

GP-led Secondaries: A Buyout Strategy in Disguise?

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EXECUTIVE SUMMARY

- The traditional view of GP-led continuation vehicles (“CVs”) as a niche sleeve within secondaries may be outdated. Today’s CVs increasingly resemble direct buyout investments in both return potential and portfolio construction.
- Continuation vehicles combine many of the advantages investors seek in buyouts with shorter duration profiles, strong GP alignment and lower historical loss rates.
- With GP-led transaction volumes now representing a meaningful share of the private equity market, the allocation question is no longer whether GP-leds matter, but where they belong within a portfolio.

Since the inception of the private markets asset class, buyout funds have been the default core of a limited partner’s private equity allocation. With GP-led transactions increasingly taking market share from buyout transactions, how should limited partners think about investing in this segment of the market?

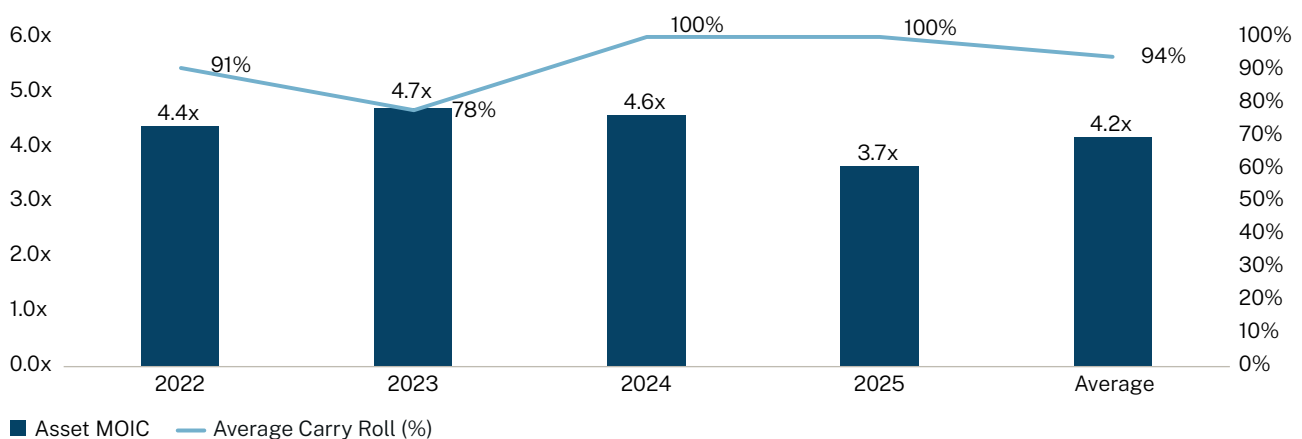
Historically, limited partners received GP-led exposure, along with other types of secondary transactions such as LP interest deals, through diversified secondary funds. That hierarchy may now be changing. The GP-led market has grown large enough, and these transactions increasingly resemble buyouts from both a risk and return perspective, that many private equity investors are asking a more pointed question: Should a dedicated GP-led strategy still sit in the shadow of a limited partner’s secondary allocation? Or can its buyout allocation be supplemented and enhanced by investing in GP-led secondary transactions?

The distinction is subtle but important. In a traditional buyout transaction, a private equity firm acquires a company and begins executing a value creation plan, often working through a learning curve as it develops relationships with management, validates its investment thesis and identifies opportunities to create additional value. In a GP-led CV, by contrast, the sponsor already knows the business well, having owned and operated it for several years. Rather than selling the company to another counterparty, the GP transfers it to a new vehicle the GP continues to manage. The GP gives existing LPs the option to take liquidity or continue participating in the next phase of ownership. New investors step in to replace existing LPs that want liquidity and to provide additional growth capital.

As a result, investors in CVs often gain exposure to businesses with well-known and established operating histories, proven management teams and a clearly defined path for future value creation. These are frequently companies that GPs would prefer to continue owning rather than sell because they believe meaningful upside remains.

There is a view that CVs are reserved for “bad” companies or companies that can’t be sold. Is that a legacy view from 10 to 15 years ago when the terms “Frankenfund,” “zombie fund” and “fund restructuring” pre-dated the CV nomenclature we use today? We think so. The CV market has evolved into a market that contains both single-asset and multi-asset CVs. Today, companies entering CVs are among a GP’s highest-conviction “trophy assets.”

