

Houlihan Lokey

LP Compass

Co-Investments and Directs Survey

September 2026

Foreword

CO-INVESTMENTS AND DIRECTS SURVEY

Houlihan Lokey is pleased to share its LP Compass survey of private equity co-investment and directs investors, the first study of investors in this combined market—arguably the most rapidly growing segment of PE.

The Compass documents the activity and opinions of 56 of the world's most active buyers of co-investments and directs.

Investor responses overwhelmingly suggest that co-investments and directs will be the fastest-growing segment within private equity for years to come, and approximately two-thirds of survey participants believe that co-investments or directs may emerge as the largest capital raiser in the asset class.

Among other highlights, nearly 80% of co-investment and directs buyers expect volume across this market, combined and separately, to hit a new all-time high in 2026, following what Houlihan Lokey estimates was a record year in 2025. Directs and co-investments, in that order, were also viewed to offer the highest return potential across any form of private equity investment, meaningfully outperforming investments in primary funds. This optimism is driven by investors' ability to evaluate identifiable assets and model potential returns, an impossibility when underwriting a traditional primary fund, despite the latter offering the key advantage of diversification.

The vast majority of investors believe that co-investment and directs offer the best alignment of interest between investor, manager, and portfolio company. One reason for this is that co-investment and directs concentrate a greater portion of everyone's capital in single assets, putting more at risk and incentivizing performance across all parties.

Once you have examined this LP Compass, we believe you will agree that the future of co-investment and directs is exceptionally bright.



Matt Swain
Managing Director,
Global Co-Head of Equity Capital Solutions
West Palm Beach



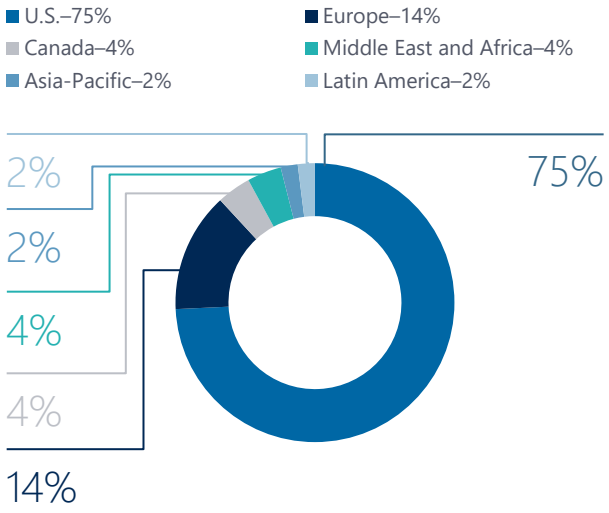
Methodology and Participants

CO-INVESTMENTS AND DIRECTS SURVEY

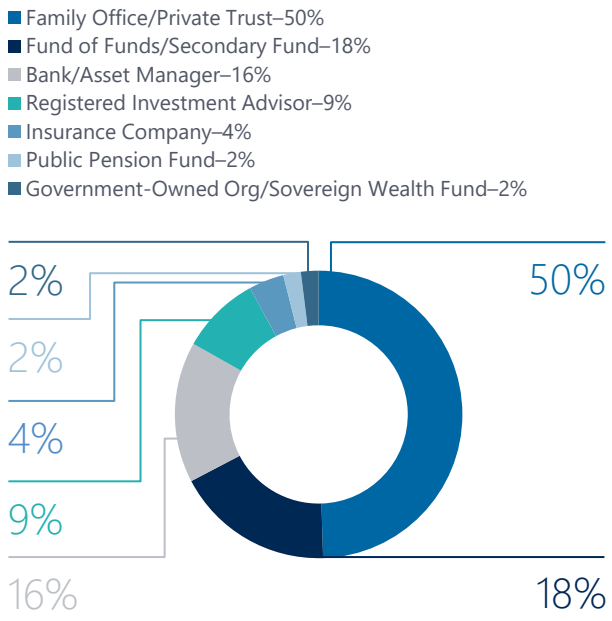
The research for Houlihan Lokey's LP Compass Co-Investment and Directs Survey was conducted between June and August this year, gathering insights from 56 of the world's most active co-investment and directs buyers, and involving portfolio companies and assets from all regions of the world. Our research indicates that the market is dominated by North American and European players, who collectively account for approximately 89% of co-investment and direct investment volume. The residual 11% is dispersed between Canada, the Middle East and Africa (both close to 4%), the Asia-Pacific region, and Latin America (each accounting for slightly less than 2%).

We believe this demonstrates there's room for the fast-growing market for co-investments and direct investments to continue expanding relative to older forms of private equity investment. Family offices were long seen as overwhelmingly dominant in using co-investment and directs as a systematic investment strategy, but they now compete against a growing array of competitors, some with tremendous firepower, as the data below indicates. For the purposes of this survey, private equity is broadly defined to encompass buyout, growth, venture capital, credit, real asset, and minority investment strategies.

