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Investor Intelligence: Q1 2026

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Murano: End of Quarter Wrap Q1 2026

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As the first quarter of 2026 drew to a close, allocator conversations were shaped by a more uncertain and volatile backdrop than many had expected at the start of the year. Headlines around private credit and broader market uncertainty contributed to a noisier environment. Yet beneath this, institutional investors remained engaged. Across our Q1 discussions, the dominant message was not retrenchment, but discipline, with allocators continuing to evaluate opportunities across both private and public markets, albeit with a higher bar for manager quality, portfolio fit and implementation.

As with all Murano research, this analysis is conducted on a bottom-up basis, drawing directly from individual allocator conversations rather than top-down market narratives. We note that certain themes identified in Q1 2026 look to be continuations of those identified in Q4 2025, but the underlying dynamics have continued to develop.

Our first quarter conversations point to five clear themes:

- Private credit remained central to allocator discussions, but scrutiny of underwriting, tranche selection and manager quality increased.
- Selective opportunities emerged across public markets and real assets, with allocators targeting specific markets, sectors and strategies rather than looking for broad market exposure.
- Liquidity and implementation flexibility remained important, particularly in wealth and intermediary channels.
- Private equity demand skewed toward specialist and lower mid-market strategies.
- Allocators placed increasing emphasis on cash flow, distributions and the timing of capital return within private markets.

Private credit remained central, but selectivity tightened

Despite negative headlines in parts of the private credit market during the quarter, allocators did not step back from the asset class in any meaningful way. Instead, conversations pointed to a selective approach to deployment. Investors across wealth, pension and insurance channels continued to view private credit as an important source of income and diversification, but with greater focus on underwriting discipline, seniority in the capital structure and manager track record.

A **US public pension fund based in Tallahassee, Florida ($180bn AuM)** said it remains active in lower middle-market direct lending but is focused on sponsor-backed, senior secured opportunities, whilst pausing certain real estate lending and asset-backed strategies where relative value is less compelling.

Additionally, investors continued to research alternative areas of credit rather than looking to gain broad vanilla exposure. As an example, **a US investment adviser based in Marina del Rey, California ($99bn AuM)** described continued demand for asset-backed lending, litigation finance and other specialised credit strategies.

A **UK investment consultant based in London, UK (£88bn AuM)** noted that their clients' exposure to direct lending is already well established and that new allocations to direct lending are only being considered where managers can offer genuinely differentiated strategies. They cited small loans to family owned businesses in the US as an example within direct lending. They otherwise had an active search for Energy Transition Debt.

Private credit, therefore, remained one of the most actively discussed areas in Q1 despite negative press regarding some specific large funds. Our research shows that whilst allocator appetite has not waned for most institutional investors, there is an elevated level of scrutiny applied to manager quality and downside protection.

One example of reallocating away from the asset class came from a smaller **US government trust based in North Dakota ($9bn AuM)** which communicated that it has reduced its strategic private credit allocation from 20% to 15%. Our contact told us they do not expect to make new commitments this year following an internal review.

Selective opportunities emerged across public markets and real assets

In public markets, allocator interest in Q1 was focused and opportunity-driven rather than directional. Several investors pointed to perceived valuation opportunities in ex-US and emerging markets, often coupled with a preference for specialist managers with local expertise. A **US university endowment based in Nashville, Tennessee ($10bn AuM)**, for instance, discussed their active search for exposure to equity markets in Southeast Asia, India and Europe, where company valuations are attractive compared to the US. More broadly, allocators emphasised a targeted approach to geographic exposure, favouring specific opportunities over broad market beta.

A similar pattern was evident across real assets, where allocator interest remained focused on specific sectors rather than broad-based exposure. Infrastructure and energy transition opportunities continued to feature prominently, particularly where they offered long-term stability and inflation-linked characteristics. A **Finnish public pension investor based in Helsinki (€52bn AuM)**, for example, highlighted continued allocation across infrastructure and real assets, with a focus on sectors such as energy transition, transport and logistics within a long-term portfolio framework. Within real estate, demand also appeared increasingly sector-specific, with logistics, data centres and other operationally driven assets favoured over more traditional segments.

This more selective approach was also evident in how allocators are accessing both public and private markets. In wealth and intermediary channels, there is growing use of evergreen and semi-liquid structures to facilitate access to private assets, alongside increasing interest in secondaries as a liquidity tool and a route into seasoned portfolios.

