WARBURG PINCUS

Private Markets Reconsidered

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Why the GP-Led Market Is Bigger Than Itself

Q: Why do investors need GP-led secondaries in their portfolios, and what do traditional secondaries and direct private equity not give them?

Andrew DiGeronimo [AD]: GP-led secondaries address a need that neither of the market's legacy options fully satisfy. Traditional, LP-led secondaries provide investors with broad, diversified exposure to funds that weren't hand-picked on an asset-by-asset basis. Conversely, direct private equity gives investors concentrated exposure but typically requires that investors commit to longer hold periods of 5-7 years.[1]

GP-led secondaries sit in between: they offer concentrated exposure to businesses that have already proven themselves, with a shorter path to monetization through relatively shorter hold periods of ~3-5 years. That combination is a big part of why transaction volume in the GP-led market has grown from around $9 billion in 2015 to over $100 billion in 2025[2], outpacing the growth of the two models from which it emerged.

Q: Why hasn't the amount of capital dedicated to the single-asset continuation vehicle market kept up with how fast the market has grown?

AD: Most of the capital available today wasn't built for this kind of investing. Dedicated secondaries fundraising has remained flat at around $60 billion to $100 billion a year, and much of it sits in a handful of mega-funds and retail vehicles built to provide diversification at scale. Notably, many of those funds are subject to a single-digit concentration limit on the amount of capital that can be invested in any single company, creating a meaningful structural limitation on how much of that capital can actually flow into concentrated, single-asset opportunities.

> "Most of the capital available today wasn't built for this kind of investing."

Q: Much of this market's growth has coincided with a slowdown in traditional PE exits. Is that growth durable?

Vishnu Menon [VM]: Although the two trends are correlated, the slowdown in traditional private equity exits did not directly cause the growth of the GP-led market, and I think the future growth of the asset class remains durable. GP-led transaction volume has grown from around $50 billion in 2023 to well over $100 billion in 2025[3], at a time when distribution timelines across the broader private equity industry have extended. GP-leds allow sponsors to meet LP liquidity needs. This market grew when traditional exits were strong between 2019 and 2021 and continued growing even after traditional exits normalized. If exit conditions were truly the driver, growth would track the exit cycle, and it hasn't.

[1]Source: Bain Global Private Equity Report 2024.
[2]Source: Evercore H1 2026 Secondary Market Review.
[3]Source: Evercore H1 2026 Secondary Market Review.

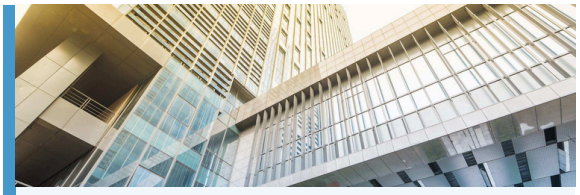
The real driver of the market's growth is sponsors' desire to keep owning their best companies for longer, a structural preference rather than a cyclical one. Even if the exit market recovered tomorrow, the underlying question wouldn't change: why sell a great business simply because a fund has reached its investment timeline, when a continuation vehicle allows the sponsor to retain ownership while delivering liquidity to the LPs who want it? I don't see that calculus changing significantly, regardless of what the IPO window or the M&A market looks like in any given year.

The Effective Opportunity Set

Q: With so much capital now chasing GP-led deals, is the market becoming too crowded?

AD: We are seeing a gap between the deals available and the deals any one investor is actually positioned to win, and I think that gap is wider than the headline numbers suggest. While annual GP-led transaction volume exceeded $100 billion last year[4], no single investor competed for every transaction. Instead, each firm competes only across the subset of deals it can identify, understand, underwrite, and execute with genuine conviction. I think of this as an investor's effective opportunity set, and for most firms, it's considerably smaller than the total market size implies.

As a result, a crowded market overall isn't the same as a crowded effective opportunity set for any one firm; if anything, the imbalance today runs in the opposite direction. Demand for GP-led capital has been growing faster than dedicated GP-led capital formation, in part because much of the existing secondaries capital base remains oriented toward diversified LP portfolios rather than concentrated, company-level investing. Every organization has silos, and valuable ideas, relationships, and institutional knowledge can get lost between them. The most successful firms in this market will not necessarily eliminate those silos; instead, they will connect them well enough to act decisively on the smaller subset of deals that best match their relationships, sector knowledge, and underwriting capabilities, rather than simply pursuing the opportunities that happen to be available.