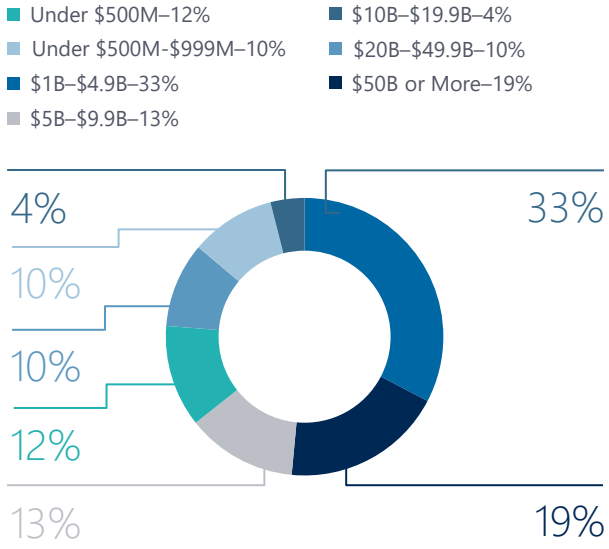
Primary Physical Base of Investors



Type of Investor Organization



Value of Investors' Assets Under Management

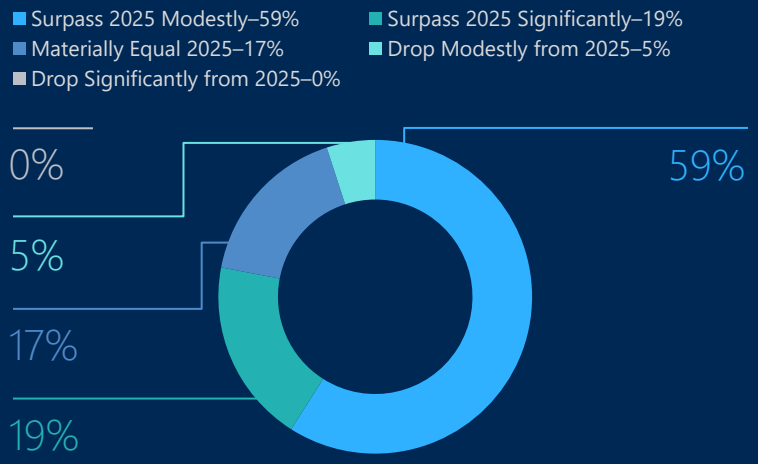


Note: Percentages throughout the document may not total 100% due to rounding.



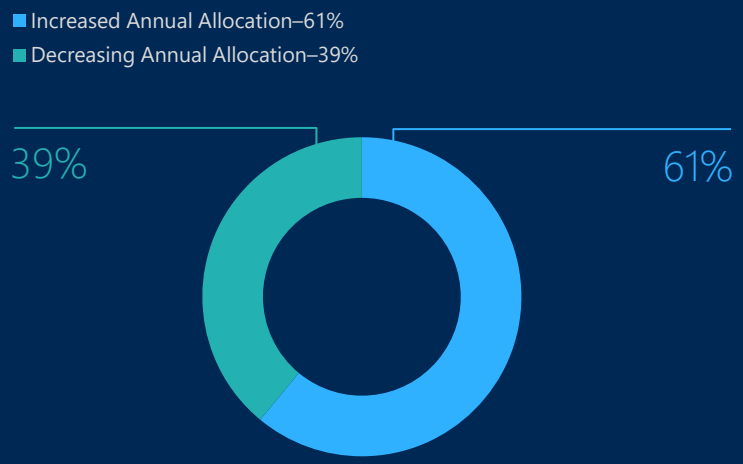
Houlihan Lokey Investor Compass | Co-Investment and Directs | 2026 Co-Investment and Directs Volume and Allocations

Volume: Likely to Increase, Stay the Same, or Decline From 2025's Estimated Record



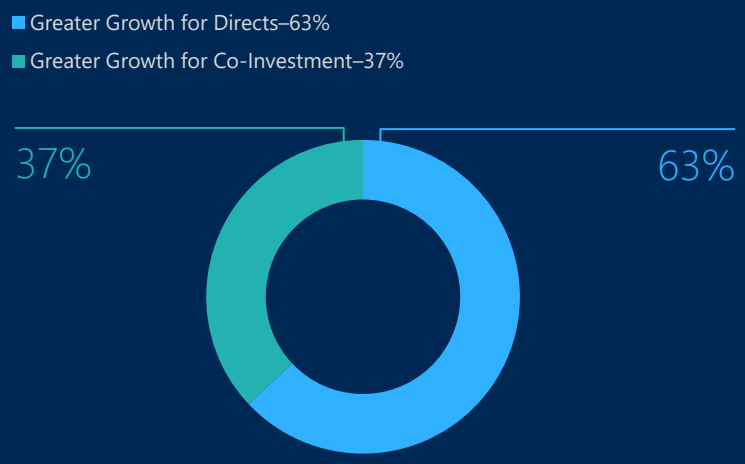
An overwhelming 78% of investors in directs and co-investment expect combined volume for these similar assets to hit a new record in 2026, following what Houlihan Lokey estimates was an unprecedented $215 billion in combined value in 2025 (with co-investment accounting for a record $54 billion and directs for a record $161 billion). Among the small group of investors predicting a volume drop (5%), none see more than a modest decline.

Co-Investment and Directs Allocation



In addition to the majority of participants predicting a record year for co-investments and directs, 2026 allocation intentions point to significant growth in the market, with nearly two-thirds of investors saying they plan to increase capital allocated to these deals.

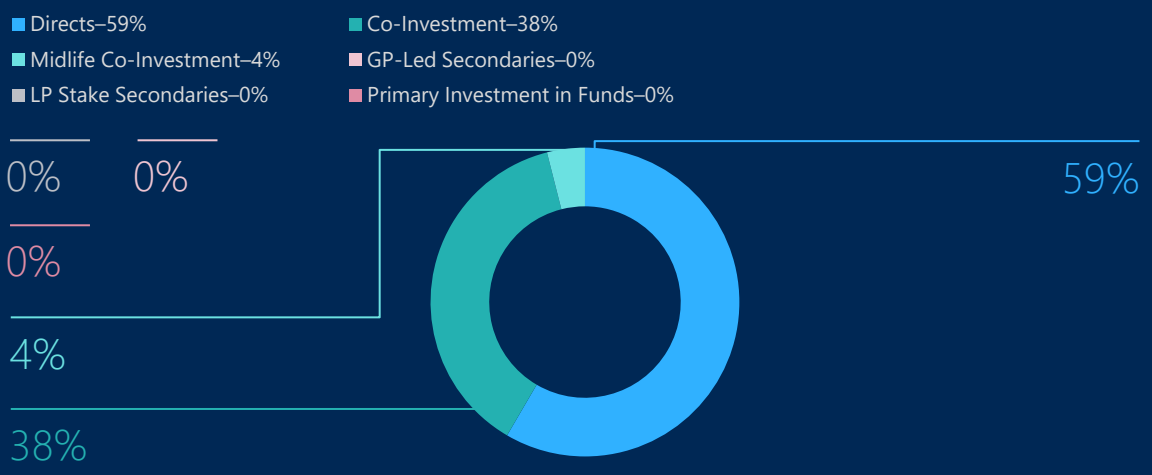
Relative Growth of Co-Investments and Directs in 2026



Among those predicting growth for co-investments and directs, nearly two-thirds believe growth in the directs segment will outpace co-investments.

