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Private Market Talks:

Manager Selection, Secondaries, and the Power Law with CF Private Equity's Mark Hoeing

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What tells you you're sitting across from an exceptional investor?

In this episode of *Private Market Talks*, CF Private Equity President and CEO Mark Hoeing joins partner Howard Beber to explain how persistence of returns, disciplined manager selection, and rigorous diligence define success in today's market. Mark shares his outlook on continuation vehicles and the broader evolution of the secondary market, unpacks the power law dynamics driving venture capital returns, and points to founder-owned businesses and AI infrastructure as sources of future growth.

Howard Beber: Welcome back to Private Market Talks, a Proskauer podcast where we explore the world of private markets and speak with the people shaping the future of alternative investments. I’m your host, Howard Beber. Today, I’m joined by Mark Hoeing, President and CEO of CF Private Equity.

CF Private Equity is the private markets investment platform of Commonfund, serving endowments, foundations, pension plans, family offices, and other institutional investors. Founded in 1998 as Commonfund Capital, the firm specializes in building diversified private market portfolios through primary fund investments, secondaries, co-investments, venture capital, growth equity, buyouts, and real asset strategies. Today, CF Private Equity manages over 15 billion in assets and oversees dozens of investment vehicles across multiple strategies and vintages. The firm is widely recognized for its fund-to-funds expertise, secondary investing capabilities, and customized portfolio solutions designed to provide long-term private market exposure. In addition to serving as president and CEO, Mark leads the firm's buyout and growth equity investment practice and serves on CF's Private Equities Investment Committee and Senior Executive Group, as well as Commonfund's Operating Committee. Prior to joining CF Private Equity, he held investment roles at Deutsche Bank, where he evaluated third-party private capital managers and participated in direct private capital investments through DB Capital Partners, the firm's merchant banking subsidiary. Mark began his career as a credit analyst and commercial lending officer with Citizens Financial Group and currently serves on the advisory boards of several private equity partnerships. He holds a B.S. in health policy and management and an M.B.A. from Providence College. As with all our episodes, you can find a full transcript and additional resources at privatemarkettalks.com. And if you've enjoyed the episode, we'd love to hear from you.

And now my conversation with Mark Hoeing. Mark, welcome to Private Market Talks. It's great to have you on the show.

Mark Hoeing: Thank you, Howard. It's great to be with you. Looking forward to talking with you.

Howard Beber: Great. So, let's start like I always do with your career journey and how you got to where you are. So, if you don't mind, maybe tell our listeners about your path into private markets and what ultimately led you to CF Private Equity?

Mark Hoeing: Before joining Commonfund, Howard, I was part of a direct investment team at Deutsche Bank where my team was focused on making early stage and growth equity type investments, and one of the companies in the portfolio at the time was a business called X.com. For those listeners who don't know, X.com was founded in 1999 to create an online bank where customers could open accounts, transfer money, invest, manage finances. That company was founded by Elon Musk and later merged with a company called Confinity, which was founded by, among others, Peter Thiel and Max Levchin. X.com eventually changed its name to PayPal as the brand took off with customers, and PayPal went public in 2022 and was later acquired by eBay. Deutsche Bank and my team were investors in that company with Sequoia Capital and others. And, of course, that investment went on to become very successful and spawned the so-called PayPal Mafia, which included a lot of successful individuals who went on to found companies, build venture firms. I became fascinated at that time with investing in and building great private companies, and I had really a front row seat there to see how great venture capital investors work with entrepreneurs to build those companies. So, I later learned in that episode of my life that Commonfund had been one of the LPs that had funded many of the great venture firms that built businesses like that one, and I saw really a correlation between Commonfund's portfolio and many of the great venture-backed companies. And, as it turned out, I was drawn to Commonfund as a result of that. Later in my career at Deutsche Bank, I was a part of the fund investment team where we backed buyout funds around the world. And I just really became absolutely fascinated with the personal relationships that I was building and seeing all these different kinds of firms. We invested in the U.S. and Europe and Asia in buyout and growth equity funds, as well as some venture funds, and I love the opportunity to compare and contrast firms. That's really what drew me to Commonfund and has kept me really working hard at this firm now for 22 years. So, that's a quick background on how I got to Commonfund.

Howard Beber: Thank you. So, you've been in this business longer than most, so I guess the obvious question here is, what's changed in your mind the most in this industry since you first started out?

