GOLDING

CIO View

Differentiation instead of Defense

Navigating a Challenging Market Environment

Daniel Boege

02
25

Orientation in a Complex Environment

For institutional investors, 2025 is a year of contrasts: uncertainty dominates markets, while new opportunities open up in emerging segments.

Global growth remains weak, especially in Europe and China. In the U.S., the economy is proving surprisingly resilient, though inconsistent data makes reliable forecasting difficult. Monetary policy is another source of uncertainty: the timing and extent of further rate cuts remain unclear.

On top of this come geopolitical risks: unresolved conflicts such as the war between Russia and Ukraine, tensions in the South China Sea, trade disputes between the U.S. and China, and the unpredictability of U.S. politics ahead of the 2026 congressional elections.

Against this backdrop, stock markets continue to show strength, while private markets are more cautious: transaction volumes remain low – not due to lack of capital, but because buyers and sellers remain far apart on valuations. Many sellers hesitate to accept prices below boom levels, while buyers insist on market-adjusted terms. For investors, this means: lower distributions, more difficult reinvestments, and the need to be more selective.

What matters now

This market is not without opportunities. The key lies in accessing the right ones – through clear selection and disciplined execution.

Private Equity Buyout – Small is Beautiful

The environment for buyout managers is demanding: successful fundraising is concentrated among a few top performers. Developing portfolio companies requires additional resources and time, while investors complain about low distribution rates. Yet it is clear: private equity remains a central driver of returns despite current market frictions, though opportunities are no longer everywhere.

Small- and mid-caps in focus

The small- and mid-cap segment is poised to outperform in the current environment. Fund managers are using differentiated approaches to invest in attractive companies operating in high-growth niches, resilient to broader market uncertainties, and capable of delivering strong exit returns. Buy-and-build strategies in fragmented industries such as technology, healthcare services, or B2B services have proven particularly promising. Our recent co-investment in a European life sciences company underscores this potential: the platform distributes innovative, technically sophisticated research reagents, addressing a stable and growing healthcare niche. Alongside operational value creation, the company also offers strong buy-and-build potential in a highly fragmented market.

Fundless sponsors on the rise

Given the complex fundraising environment, an exciting new model is gaining traction at the lower end of the market: independent or "fundless" sponsors – investors who execute individual transactions without a dedicated fund. This form, already established in the U.S., is becoming increasingly accepted in Europe and promises access to highly attractive deals. Success requires broad networks of independent investors, due diligence expertise, and strong execution capabilities.

Climate technology as a growth driver

Beyond the long-attractive buyout sectors of technology/software, B2B services, and healthcare, "advanced industries" are returning to the spotlight. A major revenue driver in many businesses is climate technology. The path to carbon neutrality is not only essential for sustaining human life but is also regulatorily and socially irreversible. This creates numerous attractive opportunities to invest in the industrial transformation. A current example from the Golding portfolio is a company developing innovative, technology-based solutions for the precise application of crop protection products. This reduces both the volume of environmentally harmful pesticides and costs for farmers – while simultaneously advancing sustainability goals.

Opportunities in the secondary market

Differentiated opportunities are also emerging in the secondary market. LP secondaries, the acquisition of fund stakes from other investors, currently allow entry with discounts of up to around 20% to NAV, particularly in the small- and mid-cap segment. However, not every discount is attractive – often these reflect underlying quality risks. GP-led secondaries, where managers bring in new investors for portfolio companies, are also only selectively appealing. Key factors include the resilience of the underlying sector, a clear and realistic value-creation plan, and genuine alignment between GP and LP. When these align, continuation vehicles can unlock additional value – such as in stable-performing B2B companies offering co-investment opportunities.

The reality: private equity opportunities exist, but they demand careful analysis of strategies, manager quality, and transaction structures.

Private Credit – A Stability Anchor with Diversification Effect

Private credit plays a key role in today's environment: resilience and stable returns make it an anchor for alternative portfolios. It benefits from higher base rates and attractive margins, while stricter bank financing creates additional opportunities. Yet risks remain: rising default rates and more complex restructurings demand experienced managers with the necessary expertise and clear processes.

