by insurance premiums, is an attractive source of assets under management for fund managers.



M&A drivers

B Sell-side motivations:

There is a large universe of mid-sized private capital fund managers with increasing motivations to exit, merge or work with larger firms, driven by:

1

Succession planning, liquidity and legacy: As founders of boutique firms approach retirement, the need for succession planning becomes paramount. Consolidation offers an attractive exit strategy, providing financial benefits to owners—currently, often at very attractive valuation—and demonstrating the continued effectiveness of the firm through access to capital for growth and fundraising revenue synergies.

2

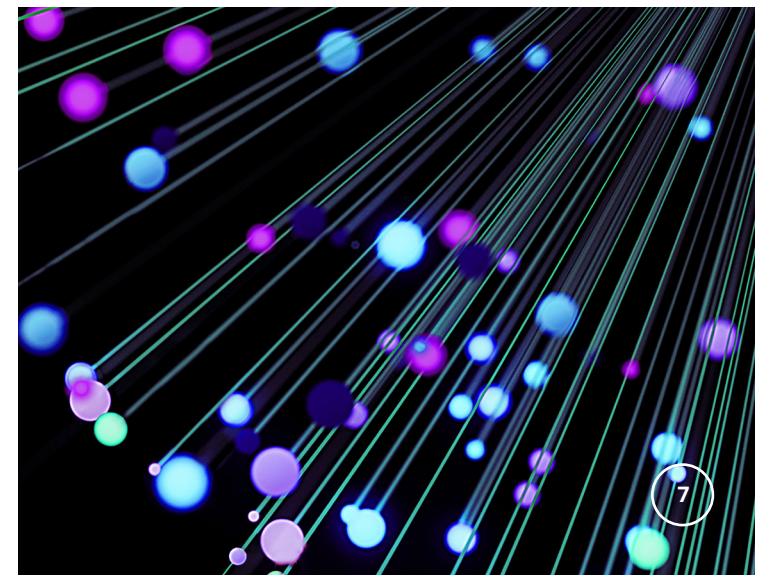
Complex macroeconomic and regulatory landscape: More volatile interest rates, inflationary pressure, and increased regulatory scrutiny create a more challenging environment for smaller firms with less resilience to economic uncertainty, and consequently, the “safe harbor” of a larger parent becomes more attractive.

3

Fundraising challenges: Equity market volatility and macroeconomic uncertainty have introduced challenges to fundraising, particularly for private equity, where deferred portfolio company exits have delayed limited partner (LP) distributions and suppressed liquidity for new allocations, and for infrastructure managers, where higher interest rates and lower equity markets performance dampened allocations temporarily.

4

Market oversupply: Linked to fundraising challenges, the private capital fund management market is arguably at a point of oversupply, with a long tail of smaller firms facing intense competition from larger, more established players. This makes acquisitions an attractive option for smaller firms seeking liquidity and a more secure future.



Navigating the transaction process: A three-phase framework

Effectively navigating the complexities of asset manager M&A in private markets requires a structured approach across three main phases:

A

Pre-transaction phase: Laying the foundation for success

Sellers should focus on:

Exit readiness:

Conducting thorough exit readiness preparation to assess the suitability of their existing data and structure for a transaction, including financial data integrity and clarity on perimeter, what likely deal concerns will be and a strategy to address these.

Private market fund management deals often involve concerns such as a lack of clarity on transaction perimeter, or financial information—itsself of variable quality—which may be inconsistent with that perimeter, or tax or regulatory risks that, being unaddressed, can emerge as a surprise during diligence and risk value leakage.

Succession narrative:

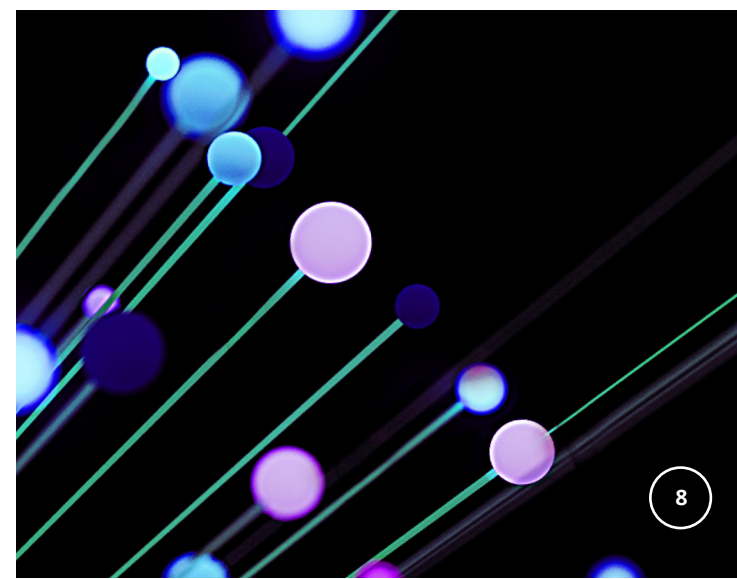
Addressing reward and governance considerations, including succession planning and next-generation reward to ensure a smooth transition and secure key talent in the business, particularly if the transaction involves a founder-owner stepping back either on closing or in the short term.

The valuation multiple a buyer places on a target depends on whether it is a platform with talent who owns the fundraising and deployment track record to drive future growth, or essentially a series of funds generating predictable revenue but with limited future growth.

Transaction priorities:

Defining their priorities in an acquisition relationship. Consideration proceeds, ability to unlock revenue synergies, cultural fit and alignment on future operating and governance model (including level of autonomy versus integration) are all important.

Sellers should be clear upfront, in their minds, on which priorities are most important to them and where they have flexibility. Implications for key stakeholders (cornerstone LPs and talent) should be considered and managed. This is key to help filter quickly toward an optimized shortlist of potential relationships.



Navigating the transaction process: A three-phase framework

A

Pre-transaction phase: Laying the foundation for success

Buyers should focus on:

Assessing strategic drivers:

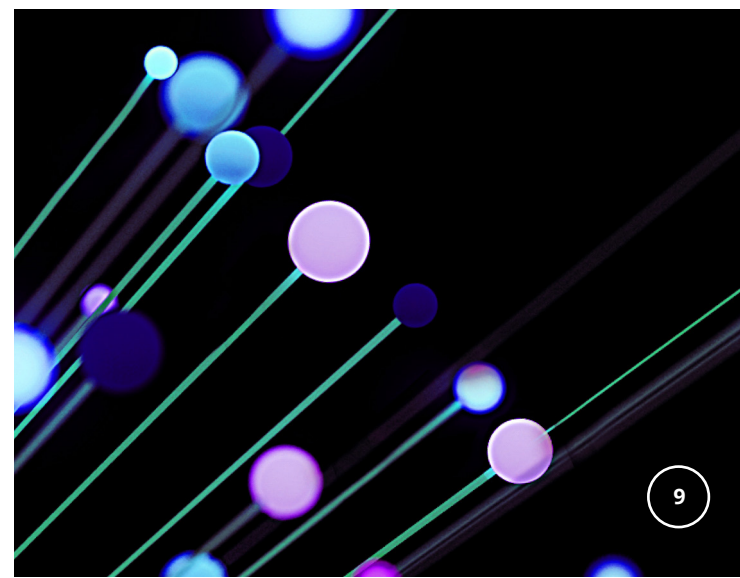
Buyers should have stakeholders completely aligned on which asset classes and investment style they are focused on acquiring (and why), what the complementary geographic areas are, what their appetite is on the scale of M&A (i.e., desire for transformational combinations versus smaller bolt-ons, what threshold is too small to move the needle, etc).

Given the large universe of potential acquisitions still accessible, having strategic clarity on the target screening and selection process, in terms of investment case (including revenue and cost synergy ambition), financial parameters and target operating model is key to effectively screening potential targets.

“Why us?”:

In a market where winning businesses (in terms of their investment return and fundraising track records) are in high demand from multiple acquirers, buyers need to be extremely clear on why they are a preferred future parent, highlighting differentiating aspects, whether cultural affinity, differentiated revenue synergy potential, or operating model.

Acquirers risk stalling potential M&A deals during initial meetings with CEOs if their ‘why us’ is not compellingly articulated or if they assign personnel without the requisite seniority. Post-screening of targets, a carefully considered outreach strategy and a compelling narrative are essential.