Average Asset MOIC Prior to CV & GP Alignment



Source: Hamilton Lane Data as of 12/31/2025. Past performance is not a guarantee of future results.

As explained in our [2026 Market Overview](#), the average gain on companies going into a GP-led CV is over 4x invested capital. These are companies that have done very well for the GP. These aren’t zombie or orphaned assets. GPs typically roll a significant portion of their carried interest into the new vehicle, reinforcing alignment with incoming investors. While CVs provide liquidity to existing LPs, they also reflect a GP’s conviction that further value creation remains ahead.

The market evolution from “zombie funds” to primarily “trophy assets,” in our view, has two meaningful effects on the private markets ecosystem. First, it is one of the main reasons why the GP-led market has grown so quickly. Why? Because in the zombie fund era, assets were put into continuation funds for many reasons – maybe the company couldn’t be sold, performance was choppy, historical returns may have been low or downside risk was high. Investment conviction levels overall were uneven and, in many cases, not high. Contrast that with today’s CV market where the company has already returned, on average, over 4x invested capital under the current GP owners. The historical thesis has been validated. GP alignment is high and the GP believes there is more value to be created. Those factors, and this evolution, have been major contributors to the high growth rate of GP-led transactions.

The second meaningful effect that the growth of the GP-led market has had on the private markets ecosystem is where the opportunity set lies. Historically, the exit path for many of these companies would have been a sale to another private equity sponsor. Now that the current private equity owner can hold onto these assets longer, these companies are temporarily moved out of the traditional buyout fund landscape and are held by the current GP for a longer period than would have been contemplated several years ago. Therefore, some portion of the new investment opportunity set has migrated to the CV market.

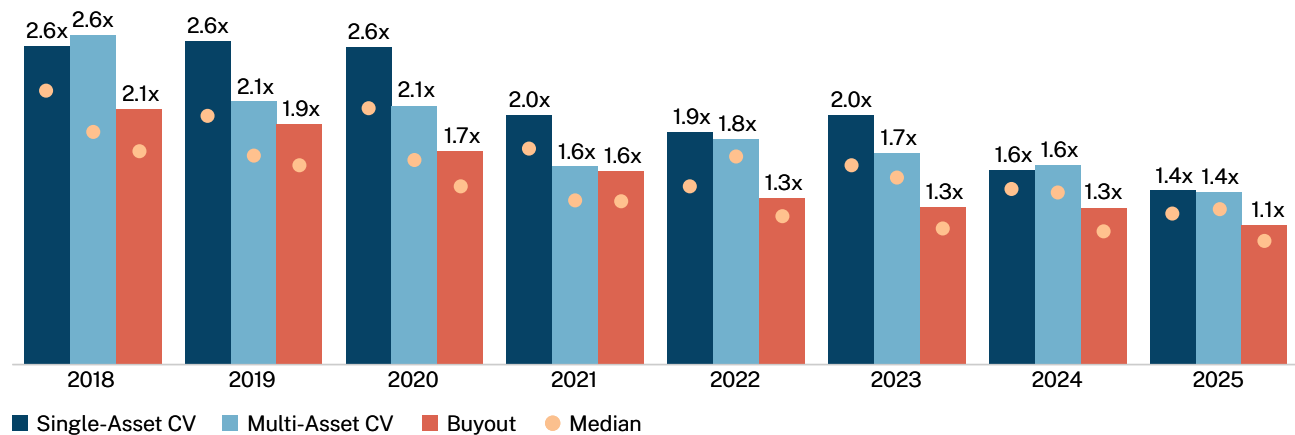
One added benefit of CVs is their tendency to have an early performance advantage over traditional buyout deals. Here are some common characteristics of CVs: the GP has run the business for years and information asymmetry is lower than in a traditional buyout deal; the management team is disrupted less during the diligence phase (and once the CV is closed – no need for the GP to develop a new 100-day plan or travel around the world to meet top managers); and CV assets tend to have strong momentum during the CV process. All of this can lead to early write-ups of the assets.

How do CVs stack up against buyouts?

CVs may not have been around for as long as buyout transactions, and therefore, CVs have fewer data points. However, we are starting to see some return and duration data that are worth exploring. Take a look at the returns table below, which shows that first-quartile CVs have outperformed first-quartile buyout funds of the same vintage in every year between 2018 and 2025.

TVPI by Fund Type and Vintage Year

First Quartile



Source: Evercore Q2 2026 Continuation Fund Performance Study, in collaboration with HEC Paris/Professor Oliver Gottschalg. Past performance is not a guarantee of future results.