Mark Hoeing: I guess a few things have changed, Howard, that I probably emphasize the most. Number one is the scale and the size of the industry. It's almost impossible to overstate. When I entered, private equity was relatively niche asset class. Today, it's multi-trillions, tens of thousands of managers, hundreds of strategies. A secondary market that barely existed when I first started is now blossoming and becoming, it's really a series of markets in the secondary side. And then, private credit has really displaced bank lending. When I started, there were a few banks that were lending to private companies. Wow, that's really changed. The second biggest thing is, I think, the source of return and where return is coming from in private markets. That is a big change from when I first entered. Just by way of example, I think about it, when you think about that period between, call it 2010, post-GFC emergence from the GFC, up until about 2021, we have this long run of cheap debt and multiple expansion. And for people paying attention to the industry, Bain put out a report recently that showed during that period that multiple expansion and cheap debt did more than half the work to drive return. And today, things have changed. You know, you need a lot more growth out of your investments. The cost of capital is much higher. And so, the source of return has changed a lot from more financial engineering on to much more company building, company infrastructure building, and then actually top line growth. So that's a big change, I think, in the current period from where we were. One, one thing that really has not changed, in my mind, if we spotlight venture capital for a minute, returns in venture capital always comes from company building, revenue growth. Commonfund has always had a really front seat at the table kind of looking at the venture industry. It's the one area where you have this really wide dispersion of returns between winners and losers. That really has not changed. And so, I think finding and accessing the small number of companies in the venture industry that drive most of the return, that's really the key. And then I guess finally, I'd say what has changed has just been the institutionalization of the LP base. Our clients have become more and more sophisticated. They ask harder questions. They demand better reporting. I think that's really been healthy for the industry, and it's creating an even more demanding environment for managers, you know? This has required people like us and others to broaden our skill base as investors. And there's no better example than the current mega trend of GP-led continuation events. You know, I know we'll talk a little bit more about this later, but LPs are now being required to assess the underlying behavior of their managers and the companies through these GP-led events and become much more circumspect around judging exactly what's happening with the companies and whether or not it makes sense to continue on investing. So, those are some of the big changes, I'd say.

Howard Beber: Yeah, I guess no doubt that second piece about LPs becoming more sophisticated as a group, I think the emergence of ILPA had a decent amount to do with that.

Mark Hoeing: Absolutely. Yeah, ILPA's existence and focus has been a big driver in trying to more systematize you know, the approach that the GPs are taking to communicate.

Howard Beber: Yeah. All right, so let's flip over now just a little bit about CF. For our listeners who might not be familiar, how would you describe what CF does and your role in the private markets ecosystem?

Mark Hoeing: Sure, quick background: CF Private Equity is the private markets investment platform of Commonfund. Commonfund was founded in 1971, been around for a long time, specifically in the early days, designed to serve endowment and foundation community. CF Private Equity was established and built in 1988, originally called Commonfund Capital, but it was really designed to raise third-party capital outside of Commonfund. And we've been building private market portfolios with third-party clients since that time. We have 60 people. We focus exclusively on the private markets, and I'd say we have position among the LP community in three distinct areas: One is early stage venture capital. Most of our managers in that area invest in the seed, the A and the B round. Segment #2 is small middle market buyouts with companies who have EBITDA between two and 50 million. The third area is private natural resources with an emphasis on energy, infrastructure, agriculture, metals and mining, et cetera. We access those segments by backing a concentrated set of managers. Many of those managers are quite difficult to access because of their size, because of their history. We also make direct co-investments. We follow thousands of companies, and we select a few that fit our criteria. And then finally, we built a unique expertise in finding companies in the private markets via secondary strategies. I say secondary markets plural because it's no longer a monolithic secondary market. It's a series of sub-markets, which I know we can probably get into later. CF Private Equity has thousands of clients that include multifamily office, pension, and insurance companies these days. The common denominator across the clients, they're all long duration, multi-generational thinkers for whom private markets are, we think, well-suited. And so, we see our job as delivering that illiquidity premium. The way I describe our role in the ecosystem is as a specialist allocator. As a specialist allocator, we're very much focused on private equity alpha strategies, as I call them. Those are focused on building companies and delivering growth in a world that — let's face it — it's become awash with private equity beta. And we at CF Private Equity have built a deep expertise and binding the pockets of alpha that we think have outperformed and will continue to do so. So that's a little bit about where we sit.

Howard Beber: Thank you. So, just looking ahead a little bit to the future, the Firm has obviously grown tremendously over the years with the industry. Where do you see it going? What are the next big opportunities that you see for CF, but in the private equity space in general?

