



2026 GLOBAL CONFERENCE

LEADING IN A NEW ERA



PRIVATE MARKETS AFTER THE EXIT BOOM: LIQUIDITY, INSURANCE CAPITAL, AND STRUCTURAL DISCIPLINE

Announcer 00:00:00

Please welcome the panel on “Private Markets After the Exit Boom: Liquidity, Insurance Capital, and Structural Discipline,” moderated by Eric Platt, US investment editor, Financial Times.

Eric Platt 00:00:33

Thank you for joining us. I'm Eric Platt, the US investment editor of the Financial Times. We meet at an interesting moment for private markets. 2026 was supposed to be the year the exit machine restarted, returning cash to PE LPs, refinancing private credit deals, and reviving fundraising for the industry. Instead, the Iran war has chilled deal-making, while AI is forcing a hard rethink of software valuations across both private equity and private credit portfolios. With exits still uneven, firms are increasingly looking for new ways to manufacture liquidity and find new opportunities to invest. That is the heart of today's panel. How are private markets adapting to this liquidity regime, and are valuation and exit problems being masked? Before we dive in, I'd like to let all of our panelists introduce themselves, and I'd like to remind the audience you can send questions to me at any point with the QR code on stage. So, Dhiren, do you want to kick us off?

Dhiren Jhaveri 00:01:27

Thank you, Eric. I'm Dhiren Jhaveri, founder and CEO of Kuvare. We're a technology-enabled retirement solutions platform based in Chicago. And thank you very much for inviting me to be on this esteemed panel. It's a thrill and an honor. Appreciate it.

David Lyon 00:01:44

Great. My name is David Lyon. I manage a business called Capital Solutions at Neuberger Berman, which is a large asset manager. We specialize in hybrid capital, preferreds, minority equity, structured equity, generally focused on larger transactions. So our typical investments are anywhere from \$300 million to a billion, generally in the private equity ecosystem.

Camilla Languille 00:02:06

Hello. I am Camilla Languille. I am the Co-CEO of Mubadala Private Equity. Mubadala is a sovereign wealth fund based in Abu Dhabi. Today, we manage a total of \$385 billion of capital. And within the private equity business that I manage, we are a direct investor investing directly in companies. Pleasure to be here.

Eric Murzyn 00:02:28

Hi, I'm Eric Murzyn. I'm the president of Aquarian Investments. We are a global holding company focused on insurance and asset management. Today, we manage approximately \$27 billion in assets.

Wil S. Warren 00:02:42

Good morning. I'm Wil Warren. I'm a partner and the president of Lexington Partners. We're a global private equity firm. We've raised about \$90 billion since our founding in 1994. We focus on secondaries, all sorts of transactions within the secondary market, and co-investments, as well as supporting our general partners through our primary program.

Eric Platt 00:03:06

Fantastic. Camilla, I thought we could start things off with you. I'd love, just from your vantage point of the sponsor world, why do you believe PE groups are struggling to exit right now? Can you set the stage on what the backdrop is?

Camilla Languille 00:03:19

Sure. Yes, we've seen a slower exit environment, particularly in the last three years, and that's really driven by a number of factors. One is the IPO markets have not fully reopened. We've seen some bright spots over the past, let's say, six to nine months, but that has been a traditional exit route for private equity. Secondly, there is a mismatch between buyer and seller expectations, especially when we look at assets that were bought at the peak of the market. Think about 2020, 2021 vintages. Many private equity players entered their investments at very high valuations, and so to make a decent return on it, they need more time to get the businesses to a place where they're generating sufficient revenues or EBITDA to merit the valuation that would generate a return. So that just means longer hold periods. And then lastly, it is an

environment today where, as many of you know, we have a lot more geopolitical, macroeconomic, technological changes that are taking place, and so buyers as well are a lot more, let's say, careful about underwriting new investments. And it makes it harder in some ways to get to the valuations that these sellers are looking for.

Eric Platt 00:04:54

Yeah. Wil, David, I'd love you guys to jump in. I'm curious if you see the proliferation of GP-led transactions just as a sign of this kind of valuation disconnect and kind of masking valuation problems in the industry.

Wil S. Warren 00:05:07

Well, I think, just to expand on Camilla's answer, which I absolutely agree with, we should all recognize that private equity is quite a cyclical asset class in terms of the way it funds itself. So if we were speaking on this panel, say, eight years ago, and we had CIOs of the largest sovereigns, pension funds, fiduciary investors around the world, and we asked them what their issue with their private equity allocation was, they would say, "I can't stay invested. The cash is coming back way too fast." So as we entered the late teens of the 2000s, the fundraising environment was really terrific—probably too easy for sponsors to raise money, which led to deployment—as Camilla mentioned, at high prices in a frothy market when the cost of capital on the debt side was quite low. And so that created part of the cycle that we're now recovering from. We have about \$4 trillion of unrealized NAV in the system in private equity. And with extended hold periods, a more challenging M&A market, a challenging IPO market, it's always around the corner, and I think we hope it all is at this point. It's led to innovation, which I think we're going to discuss today, in terms of unlocking liquidity for that \$4 trillion stack of unrealized NAV. So David, maybe I'll leave it to you to chime in on CVs and their place in that ecosystem.

David Lyon 00:06:43

Yeah. I would say that just a couple of the key themes, like that \$4 trillion number, who knows what's in there. Everyone quotes it, but it's some number like that. I would say that this problem is not getting resolved anytime soon. If you look at distributions divided by basically NAV, that's the statistic they use for liquidity, the implication is it's mid-teens right now. You invert that, that's the implied hold period of these assets, right? So when you're thinking about in the past, when you could use financial engineering in a deal to generate a return, now if you're paying 16, 17 times adjusted EBITDA for an asset, you have 10 turns of equity in the structure. To make a return, you have to do something. You have to fundamentally strip assets out, sell things, combine things, have a view. That just takes longer, fundamentally. And so the industry is going to change structurally. And to your point, there's a whole bunch of different avenues to provide liquidity. I think the other thing you have to think about is what is the return profile of this asset class going forward in the midst of this valuation cycle? And I think you still have a very persistent bid-ask problem, which I have not seen really fix itself over the last six to months to two years.

