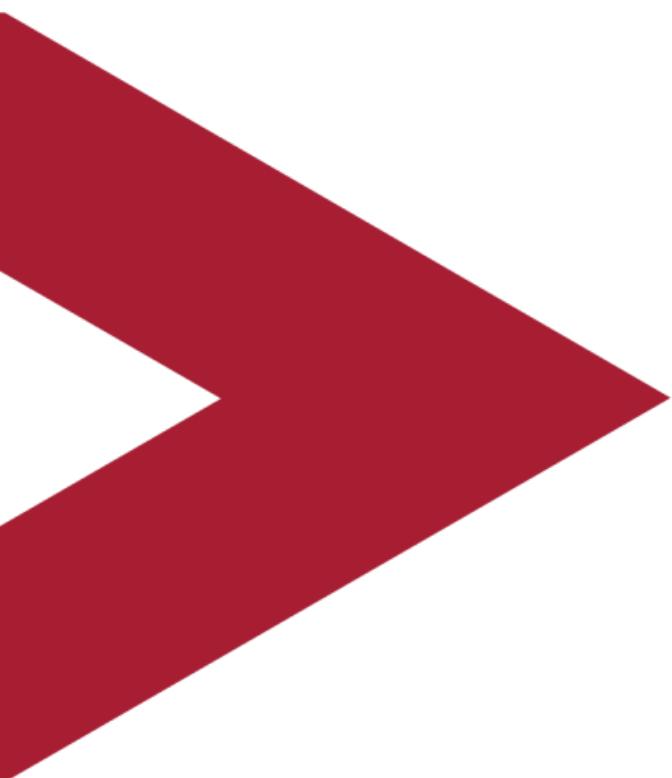


The Continued Growth of Continuation Funds

C. Paul W. Smith
2025 Alternative Investment Conference
August 22, 2025



Today's Discussion

- 1 Traditional Private Equity Model
- 2 Growth of Continuation Funds
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- 4 Market Acceptance
- 5 Other Benefits of Continuation Funds
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Traditional Private Equity Model

- Limited duration - 8 to 10 years
- Assets are then liquidated and proceeds distributed to the LPs.
- Liquidation at end of term doesn't always optimise the returns from an asset
- Loss to LPs of further value creation and future return potential
- Solution – a continuation fund