Mark Hoeing: Yeah, I'd say there's a few things that come to mind in terms of growth opportunities for the Firm. Number one, there's a continued institutional build out in private markets for kind of the endowment and foundation segment, that 100 to 500 million segments. Institutions of this category have been meaningfully under-allocated relative to some of their larger peers. So, we think there's a long-term growth profile. And the key there is to build the endowment-like portfolio for smaller investors who just don't have the capacity to execute. I'd say the other area where we see nice growth, and we touched on this a little bit, but the opportunity in the secondary segment, particularly kind of the GP-led part of the secondary segment, in addition to the traditional LP segment. We project that we're going to see continuing need for sophisticated LP expertise in evaluating these transactions. In addition, we love the small tail-end LP traditional secondary market. We just see opportunities to enter those companies at value entry points. And then I guess the third area where I see significant growth is in real assets and infrastructure tied to this AI infrastructure build out, the energy kind of transition, the need for more energy resources. And then the domestic supply chain investment. So, to sum it up, our emphasis on our firm on early stage VC, middle market companies, and natural resource businesses, all positioned as well to, you know, take advantage of this growth.

Howard Beber: Great. So, let's talk a little bit about the, just the, yeah, the actual growth in the markets. Talk a little bit about the sort of founder-owned, entrepreneur-built, family-owned business and why those continue to be attractive and, in some cases, probably underappreciated sources of value creation or investments.

Mark Hoeing: Yeah, so, you've touched on a, a really specific sub-segment. So, when we look across particularly buyout strategies and a bit of the growth equity segment, it's clear private markets have grown enormously in the last decade, but specifically, the segment you're referring to and that, that I care deeply about, is really this founder-owned and family-owned business segment, which is fundamentally different, we think, in the sense that the sellers of these businesses, the builders of these businesses, they're often optimizing for a transition partner, meaning someone or a private equity firm, an institution, that will help steward the business from where they've built it to where, where they can take it. They're looking for somebody that will honor the legacy that they've built but will also bring to bear resources beyond their scope. And so, for them, it's as much about a transition partner as it is, well, what's the price someone's going to pay for this business? It's not necessarily optimized just for price because the visionaries tend to say, "I built this thing. I need help to grow it. It can be much more than it is today." And that really is a fundamental growth thesis, which we like. So, anyway, this creates, I think, deal economic dynamics that are structurally different than a competitive auction and what you see in a lot of the large cap buyout segment. And if you look at some of the data, which we, we have access to, middle market performance data, these companies trade at 40 to 50 percent discounts to many of their larger public and private peers. And one metric in, in 2025, for example, the entry purchase price multiple for companies below a billion, which is typically the, the kind we're talking about, was about eight times enterprise value to EBITDA versus, call it 14 times and 17 times for larger buyouts in, say, the Russell 2000, for example. So, investment judgment is needed to execute on a growth plan, but you really systematically have an opportunity to buy in at a lower entry price. And you're also investing for growth. The idea in working with a founder-owned, family-owned, founder-built business is to take the business to the next level. And so, if they've, for example, grown the company from, you know, to five to 10 million of EBITDA, organically, they've often done that with a, a lack of professional support or a formalized kind of management team build out. And so, small and little market companies like this, there's a real opportunity to upgrade those companies and transform them. And, and typically, when you do that, you get a re-rating and exit, meaning the next buyer is willing to pay a much higher multiple than you would have paid. And so, I think that segment we've just been talking about is not really, I think people appreciate it. I think it's just very difficult to build scale and to access investments in this area, unless you've got a very laser-focused approach to the market.

Howard Beber: Yeah, and as firms grow and have more capital to invest, I imagine that becomes a harder segment to invest in for those bigger firms.

Mark Hoeing: For sure.

Howard Beber: Yeah. Anything else in the market? So that's obviously a sort of focus point and maybe not underappreciated, but perhaps not the same level of capital-chasing deals. Anything else in the market that you see the same theory?

Mark Hoeing: There's two quick things that come to mind when you're asking that question. One would be in the real asset segment. I think we've had a real 180 degree shift in real assets in the last, call it, 18 months. We've been longtime investors in real asset type companies. It had been a totally different environment. That has shifted, particularly in the infrastructure support, AI build out, energy transition spaces. I think these areas are still underappreciated by many investors because the capital requirements are just enormous. The duration aligns with a long-term investor. You've got government support in many cases for companies investing in this, in this area. And these things just didn't exist 10 years ago. So, I think this segment is one that's probably underappreciated. It's difficult to access. It's hard to, you know, historically, the rationale in this space was inflation protection as well as capital appreciation. We've certainly seen the inflation protection elements add to or do their job in the last, call it, three, four years. I just think there's this growth piece to it that's also attractive. And I guess the other piece is this, when we look at the secondary markets, we touched, I touched on it before, but there's a series of markets inside secondaries. And I still think that the continuation vehicle market is not well understood. It's confusing. And some of the first cohorts of data have now come out. So Evercore, the completed analysis of, call it, 400 or so continuation vehicles, single asset, multi-asset, and the performance data is out. It's consistent with what we've been seeing and what we would say, which is, yeah, look, there are certain companies that GPs in this environment want to hold on to. They want to continue to invest in them and do it through a CV structure, and they're delivering performance. And maybe the absolute performance is not as high as, say, a primary fund, but it's still attractive. And the thesis there, I think, is one that's probably underappreciated because of its relative newness.