Eric Platt 00:07:52

Yeah. To that point, and something you said earlier, there's \$4 trillion of unsold assets. Who knows what's really in there? I'm curious, just kind of views on marks right now, if you think things are inflated, if you think there's a lot of pain to come.

David Lyon 00:08:04

I would never say marks are inflated. Of course, that's inappropriate. Listen, my favorite thing is we're going to grow into our valuation. That means, by definition, it's mismarked, right? I mean, you won't earn a return until we get there, and then you'll earn a return? So doesn't make a lot of sense. So when I hear that, it's not my favorite thing. I think it's a mixed bag, right? I think certain sponsors have things marked fairly. Look at the software space. Public markets have rerated by 30 percent across the board. Haven't seen those marks come down. I mean, maybe they're coming, but I have yet to see an avalanche in those marks, right, where people—fundamentally, enterprise values are in question, business models are in question, profit pools—who's going to get what, do what to whom, and those marks have remained. So I'm not going to say the entire industry, but I think there is probably a disconnect what's going on in public markets right now.

Eric Platt 00:08:53

Perfect. Wil, how are you approaching that 2021, '22 vintage of deals right now when you're underwriting a new CV? And how are you looking at tech specifically?

Wil S. Warren 00:09:03

Well, as I said, there's \$4 trillion of unrealized NAV. So the 2020, 2021 vintages we've talked about, those portfolio companies were generally created in a lower rate, higher purchase price multiple environment. We've seen some correction to those. So I don't think those are going to be the best vintages for the industry for primary investors, but I will tell you, investing through cycles through the secondary market, we have the advantage of adjusting purchase price and observing the performance of these companies over a series of years. So if we're buying an LP portfolio, we're not going to avoid those vintage years, but we have the advantage of diligencing, re-underwriting those assets based on today's capital markets. So it doesn't have to be the best underlying vintage performer for a primary investor for us to create a return profile that's attractive to our investors.

Eric Platt 00:10:04

For—I'm curious what the discount is for those vintages and those years, like if you're seeing a real dispersion.

Wil S. Warren 00:10:10

I think it's a little bit like the marks question, the way David answered it. The discounts are all over the board and a result of what we see in terms of underlying performance and also the amount of those assets on offer to us. We're building a diversified portfolio for our investors, so once we're done doing that, our portfolio's probably spread across 15 vintage years. So we're not going to have an undue percentage of our portfolio in those vintage years at the end of the day.

Eric Platt 00:10:47

Perfect. Camilla, we've seen a real uptick in NAV lending strategies, right? We see Aventine Capital and many firms pitching ways to solve this liquidity problem. I'm curious, as an LP, how you think about that. Do you want to see sponsors returning capital that way? And separately, I'm curious how Mubadala is stepping in to provide DPI solutions.

Camilla Languille 00:11:06

So Mubadala today is not one thing. We're many different things. If I look at Mubadala Group, we are a direct investor, and you see that through the private equity platform that I co-lead, our real assets platform. We invest in companies directly. We're also an LP. We have a large endowment fund through ADIC, which makes investments in GPs across different asset classes, and we're also a third-party capital provider through our Mubadala Capital platform. So we do lots of different things. And so when it comes to some of these engineered liquidity solutions that GPs are now looking for in order to deliver liquidity to their LPs, we view it from different vantage points, depending on where you are in our overall group. Within our endowment vehicle, ADIC, we have a booming secondaries business. And this business participates in LP-led secondaries, GP-led secondaries. We also have a business that takes stakes directly in GPs. For a direct investor like ourselves in private equity, we have a different vantage point. Ultimately, what we want to do is make a great return on whatever investment we're coming into. And historically, if I look at the 2010s, which was a different era for private equity, a lot of our business was in co-underwriting with other partners. So investing at the same cost basis, entering through primary capital. And today with the landscape shifting, we see our investment teams looking at other types of deal archetypes. So DPI trades is becoming a key investment theme, I think, for not only my group, but other sovereign investors around us, and other GPs that are building a capital solutions business alongside their flagship private equity fund. What does this mean? For us, because we can self-underwrite, that means that although we are partnership oriented and we prefer to invest in businesses alongside other partners, we don't need to go into an investment alongside another GP. We can underwrite the deal on our own, set the price and the terms on our own, which means that we've had to build the talent, the infrastructure, the processes to do that. We've got large sector teams with sub-sector expertise. We've got geographic teams that focus on some jurisdictions that require that local market knowledge, particularly in Asia. And we do this because we need to be able to underwrite the underlying asset on our own. But that gives us a lot of flexibility. It means that we can come to a GP who may be sitting on a fantastic asset—that is wanting to hold it for longer—but needs to deliver some DPI to their LPs and give them a solution in order to do that at a valuation that we believe is attractive for that specific investment. So we're doing a lot more minority recaps. We are looking at some GP-led secondaries, particularly single asset CVs where our direct

investment capabilities can be leveraged to underwrite that specific asset.

Eric Platt 00:14:41

Perfect. David, against the backdrop of rising CVs, we're seeing muted sponsor to sponsor trades. I'm curious what you think that means or what that's signaling.