Houlihan Lokey Investor Compass | Co-Investment and Directs | 2026 Relative Return Expectations and Economic Alignment

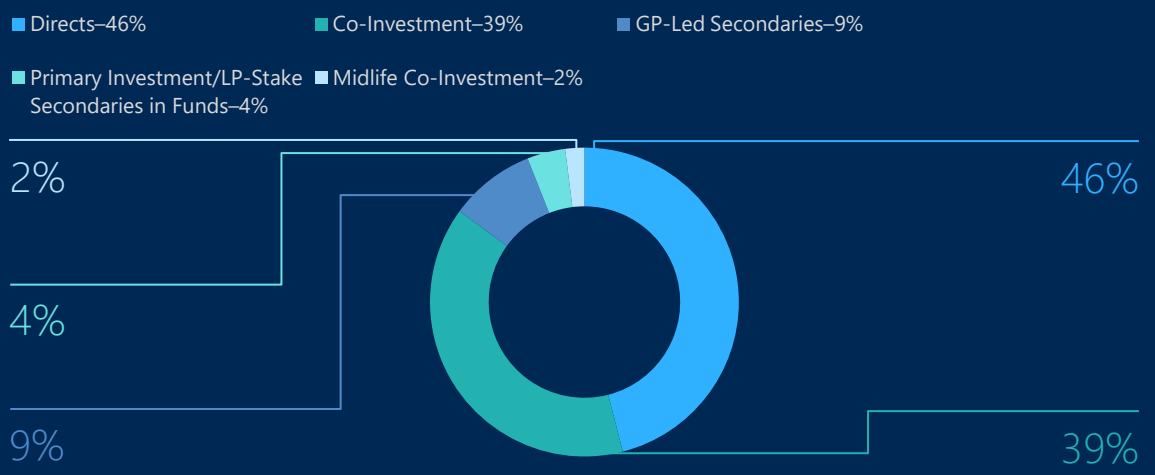
Ranking the Top-Returning Form of PE Investment[1]



Looking ahead, most investors (59%) expect directs to regularly deliver the highest returns of any major form of PE investment, while 38% expect co-investments to lead, and 4% expect midlife co-investments to lead. Notably, no investors expect the best returns to come from secondary investing (GP-leds or LP stakes) or primary fund investment—though both are still viewed as key to diversification and lower risk in PE.[2]

(1) Combined percentages slightly exceed 100% due to rounding.
(2) 11% of investors expect GP-led secondaries to be the second-best-returning form of PE, while 4% say the second-best will be primary investing in funds. Just 2% of investors expect LP stakes to be the third-best-performing type of PE investment—none rank the category higher than this, though it's also a key element in diversification and lower risk. Full dataset available on request.

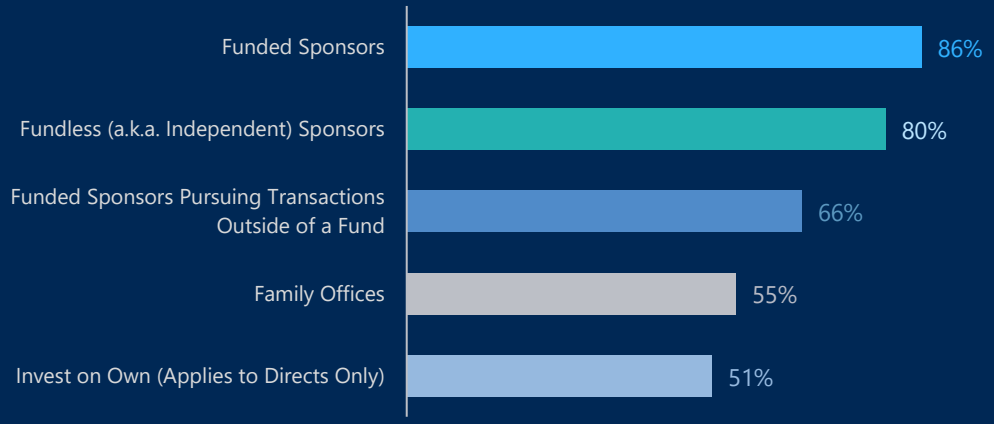
Ranking Best Economic Alignment by Form of PE Investment



Among major forms of PE investment, nearly half of investors rank directs as offering the best economic alignment between investor, manager, and company. Two out of five say co-investment is optimal, and just under one in 10 say GP-leds—which usually involve fresh capital inflows—are optimal. Primary funds and LP-stake secondaries, which share identical governance, are each ranked as optimal by 4%. Midlife co-investment, squeezed out by classic co-investment's popularity, is optimal for only 2%—though separately, 29% rank midlife second-best, trailing only co-investment.