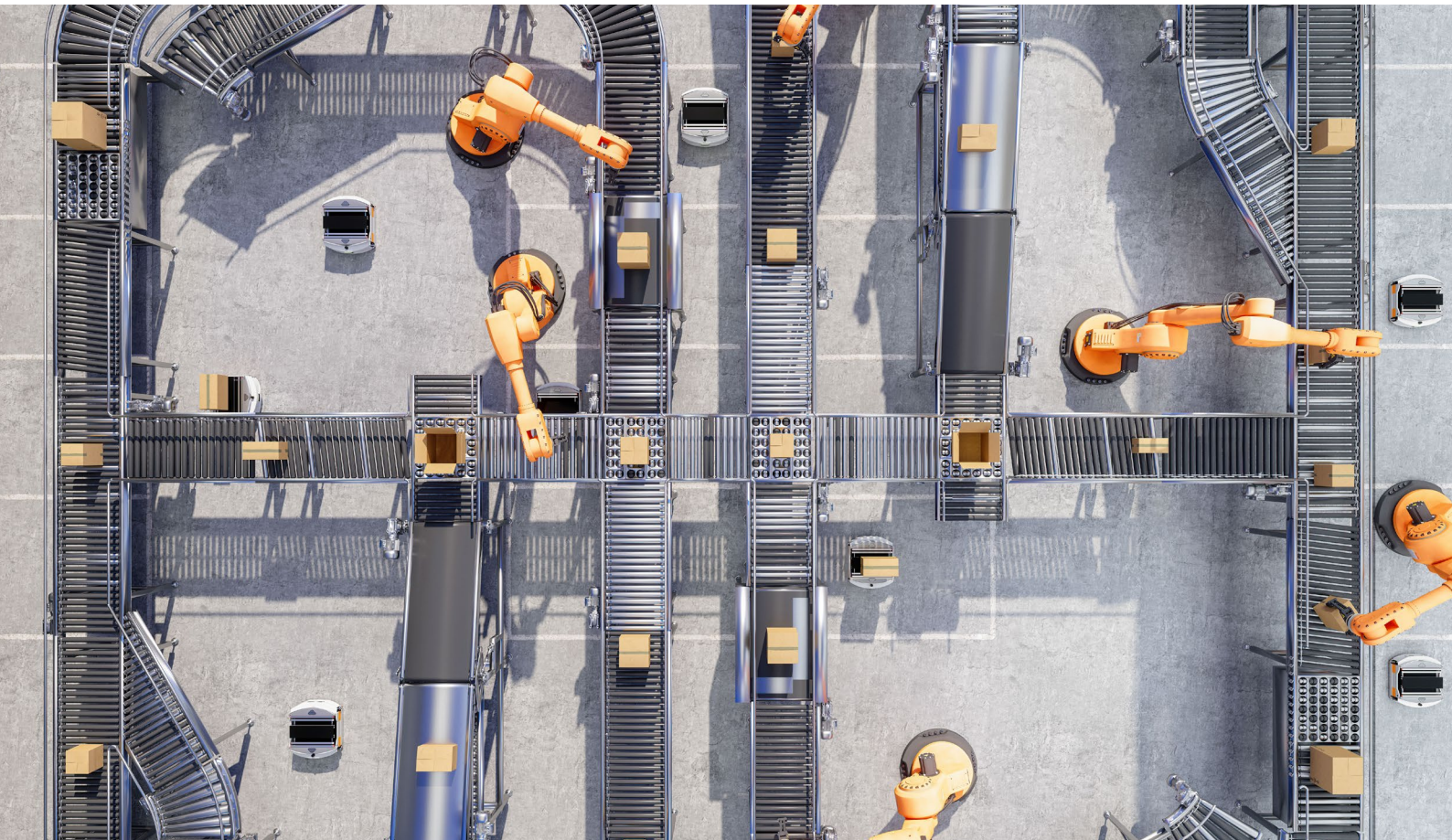
Direct lending in the lower mid-market

Direct lending in the European lower mid-market (companies with less than €25m EBITDA) is particularly attractive. The abundance of firms in this segment provides financing opportunities for niche leaders with stable cash flows, offering strong returns with defensive capital structures. Typical features include equity cushions of over 60% and strict creditor protections. A recent example is our co-investment in a UK provider of retirement solutions. Here, a 70% equity cushion, a loyal client base of over 13,000 savers, and market leadership provide a strong foundation for a highly robust lending engagement.

Restructuring as a lever

Opportunistic credit and special situations are also promising. Rising defaults create opportunities – but only for investors with the right networks and restructuring expertise. Examples include hybrid structures (debt plus equity upside via warrants or convertibles) or distressed-for-control situations, where creditors restructure debt and assume control. While poor timing or lack of operational expertise can destroy capital, experienced managers can achieve attractive risk-adjusted returns. One such case was the restructuring of a large industrial company, where senior lenders enabled restructuring via a debt-plus-equity structure – sharing in the upside.

Private credit thus highlights its role as a stability anchor: senior direct lending can provide steady returns, while opportunistic credit and special situations offer differentiated risk-return profiles – adding valuable diversification to institutional portfolios.



Infrastructure – Leveraging Platforms and Megatrends

Infrastructure remains a central investment theme in 2025. Drivers are clear: the megatrends of decarbonization, digitalization, demographics, and mobility continue to generate sustained demand for investment and capital across all infrastructure sectors. But the market environment has grown more challenging: valuations remain high in core assets, while regulation, inflation, and higher financing costs complicate planning.