Howard Beber: Yeah, I'm going to get into continuation funds and liquidity markets in a second. Before I do, though, let's talk a little bit about venture capital. To be honest, we don't want to talk about venture all that much on this podcast, simply because its relative space in the industry over the last 30 years is just much smaller than it used to be. But that doesn't make it an uninteresting and unexciting place in the space. And I know you're very bullish on the space. So, can you explain your, sort of your views on the venture market, particularly the power law, which you should probably define to make sure our listeners know what that is and why that's so important to understand for a venture investor?

Mark Hoeing: Yes. And you know, I think one of the reasons venture is probably not discussed as much is I just honestly think it's not as easily accessible from a success standpoint as many investors would like it to be. And I think the truth is it's a small number of companies that drive most of the return.

Yeah, that term power law actually gets thrown around quite a bit for people that haven't heard that before. It's an important concept. It's frequently misunderstood. The punchline is that a small number of outlier investments drive the vast majority of returns in the industry. A single investment and venture can produce returns larger than every other investment in one of the portfolios combined so often by orders of magnitude. So, the flip side of this is worth pointing out, which is to say many venture-backed companies fail. And in older, in many cases, the older vintages that we have seen in our portfolios, it's something like 40 percent of the companies return less than the capital that was invested in them, so the key to success isn't avoiding the losers, In the power law, it's making sure you have exposure to those winners. And what's striking right now on this dynamic is this reality is intensifying, particularly in AI. And the 2026 data shows this. So, if you look at three companies that have recently gone public, so just take, that had a first day valuation of $92 billion. Cursor, been announced it's being acquired by SpaceX for 60 billion. And then Wiz, which was recently acquired by Google for 32 billion. Those generated the lion's share of the exit value in 2026. If you were not in one of those companies, your effective exit value as an investor was near zero, right? And then SpaceX happens. Most recently, that valuation went public at about a trillion five. So again, if you're not in those particular power law companies, that dispersion for your return experience can be quite wide. So that's what it is and why it matters. Top exit outcomes, as we have seen them, they have doubled every five years. What I mean by that is a 99th percentile exit of an early stage venture capital company in the year 2000, or in the early 2000s, was around a billion dollars. By the late 2010s, a billion moved to six billion, and today it's north of 20 billion on the enterprise value, so there's really a credible argument that this power law is accelerating over time.

Howard Beber: So let me ask you a question. Anyone who's ever taken Investments 101 in college, probably the first day, you learn that past performance is not indicative of, it's not necessarily indicative of future results. When I started in this industry, I feel like the venture world is almost turned on its head because I think past performance in a lot of cases is indicative of future success. I'm wondering if you agree with that, but also as someone who's in the business of picking venture managers, how do you think about that?

Mark Hoeing: Yeah, that, in my mind, goes back to my kind of earliest days in the venture industry and doing some direct deals, what we saw then and what we see now, to your point, is there is a persistence of return in venture capital by managers, persistence measured as, hey, what kind of returns do you produce quartile wise, cycle over cycle? And what we have found in the data is that there are a small subset of managers that have remained persistent. I think that reality is very different in the buyout side of the world, and the buyout side of the world is so much bigger than venture. And so, most people spend time talking about buyouts. But it turns out buyout managers have not been as persistent over time. What does that mean for LPs? You know, it means on the buyout side, you're probably going to have more turnover in your buyout manager lineup. There are some pretty interesting reasons as to why lack of persistence happens in buyouts. But the truth is for LPs, you're going to have more turnover.

And then on the flip side, venture with that persistence, it becomes really an access class. getting into those managers, having relationships with those managers that are persistent. And that seems to be the key to success.

Howard Beber: Yeah. So, let's flip now a little bit to the exit environment. We touched on that earlier. First, what's your view, and how do you assess the current exit environment for private equity and venture, for that matter?