David Lyon 00:14:50

Well, the vast majority of private equity trades were sponsor to sponsor for a long time. The data on IPO exits, if you kind of peel it back, it's the minority of exits in private equity over a long period. There's a strategic chunk, but when you look at the larger deals, a lot of the velocity of capital was sponsor to sponsor, which is correlated to capital formation, right? The big issue right now is that middle market sponsors are getting left behind. The top 10 firms raise 65 percent of the money, right? You know who they are. And the people in the middle, their capital formation has not been as robust. Think about, you had a \$40 million EBITDA company pre-pandemic. You did a bunch of M&A when you could borrow money at 0 percent, right? Then you push price through during the pandemic like every else. Now EBITDA is 80, and the comps say it's worth 16 times, right? To buy that, you need 10 times 80 or \$800 million, right? Some of the big mega caps don't want to buy an \$80 million EBITDA company, and you have a logjam in the middle. So sponsor to sponsor has always been a dynamic, and it's tied to capital formation. People quote dry powder stats all the time, but where does it sit? And who is buying that asset? And then the other thing is, what is the next trade for that sponsor? What is the growth rate? Can I really pay 16 times? Am I assuming some kind of valuation contraction at the back end? What M&A can I do if rates are still persistently at 3.6 percent? All of those things are plaguing and fueling the bid-ask problem. So I think this dynamic has been alive and well in private equity for quite some time. I think the key question is: what is the view on exit? And will valuations have to adjust across the board to facilitate capital coming out of the system? I think the other thing—and you guys have probably heard the joke—there are more PE shops than McDonald's in the United States, right? And I think there will have to be an exodus of some of these firms that didn't have a real niche, didn't really have a value add, that were bidding at auction, right? That capital exodus will be a good thing overall for returns and improve cyclicity down the back end.

Eric Platt 00:16:54

Yeah. Just over a year ago, a Clearlake-backed company that was a big CV, ultimately filed for bankruptcy. It was called Wheel Pros. I'm curious if that's having any impact on LP demand for secondaries, if there's a change in underwriting on big deals from the tech area.

Wil S. Warren 00:17:11

Well, I think what we're describing, and I think what we'll touch on with the balance of the panel when our insurance colleagues jump in, is there's tremendous innovation going on within private markets to provide the liquidity on a longer duration horizon. And for folks like Lexington or Mubadala or Neuberger, what

we're trying to do is find the best assets in that unrealized stack that I keep referring to. And I think that the projected return on the whole stack of \$4 trillion, I would argue, is lower than it was six, seven, eight years ago as a result of the conditions that we're talking about. But even when you innovate and provide the opportunity to provide more exposure to a single private company in that unrealized stack, there's still risk in return, and you're taking on a lot more concentration when you do a single-asset CV than you are when you buy a portfolio of LP interests. So there's risk, and there's upside return. And I think what the industry is working its way through is how are we going to get through that unrealized stack? I would argue we've already taken care of the capital formation side, because capital formation has slowed so considerably in private markets. So I think if you're a newer investor to the asset class or an investor with a longer horizon, the canvas that you have today to begin your journey in private equity is better than it's ever been. If you have primary capital to deploy, you can invest with the best GPs around the world because they're struggling to raise the capital that they were in the last cycle. You can build a portfolio more quickly through any type of secondary transaction, NAV financing—whatever you want to do to provide your long-term liquidity to those who want to move out or reduce their exposure to the asset class. But at the rate we're raising new money in the buyout and venture area, I think we're setting up some very attractive vintage years here. So this is the cyclical nature that I referred to at the outset, and I think that the private equity market in my career has taken care of itself through these cycles, arguably providing way too much capital at the top of the cycle and not enough at the bottom. But it's in those cycles that you have an opportunity to really reposition your portfolio and make very attractive returns over the long term.

Eric Platt 00:19:56

Perfect. Eric, before we move more fulsomely into credit, I'm curious what solutions you're providing PE sponsors, kind of how you can step in when you're thinking about it from an insurance lens, a rated feeder. I'm curious.

Eric Murzyn 00:20:08

Yeah. You have to start first—at Aquarian, we're insurance and liability-driven investors. We owned an insurance business first and built an asset strategy around it. So the critical thing that folks like Aquarian and Dhiren, who we're going to talk about insurance here in a second, is we're matching long-duration liabilities that are being created in our retirement solutions products with a long-duration asset need. The public markets, and to some extent, the private markets up until recent innovation, have been more focused on the five- to seven-year duration capital. In certain of our businesses, we're creating 30-year liabilities. So you have to start with what is the liability and the constituent you're trying to match first, and then match assets on that side. We've been talking about structure and some of the innovation more as a liquidity tool for sponsors. I think to some extent, folks like Aquarian and Kuvare, we have a need for longer-duration assets. I think you'll see groups like ours in an institutional capital standpoint, working much more with our peers on the stage here to create some longer-duration solutions for our longer-duration constituents.

Eric Platt 00:21:20

One sec, Camilla, just staying on PE, I'm curious how the war is impacting deployment from an LP and a sponsor in the Middle East right now.