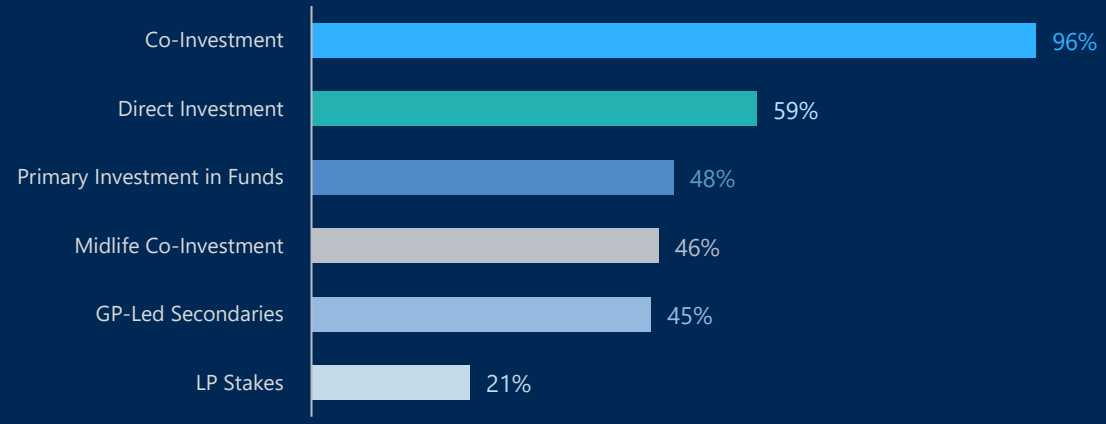
Houlihan Lokey Investor Compass | Co-Investment and Directs | 2026 Favored Sponsor and Transaction Types

Favored Sponsor Types



The continued evolution of directs and co-investments has diversified both sponsor variety and the types of investments sponsors offer. The vast majority of investors active in the co-investment and direct investment market now invest with both funded and fundless sponsors. This marks a shift from a few years ago, before dedicated direct investment programs emerged, when most capital went to funded sponsors—particularly for co-investments. A smaller subset of investors indicated they prioritize investments alongside family offices or independent from a sponsor group.

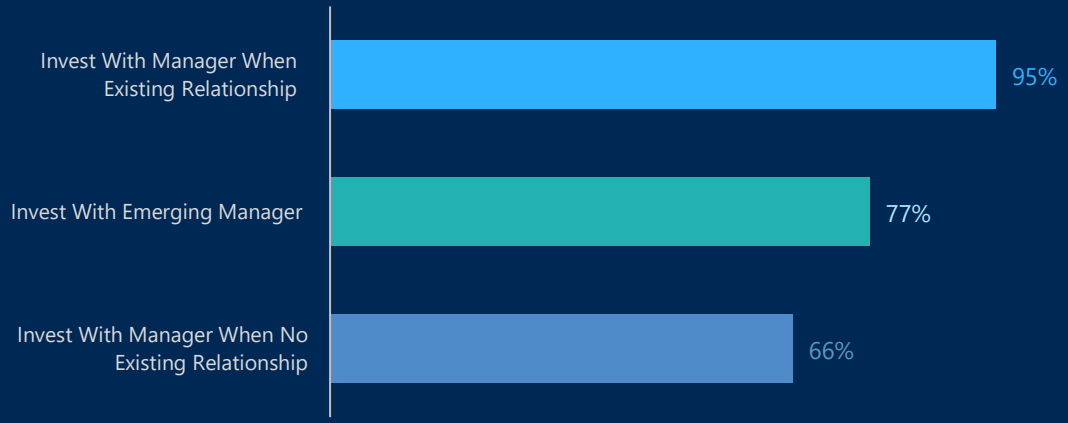
Favored Transaction Types



Systematic co-investment is overwhelmingly popular among direct and co-investors, with 96% of investors preferring co-investments relative to the 59% prioritizing directs. Nearly half of the investors surveyed also favor primary funds and GP-led secondaries, keeping with the principle of low-risk diversification across PE.

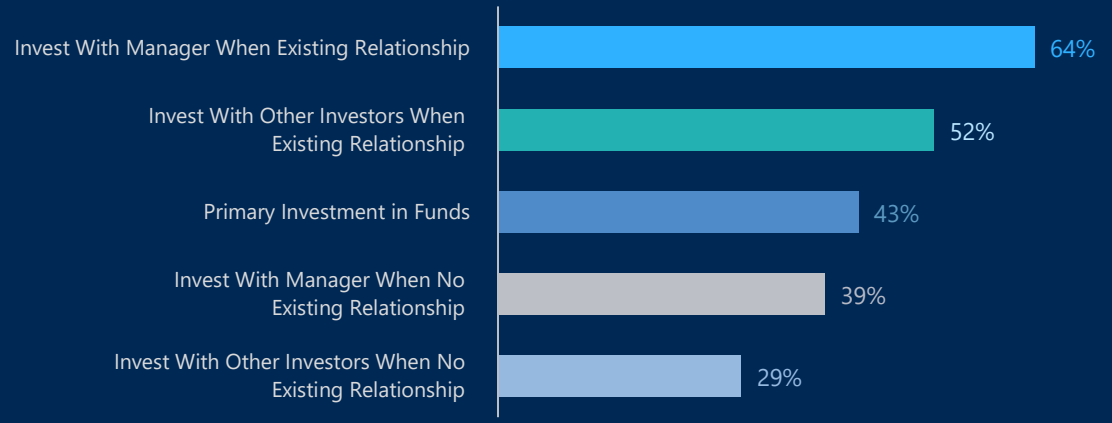
Houlihan Lokey Investor Compass | Co-Investment and Directs | 2026 Favored Sponsors and Transaction Types (cont.)

Co-Investment: Manager Relationship



Active co-investors, who once typically invested only with managers with whom they had long-standing fund relationships, have become more comfortable investing with new managers and those with shorter track records. Predictably, almost all investors (95%) indicate they will consider co-investments with managers they know well. However, nearly two-thirds or more are willing to invest with less-established emerging managers—those with fewer than three traditional funds under their belts (77%)—and with managers with whom they have no existing relationship (66%).

