

January 2026

Tioopo Capital Founders' Perspectives Letter

Fragmentation, Discipline and Value Creation in Private Markets

Since Tioopo Capital's creation in early 2021, in the aftermath of the Covid-19 crisis and a period of exceptional monetary accommodation, our core conviction has remained unchanged: economic cycles eventually reassert discipline. As capital becomes more expensive and liquidity less abundant, value creation returns to fundamentals - defensible market positions, pricing power and sustainable cash generation, supported by prudent leverage.

While the timing of this transition was uncertain, we anticipated that the era of expanding multiples would not persist indefinitely. Tioopo was therefore built around a disciplined, operationally driven investment approach, prioritising resilience and execution over financial engineering.

As markets have adjusted since 2022, this conviction has been reinforced. Higher interest rates, tighter financing conditions and widening valuation dispersion have reshaped private markets. At the same time, political and fiscal uncertainty in the UK and France has become a tangible investment variable, directly affecting operating costs, discount rates and asset pricing. In this environment, businesses with strong margins and pricing power continue to outperform, while more fragile models are increasingly exposed.

What has unfolded has validated our approach. Tioopo's portfolio has demonstrated robust performance through a changing cycle, highlighting the relevance of disciplined underwriting and active ownership. The industry's growing reliance on secondary and continuation solutions further illustrates the limits of value creation strategies dependent on multiple expansion rather than execution.

In this paper, we share our outlook for 2026–2028 and outline where we believe durable value can be created in private markets as capital discipline, fragmentation and operational substance once again define the investment landscape.

A repricing of capital, not a temporary slowdown

The repricing of capital observed since 2023 is not cyclical noise. Long-term interest rates have reset to levels unseen for more than a decade. For European buyers, this is not an abstract macro variable: it is the input that mechanically caps valuation and reshapes the risk-return equation.

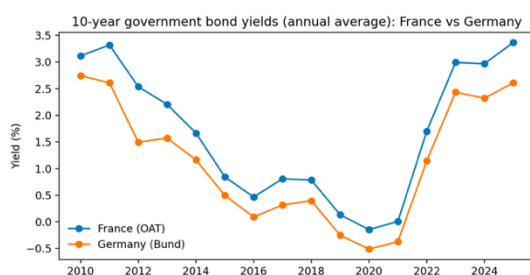


Figure 1 — 10-year government bond yields (annual average), France vs Germany. Source: OECD via FRED (series IRLTLT01FRA156N and IRLTLT01DEA156N).

In France, the 10-year sovereign yield has moved from the sub 1% world of 2015/19 to a sustained 3%+ regime in 2023/25. At the same time, the France Germany spread has widened to c.80 basis points, compared with a historical range of 20-40 bps during periods of political stability. This is not volatility; it is repricing.

In the UK, fiscal pressure has become a tangible operating variable. The increase in employer National Insurance contributions of roughly +1.2 percentage points is expected to raise around £5bn per year for the Treasury while reducing employment by approximately 0.5% by 2028–2029. For a typical UK SME with 80 employees earning £45k on average, this

represents an EBITDA compression of c. 0.8 points in isolation.

For private equity, the implications are concrete. Discount rates are higher, debt financing is more conservative, and exit valuations are increasingly constrained by buyers' cost of capital. Liquidity has not disappeared, but it has become selective.

Multiple arbitrages, continuation funds and the liquidity gap

Global private equity distributions have declined by more than 40% compared with their 2021 peak, while unrealised assets now exceed \$1 trillion. Against this backdrop, GP-led transactions have expanded rapidly, with annual volumes exceeding \$100bn.

In isolation, continuation funds can be useful tools: they can reconcile liquidity preferences across LP cohorts and allow an asset to compound when the operational plan is still mid-flight. However, their growing prevalence also reflects a structural issue. In a higher-rate regime, time is not a substitute for value creation.