Camilla Languille 00:21:29

That's a good question, and one thing I would start off with is Mubadala, along with the rest of the UAE, has been known first and foremost for its stability and clarity of thinking. We have set our strategy in Mubadala five years ago, 10 years ago. It continues to evolve, but we're always taking a long-term view. And we change and refine our strategy to respond to the changing environment around us. But for the most part, when we set it, we continue going straight, even if the world around us changes. And I think that speaks to the long-term nature of our business. We need to generate consistent returns, annual returns, five-year returns, 10-year returns, on an ongoing basis. And if we pivot all the time, it makes it a lot more challenging to deliver that to our shareholder. So when I get asked that question, I've been asked that question several times this week, my answer is the strategy does not change. We have set clear targets in terms of returns for our different asset classes. We have zip codes in which we want to operate in from a percentage allocation perspective when we think about geographies, since we are a global investor investing across North America, Europe, Asia, and other continents, and we will continue executing on the strategy we have set. We've had a great 2025. That was a marquee year for us. We reported five-year returns of 10.7 percent, which is not a small feat for a \$385 billion AUM business. But again, that has to do with setting a long-term strategy and sticking to it. I think one thing that we do have to evolve is how we look at our portfolio companies, because while we at the group level as a shareholder won't be changing our strategy, we have to be mindful that the current changes from a geopolitical, macroeconomic, technological perspective, particularly with AI, will impact our businesses. And I would argue today that the current conflict in the Middle East is not fully priced in. Whether I look at public equity markets, whether I look at the P&Ls, the forecasted P&Ls of some of the portfolio companies we work with, the impact of the conflict from a supply perspective, and I'm not only talking about oil and gas, I'm also talking about aluminum, plastics. We're seeing an impact on these commodities and these areas across various industries, and that has not really made it through the forecasted P&Ls of the businesses. So what I tell our investment teams is to make sure that they stay on top of these changes because we need to be able to make sure that our companies can pivot to respond to the changing environment. Today, with everything that we're seeing around us, I think what I value most, first and foremost in our businesses, is their ability to pivot. Increasingly, in this day and age, I would argue that we need to invest in businesses that have a high degree of adaptability, are resilient, and can pivot, pivot well when we see changes around us. So that's where I would focus on when it comes to impact from the conflict.

Eric Platt 00:25:45

Yeah. I've been surprised at the conference how upbeat folks have been about markets generally, given the war. People are really looking through it quickly. David, I'd be curious at what point you begin to think, okay, the Fed is going to have to be more aggressive with policy, which means rates will be higher, which means maybe the impact on underlying portfolio companies might be more stressful.

David Lyon 00:26:10

I think there's a one-pager circulating. I think it's done. I think it got solved this morning. They're working on it. At least that's the press reported it. I think if you had to ask me before the conflict, I would make a bet that rates would be a whole heck of a lot lower, that I would think that our administration had a predilection for lower rates and I think would pursue that agenda. That was my thinking pre-conflict. Right now, it's really tough to tell, right? I certainly know what parts of the administration want to do. I certainly know the inflation picture right now has changed dramatically, right? I think to your point, there are so many different parts of supply chain and the impact that people don't understand. It hasn't flowed through. So I'm not going to pontificate on where rates are going. But I am certainly not of the view that I was pre-conflict, right? That rates are going down. I think the single biggest thing that we look at in our portfolio is obviously the conflict—and we'll talk about this later—is just the massive impact on technology to professional services to software, and this is 45 percent of the US economy, right? I think that's the biggest elephant in the room. The conflict is certainly something that causes a major shock, and we have to think about it. But all of these things, what do profit pools look like? Right? What do these business models look like? This is going to radically upend a lot of businesses that were Steady Eddie private equity, pay 15 times, go to bed. They're going to be very different now. And I think one thing that really we have to think long and hard trying to find those assets in this \$4 trillion is what business model is going to survive? What's underwritable, right? With so much change so quickly, and you can't just stick your head in the sand and say, "I don't know" either. And a lot of markets are doing that, right? There's in the absence of a solution, it's, "I'm scared. AI is bad for this. I don't know." I think our job is to kind of sift through it, right? And that's really the hardest thing that we're doing today is looking at every service model, anything we can, and say, "Is there a moat around this? Can they use technology to be better? Can they accelerate growth? Is there a better exit story?" And that's difficult to do. It's really hard.

Dhiren Jhaveri 00:28:10

With rates, one of the key things that a lot of folks have been discussing is around the supply and demand equation. The reality is, the deficit spending in the United States continues to accelerate upwards, and financing the war efforts and those types of things is just driving up the need to issue more Treasuries, which is causing rates to continue to slowly nudge up over a period of time. And so that is going to be something that we, as a US economy, have to figure out, is that supply-demand equation. Will that impact rates and how that's going to impact rates? But you've got to be able to issue Treasuries in order to finance all the things that the government wants to finance.

Eric Platt 00:28:51

Perfect. Before we move to credit, actually, just one last question for Wil. I'm interested to know if given the war's impact, particularly on Europe, if this is shifting you more to US managers or deals, if you kind of see that deal flow just in Europe will be harder hit given the energy issues there.

Wil S. Warren 00:29:08

Yeah. It's a great question. So our business is global. So we've got nine offices around the world with local teams that are embedded in the private equity community to do the underwriting, address all the issues that David and Camilla are raising, which are front and center in what we're doing. But traditionally, when we think about our portfolios, we're buying that installed base of private equity unrealized. So what that's meant over time is about 60, 65 percent of our exposure is US, 20 to 30 percent Europe, with the balance coming to us in some way through portfolios or specific opportunities that we have in Asia, generally. I don't think that's changing based on the way that we look forward at that unrealized and even layering in more concentration, bigger dollar opportunities perhaps coming out of Europe with some of the single asset and multi-asset deals that we look at. So we manage that. That's been a very effective formula for our investors in terms of portfolio construction, and it's delivered consistent results over time. So for us to sort of move away from those guidelines, we would need to see a real, specific opportunity that we felt conviction around.

Eric Platt 00:30:30

Perfect. I'm switching gears to credit, actually. Earlier this year, Kuvare did a large secondary credit transaction. You bought a portfolio of loans from Blue Owl. I'm curious if you can walk us through that transaction, how you assessed risk and due diligence at a time when many investors were skeptical about private credit.