Liquidity and implementation flexibility remained important

In Q1 2026 we continued to see the need for liquidity directly shaping allocator decisions with investment vehicle and implementation constraints increasingly determining how allocators are looking to deploy capital.

A Dutch private bank headquartered in Amsterdam (€200bn AuM) noted that private credit allocations continue to favour evergreen vehicles with periodic liquidity, reflecting both client preferences and regulatory constraints. **A Swiss private bank's hedge fund selection team based in London ($173bn AuM)** similarly noted that UCITS structures remain a key focus, reflecting the importance of liquidity and wrapper considerations in portfolio construction.

For many investors, the question was not simply whether a strategy was attractive by way of returns and diversification but whether or not it could be implemented in a way that aligned with liquidity needs and broader portfolio constraints.

A UK pooled pension investor based in Leeds, UK (£64bn AuM) described a heightened focus on portfolio construction and implementation as it integrates incoming assets and aligns existing exposures, while also highlighting interest in liquid absolute return strategies that can provide diversification and flexibility.

Across Q1, the message was consistent: institutional allocators remained willing to deploy capital, but only where the structure and liquidity profile aligned with portfolio needs.

<u>Private equity demand skewed toward specialist and lower mid-market strategies</u>

Within private equity, our Q1 conversations suggest a continued refinement in allocator preferences, with demand increasingly skewed toward smaller, more specialist managers and lower mid-market opportunities. Several investors expressed a clear preference for focused strategies with differentiated sourcing and operational expertise, rather than broad, scaled generalist approaches. A **US endowment based in North Carolina ($13.5bn AuM)**, for example, emphasised its preference for small teams raising smaller funds, explicitly avoiding generalist managers in favour of those with deep operational expertise and a clear niche. A **European private bank headquartered in Andorra (€11bn AuM)** similarly highlighted a clear bias toward lower mid-market buyout managers, viewing this segment as structurally more attractive than larger buyout strategies.

Several investors pointed to the importance of sector specialisation, operational capability and repeatable sourcing advantages, particularly in less crowded parts of the market. A **German pension fund based in Hannover (€9.8bn AuM)**, for instance, highlighted its focus on SME and lower mid-market buyouts, reinforcing the preference for less crowded segments of the market.

This positioning also reflects practical considerations around portfolio construction and capital deployment. Smaller and more focused strategies are often viewed as offering better alignment, greater access to differentiated opportunities and, in some cases, more attractive entry valuations. Rather than reducing exposure to private equity, we surmise that allocators are becoming more selective in how they access the asset class, with increasing emphasis on specialisation, alignment and differentiated return drivers.

Cash flow and distributions became a more central consideration

A further feature of Q1 conversations was the increasing importance of cash flow profile and the timing of distributions within private markets. While allocators remain committed to private equity and other illiquid strategies, there is growing evidence that the pace and predictability of capital return is becoming a more prominent factor in portfolio construction.

Several investors highlighted slower-than-expected distributions from existing portfolios, influencing the pace of new commitments and driving interest in strategies that can deliver earlier or more consistent income.

In the wealth channel, a **US wealth manager based in Stamford, Connecticut ($65bn AuM)** explicitly highlighted the role of certain credit and multi-asset strategies in "giving DPI back to investors."

A **specialist impact-focused private markets investor based in Switzerland ($1.5bn AuM)** also noted that its primary focus has shifted toward secondaries, including LP stakes and continuation vehicles, with only a limited number of primary commitments expected this year. Alongside this, investors pointed to growing use of GP-led transactions as a way to realise liquidity from existing private market holdings when such opportunities arise.

Conclusion

Our Q1 conversations suggest that allocator behaviour remained more resilient than market headlines implied. Investors did not retreat from alternatives or private markets in a broad sense. Instead, they became more selective, more focused on implementation and more deliberate in portfolio construction.

We will continue to monitor whether this discipline translates to slower deployment, or whether allocators become more willing to increase risk if conditions stabilise. For now, the clearest message from Q1 was that institutional investors remain engaged, but with a meaningfully higher bar for committing capital.

In April so far we have been keeping close tabs on allocator behaviour given the war with Iran and its inflationary impact. Whilst there is caution from some investors, long-term institutional investors look to already be building in higher oil prices to their models and continuing to engage with funds. Naturally, it is taking more calls to get through the right people at the right time, but this is precisely the area in which Murano's Research Team excels.