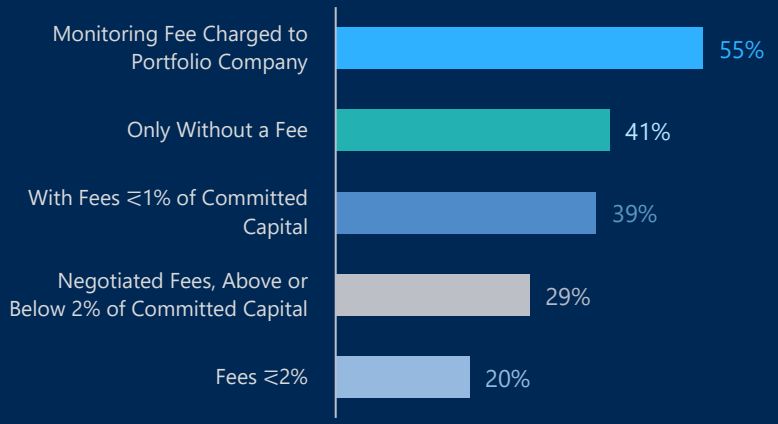
Directs: Manager and Investor Relationship



While a significant minority of direct investors expressed interest in partnering with new managers—and even with other investors establishing themselves as fundless sponsors (the lines between manager and investor often blur in direct investment)—the clear preference is still to invest with managers and fellow investors with whom there is an existing relationship.

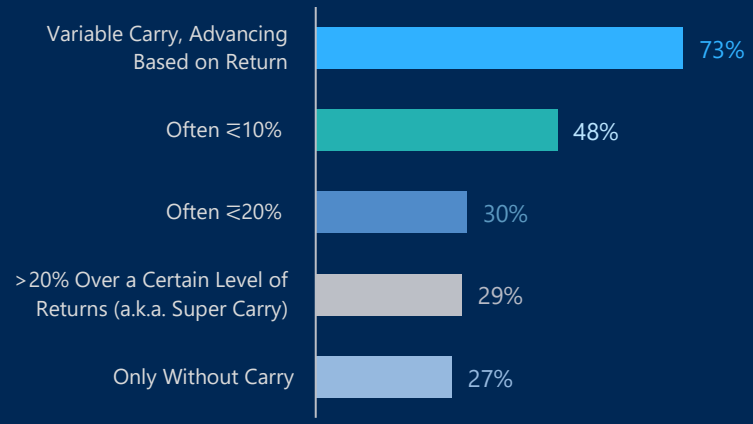
Houlihan Lokey Investor Compass | Co-Investment and Directs | 2026 Co-Investment Fees and Carry—Classic vs. Midlife Deals

Acceptable Annual Fees



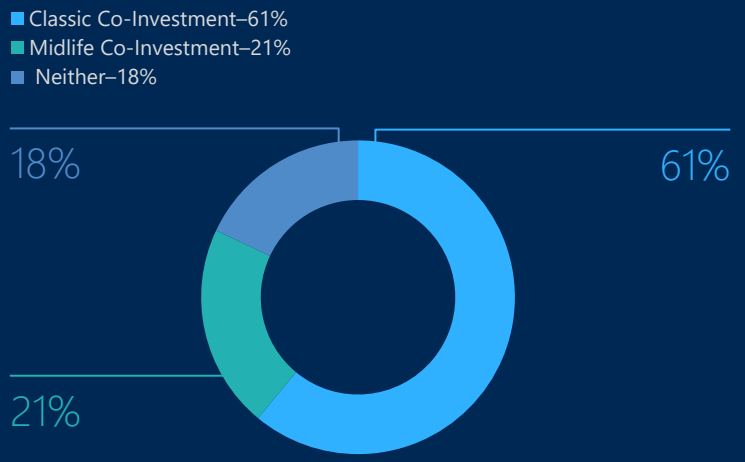
As co-investments grew in popularity in the early 2010s, transactions were usually offered fee-free, matching investor expectations. Today, fees are increasingly standard as investors show greater flexibility on the topic. Only two in five investors now insist on no-fee transactions, while the majority are open to economic arrangements.

Acceptable Annual Carry



Slightly more than one in four investors insist on co-investing without carry (the percentage of profit shared with a manager above a given return threshold)—a holdover from when most co-investment came without fees or carry at all. Almost three in four investors are willing to pay variable carry tied to managers meeting certain return thresholds, but only 29% will pay carry above 20%, even when the highest return thresholds are met or exceeded.

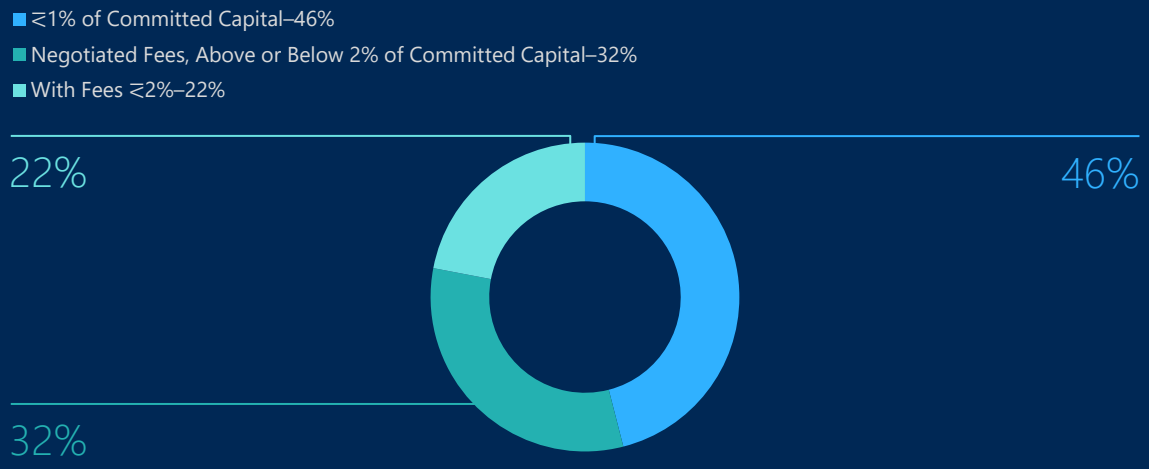
Growing Faster: Classic Co-Investment or Midlife Co-Investment



Among those predicting growth across disparate types of co-investments, nearly two out of three investors believe traditional co-investments will grow faster than midlife co-investments this year.