Dhiren Jhaveri 00:30:50

Yeah. Big picture, one of the key things that we in the insurance industry are looking to do is to find high-quality credit opportunities where we can deploy our capital and be able to get a strong rate of return, and be able to have that rate of return sustain itself over a period of time. Earlier this year, Blue Owl was looking to create liquidity in some of its vehicles. One of the powerful things about the insurance industry, or at least the life insurance and annuity industry, is that we've got long-dated, sticky liabilities. And as Eric mentioned, we're looking for high-quality credit opportunities to give us access to duration and to give us access to strong returns. And the challenge on some of the vehicles that are out there in private credit is that there's a redemption feature, and sometimes investors want to get their money back quicker than what the assets have in terms of maturity or duration profile. And so we were part of the solution to help Blue Owl think about how to get liquidity to its investors. They had a stack of loans in their vehicles. We worked with three other high-quality investors to be able to evaluate those loans, selected the loans that we felt were the right types of loans for us and the other three investors to be able to invest in and put onto their respective balance sheets, negotiated a price, and got to a very, very strong financial outcome for our balance sheet and for the outcomes for the three other investors as well. We all participated in the same loans, and we structured a transaction where we got a rate of return, as it was reported, of plus 540. Which is a very, very strong rate of return, especially considering just two months prior, those loans were trading in the low 400s from a spread standpoint. And so we were able to provide that liquidity because we've got access to cash flow. We've got access to policyholder premiums where money is coming in, and we have to invest that money. And we were able to structure that transaction and be able to get to a really nice outcome. What validates that deal is subsequent to that, about a month ago, PIMCO came in and

financed those individual vehicles, and they financed those individual vehicles at plus 250. So we were able to buy high-quality loans from those vehicles at about 290 basis points wider than the financing that those vehicles were able to attain about a month later. And this is the power of having a strong, long duration, long-term balance sheet, where you have \$50 billion in assets, \$31 billion in AUM. We have the benefit and curse of trying to figure out how to invest \$6 billion of policyholder premiums every year. And being able to work with our partners, being able to work with the market to find high-quality returns is something that both Eric's team and my team look for and want to be opportunistic, to be able to take in the returns when they come. And we do this a lot. We work with a variety of different partners. We were just shown an opportunity to finance a build-out of a data center where they needed some incremental capital. It had to get done by April 30th, and we were able to structure a transaction that was a very high-quality transaction for us, be able to put that as an investment-grade alpha construct, and get to a mid-teens return in a very short period of time because we have access to the capital and the cash flow.

Eric Platt 00:34:17

Fantastic. Could you walk us through that structuring? If—because we realize the Blue Owl transaction was almost at par. I'm really curious how you got the extra 200 basis points you were saying, or 150 basis points.

Dhiren Jhaveri 00:34:26

Yeah. So the structure is set up so that, number one, you don't have to finance the loans immediately. You can finance the loans over a period of time. And so by having that delayed draw type of structure, you're able to pick up incremental return. On top of that, we're not paying any fees. There's no other things around it, and so we're able to put it together to get that type of return and have the long-term outcome. Additionally, these are high-quality loans that were seasoned, and market participants really like to find seasoned loans, largely because you can look at the performance, you can see how the business is coming together, you can see what their historical parlance is, and you're able to put it together where you get confident about the high-quality credit that you're picking up and the return that you're picking up over a period of time.

Eric Platt 00:35:16

Got it. One of the questions we got a lot from readers, and I'd be curious on your views and Eric's views, why do a secondary transaction where it's near par when the publicly traded BDCs are off by 20 points? Is there a way to structure a deal on those transactions where you could really pick up some premium?

Dhiren Jhaveri 00:35:32

It's really because we get to look at the entirety of the pool and figure out what are the assets that make sense for the liabilities that we're matching them against. And for us, being able to just buy a pool of loans and not be able to match it with our liability profile, so we have specific policyholder matters that we want

to tie together and be able to match the cash flow profile, and have that come together in a very powerful way for us. But, Eric?

Eric Murzyn 00:36:00

Yeah, I would add that structure is what we've been talking about, but it's not a substitute for strong underwriting, ensuring you have tight transaction documents, making sure you have clear governance in what you're doing. So while structure is the output, the input needs to be heavy diligence and underwriting on what you're taking on. Some of these transactions, as Dhiren alluded to, aren't over an entire pool of assets. They are on specific assets. So that's the exercise that's happening in private markets right now, especially as it relates to insurance capital, is you need to pair the appropriate liabilities with the appropriate assets. I think everyone's focused on something that's happening with a wealth/retail wrapper on it, where things were sold. I've heard 100 times this week, the redemption feature is a feature, not a bug. Right? So what does that actually mean? If you're making five to seven-year underlying private loans, by definition, they're not liquid. So when we have longer duration needs—and many of us do up here, Mubadala, who's an excellent partner of ours at Aquarian—they have a constituency that they're solving for over a long term, as you heard from Camilla. We're solving from 10 to 30 years. So is Dhiren. So are some of the LPs here. So I think the notion that one size fits all as it relates to structure doesn't work. You have to underwrite the credit, you have to underwrite the assets, and you need to pair assets and the appropriate liabilities together.

Eric Platt 00:37:29

I should ask, just as an aside, do you think the semi-liquid term should be retired? I mean, semi-liquid, if I'm a retail investor, I think that's 50 percent, right? And that's not what really folks are getting right now.

Eric Murzyn 00:37:39

Yeah. I don't—the only thing I think I want to predict up here is that this is probably the only time you're going to see Dhiren and I on the Golden Globes stage. I don't have a perspective. I don't know if anybody else does.

