

NOT ALL PRIVATE EQUITY GP-LEDS
ARE CREATED EQUAL

Why access and discipline will define the next phase

April 2026

Not all continuation vehicles are created equal, and the next phase of the GP-led market will make that distinction difficult to ignore. After a decade of compound annual growth exceeding 25%, the continuation vehicle market surpassed \$100 billion in annual transaction volume in 2025, cementing its status as a mainstream liquidity tool for private equity sponsors. But the very success that has legitimized the market is now reshaping its composition. As the opportunity set broadens beyond trophy assets into more complex, lower-conviction portfolio companies, the defining question for secondary investors is no longer whether to participate in GP-led transactions—it is whether they can access the right ones.¹

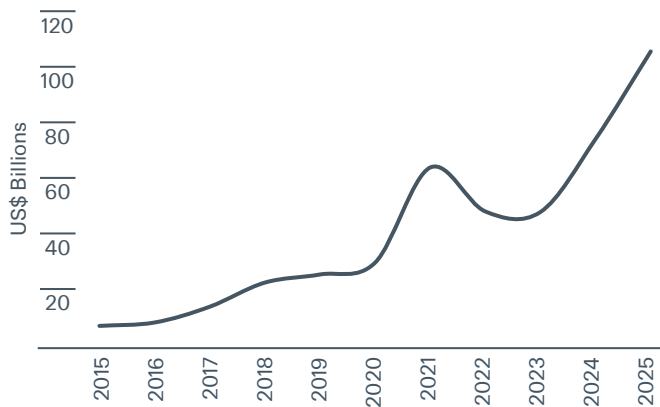
In this paper, we examine why the quality profile of the GP-led pipeline is shifting, what macro forces are accelerating that shift, and why we believe privileged access to high-quality continuation vehicles will separate outperformers from the rest of the market.²

¹ “Trophy” represents transactions held at 3x multiple of invested capital (MOIC) or greater.

² “High-quality” represents the ratio of first- and second-quartile sponsors and/or assets within their corresponding benchmarks.

In 2025, the continuation vehicle (“CV”) market eclipsed \$107 billion of closed volume, surpassing the prior year’s record by approximately 40%, with the overall secondary market reaching a record \$232 billion (Figure 1).

FIGURE 1: GP-LED MARKET VOLUMES



Source: Evercore, Jefferies, Lazard, Greenhill, as of January 2026.

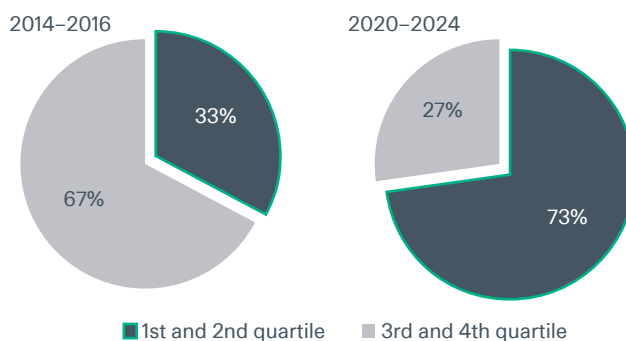
An average of roughly 70 buyout single- or multi-asset continuation vehicle deals transacted annually between 2020 and 2025, nearly three times the average between 2015 and 2019. This growth reflects a strategic shift in how general partners (“GPs”) and limited partners (“LPs”) view continuation vehicles. What was once perceived as a lifeline for underperforming assets has become a proactive portfolio management tool, allowing sponsors to retain exposure to their trophy companies, secure additional fee-paying capital, build long-term relationships with new investors, and generate liquidity optionality for existing LPs.

CVs have become a proactive portfolio management tool, allowing sponsors to retain exposure to their trophy companies while generating liquidity for existing LPs.

The quality story

The maturation of the GP-led market has been underpinned by a pronounced “flight to quality.” First- and second-quartile buyout managers, who represented approximately one-third of GP-led volumes in 2014–2016, accounted for roughly 75% of transactions over 2020–2024 (Figure 2).