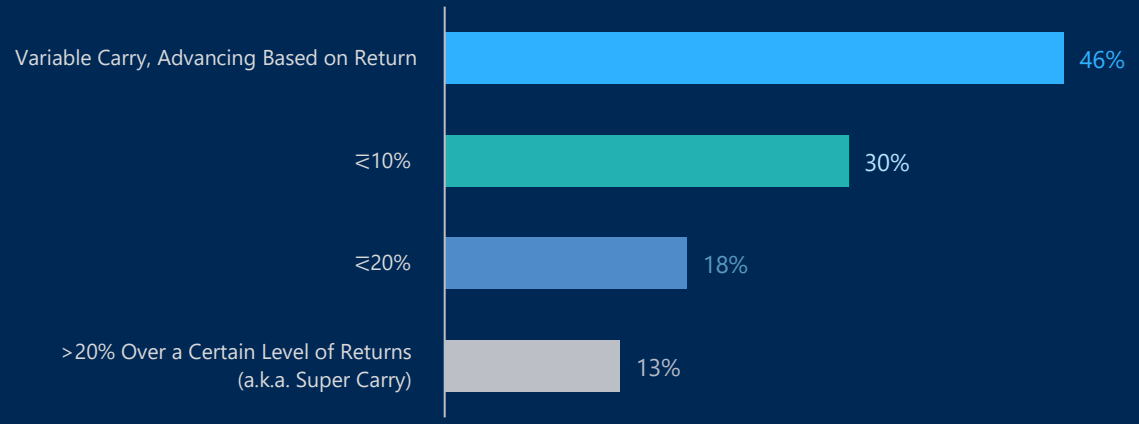
Houlihan Lokey Investor Compass | Co-Investment and Directs | 2026 Directs Fee and Carry

Directs: Acceptable Annual Fees



Slightly less than half of investors are only willing to pay fees of 1% or less to a manager; however, the majority are willing to pay 2% (typical fee in traditional PE funds) or negotiate fees that could be higher or lower than 2%, depending on performance (i.e., EBITDA-based monitoring fees).

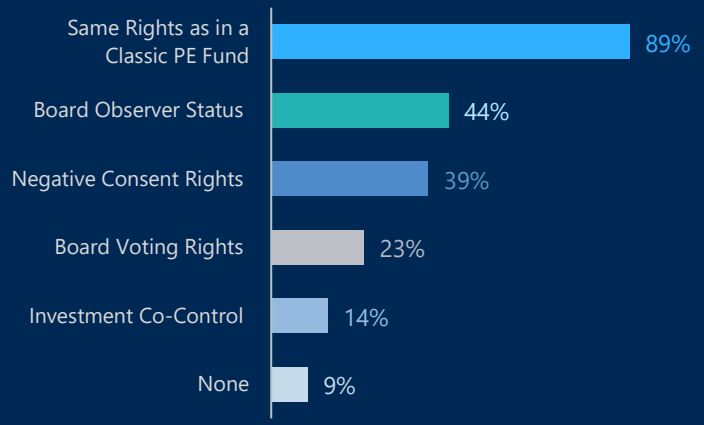
Directs: Acceptable Annual Carry



Nearly all investors are willing to pay carried interest in direct transactions, with almost half willing to pay variable carry tied to performance. Nearly one in three cap carry at 10%, while almost one in five cap it at 20%. Interestingly, 13% are willing to offer greater than 20% for material outperformance.

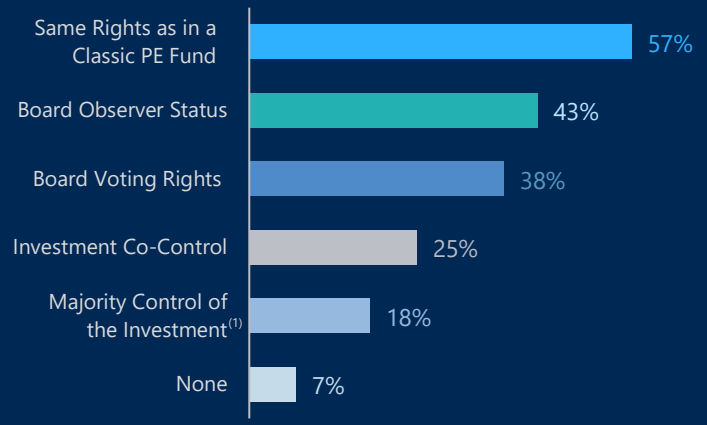
Houlihan Lokey Investor Compass | Co-Investment and Directs | 2026 Governance and Exclusivity

Co-Investment: Required Governance



Nearly nine in 10 investors agree that co-investments should carry the same governance and investor protections as a classic PE fund—including drag-along rights (forcing minority holders to sell when a majority approves) and tag-along rights (giving all investors the right to sell at the same price). More than four in ten want board observer seats, and nearly one in four want board voting rights. Only one in seven want investment co-control, and just 9% are willing to accept no predetermined rights beyond standard fiduciary duty.

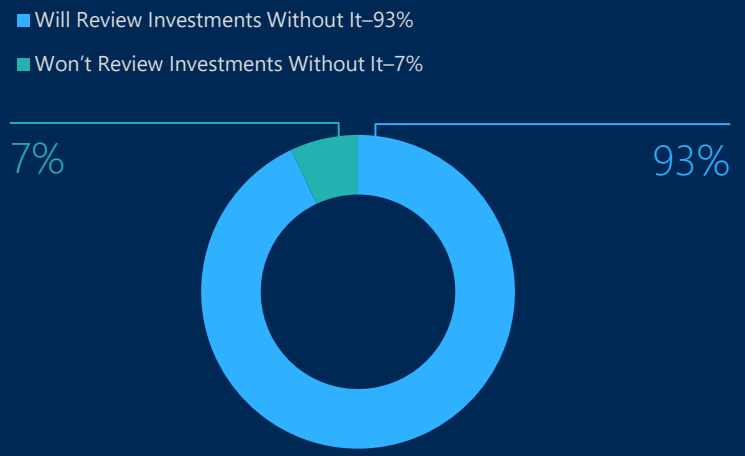
Directs: Required Governance



In line with the more bespoke nature of direct investment, a smaller majority of investors expect classic PE fund rights in directs than in co-investments (57% versus 89%). A materially larger share also expect board voting rights, reflecting the more activist nature of directs compared with co-investment (38% versus 23%). This same dynamic shows up in the relatively high percentage expecting co-control (25%) or majority control (18%) of direct investments.