Navigating the transaction process: A three-phase framework

B Transaction phase: Executing the deal

This phase involves the intricate negotiation of the transaction terms:

Valuation and structure:

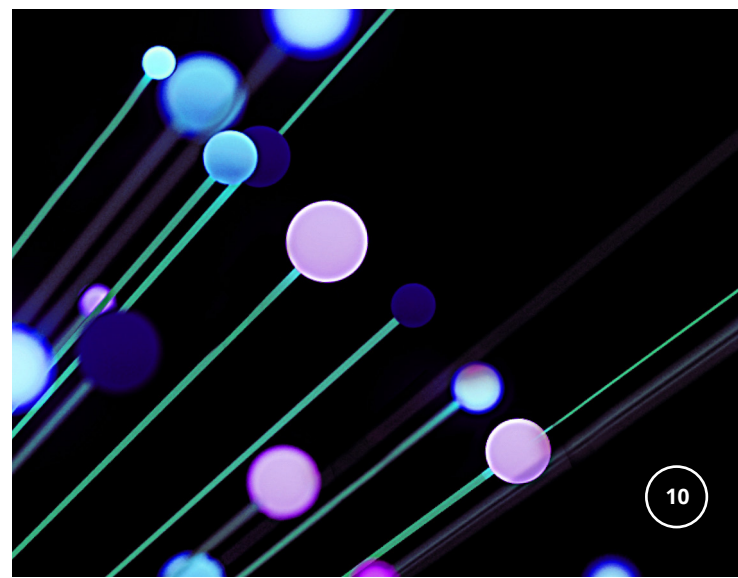
Negotiating the value and structure of the consideration is paramount. Indicators of higher valuation multiples will include historical fund performance, returning LPs who “re up” in future funds, ability to generate carry/promote, talent attraction/retention, and a sensible and efficient operating model, all of which can drive strong financial prospects.

Defining deal perimeter is important (i.e., will historical carry units remain outside, what value will be ascribed to GP’s on-balance sheet stake in its LP?), and structured consideration (earn outs, put/call options, equity incentivization) are frequently used.

Due diligence planning:

Developing and executing a broad due diligence strategy to thoroughly assess the target firm’s financial health, investment track record, operational footprint, and cultural fit is then important to validate the investment thesis and base case robustly, or adjust valuation, legal protections or return expectations accordingly.

Targets are rarely homogenous, with bespoke, often complex, structures and compensation arrangements, so human capital and taxation risks require attention. Financials are sensitive to fundraising and deployment assumptions. Data and governance immaturity can also be a challenge.



Navigating the transaction process: A three-phase framework

B Transaction phase: Executing the deal

This phase involves the intricate negotiation of the transaction terms:

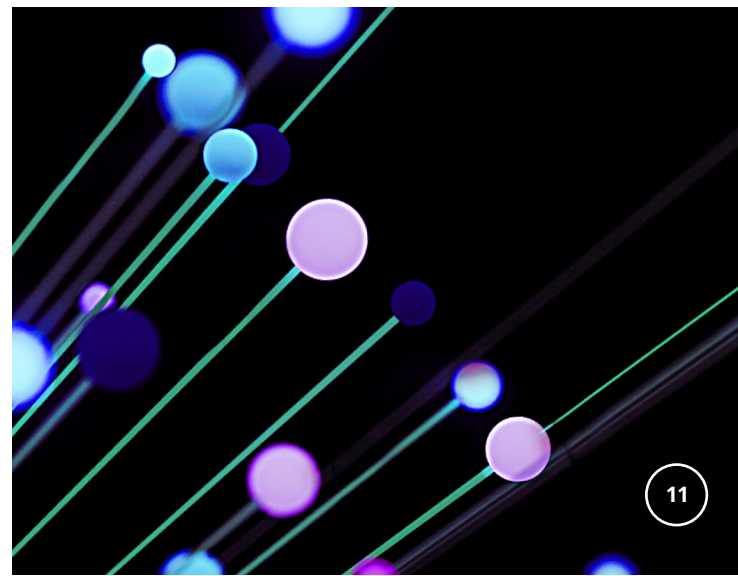
Integration planning:

Early consideration of level of business integration or segregation is important. Buyers and sellers should address potential challenges related to culture, talent, go-to-market strategy, and incentives to secure revenue and cost synergies while preserving the strengths of both organizations.