David Lyon 00:37:51

I think it comes down to who's invested in them, right? I think you just said earlier, I want to be 6'4", but I'm 5'9" and I will always be 5'9". Right? These are our liquid loans, right? And the thing about seasoning, at the end of the day, if a loan's any good, you get rid of it because it gets refinanced. Right? So whenever you have a loan that's been there for a couple of years, odds are, wasn't refinanced. So I don't understand that part because loans don't have call pro, right? So typically, if financing markets are hot and spreads go down, the first thing you're going to do is take out your loan. So in general, these vehicles are fine if the people that are invested in them understand what they're buying. Right? Institutions are in these things, it can be fine. Sophisticated retail can be fine. If they're pitched that, "Hey, this is money markets,

but better," that's not a good pitch, right? I think there was some of that disconnect where people were getting paid 3.5 percent upfront to distribute this all over the place. These vehicles got pretty big. The Blue Owl vehicle was \$36 billion, the flagship. And I think unfortunately, people got spooked because of the software composition of these loan books, right? 30 percent of—22 percent, as the pundits use, as private credit, is software exposure. Leveraged loan index is 13. High yield's less than four. And people are just like, "Oh my God, direct lenders are overexposed to software. I've been told software is bad because of AI. Get me out." And that caused the panic, which is a prisoner's dilemma. I got to put my request in, my request in, my request in. So it all comes down to who owns them, and these are all different. These BDCs can actually pull these redemption features. Interval funds cannot, right? So if they need to gate people, they will, but at the end of the day, if it has a 10 percent levered yield, you only get 2.5 percent a quarter. That's math, right? So everything else has to be based on refinancings. So there is a mismatch. It comes down to who's going to freak out, who's in the vehicle.

Eric Murzyn 00:39:40

Yeah. Anecdotally, again, at Aquarian, we manage long duration capital. We're not managing retail investors' capital. We're doing what we need to do for the best of the policyholders. But with that being said, if you just look anecdotally at what's happened over the last week or two, there was a tender offer to some of these BDCs that was largely unsuccessful and/or not taken up by most of the investors. That's showing you that even as the retail investor is seeking liquidity, they're not willing to sell at any price. There is a price, but 20-30 percent discounts didn't seem to be the appropriate price for that particular transaction. So there's been a lot of news about it. You have to, again, stay vigilant in underwriting, governance, clear documentation—if you have those hallmarks in a transaction, the wrapper and the underlying assets, the structure is an output of that. So I think sticking to the clear goals of your organization and who your constituents are and just making sure you're underwriting the appropriate assets for those liabilities is going to rule the day here.

Eric Platt 00:40:51

Dhiren, take your—

Wil S. Warren 00:40:52

—Can I just jump in? I think this is all correct. I think it's important to say, to state, I would state anyway, that these evergreen structures are an experiment. This is new. The industry's not been through this before, and I think if you're an investor, you've really got to look at what's the amount of capital that's truly long duration, held in a drawdown fund? How are the deals, if that's the backbone of the deal flow that we all look to generate, you have to have capital to do these deals and provide the liquidity. Then the question is what part of that capital base is evergreen, and how are the deals being shared? So we can—at Lexington, we're running our business about \$30 billion of drawdown capital, and we're getting about a billion to \$2 billion a year in evergreen capital that comes in that's invested quickly alongside those drawdown vehicles. We're sharing the exact same deals at the same pricing into the evergreen vehicle. Now, our drawdown vehicles don't have redemption features, but our evergreen vehicles do. That's the

experimental part, right? We keep a liquidity sleeve to make sure that we're matched, but it's very clear if you read our marketing materials, and I hope people do, that these are truly illiquid assets. And that's the reason that there are return opportunities. And so we're not looking for investors who want to redeem out after a year's worth of return, but we can't control that given the structure that we've offered. So the way that we can be smart about that is we can manage the size and the proportion of our capital to make sure that we're long-term thinking and long-term positioned to provide the liquidity that's been part of our investment strategy for years.

Eric Platt 00:42:43

Yeah. I've been surprised we haven't seen a ton of secondary trades out of funds, right out of the credit side. But I'm curious as we see private equity retail vehicles really raising, like I think Blackstone's fund is at \$25 billion now and the evergreen on PE, does that present a new opportunity for secondaries players where they will need liquidity in a way that the credit funds don't?

Wil S. Warren 00:43:03

It could over time. I think these evergreen pools of capital, as Camilla described, they can facilitate recaps, all sorts of minority liquidity positions, and I think the bigger they get, the more I think you're going to see them seek to invest that way. Now, if they get crosswise in the redemption features of their own product, that's more private equity that theoretically could be for sale. So I think one of the things that we should acknowledge here, my observation would be, when there's a need for liquidity, basically the negotiations that you're going through as a liquidity provider is what's the maximum amount of assets that you can provide liquidity for at the maximum possible price? And that generates volume. So one way to think about it, one of my old partners used to say, "If the discount in our market were zero, volume would be infinite." And I think that's right. And I think as we increase the capital base and provide longer-term liquidity solutions through lots of different structures, that's the challenge. I think if you find assets you like, like you described in your trade, that's a phenomenal way to invest. The question is how much of the unrealized stack of private assets can we pay something approaching par for? I think all of that—if that's a high number—then all of that is a candidate for sale.

Eric Platt 00:44:38

Great. Dhiren, from your vantage point, just moving back to credit, I'm curious how important you think it is to have the origination funnel within an insurer, or if the IMA function works well. Like we see kind of Apollo out there really pushing how much they can originate. I'm curious from your vantage point what—

Dhiren Jhaveri 00:44:55

—So we do both. We have IMAs where it's strong asset management partners who bring us high-quality investment grade alpha types of opportunities, and we want to work with those types of partners. But we also have our internal or our own strategic investment function that's looking to generate alpha, that's

looking for opportunities, that wants to be able to work with different platforms and find ways to bring in high-quality assets, structure those assets so that they're appropriate for an insurance company balance sheet, and be able to invest in those types of things. And I think it's very powerful to have both capabilities, both having asset management partners who bring opportunities and also having a team that we control, that we manage, that can go ahead and build out for high-quality originations as well.