Mark Hoeing: The exit environment, Howard, has been the defining challenge for the industry in the past three years, but it is still not fully resolved. The industry is sitting on 30,000 plus unsold companies. They represent close to four trillion in unrealized value distributions as a percentage of NAV, which is how people typically measure these things, they've been pretty low for, call it, four or so consecutive years post the regime change shift of, call it, 2022. So, all of this has added up to average hold periods for companies going up, as we've heard, close to seven years in what was supposed to be a 10-year private equity portfolio like. So clearly, it remains a challenge. We have seen in 2025 and into 2026 an uptick in exit activity. Some of that started in '25 when the IPO markets opened and then M&A started to improve. We have a more favorable regulatory landscape. That stuff has made me more optimistic. We then had Q1 26 here some six months ago with the war in the Middle East that really put a dent in the view of folks around M&A and liquidity events. That's when you think about the scenarios of a war, it's now going in a direction that makes you feel like, okay, we're moving toward an outcome that will be more favorable. So, I expect 2026 to pick back up. We saw that in '25 when the tariffs were announced, and then there was a pullback in exit activity, and then there was a huge wave of exits that occurred six months later. I would expect something similar to happen here in 2026. post the digestion of where it seems like the events in the Middle East are headed in a more favorable outcome than not. It's always impossible to say what the future's going to look like, but I would expect to be cautiously optimistic about the next 12 to 24 months. And look, I think the IPO markets remain a question. We saw SpaceX come out. We've got Anthropic, OpenAI. others on deck. To the extent the IPO markets remain open and robust, I think that's going to have a meaningful impact on liquidity generally.

Howard Beber: Right. So, let's talk about CVs, continuation vehicles. You mentioned them earlier. I guess as an LP, what's your view on CVs? Do you think they're here to stay or are they just here because their liquidity market is otherwise depressed or in some cases non-existent?

Mark Hoeing: Maybe that question, I would say like, hey, are CVs a response to the current market conditions, or are they a lasting part of the evolution of the industry? I'd say it's kind of both. But I'd weight having a lasting impact on the industry much more heavily. And I think the structural logic of a CV which is, what's the structural logic? It's the GP's ability to retain a high conviction asset or an additional value creation cycle rather than selling it at an inopportune time. That idea is not really cyclical. That's, I think, a genuinely here-to-stay tool. And some of the numbers reflect this, right? If you look at GP-led transactions, they grew, you know, when they started, call it 19, 20 percent of the volume in 2014. Well, today, they're nearly half the volume, 50 percent. And most of the largest PE firms around the world have now executed on at least one CV, so we believe the market's going to be here to stay, and it's likely to grow. It's actually kind of displacing the sponsor to sponsor activity that we had seen increasing kind of year over year. It does point to the smaller end of the market a little bit, because I think we'll start to see more and more CVs there as well, because you often have winning companies in smaller portfolios that are continuing to compound and general partners are going to want to stick with those assets and continue to grow them. So long and the short of it is, I think they're here to stay, and it's going to be an ever-increasing important part of the pie.

Howard Beber: So, I'm going to ask you my favorite question on CVs, just because I get asked all the time. When you're evaluating a manager from an LP perspective, do you view a CV exit the same way you view any other liquidity exit?

Mark Hoeing: The short answer is no, and I guess we're very deliberate about the distinctions. So, in a third-party exit, you have a buyer who's conducted independent diligence, paying a market-determined price. That's a real clean signal to look at. In a CV, the GP is typically setting the price. And while that price is typically validated by either an independent advisor or it's kind of tested somewhat through secondary buyers, there's really an inherent selection effect. The GP is putting their best asset in a CV, and it's not their average asset, let's face it. So, what does this mean? Like practically, if you think about it, I think CVs need to be viewed as kind of a distinct performance category. So, we're asking whether the asset was independently valued, was price set by a lead secondary buyer, and what's the GP doing personally with the vehicle? Are they rolling? How much are they rolling? Are they memorializing carried interest in a prior holding vehicle? Those are all really important questions to ask. And I think all of this just points to, for limited partners, just a lot more complexity to evaluate this kind of thing and really a new category to judge performance by.

Howard Beber: Got it. Okay. Let's flip over to co-investing, which I know is also something that you feel very strongly about and have been in the market a long time. And I've worked with folks on co-investments really from when they started, let's say, being talked about. They were done long before that, but then they started becoming all the rage. So, we're talking going back over two decades or so here. How has your view of co-investing or the benefits of co-investing in the market, how has that evolved over time? And how do you view co-investments as a strategic portfolio construction tool?