Continuation funds are often framed as LP-friendly solutions, but too frequently they function as proceeds-management devices for GPs monetising paper value, smoothing DPI optics and extending fee streams without materially improving the asset's risk-adjusted return. Where operational progress is not clearly

underway, extending duration does not create value; it merely defers its realisation.

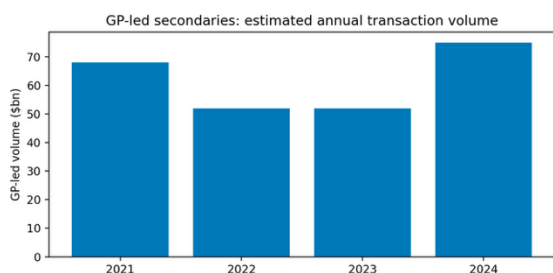


Figure 2 — Estimated GP-led secondary transaction volume (\$bn). Source: Jefferies, Global Secondary Market Review (Jan 2025).

Artificial intelligence as an operating layer

Artificial intelligence is rapidly becoming a foundational layer of economic activity. Global investment in AI infrastructure by hyperscale cloud providers now amounts to several hundred billion dollars per year. Yet its implications for private equity are often mispriced at entry.

AI is not a sector that justifies a blanket multiple premium. Its real value sits inside processes: pricing, procurement, maintenance, scheduling, customer service and quality control. Businesses that control complex workflows and proprietary operational data can unlock several hundred basis points of margin expansion over time through productivity gains, lower rework rates and faster cycle times.

AI creates value during ownership, not at signing. It rewards operators who understand processes, not narratives.

France and the UK: policy as a P&L line item

France enters 2026 in a period of sustained political uncertainty. Public debt exceeds 110% of GDP, policy visibility has compressed, and sovereign spreads have widened accordingly. Historically, such environments do not destroy value uniformly; they increase dispersion. Businesses with pricing power, contractual visibility and operational flexibility tend to outperform.

In the UK, fiscal policy has become an explicit line item in operating models. From April 2025, the employer National Insurance rate increased from 13.8% to 15.0%.

For labour-intensive SMEs, this is not a headline risk but a mechanical drag on EBITDA unless offset by productivity or pricing.

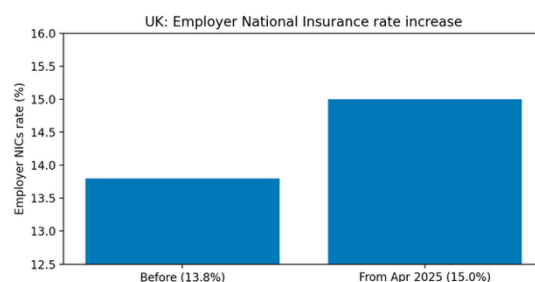


Figure 3 — UK employer National Insurance rate change (effective 6 April 2025). Source: UK Government (GOV.UK).

Outlook 2026–2028

We expect 2026 to be a year of decantation rather than recovery. Transaction volumes are likely to remain below long-term averages, while dispersion in asset quality continues to increase. Capital structures underwritten between 2019 and 2022 - often built on refinancing assumptions below 2% - will face sustained pressure as debt costs remain elevated.

In this environment, returns will be generated primarily through margin improvement, cost discipline and strategic focus, not financial leverage or multiple expansion. Investors willing to accept complexity and operational engagement will be best positioned to capture the opportunity set created by uncertainty.

Tioopo Capital's conviction

At Tioopo Capital, our strategy remains centred on smaller, profitable businesses with defensible market positions, strong cash generation and operational complexity that others overlook. We believe the coming years will reward discipline over creativity in structuring, and alignment over optionality.

In a higher-rate, higher-noise world, operational substance becomes the only durable source of multiple.

About Tioopo Capital

Co-founded in 2021, Tioopo Capital is a pan-European investment fund dedicated to SMEs. Guided by entrepreneurial spirit and long-term thinking, Tioopo partners with management teams to realize strategic visions. Drawing on historical perspective, economic awareness, and political foresight, we strive to deliver sustainable value creation through shifting market conditions.