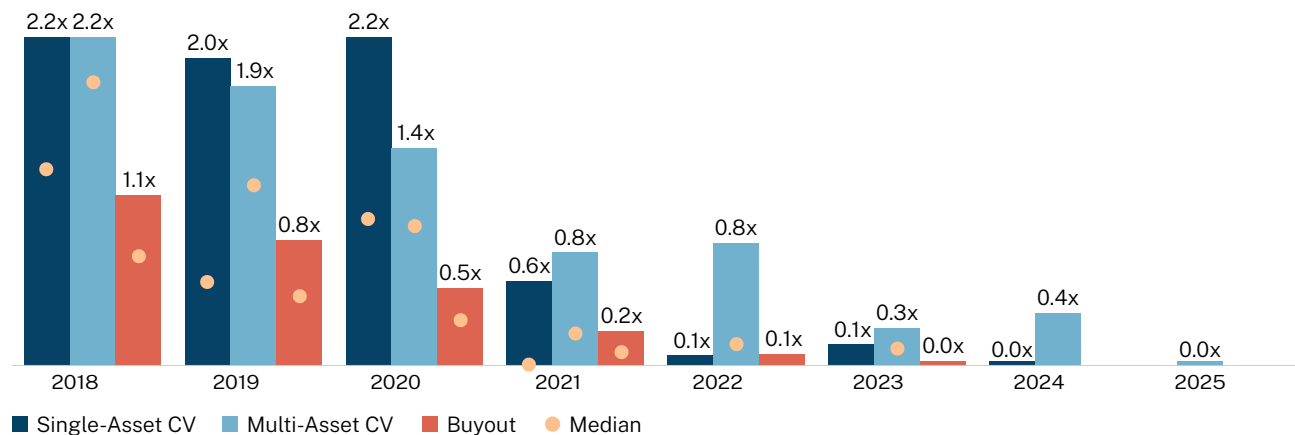
It's worth noting that the median return of single asset CVs is also higher than the median return of buyout funds, and in all years but one, the median return of multiple-asset CVs is higher than the median return of buyout funds across every year. Maybe these are trophy assets after all?

One caveat: The buyout figures above reflect fund-level fees (management fees and carry), while the CV figures reflect only the GP fees on the CV itself. We also expect greater dispersion – in other words, a higher top quartile – among individual deals relative to funds, which are effectively a collection of deals. Limited partners who access CVs through a dedicated GP-led fund will pay fund-level economics and have exposure to a collection of CV deals. We estimate that brings overall GP-led fund returns more in line with buyout fund returns.

What about the duration profile? How do continuation vehicles compare with buyout funds?

DPI by Fund Type and Vintage Year

First Quartile



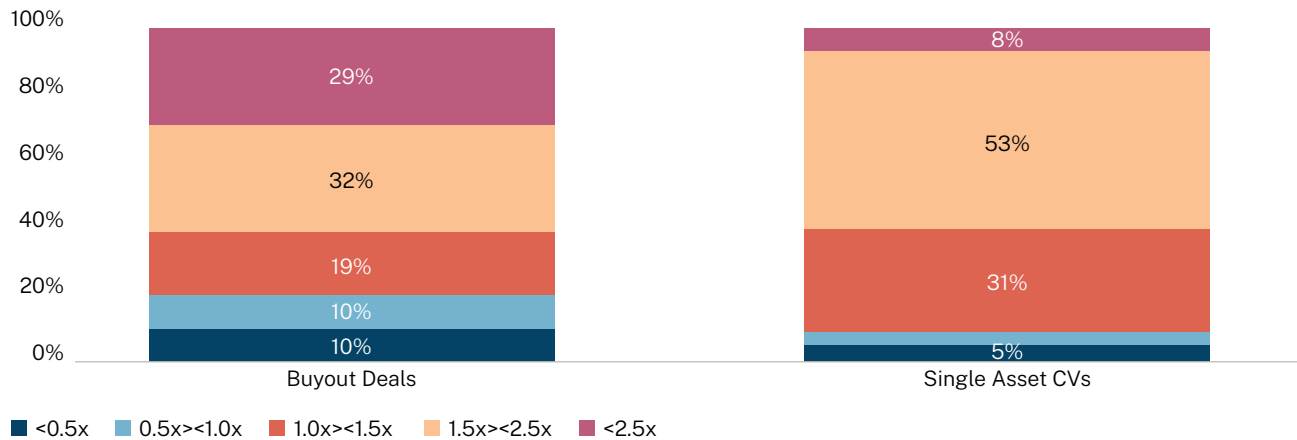
Source: Evercore Q2 2026 Continuation Fund Performance Study, in collaboration with HEC Paris/Professor Oliver Gottschalg. Past performance is not a guarantee of future results.