Mark Hoeing: Look, I think the evolution on this question has been significant. 10 years ago, co-investments were primarily a fee mitigation mechanism, and people pushed for fee mitigation through fee and carry-free co-invest. And that's a really, a real benefit. Eliminating a two in 20 structure is real. That's a compelling value proposition on its own, I guess I would say. But there's definitely been a more interesting evolution in my opinion in that it's really a portfolio construction lever. I think about a few things, the ability to concentrate your capital into a manager's high conviction position. Now, that requires the LP looking at the co-invest to be able to evaluate, is this the one you want to concentrate into? What are the dynamics around, is this the high conviction co-invest opportunity, or is this the opportunity where the GP is saying, I don't want to take as much risk. I don't want to concentrate as much capital in this company? That requires, I think, thoughtful analysis. Pure fund commitments don't provide you with the ability to kind of deepen a manager relationship, do due diligence at a more granular level through co-invest. We find that all to be really important. And a GP that regularly brings you co-investments, they're sharing, we think, proprietary deal flow. And we're pounding the table saying, look, we've been backing you in your fund. We'd like to co-invest where it makes sense. We've given you a clear indication of what kind of company we're looking for, what kind of characteristics we're looking for. So, I think for us, it helps build the relationship and helps get us better access to the managers because we're a more comprehensive partner than we were before. So, I think for all those reasons, it creates a really nice linkage with great managers and allows we as LPs to really curate some of our exposures that we really can't do through fund commitments.

Howard Beber: And what, in your view, what makes a good co-investor, and what makes a not so good co-investor?

Mark Hoeing: I think a good co-investor is an organization or a team of people that make it clear to the GP exactly what they're looking for. They trust but verify, trust the GP because you know the GP very well, but you verify by getting access to the full set of diligence information and then having the capacity to test that diligence information on your own. Those are the characteristics of good co-investors.

And for the GP, it’s often you need someone to move quickly so that you have certainty of execution. I don’t think general partners want to work with people who don’t have the capacity to make a quick decision. Maybe they hand the deal over to another set of professionals that is outside the relationship with the GP on the primary side. In our view, you need great linkage, and you need a great process so that your investment committee can move quickly, your deal team can move quickly, and you can meet the needs of the general partner. That, in my mind, is what separates good from great.

Howard Beber: Let’s transition into our last segment here on manager selection. I know a lot of our listeners are probably interested in your views on manager selection, given you’ve been doing this for so long. You know, since fundraising has become so difficult over the last bunch of years, what separates successful managers and those that are struggling in the fundraising environment, other than the obvious answers, like their returns, but what else do you view as separating those who can and those who cannot raise successful funds?

Mark Hoeing: A few thoughts on that question. Look, the separation is real, and I believe it's intensifying between those that are very successful and those that are struggling. If you look at the same kind of Bain report that they put out in 2026, it shows top quartile managers re-raising in the 90 plus percent rates, while the bottom quartile managers are below 30 percent or so in terms of getting, of re-raising a next fund. So, I think the separation continues. Capital is also concentrating aggressively in some and not others, right? What I see in managers raising successfully is really a genuinely differentiated investment thesis. It's a multi-cycle track record that holds up to attribution analysis. And it's managers that can show where returns have come from. And clearly, in this environment, if you're showing returns, it's because you've been able to grow companies, demonstrate significant add-on acquisition capability, demonstrate infrastructure build-out in those companies. And people who are raising funds today can articulate that, can show it, and prove it. Now, to your point, hey, just look at the returns. That'll tell you who's able to be successful and who's not. The managers that are struggling today, those are the ones who were riding the ZERP era tailwind. Whether we or they knew it, you now have the evidence. And in a zero interest rate environment, when you had lots of tailwind, cheap leverage, and multiple expansion, it was easy to show return generation. Well, the normalization of cost of capital, it's now exposed all that. And so, LPs are asking harder questions. We talk about this K-shaped recovery. There's a K-shaped reality to fundraising. You've got the upper part of the K, you've got people that have demonstrated an ability to invest for growth; change companies, not over lever them; take advantage of kind of secular trends, not just cyclical ones; buy right. And then at the bottom of the K, you have a lot of people stuck in the middle. And I would say many of them have been maybe lucky, more so than good. And that's really on LPs to figure that out.

Howard Beber: Great. So how about AI? How is AI changing the way you evaluate managers, whether it's your own internal use of AI or whether it's their use of AI from an investment perspective?