Eric Platt 00:45:48

Great. Eric, I'm curious, kind of similar views, just that divergence between an asset-heavy or an asset-light insurance group and asset manager, kind of if you think there's a winning model or one that will ultimately kind of prevail.

Eric Murzyn 00:46:01

At Aquarian, we have both as well. The insurance business writ large is a capital-intensive business. We, on the asset management side, are managing matching of assets with the long-duration liabilities that are being created in the life side of the retirement solution side of our businesses. Some of that's internal. We manage the entire book internally, and we decide if there's appropriate sub-advisors on certain parts of the asset base. Core fixed income is one example. We partner with folks like on this stage to create bespoke opportunities after the clear underwriting, structuring, governance dialogues that we have to ensure that we're matching the appropriate assets with the liabilities, but everything's first insurance-driven in our world. As I mentioned, we started owning insurance businesses first and created an asset management function to serve those insurance companies and the policyholders of them. That needs to be the goal. I think some other folks in the industry have come at it the other way. They've been asset managers first and then bought liability originators. If you start first with the basic principle of what liability cost of capital are you trying to solve for and create an asset strategy around that, that's key, whether or not you're managing insurance capital, sovereign capital, or capital for traditional LPs. So that needs to be the first and foremost driving factor. That's how we look at it at Aquarian.

Eric Platt 00:47:33

Great. We've seen more scrutiny, just from regulators as they're trying to get their heads around private credit. Treasury is convening top policymakers just to kind of understand the impact on insurance. I'm curious if that's shifting either your views of how you're investing right now or how you're tackling private credit.

Dhiren Jhaveri 00:47:50

No. We welcome the enhanced scrutiny, the continued oversight. That's what makes the US insurance system such a powerful system. The businesses have been around for 125 years, some even 150 years, and they're going to be around for another 125 to 150 years, and that's because of the strong regulatory environment, the strong transparency that the industry has, and being able to work very closely with the

regulatory authorities, with the rating agencies to help them understand our balance sheet and have them understand that we are liability-driven investors and that we are looking for high-quality returns, and part of it is to be able to figure out what is the best answer for the policyholder, what is the best answer for the insurance company balance sheet for that long-term sustainability. And so we think that this is a great thing from an industry standpoint to have that enhanced look and to have that continued dialogue, and we welcome it overall as an industry.

Eric Murzyn 00:48:52

Yeah, I totally agree. We welcome the regulatory oversight. We want the same objectives, which is what's in the best interest of the policyholders. As I mentioned earlier, you can't substitute structure for strong underwriting and make sure you're matching the appropriate assets with the appropriate liabilities. As it relates to private credit, we're bucketing private credit as one subset of what's actually happening. Life insurers have between, on average, 30 percent and 40 percent of their assets in private markets. That doesn't mean everything is a levered loan to a sponsor in an LBO transaction. Our founder, Rudy Sahay, was speaking yesterday about a transaction we did where you have a corporate credit offtake on one side with a hard asset involved. So you have cash flow backing from an investment-grade rated credit in a situation that you also have additional collateral in that of an asset. The goal in private markets isn't necessarily to fit one product solution that's out there, but it's to get as close to the assets as possible, underwrite the cash flows appropriately, and as I said earlier, structure is an output of that. So I think private credit is a term that's being thrown around a lot, but if you really get into it, there's much more going on than levered loans to sponsor-backed transactions.

Eric Platt 00:50:09

Yeah. Just on that, if there is more scrutiny on the structured credit side of the investment portfolios, do you think that would slow the use of rated feeders or other vehicles that have really sprung up to help provide solutions to insurers?

Eric Murzyn 00:50:23

The solution set's been changing for years. Again, as Dhiren said, we need to be good constituents to our regulatory counterparts. We will adapt and ensure that everyone's appropriately educated on why we're matching certain assets with certain liabilities. There's no substitute for great underwriting, and as long as that's happening and you're structurally protected, we have a partner that taught us that you either have control or liquidity, and if you don't have liquidity because you're in the private markets, you need a clear set of guidelines as it relates to control. You need governance, you need escalation triggers, you need to be directly in contact with your financing counterparts to ensure that what's happening on the asset side matches the best interests of the policyholders on the liability side in our business. So things will change. They always change. We welcome the changes. We will be good constituents. There's no substitute for good underwriting.

Dhiren Jhaveri 00:51:21

The reality is that there's various different types of private credit assets, and the key for us is to have that control. A lot of private assets might be structured in a way that there aren't covenants, there aren't abilities to be able to come in and capture the assets and things like that. Those are the types of things that the regulators are looking at, trying to understand and make sure that that's not what's in the portfolios of insurance companies. The things that we're looking for, the things that Eric's looking for, are the ability to be able to structure something where there's covenants, there's KPIs, there's triggers that bring the management team or the borrower to the table to be able to negotiate to an outcome with the lender like ourselves. And if necessary, we can then take control of the asset or take control of the liability and to be able to tie that together and to work to a good outcome. And the reality is that the insurance industry has been involved in private credit for 30, 40, 50 years. The traditional private placement market's been there for a long time. It's deep. It's highly capable, highly functioning. This more structured side of the house has only evolved over the last maybe 10, 20 years, but it gives a huge amount of power to the insurance business because there is collateral, there are covenants, there are terms, there are things that need to be satisfied. And if they're not, you're able to get in early enough to be able to come to a strong resolution. What you need to do as a credit investor is get your money back plus interest and be able to capture that and make that happen in a very quick way before things go south, before things have challenges on the balance sheet of the borrower and things like that. And that's the power of the types of private credit that insurance companies put together, where we are able to capture that alpha but also have strong controls in place just in case something goes wrong.