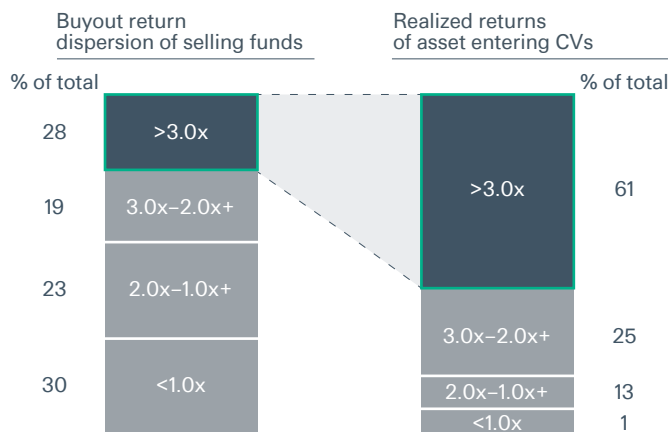
FIGURE 2: MORE QUALITY MANAGERS ADOPTING GP-LEDS



Source: SPI by StepStone, as of January 2026, and Private IQ/Burgiss benchmark.

At the asset level, the selection bias is equally stark: Over 60% of buyout assets transferred into continuation vehicles crystallize above a 3.0x gross return to the selling fund, compared with approximately 30% in the broader buyout universe (Figure 3).

FIGURE 3: CVS TAKING OUTSIZED SHARE OF TROPHY ASSETS (2020–2024)



Source: SPI by StepStone, as of January 2026.

This quality quotient has been the market’s most powerful legitimizing force. Yet the question investors now face is whether this proportion of high-performing assets coming to market is sustainable or if it represents the apex of a cycle that is about to broaden.

We believe the latter. Approximately 40% of invested capital in private equity is currently allocated to assets that have delivered a gross total value to paid-in capital (TVPI) below 1.5x after more than five years of ownership (Figure 4). This represents a considerable pool of aging, underperforming portfolio companies that will prove challenging to exit.

FIGURE 4: CURRENT TVPI AS % OF INVESTED CAPITAL

Gross TVPI	% of invested capital		
	<5 years	>5 years	Total
<0.5x	3	11	6
0.5–1.0x	20	10	16
1.0–1.5x	43	17	34
1.5–2.0x	21	17	19
2.0–3.0x	10	24	15
>3x	4	22	10

Source: SPI by StepStone, as of September 2025.
 Note: Includes only private equity buyout transactions.

For many sponsors, the options will narrow: extending holding periods further, selling at reduced valuations, or transferring assets into continuation vehicles at steeper discounts to pursue renewed value creation with a new investor base. The implication is clear: The composition of the GP-led opportunity set is shifting. And with it, the risk profile is increasing for those who lack access to (and sway with) sponsors who are discerning about strategical capital.

Macro backdrop

These dynamics are playing out against a structural liquidity challenge that shows little sign of easing. Distributions as a percentage of NAV have lingered around 10% in recent years versus a long-term average of roughly 20% (as discussed in our recent whitepaper “[Secondaries to the rescue](#)”). Private equity firms globally are sitting on an inventory of over 30,000 companies, with average holding periods stretching to around seven years.

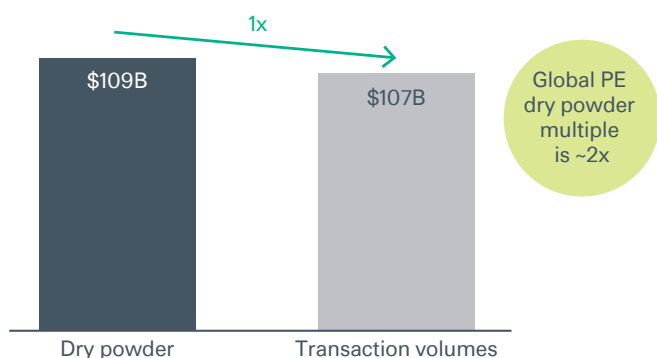
The exit environment remains fundamentally constrained. IPO windows have proven unpredictable, sponsor-to-sponsor activity has not recovered to pre-2022 levels at scale, and public market volatility continues to compress the valuation reference points that underpin private market exits. Each time the industry expects a sustained reopening of traditional exit channels, macro disruptions—whether driven by rate cycles, geopolitical shocks, or sector-specific repricing—reset the timeline. The result is a persistent gap between the pace at which sponsors need to generate liquidity and the capacity of conventional exit routes to deliver it.