Mark Hoeing: Yeah, I guess a couple of different ways to look at that. So, AI, there's a lot happening on the diligence side of things. As LPs, we're using AI these days in parallel with our traditional manager assessment process. And I say in parallel because the tools are still quite young. And what are we doing? We're kind of using the AI tools in the middle of the diligence process, meaning, okay, you identify a series of managers that you've been tracking for years that you think are an attractive sub-segment. That's the top end of the funnel. Then in the middle part, you've got a lot of highly analytical quantitative work that needs to be processed quickly. You've got more information on unrealized portfolio companies. You've got more information on changes in PPMs over time. You've got more information on changes in strategy and attribution over time. All those things, we're using AI tools to analyze and do it much more quickly. And so that's in the middle of the diligence process. I'd say in the end, when we make ultimately investment decision, the machine or the tools are not necessarily going to be definitive in helping us make the decision. I think the decision criteria are often very much the same as they were prior to the use of AI. It just helps us get there quicker and automate things. At least that's what we're seeing in the early days. When you look at portfolio companies and managers specifically, the diligence challenge is understanding the manager's company level exposures to AI disruption risk across their portfolios, not just whether they have AI investments, but whether their existing portfolio companies are vulnerable to AI-driven, call it compression of margins, demand pullback. People talk a lot about SAS in this context. We spent two decades building frameworks to evaluate SAS businesses, for example. And there's a lot of questions around what impact will these SAS businesses have from AI. So, look, it's requiring a lot of dialogue with the managers. It's requiring us to ask them for proof around growth profiles of their businesses, because if there is going to be remediation risk, we need to see that in the data. So, it's requiring LPs again to get more granular in what they're asking for. And so far, to be honest, I would say we have not seen a tremendous amount of disintermediation risk. Now, if software moves to a traditional seat pricing model, to something that's more output-based, which is what conventional wisdom is saying around what will happen with AI, something's going to happen there. You're going to see companies that can adapt and companies that cannot. And that theme is really nothing new, right? Your companies can either adapt, or they can't. And that will often come down to manager skill, manager ability to bring in resources to shift companies, and how they work and operate. So, I think we'll see some transition there. But it's definitely a hot topic in an area where we and managers are spending a lot of time.

Howard Beber: Yep. So, just a couple more questions. So, any lessons or war stories to share with the listeners of things you maybe learned the hard way over your life of evaluating investors, investments?

And then I guess the corollary of that, any situations, are there circumstances where you're meeting a GP for the first time or an investor and you just know when you meet them that these folks are going to be exceptional investors? Any telltale signs?

Mark Hoeing: Good question. Look, a couple of things come to mind. One is, one lesson I carry with me all the time is about the danger of narrative over evidence or in different parts of my career, you're part of manager selection decisions where the investment thesis was compelling, the GP was charismatic, and the track record looked great. What we probably didn't do rigorously enough was analyze attribution. Where did the return come from? Went back and looked carefully. Performance may have been explained more by luck than skill. And falling in love with a narrative over what the data show you and what the evidence shows you, that's always a lesson that's in the back of my mind. And you sift through hundreds of investment committee meetings and manager meetings and analyzing theses on investments and fact-checking narrative against evidence, critically important. So, I think that's a big lesson. I think the other lesson I think about is integrity of relationship. And I often say this to junior people, okay, you spend the first five to seven years of your life in the quant work, the next five to seven years analyzing qualitative work more intensely. And then hopefully seven to 10 or 15 years into your career, you can combine quantitative and qualitative and you really get down to the integrity of relationship. And that's a really important lesson and signal to look for is how, what kind of integrity does your counterparty have. Now to the other part of your question, you know, hey, meeting new GPs, look, that's a big part of, I said a few minutes ago, one of our core thesis points is that persistence of return and buyout has not been there. That requires more turnover in your buyout manager lineup for a lot of reasons. But you ask the question, hey, you're sitting across from a GP, what are the signals that you're talking with a really exceptional investor? I think there's a few things. One is intellectual honesty about a manager's own track record. GPs that lead with discussions about what went wrong as much as what went right. Like that's a really good sign when you're in an early meeting, shows self-awareness. So, we look for that. The second thing is specificity. So, when you're talking with a manager about a particular investment and you get to a value creation thesis, it's really getting specific with the manager on specific items that were done at the companies. And if you can hear that early in a conversation, it just really helps build the credibility. And then I'd say that the last thing in my mind, when you're sitting across from a new manager and you're thinking, okay, is this the right one to invest in early in their life? It's really how they've talked about their teams that they've built over time. So, if they worked at a prior firm, what was important to them as exceptional investors when they built organizations, people that talk as much about their teammates as they do themselves, like that's a really good sign for us, at least for me. So those are some of the things I think about when I meet a new manager early and say, look, is this the kind of group we want to spend more time with and potentially invest behind?

Howard Beber: Yep. No, that’s good stuff. Thank you. All right. So, let’s close out like I normally do with just the crystal ball here. Any risks facing the private equity industry over the next few years?