Eric Platt 00:53:16

Right. Just in terms of the investment opportunities you're seeing today, I'm curious what you're seeing. When I talk to direct lenders, they're saying spreads are widening, things should be getting better, and then you look at liquid markets, and we're not back at the tight, but we're starting to move in that direction again, and I'm just curious where you want to be moving the portfolio.

Dhiren Jhaveri 00:53:36

So we typically don't do direct lending that's cash flow based. That's just not something that we're focused in on. We like asset based. It's great if you can have cash flows and assets combined, as Eric described earlier. From our standpoint, that structured credit, it continues to be, or that asset-based type of credit continues to be a very stable outcome. Yes, spreads move up, spreads move down over a period of time, but really, that is a real great source of alpha. The direct lending side, completely agree. That side of the house, spreads have widened. Now it seems like the past two, three, four weeks, spreads have tightened back just based upon it looks like resolutions in the geopolitical environment are occurring. But the key for us is that the stability of that structured or that asset-based approach has been quite powerful. Eric?

Eric Murzyn 00:54:31

I agree. There's a variety of private assets that make sense in the context of our liability profiles. Same with public assets. To create the returns requisite long-duration liabilities, you need private assets in your portfolio. It's also about sticking to the underwriting discipline. We do 4 percent or something of the deals that we see. It's a pretty low hit rate. So if you're doing any sort of private markets lending, you just have to stick to your underwriting elements and ensure that you're providing the best outcomes for the liability holders.

Eric Platt 00:55:06

We're coming close up to time, but Eric, I wanted to just give you some time to maybe walk us through Aquarian's approach to its growth. You guys have been growing really rapidly. You're in the midst of a transformative acquisition backed by Mubadala. How do you think about building out the asset manager, and where do you guys see Aquarian in a few years?

Eric Murzyn 00:55:23

Irrespective of asset side, I think the core tenets remain the same. It's the underwriting, strong governance, clear structural documentation or enabling assets to be put against our liabilities. As it relates to the transaction you're alluding to, it's a public company transaction, so not much I could say about it. Mubadala has been an excellent partner, and Mubadala Capital, they've been fantastic partners as we've grown our business. They've been a partner of ours for several years now. We're excited to get through the regulatory process and see what's next on that transaction.

Eric Platt 00:55:56

Perfect. Maybe an undertone from the conversation today is just how different managers are working together, whether they're affiliated or unaffiliated. I'm curious what safeguards you think boards at these companies need when they're doing transactions with companies that have ties. Dhiren, to you.

Dhiren Jhaveri 00:56:21

So, we've got a very robust governance construct. That's one of the key things that makes the industry very powerful, is that there are things that the insurance industry has to continue to do, and having that oversight from the board, having a governance process to ensure that the investments that we are making are the appropriate investments from a balance sheet standpoint. And so there's a continuous dialogue, there's a continuous approach, and I think it's just one of those things where we want to have a bilateral negotiation with a partner. That bilateral negotiation creates a fantastic outcome for us, and then having the appropriate governance to work with our boards, with our committees to ensure that that is the appropriate thing to do, and that's a constant dialogue. We have a process in place, and that's the types of things that insurance businesses do over the long run.

Eric Platt 00:57:16

Fantastic. Wanted to just kick it off because we've got two minutes left. Are there any kind of final points that the group's keen to make, particularly around DPI and when you think maybe this logjam will start to break?

Wil S. Warren 00:57:30

We'll see. Look, I think the way I would characterize the issue is between 2014 and 2020, if you were planning your private equity allocation, you could count on 25 percent to 28 percent of your NAV coming back in cash in the following year. Last year, we were at 12 percent. So I think the way we look at it, the unrealized stack of NAV that I keep referring to is going to get bigger before it gets smaller in any circumstance, even if you assume that DPI levels, or we call it a yield, comes back to the high teens. And that'll depend on some of the M&A activity that many of the bankers here are working on and talking about and we're optimistic about, but has not really shown up over the last couple of years based on tariffs and geopolitical situations and other things that we're navigating. So the world's moving very quickly, but I think one thing that we can count on is that that structural issue is going to continue to compound over the next couple of years.

Camilla Languille 00:58:37

I would agree with that. And I think given, given everything we've discussed today on stage, I would expect these different liquidity solutions, including GP-led secondaries, to grow over time. That's what we're seeing in our line of business. Last year, GP-led secondaries made up 20 percent of exits. We just expect that to continue to grow because the structural headwinds in terms of being able to deliver liquidity are going to stay. So this also presents a lot of opportunities for the folks here on the stage because just means that we have even more and more opportunities to invest creatively in these assets.

Eric Platt 00:59:22

Great. Final thought?

David Lyon 00:59:25

I would just add that this DPI problem is not going away. It's going to take years, not months, to fix. And I think structures are great. We do a lot of structured things, but at the end of the day, if you're earning a 15 percent, 14 percent, 16 percent return, you're taking risk. And people market downside protection, downside protection all the time. First lien loans does not mean no risk; they mean first lien loans, right? I've bought loans before that have gone to \$0.20, \$0.10. So the reality is structure can be nice. It can hedge you against valuation issues, but it isn't a panacea, right? So it's market as such, and you got to know what risk you're taking, and the key thing is in this stack, selecting which is okay and what is reasonably marked and what you think one day will be strategic or exitable.

Eric Platt 01:00:09

Fantastic. I want to thank everyone for joining us today, and enjoy the rest of the conference. Thank you.

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