Continuation funds' first-quartile and median DPI are higher than that of buyout funds in most years of the study. That means CVs (invested through a fund structure) have a similar return and risk profile to buyout funds with potentially faster distributions, creating a more desirable liquidity profile. In effect, CVs behave like a buyout allocation on a shorter fuse: high GP alignment, compelling return profile and a potentially faster payback.

The downside looks different

The clearest distinction versus traditional buyouts emerges on the downside. Two structural features explain most of the gap. First, selection bias. The average asset entering a continuation vehicle already carries roughly a 4.2x MOIC. GPs are rolling their proven winners and continuing a value-creation plan already working, not taking a fresh swing on an unproven company.

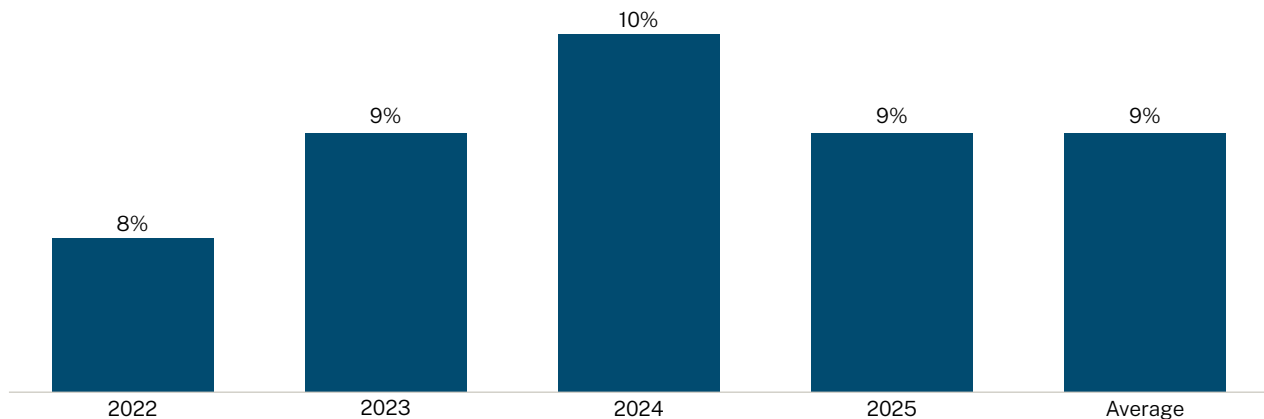
MOIC Distribution by Strategy



Source: Hamilton Lane data (January 2026). Deal vintages 2018-2021. Past performance is not a guarantee of future results.

Second, alignment in continuation vehicles is high. On average, GPs are committing over 9% of the total CV capital. Such levels of GP participation are uncommon across the broader buyout landscape.

GP commitment as % of CV size



Source: Hamilton Lane Data as of 12/31/2025.

In addition to a strong GP commitment, alignment is typically bolstered by the carry structure of CVs. In a typical buyout fund, performance fees are 20% over an 8% hurdle. However, in the vast majority of CVs that we evaluate on behalf of our clients that need to make a sell-or-roll election, we see a tiered carry structure where achieving 20% carry comes at a much higher hurdle than 8% (although some level of carry is typically achieved at an 8% hurdle). Together, these features create a strong alignment framework that incentivizes continued value creation.

Addressing the skeptics

We often hear criticisms of CVs: potential conflicts of interest given that the GP sits on both sides of the transaction, questions around valuation integrity and concerns about informational or timing disadvantages for LPs evaluating sell-versus-roll decisions. Let us start by saying these types of transactions and processes have come a long way since CVs were introduced around 15 years ago. Back then, there was no roadmap and there was no standard way of executing a CV.

Today, the market operates very differently. There are ILPA guidelines, established best practices and greater transparency. Additionally, GPs, LPACs and advisors have much more experience with CVs. Many LPs have warmed up to the idea that this is now a part of the private markets ecosystem and CVs can provide benefits to their own portfolio management.