In this environment, GP-led volumes as a share of sponsor-backed exits have risen from approximately 3% on average over 2015–2019 to around 15% in 2025, and we anticipate that roughly 20% of all buyout exits may ultimately be realized through continuation vehicles in a steady state.

The access imperative

The market remains structurally undercapitalized relative to the opportunity set, which is positive for secondary buyers. The GP-led capital overhang multiple stands at approximately 1x, compared with around 2x for global private equity, suggesting greater buyer selectivity and reduced pricing pressure (Figure 5).

FIGURE 5: 2025 GP-LED CAPITAL OVERHANG



Source: Evercore, Jefferies, Lazard, Greenhill, as of January 2026.

Transaction sizes are also scaling: The average continuation fund exceeded \$1 billion in 2025, with nearly 30% of deals above that threshold. Cross-fund investments appeared in roughly half of single-asset transactions, reinforcing alignment between GPs and new investors. However, undercapitalization alone does not guarantee attractive outcomes. As volumes rise and the quality spectrum widens, the GP-led market is developing a two-tier structure.

In the upper tier, sponsors with top-quartile track records are running tightly managed processes for their highest-conviction assets. These processes are not broadly marketed. They flow preferentially to a small number of secondary platforms that have built deep, long-standing relationships with the sponsoring GPs, often spanning multiple fund generations and across primaries, co-investments, and prior continuation vehicles. These sponsors need partners who can underwrite at scale and pace, who offer structuring flexibility, and who will serve as reliable, repeat counterparties across

their broader liquidity toolkit. In practice, this means the sponsor is increasingly selecting for platforms that function as an extension of their own capital formation strategy—not simply the highest bidder on the continuation vehicle terms in a competitive auction.

For secondary buyers who meet this threshold, access becomes self-reinforcing. Each successfully executed transaction deepens the relationship, generating earlier visibility into future pipeline and stronger conviction when opportunities arise. Our experience suggests that high-quality continuation vehicles increasingly favor secondary buyers who bring more than capital, i.e., speed of execution, structuring expertise, and a track record of partnership with the sponsoring GP. The quality of the process matters as much as the quality of the asset. Well-run continuation vehicles—those with independent valuation oversight, adequate LP information and election timelines, and appropriately broad buyer engagement—produce better long-term outcomes for all stakeholders, including the secondary buyers themselves.

The lower tier tells a different story. As more sponsors turn to CVs—including those managing assets that have underperformed or where the original value creation thesis has stalled—the volume of mixed-quality deal flow entering the market will grow materially. These are assets where the investment case is less about compounding a proven winner and more about buying time for a turnaround or avoiding a crystallization of losses, often at narrower discounts than the underlying risk profile warrants. Investors without established sponsor relationships and deep underwriting capabilities risk being left with this expanding tail, where underwriting discipline and deep operational diligence become essential to avoiding value traps.

In this bifurcating landscape, the gap between top-quartile and bottom-quartile outcomes in GP-led transactions will widen. Sustained outperformance will depend on the ability to consistently distinguish between genuine compounders and assets that are being transferred into continuation vehicles simply because no better exit alternative exists.

Conclusion

The GP-led continuation vehicle market has earned its place as a central pillar of private markets liquidity. But the narrative that has defined the market's first decade—one of rapid growth, rising quality, and broad-based opportunity—is giving way to something more nuanced.

The composition of the GP-led opportunity set is shifting. As the pipeline expands beyond trophy assets and into a wider range of portfolio outcomes, the gap between the best and worst continuation vehicles will inevitably widen. Structural undercapitalization and persistent distribution shortfalls will continue to drive volume, but growth alone will not protect investors from the dispersion that comes with a maturing market.

In this environment, the distinction that matters most is access. High-quality continuation vehicles are increasingly flowing through relationship-driven channels to a small number of strategic secondary platforms—those that can underwrite at scale, structure with flexibility, and serve as long-term partners across a sponsor's full liquidity toolkit. For these platforms, selectivity and access are mutually reinforcing: Each successful transaction deepens the relationships that generate the next.

The next phase of the GP-led market will not be defined by how large it becomes, but rather whether participants can maintain underwriting discipline as the quality of deal flow inevitably broadens. Not all continuation vehicles are created equal—and that is about to matter more than ever.

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