Transaction documentation:

Meticulous drafting of legal and financial documentation is important to confirm alignment between commercial intentions and legal obligations. This includes the negotiation of head of terms for earn-outs/majority stakes (including financials and the share purchase agreement, or SPA), careful consideration of accounting, regulatory and tax implications, and ensuring that purchase price adjustment mechanisms properly reflect the state of the business being acquired.

While principals often prioritize commercial terms, leaving future operating model decisions unaddressed may undermine the accuracy of financial modeling. Prompt integration planning can also flush out misalignment of expectations early, and in people businesses, this is important.



Navigating the transaction process: A three-phase framework

C **Post-transaction phase: Ensuring long-term value creation** This phase focuses on the successful integration and long-term performance post-deal:

Implementation framework:

Effective and decisive implementation of new governance, operating, and incentive models is important. This includes leveraging combined capabilities and talent to deliver the investment case that underpinned the deal thesis and valuation.

Even with sensible and thorough integration plans, successful execution remains important. In people businesses, this is not always straightforward, and even anticipated concerns can prove problematic to manage. Alignment among senior leaders, supported by a clear governance and delivery framework with defined business accountability, is important.

Synergies achievement:

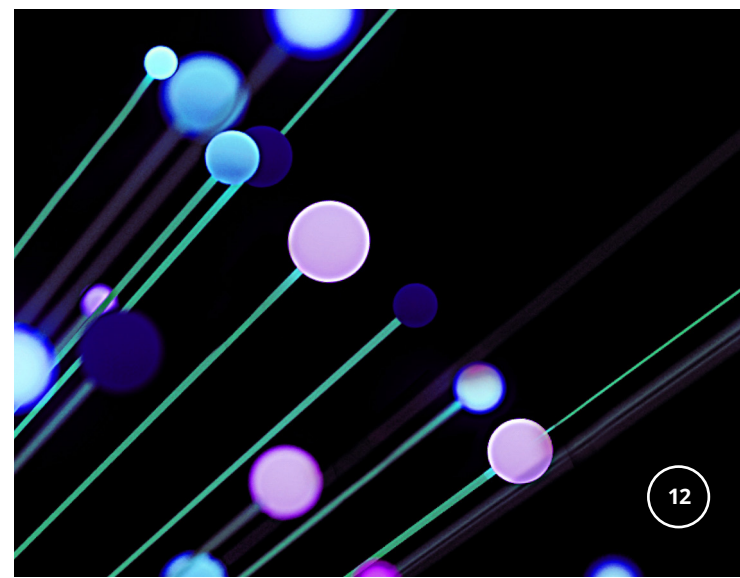
Where a new asset class is being acquired, transactions are typically driven by revenue synergies; however, unless a controlled life insurer is allocating capital, these are frequently underachieved in absolute terms or in terms of time to realization. Therefore, determining realistic, aggressive, yet achievable revenue synergies is important.

Revenue synergies will involve clarity on the investment proposition being distributed, the addressable LP universe and the right individuals in the room making the case to the right audience. For instance, liquid active distribution will rarely be as effective at selling private markets propositions.

Stakeholder management:

Leaders can proactively address potential pitfalls by understanding and managing key stakeholders. This mitigates the risks of reduced entrepreneurialism in the acquired entity, existing LP concerns about distraction from investment processes or reduced manager diversification if they allocate to both buyer and target. Furthermore, building the cultural integration is essential to retain and develop top talent.

Demonstrating alignment of incentives between the acquiring and acquired firms is crucial for long-term success. Careful consideration of carried interest and other incentive structures is essential.



Conclusion: Strategic planning for success

The consolidation of private markets fund managers is a transformative trend which offers substantial opportunities for growth and diversification, but also presents significant challenges to be navigated. Effectiveness hinges on proactive planning, meticulous execution, a deep understanding of navigating M&A in talent-intensive people businesses, and a commitment to transparency and communication with all stakeholders.

A strategic, multi-phased approach that addresses the complexities of each phase, from pre-transaction planning to post-transaction integration, is essential for improving value and mitigating risks. To excel, buyers should prioritize strategic clarity on target screening, a compelling acquisition narrative, effective due diligence and integration planning, and synergy realization. To improve value, sellers should focus on thorough pre-transaction preparation, including exit readiness, a well-defined succession plan, and clearly articulated transaction priorities to demonstrate a smooth transition for all stakeholders. Firms that effectively navigate these complexities may be well-positioned to thrive in the evolving landscape of private capital management.



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