(1) Applies to directs, where lines between manager and investor often blur, in contrast with the separate, clearly defined division found in co-investment.

Exclusivity on Co-Investment and Directs

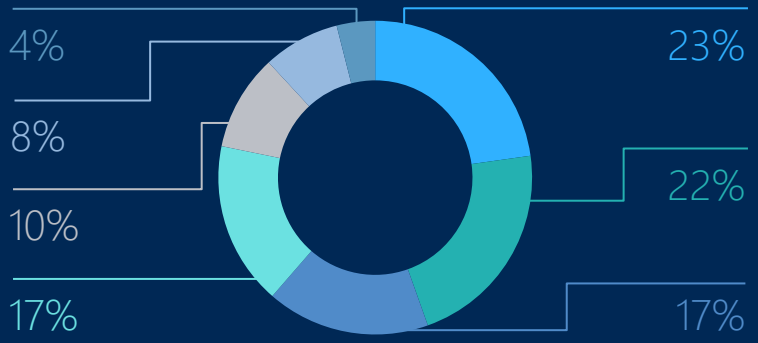


While just 7% of investors demand exclusivity from a sponsor before considering a deal, the remaining 93%—who don't require it—still view exclusivity as critical to the timely, successful completion of directs and co-investments.

Houlihan Lokey Investor Compass | Co-Investment and Directs | 2026 Check Size, Manager Commitment

Average Check Size for Co-Investment and Directs

- Less than $5M–8%
- $5M–$14M–23%
- $15M–$24M–22%
- $25M–$49M–17%
- $50M–$99M–17%
- $100M–$199M–10%
- $200M or More–4%

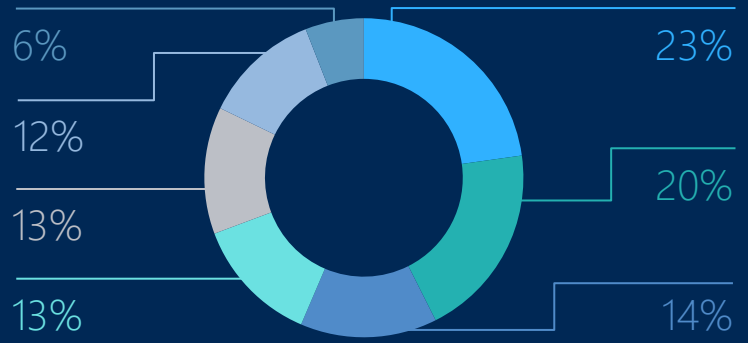


While the average check size for a co-investment or direct deal is diverse, the sweet spot is $5 million to $99 million, with nearly 80% of investors investing somewhere in this range. One in 10 invest between $100 million and $199 million, with only 4% investing more than $200 million and 8% typically investing less than $5 million.(1)

(1) Some 69% of investors write similar-sized checks for co-investment and directs, but 20% commit more on average to the former and 11% commit more on average to the latter.

Co-Investment: Manager Commitment Required

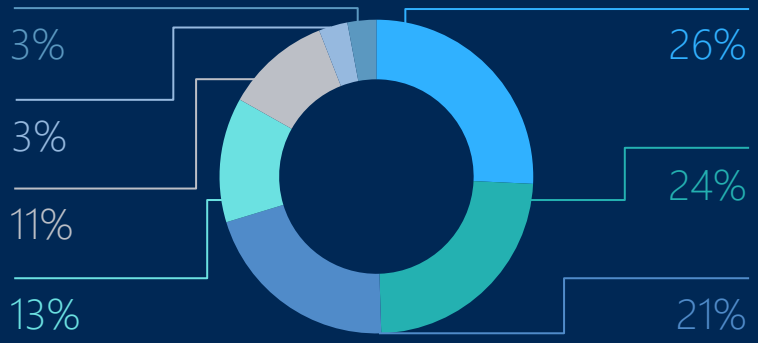
- About 5%–23%
- Materially Over 5% but Less Than 10%–20%
- Materially Over 2% but Less Than 5%–14%
- About 2%–13%
- ⩾10%–13%
- None–12%
- Less than 2%–6%



When considering a co-investment, the largest share of investors (43%) require a manager commitment at or above 5% of committed capital. Slightly more than one in four are satisfied with a commitment of 2%–5%. About one in six require no commitment (12%) or less than 2% (6%), while one in eight want 10% or more.

Directs: Manager Commitment Required

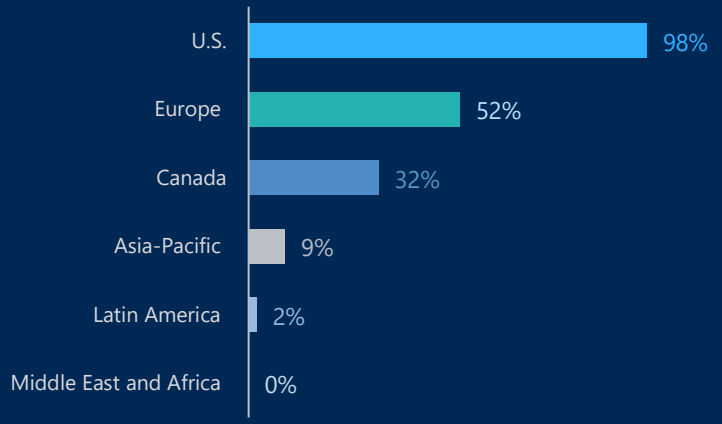
- Materially Over 5% but Less Than 10%–26%
- About 5%–24%
- ⩾10%–21%
- None–13%
- Materially Over 2% but Less Than 5%–11%
- About 2%–3%
- Less than 2%–3%



In line with the fewer deals that direct managers are typically invested in, investors typically expect a bigger commitment from direct managers before investing. Half of direct investors want a commitment of 5% or more of committed capital—16% higher than the share of co-investors who expect this same level. One in five direct investors wants a commitment of 10% or more, compared with just one in eight co-investors who expect this.