Growth through niche platforms

The lower mid-market – up to around €1 billion in enterprise value – offers particularly interesting investment opportunities in the sectors mentioned above. These allow investors to build attractive platforms at more favorable entry valuations. Clear value-creation levers arise from operational improvements, roll-ups, i.e., the consolidation of smaller companies into larger platforms, and/or CAPEX optimization, enabling these businesses to be successfully developed and subsequently sold into the highly competitive mid-market at very attractive valuations. An example is a pan-European platform in the temperature-controlled logistics sector, initially built through the acquisition of several regional sites and subsequently expanded internationally via further acquisitions. In addition to acquiring existing capacity, the platform also focuses on developing new projects and integrating renewable energy into its power mix. Complementary measures such as price optimization, cost reduction, and the realization of synergies have further enhanced the profitability of the entire platform.

Data centers as growth drivers

A sectoral focus of infrastructure investments is data centers: demand is rising rapidly – driven by cloud migration and the build-up of AI capacities. Successful managers are not only developing individual sites, but entire platforms with complementary infrastructure: fiber-optic backbones, sustainable energy supply (for example through power purchase agreements or on-site generation), and innovative cooling solutions. The hurdles lie in high entry barriers ranging from regulatory requirements and significant capital needs to technical complexity as well as competition from financially strong mega-funds. For investors who gain access through specialized managers, however, this can result in very attractive return profiles.

New entry opportunities

The still young market for infrastructure secondaries is also opening up opportunities. While the first wave was driven primarily by regulatory factors, today portfolio adjustments for reasons of liquidity and portfolio management are increasingly at the forefront. Risks include the sometimes limited market transparency and quality differences within portfolios. Investors who are well-acquainted with the portfolios of high-quality managers, are pre-qualified as buyers, and can demonstrate execution certainty, are able to make use of creative solutions to access promising entry points – for example, in the restructuring of an established portfolio that gave investors selective access to resilient assets. One example is a secondary transaction in which investors gained access to an infrastructure portfolio that was already fully built, but still relatively young. The special feature here was that the portfolio, on the one hand, offered medium- to long-term value creation potential, while on the other hand, the attractive price discount also allowed for an immediate uplift in value.

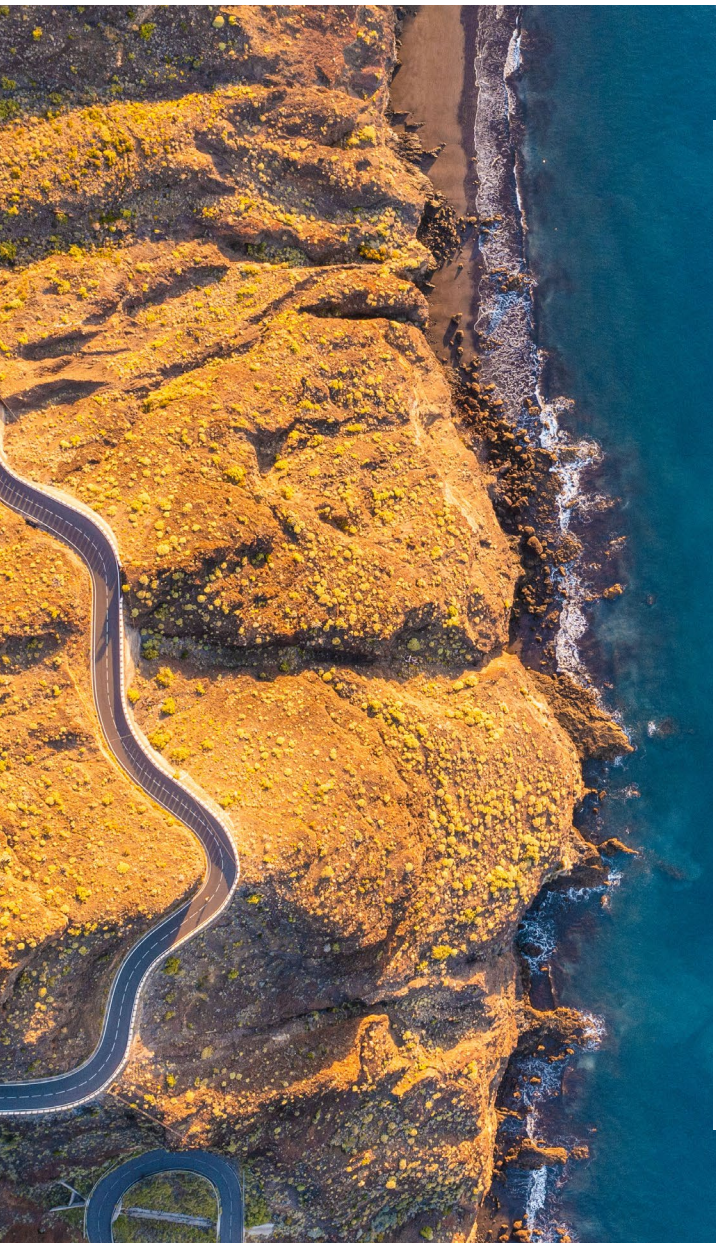
Infrastructure will remain a key theme in 2025. The main opportunities lie in the lower mid-market, in data centers, and in the growing secondary market. Selective access and operational execution are decisive.