Some investors still view CVs as a byproduct of today's slower exit environment. While weaker M&A markets may contribute to activity at the margin, they do not explain the broader growth of the GP-led market. In fact, GP-led transaction volume expanded more rapidly during the robust M&A environment of 2018-2021 than it did between 2022 and 2025.* The evidence suggests that CVs have become an increasingly established feature of the private equity landscape, supported by both GP demand for extended ownership periods and LP demand for greater liquidity flexibility.

An important implication for LPs is that the size of the CV market is becoming too big for investors to ignore. We estimate that approximately 10%-14% of all buyout fund distributions in 2025 originated from GP-led transactions, which is about double the amount in 2021. We believe LPs should have a strategy around GP-led transactions or they will risk missing out on a compelling segment of the private equity opportunity set.

The market is not short of supply. It's short of capital.

Having made the case that CVs have a comparable return profile to buyouts with potentially faster DPI and lower loss rates, the natural next question is one of access: What does today's opportunity set actually look like? The current GP-led secondary market is unusually favorable for buyers, mainly because of a supply-demand imbalance. Deal volume in this segment has grown over 8x since 2017 and now makes up approximately half of all secondary market activity,* yet the capital available to absorb that volume hasn't kept pace. We estimate that the annual secondary market capital overhang ratio — unfunded secondary dry powder divided by trailing transaction volume — sits near a historical low of about 1.0x, meaning buyers collectively hold about one year's worth of buying capacity against the deals coming to market. How many other asset classes have a dry powder ratio that low? Our deal flow data shows something similar: The volume of opportunities we screen is roughly twice what actually gets closed. That gap between what's being originated and what capital exists to fund those deals may create a more favorable environment for disciplined buyers.

Put simply, there are currently more transactions seeking execution than there is capital available to fund them. That makes for a very selective set of deals that can clear the market. Are there bad deals proposed? Yes. Are there deals proposed that have conflicts too severe to be comfortable to investors? Yes. The answer? They probably don't get done. Secondary buyers move to the next deal. There are plenty more available.

As we have [said before](#), the CV market growth is further solidifying the importance of relationship capital in the secondary market. We believe that only the platforms combining secondary market expertise with deep LP/GP relationships, particularly within the middle market, are positioned to consistently access differentiated deal flow and fully capitalize on current supply/demand imbalances. Partnering with platforms that possess these attributes can make the difference between hundreds of bps of outperformance potential and getting left behind.

A growing seat at the buyout table

None of this suggests that GP-leds and buyouts are identical. However, the balance of the evidence increasingly points to GP-leds behaving less like discounted LP interests and more like direct buyout exposure. Buyout funds are built by deploying capital across a portfolio of companies — typically 10 to 20 — over a three-to-five-year investment period, and dedicated GP-led funds are increasingly built the same way. Although GP-led transactions have a shorter track record than traditional buyout deals, the data so far shows a comparable return profile, faster distributions, lower loss ratios and higher GP alignment than traditional buyout funds. That combination is enough to treat a well-diversified, dedicated GP-led fund as, at a minimum, a supplement to a limited partner's buyout allocation.

Investors in private markets should want access to the full universe of transactions. Most deals still occur when a GP acquires a company for the first time, but the GP-led opportunity set is capturing a growing share of the market, and we expect that trend to continue. Buyout transactions remain a large and important part of the private markets ecosystem — providing expansion capital, ownership transitions and growth acceleration — and will continue to offer attractive opportunities. GP-leds play a complementary role, letting GPs compound growth in existing companies beyond a fund's typical 10-year life while giving limited partners interim liquidity if they want it. As the GP-led market grows, limited partners who want full access to the private markets opportunity set need a strategy for GP-led transactions.

In our view, while both strategies have a role to play within a diversified private markets portfolio, investors should consider dedicated GP-led exposure for two reasons. First, the combination of return potential, faster distributions and downside protection stands on its own merits; and second, CVs have grown into a significant and increasingly durable segment of the private equity market that investors can no longer afford to overlook.

* Source: Jefferies Global Secondary Market Review.

DEFINITIONS

Buyout: A private-markets fund that generally takes a control position by buying a company.

Multiple On Invested Capital ("MOIC"): The ratio of realized and unrealized capital relative to the capital invested. MOIC often returns to the multiple of return for individual deals.

$$\text{MOIC} = \text{Realized Value} + \text{Unrealized Value} / \text{Total Initial Investment}$$

Single asset CV: A continuation vehicle acquiring one underlying asset from an existing fund.

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