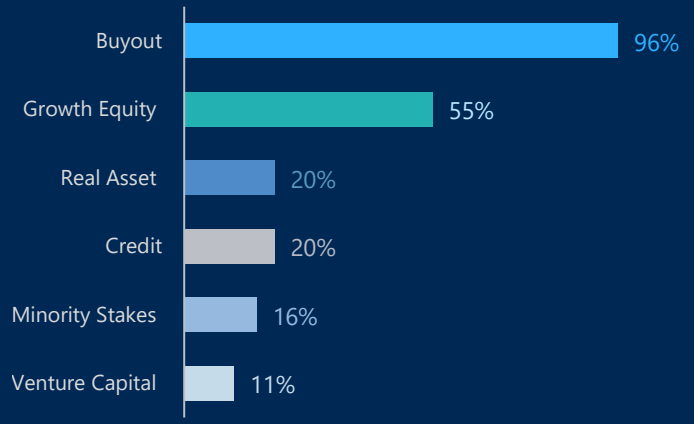
Houlihan Lokey Investor Compass | Co-Investment and Directs | 2026 Favored Geographies, PE Styles, and Industries

Favored Geographies



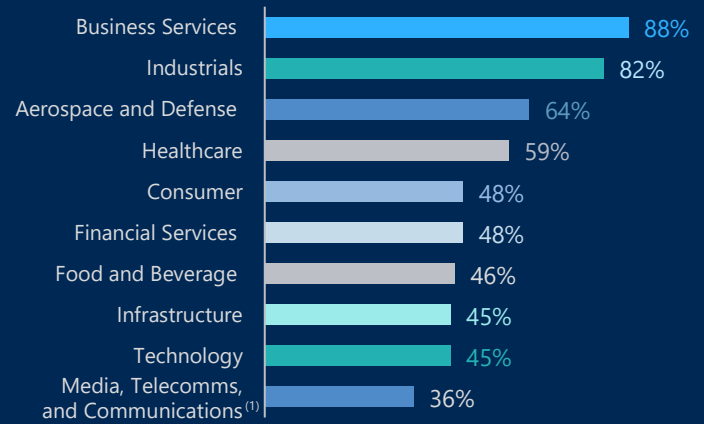
Co-investments and directs remain highly U.S.-centric, with 98% of investors favoring the U.S. for investment over the next 12 months. Slightly more than half favor Europe and nearly a third favor Canada. Just 11% are prioritizing the rest of the world, pointing to significant untapped growth potential in Asia-Pacific (9%), Latin America (2%), and the Middle East and Africa (0%).

Favored PE Styles



Leveraged buyout is the most popular style for co-investments and directs, driven by its risk-return profile—a pattern that broadly mirrors PE and is well documented across decades of research. Growth equity ranks second, also consistent with long-term PE trends. Venture capital, with its high-risk, high-return profile, is the least favored style, unsurprising given that co-investments and directs are typically large, single-company investments, a structure poorly suited to venture's higher-risk approach.

Favored Industries



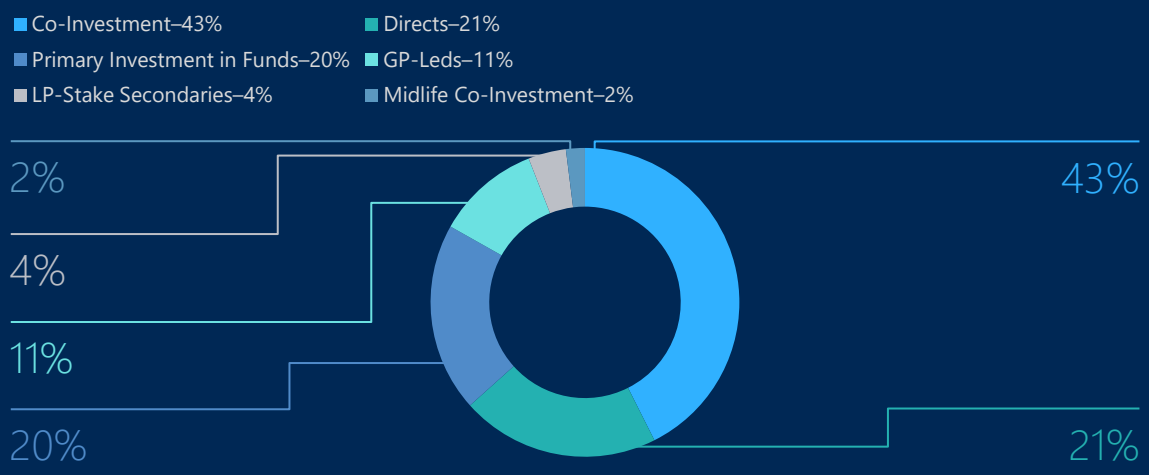
Industries that co-investment and direct investors intend to favor over the next 12 months are highly varied, with nearly half or more prioritizing nine different cyclical and non-cyclical industries. Business services and industrials stand out as particular areas of focus, reflecting their resilience in a potential recession, while TMT ranks as a lower priority given broader macroeconomic uncertainty and valuation concerns.

(1) Respectively, 16% and 11% of investors intend to favor legal services and real estate.

10 | CO-INVESTMENTS AND DIRECTS SURVEY

Houlihan Lokey Investor Compass | Co-Investment and Directs | Expectations

Ranking Capital Raising Ability in Five Years' Time



Leading specialists in co-investments and directs believe these segments of PE will together outraise primary fundraising. Asked to name the top capital raiser in five years, 43% pick co-investment, 21% pick directs, and 20% stick with primary—indicating directs will soon edge out primary fundraising. Midlife co-investment continues to grow in popularity, and 21% named it the second-best capital raiser (full dataset available on request).

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