The Way Forward: Quality Decides

For investors, the key question today is no longer whether to invest in private markets, but how. Broad allocations are no guarantee of success in a market without clear direction. What is needed are targeted strategic investment decisions – where to invest, and with whom.

Private markets have become more demanding, but those who rigorously assess manager quality, recognize operational value creation as a differentiating factor, and make use of secondary market opportunities can still achieve attractive results in this environment.

Opportunities and risks are farther apart than they were in the boom years, making it all the more important today to set the right priorities.



Key Takeaways

→ **Differentiation beats breadth**

In a market without clear direction, targeted decisions are more valuable than defensive diversification.

→ **The question is not ‘if,’ but ‘how’ to invest**

Performance today depends on focus, selection, and sequencing.

→ **Manager quality becomes the decisive alpha factor**

Operational value creation and sector know-how make the difference.

→ **Opportunities arise in uncertainty**

Secondaries and co-investments offer special opportunities.

Disclaimer

This document is a marketing communication from Golding.

An investment in a Golding Investment Program represents an entrepreneurial investment which, in addition to opportunities for returns, also involves risks up to and including the total loss of the invested capital. Further details on the risks of an investment can be found in the offering document of the respective Investment Programme. An investment decision should be made solely on the basis of the relevant offering document, memorandum of association (or articles of association or management regulations), subscription form and most recent share value (net asset value) and the most recent annual report.

Only investors who qualify as well-informed investors within the meaning of the Luxembourg law of July 23, 2016 on reserved alternative investment funds (RAIF) and who can be classified as professional clients within the meaning of the Luxembourg law of July 12, 2013 on alternative investment fund managers (AIFM) or, to the extent that distribution of shares in the Investment Program to such investors is permitted under the laws applicable to such investors, in particular as German semi-professional clients or qualified (private) clients in accordance with Austrian or Swiss law, may participate in the investment program. The shares may not be offered for sale or sold within the United States or to or for the account of U.S. persons or to persons resident in the United States.

Please note that Golding is not authorized to advise on legal or tax matters. The representations in this document are the representation of Golding's internal assessment of the facts at hand, which may not have been validated, or finalized, by external legal or tax advisors and are not intended to be of general application. The representations also do not meet the legal requirements to ensure the impartiality of financial analyses. Any statements presented by Golding do not constitute investment advice or legal or tax advice and, in any event, must be reviewed by knowledgeable third parties qualified to render legal or tax advice. The legal issues at hand may be an area that has not been conclusively clarified in legal terms. It cannot be ruled out that third parties, such as regulatory and tax authorities and auditors, may take a different view. Therefore, no guarantee can be given for the correctness of the statements.

Although the information contained in this document has been compiled with the utmost care, we cannot guarantee that it is reproduced without error. The information contained herein is based on the information available to us at the time of preparation. Nevertheless, we cannot guarantee that our analyses and their assessment reflect the current state of affairs. The statements contained in the information are to be understood solely as assessments by Golding. We would like to point out that past performance and forecasts are not a reliable indicator of future performance. We cannot guarantee that any forward-looking statements will actually occur. No one should act on the information contained in this document without a thorough analysis of the situation in question and without seeking appropriate professional advice from knowledgeable third parties.

GOLDING

Daniel Boege

Partner & Chief Investment Officer

Daniel Boege has been with Golding Capital Partners since 2011 and, as of August 2025, serves as Chief Investment Officer (CIO) and member of the Executive Committee, responsible for the strategic direction and management of the firm's entire investment division. Previously, he headed the firm's various buyout programmes as Head of Buyout.

He has over 25 years of experience in the private equity industry and, prior to joining Golding, worked at Permira in Frankfurt and Vestar Capital Partners in Munich, where he was involved in a wide range of national and international transactions.

Daniel Boege studied Management at the London School of Economics (Bachelor's and Master's with distinction) and holds an MBA from INSEAD in Fontainebleau.

Golding Capital Partners GmbH
Einsteinstraße 172
81677 Munich
Germany

Phone +49 89 419 997-0
goldingcapital.com

Munich commercial court HRB 138 005
Managing Director: Jeremy Golding,
Hubertus Theile-Ochel,
Dr. Matthias Reicherter,
Dr. Michael Braun

Make a difference.