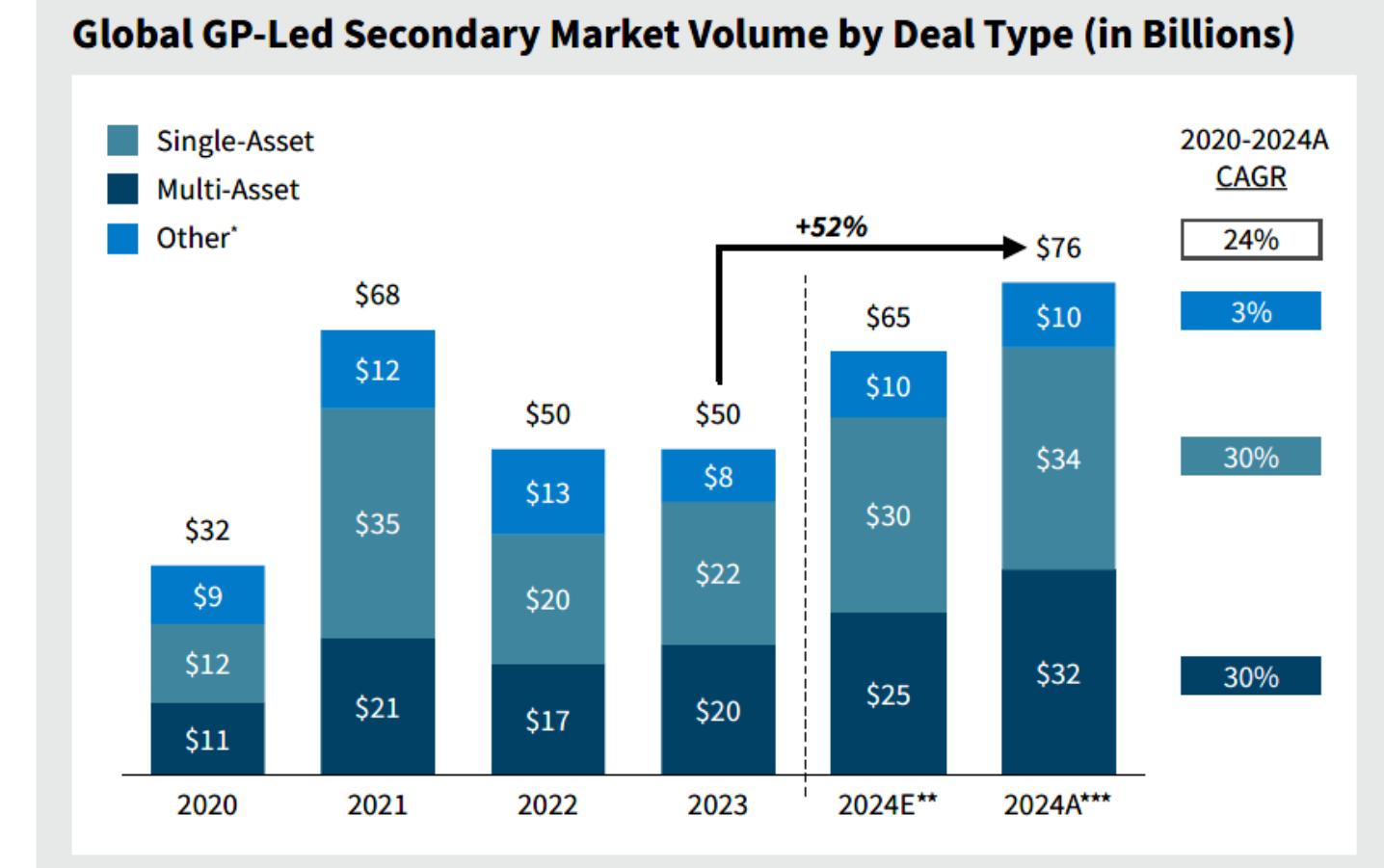


Growth of Continuation Funds

- Historically use was primarily for distressed assets
- Development as a tool for high performing trophy assets
- Provide upside, liquidity and flexibility for GPs and LPs

Growth of Continuation Funds con't

- 2024 was record year for GP-Led transactions
- Largest share – single asset continuation funds
- Growth in multi-asset continuation funds



Source: 2025 William Blair Secondary Market Survey

Negative Media

“UK private equity groups sell assets to themselves as exit routes dwindle”
- FT, October 10, 2023

“Private equity’s sell-to-yourself bandwagon is a wild ride”
- FT, June 22, 2022

“Asian private equity firms use controversial route to exit investments”
- FT, March 6, 2022

“Private equity firms flip assets to themselves in record numbers”
- FT, July 23, 2025

“Private Equity Gets Creative to Buy More Time for Gains. Clients Say Pay Me Now”
- Bloomberg, July 23, 2024

Market Acceptance

- Repeat sponsors represented 42% of 2024 transactions
- Speaks to appeal and success of the construct



Source: 2025 William Blair Secondary Market Survey

Benefits of Continuation Funds

- Gives GP flexibility to retain asset for longer
- Opportunity to raise follow-on capital
- Provides the GP with more control on timing of disposition
- Existing LPs are given an opportunity to cash out or stay invested
- Deepens GP – LP relationship

Concerns

- Conflicts of interest
- Process and disclosure
- Pricing and valuation
- Allocation of fees and expenses
- Potentially complex tax and structuring considerations for rolling LPs