Mark Hoeing: Of course. So, with risks, look, I think there's a few. Number one is always valuation overhang, meaning you've got, as I mentioned earlier in the call, a lot of unrealized companies. Many of these companies were done at peak, call it 20 to 22 multiples on the buyout side, and their marks are maybe not reflective with respect to exit expectations. And so, look, one of the key assumptions we've all had as LPs looking at buyout managers over the years was, look, they generally hold their companies at below liquidity event value. And that had been an operating assumption we had tested for years and years and years and saw that it was true. Here we are now for the first time, and it's not every manager, but it's many, and it's typically correlated with the degree to which you use a fair amount of leverage because the cost of that capital, cost of that leverage has been repriced. So, I think there's real risk there in certain pockets of the market that you need to pay attention to. And look, that probably relates to the K-shaped fundraising scenario as well, right? To the extent you have a lot of companies like that, there's probably a lot of more questions than answers from LPs. And let's face it, a lot of those GPs are hoping we get a bigger interest rate cut, which should help unlock value in some of those deals. So that's one risk I would say to look at. The second relates to regulatory policy affecting both clients that are long-term investors. Say endowments and foundations, many of our clients; you've got a regulatory change with respect to excise tax, you've got cuts in funding. Everybody's got higher labor costs and more need to spend. That's a real risk for the whole industry, I'd say. And then the third would just be this whole idea around the democratization of private equity. And what does that look like with respect to more and more retail capital? I think the intent is good. The execution risk is the structural mismatch between liquidity promises of retail vehicles and the kind of inherent illiquidity of underlying assets. If that can be managed well, it should go fine, but I think there's going to continue to be hiccups as that dynamic plays out. For people like us, it makes us think long and hard about sources of capital with partners we invest behind, and we think there's possible risks there in terms of that capital coming into the industry.

Howard Beber: Yeah, I agree with you, for what it's worth, on that one. All right, last question. How about the, what are you optimistic about? What are you looking forward to in the next few years?

Mark Hoeing: You’re always kind of glass half full, glass half empty as an LP. But when I get optimistic, I’m optimistic about a few things, generally. One is the AI infrastructure opportunity. Feels like one of the most important investment theses that I’ve seen in my career, just given the size. The data is kind of extraordinary. The amount of capital from venture managers going into AI and machine learning, it’s up over 60 percent of what was invested in 2025. And one of the best arguments I’ve heard for growth is related to the kind of the total addressable market. So, as AI moves from being a product in the corporate technology budget, so that’s roughly one percent of GDP, and it moves toward the labor budget, so that’s circa 20 percent of GDP, that’s a 20 to 30 times increase possibility in affecting growth of these businesses that are helping implement AI tools. So, I think the category winners are being funded right now. We’re seeing some of them emerge. We talked about Anthropic, OpenAI, Cursor, but there’s others coming. So, I’m really excited and optimistic about what that looks like. I’m also optimistic about what we’ve just lived through. I mean, I think what we’ve lived through on the buyout side is a normalization of the private equity market. The post-’22, ‘23, ‘24 regime change on a lot of different dimensions, I think is doing a good thing for the industry. It’s probably cleaning up a big part of the industry. And I think what comes out the other side is probably less leverage, more value add from managers that have already been doing that. More kind of exit optionality will follow. And then as I’ve said, I think there are parts of the market where we can get structural multiple expansion. And structural multiple expansion, in my mind, is something to be optimistic about. And that’s really helping small companies grow. And then finally, I guess I’m excited about the role that we play in the ecosystem as it relates to our client base. Many of them face really consequential investment decisions these days. In terms of, we think endowments and foundations. They’ve got an enrollment cliff. You’ve got federal research funding pressures. You have more taxes, more inflation spend on people. And so, all these things are making the investment decision more consequential than ever. So, I’m optimistic about our ability to make an impact in the industry on that front.

Howard Beber: Good stuff. Why don’t we wrap it up there? Mark, I want to thank you for joining me on the pod. This was a great discussion. Before we wrap up, do you have any final thoughts you want to leave with our listeners?

Mark Hoeing: First, I want to say thank you to you. It's been a pleasure. Private markets have been a business that I've devoted my entire career to, and I genuinely believe there are good days ahead of us. Thanks for the thoughtful questions. And let me add that we've always appreciated, Howard, our relationship with you and with Proskauer. Been longtime partners with us and been good to us as partners. So, we really do value the relationship. So, thank you for that.

Howard Beber: Thank you for saying that. We appreciate it. I also want to thank our listeners for tuning in. And again, if you've enjoyed the episode, drop us a note at privatemarkettalks.com. and keep an eye out for our next episode coming your way next month. Thank you, and thank you again, Mark.

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