

# Buyouts

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## NEWS & ANALYSIS

### Liquidity-rich IMCO hits PE assets target two years ahead of schedule

‘How we did it,’ Craig Ferguson, IMCO’s head of private equity and global credit, told *Buyouts*, is a ‘magical story’ grounded in the ‘luxury of being able to focus and distill the signal from the noise.’

Investment Management Corp of Ontario has all but reached its private equity assets target sooner than planned due to outsized growth over the past five years.

The C\$86 billion (\$62 billion) pension system is now “very close” to the C\$10 billion of assets targeted for its PE program by 2027, Craig Ferguson, IMCO’s head of private equity and global credit, told *Buyouts*. An earlier goal of C\$6 billion of assets by 2025 was met three years ago.

The new milestone, like the prior one, owes to several factors, including the young Canadian institution’s rapid expansion.

IMCO was founded in 2016 to pool and invest Ontario public sector fund assets, taking as its model organizations like La Caisse and BCI. Starting out with two clients, Ontario Pension Board and Workplace Safety and Insurance Board, it has since upped that number to eight.

More clients created greater demand for private equity, according to Ferguson, who joined IMCO in 2020 from Manulife Capital to build out the program. This contributed to enhanced initial PE allocations averaging C\$2 billion-C\$3 billion per year.

Another growth driver has been “performance of the portfolio” based on a “conservatively allocated” hybrid strategy of investing in funds and directs/co-investments, he said. In 2024, the portfolio



Craig Ferguson, IMCO

earned a 16.4 percent one-year return and a 17.1 percent five-year return.

Remarkably, IMCO’s fledgling PE program took wing in a period of significant market volatility, owing to the pandemic, post-pandemic inflation and interest rate hikes, and this year’s tariff-related geopolitical tensions. “How we did it,” Ferguson said, is a “magical story” grounded in the “luxury of being able to focus and distill the signal from the noise.”

#### Liquid amid illiquidity

IMCO’s growth story contrasts with the recent experience of many institutions. For example, PE allocations of LPs active in the North American market fell slightly on average in this year’s first half, according

to *Buyouts* data, reversing what had been a steady increase since H1 2020.

This points to the influence of persistent illiquidity, caused by widespread overallocation to private equity. A key variable in slow fundraising, overallocated LPs have been further burdened by weak exit markets, which have cut into distributions from GPs.

IMCO’s PE program is, conversely, liquidity-rich. “We didn’t get caught up in” pre-2022 accelerated fundraising, Ferguson said. And because the portfolio is “in value creation mode, not exit mode,” he added, “we’re not in the same spot of suffering from reduced distributions.”

Having plentiful capital to invest in a supply-constrained environment has made

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IMCO popular with GPs. “Inbounds are still overwhelming,” he said, updating a quote he gave in a 2023 *Buyouts* interview.

## Tilt toward Europe

IMCO’s hybrid PE strategy targets the mid-cap buyout segment in North America and Europe, where it can partner with a “curated group of GPs” in directs/co-investments, Ferguson said.

“We want to be a stable, long-term LP,” he said, in a “two-way” relationship where “we mean something to one another.” IMCO has 17 fund partners, among them North American firms like Brookfield, GI Partners, Harvest Partners, Kohlberg & Company, Morgan Stanley and Stone Point Capital.

As a percentage of portfolio assets, IMCO has aimed for a 60:40 ratio of funds and directs/co-investments. The ratio currently stands at 50:50 due to more than 30 direct/co-investment deals closed since 2020. Nine co-investments, valued at about C\$830 million, were closed this year.

With its fund partners, IMCO sources opportunities across several sectors, particularly business services, healthcare and technology, “where the most resilient companies are located,” Ferguson said. Such companies, he said, also benefit from less “tariff and trade noise.”

Because of an early strategy focus, 78 percent of portfolio assets were US-based

last year. Going forward, IMCO plans on a “tilt toward Europe,” Ferguson said, with the goal of achieving 25 percent exposure to the region, up from 18 percent today. US exposure will be pared down to 75 percent.

This should involve adding to IMCO’s book of European fund partners, which include managers like Apax Partners, Ardian, Cinven and Nordic Capital.

## Tactical secondaries

As it has built out the PE program, IMCO has developed an ability to utilize secondaries as needed. “They are nice to do when you don’t have to do them,” Ferguson said, as such circumstances enable transacting “at the low end of the price range.”

IMCO taps into the secondaries market on a tactical basis, he said, “around the core strategy” and sometimes in the form of purchases of LP stakes in funds. For example, this option comes in handy when the objective is to rejig the portfolio’s geographic balance, as is intended in the “tilt toward Europe.”

In addition, secondaries are viewed by IMCO as a tool in its PE portfolio management toolkit, used on occasions when exposure requires tweaking.

This was evidenced in 2024, when a substantial package of fund stakes was sold as part of a routine portfolio management

exercise. The sale, closed at a <sup>xxx</sup> minimal discount,” Ferguson said, was valued at roughly C\$800 million. Coller Capital was a buyer in the deal, *Buyouts* reported.

## Staying the course

Having reached its private equity target ahead of schedule and established a strategy and portfolio that are increasingly well known to GPs and LPs alike, IMCO will now maintain a “steady” pace of investing, Ferguson said.

Over the next two to three years, fund allocations are expected to range at around C\$1 billion annually. Allocations to directs/co-investments, set at about C\$700 billion annually, are also expected to near C\$1 billion as activity is scaled and IMCO begins recycling capital.

Ferguson believes IMCO’s PE program has performed because of “vintage diversification, strategic GP partnerships and disciplined investment selection focused on long-term value.” With a “healthy market reset underway,” he said, the approach is “well-positioned for the current environment.”

Supporting this is a team of 16 professionals. They include Anastasia Elia, a former CPP Investments executive who was last year promoted to head of private equity.