GP Alignment

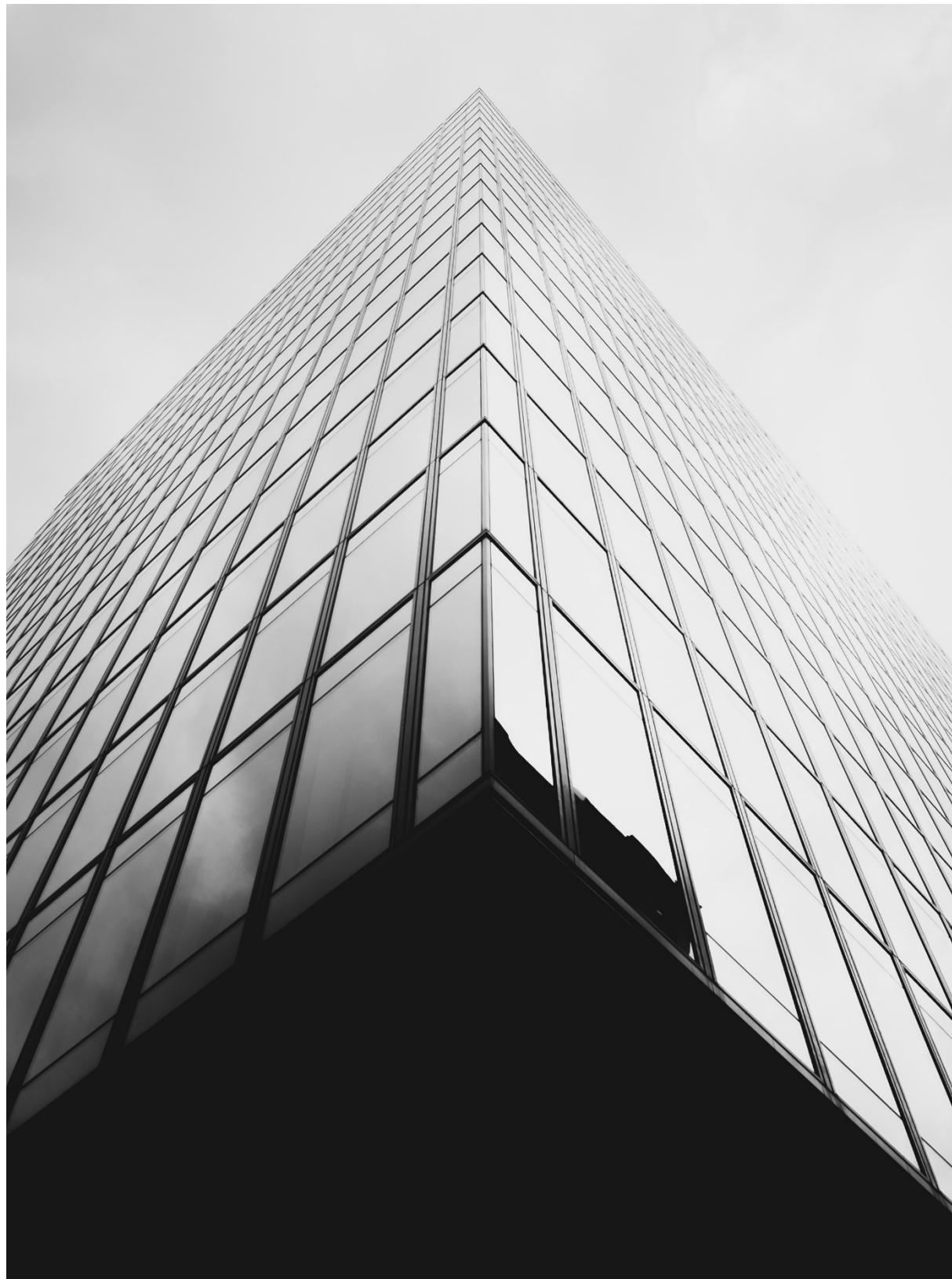
- Carried interest accruing to the GP relating to selling LPs' interests should be rolled
- GP's commitment also should be rolled
- Often see GPs making an incremental commitment to the continuation fund

Rolling LPs' Expectations – Status Quo

- No increase in the management fee rate or change in the management fee base
- No increase to the carried interest rate, decrease to the preferred return hurdle or other GP favorable changes to the distribution waterfall, and
- No crystallization of carried interest for rolling investors.

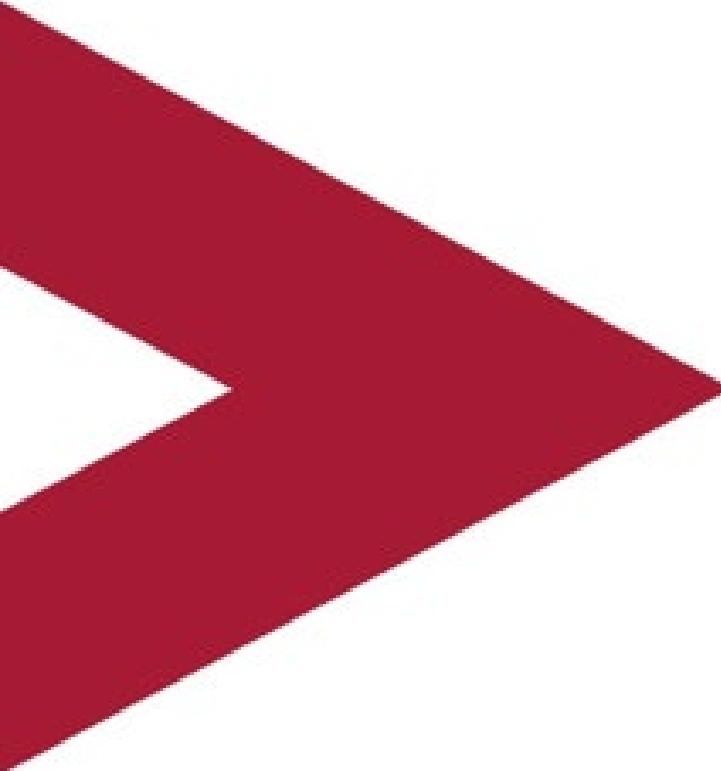
Election Process

- Conform to any requirements of Partnership Agreement and Side Letters
- Provide sufficient time and information to allow for informed decision
- Election options
- Default position if no election made - exit



Conclusions

- Benefits to both Limited Partners and General Partner
- Expectation that market will continue to grow
- Unique challenges



Questions?



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