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Q: This is still a relatively young market. What track record exists today to give LPs confidence in the return profile and exit capabilities, and how does it compare with traditional PE or secondaries strategies?

VM: The available data is encouraging. Evercore's recent Q4 2025 Continuation Fund Performance Report found that across roughly 400 continuation funds tracked since 2018, median total value to paid-in capital (TVPI) was about 1.5x, with median net IRRs in the high teens. Looking specifically at first-quartile performance, continuation vehicles have shown both higher average TVPI and meaningfully lower return dispersion than traditional buyout funds across nearly every vintage since 2018.

[4]Source: Evercore H1 2026 Secondary Market Review.

Why does that matter? It means investors have historically achieved comparable or better returns while experiencing less variation in outcomes, a combination that's relatively uncommon in private equity. That isn't an accident. It reflects several structural advantages in this market, including positive selection bias, as sponsors typically choose their strongest assets for continuation vehicles, and the greater visibility investors have into the underlying company than they would in a traditional blind-pool buyout fund.

Is the sample still young relative to a 50-year-old buyout industry? Of course, and I think investors are right to want to see more realized outcomes as the market matures. **But the data available today does more than show promise: it points to a return profile that's already differentiated on two of the considerations investors care about most—how much they earn and how much variability they must accept to earn it.** That's exactly the kind of early evidence that should give investors real confidence as they think about allocating to this market.

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02 SECONDARIES MARKET APPROACH

Two Models. Two Blind Spots. The False Choice.

Q: The market is often framed as a two-horse race: traditional secondaries firms versus direct private equity sponsors. Is that the right way to think about it?

AD: I'd frame it differently. The idea of a two-horse race assumes success comes down to whichever camp has the stronger starting point: access on one side and operating expertise on the other. Traditional secondaries firms largely began as fund-of-funds managers and have spent the past two decades building broad, multi-asset platforms. That history is the source of their access advantage. Direct PE firms, meanwhile, have entered this market because underwriting a GP-led deal looks much more like underwriting a direct acquisition than a traditional secondaries purchase. That's exactly the basis of their expertise argument. **Access without expertise creates noise, and expertise without access creates scarcity. Neither advantage is enough on its own.** That's why I don't think it's really a two-horse race. Success will ultimately come down to which players can consistently pair deep underwriting expertise with broad market access.



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The Real Competitive Advantage Isn't Access; It's How You Make Decisions

Q: Building on the last question—traditional secondaries firms have built their edge around picking good managers. Direct PE firms have built their success on partnering with companies. Is either approach enough on its own for GP-led investing?

AD: Neither one is enough on its own. Focusing on manager quality made sense when investors were buying diversified portfolios of LP interests: if you understood the manager and the portfolio well enough, your odds were good. That approach helped build the modern secondaries industry over two decades.

But manager quality can quietly become a stand-in for asset quality, and those aren't the same thing. Conflating the two can create a false sense of security exactly where the underwriting needs to be sharpest. Ownership has the opposite problem here. It's what built direct PE firms' success for decades—owning the company and providing strategic oversight. But GP-led investing asks something different: you're underwriting a long-term partnership with a sponsor who stays in charge, not taking control yourself, and firms built around ownership often face a different question when judging what's underwritable through influence rather than control.

Both approaches built excellent businesses. Both fall short here. **What this market demands is the discipline to underwrite a business with the rigor of a direct investor, paired with the judgment to select the right partner to steward it, rather than defaulting to one at the expense of the other.**

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Q: Continuation vehicles usually mean longer hold periods than traditional secondaries. Why does that make industry expertise more important, not less?

VM: The longer you own a company, the more your returns depend on what happens after you buy it, not just what the company looks like on day one. **A three-to-five-year hold means your outcome hinges on correctly anticipating where the industry, the competitive landscape, and the management team will be down the road, and that's a much harder call to make without real, deep operating experience in a given sector.**

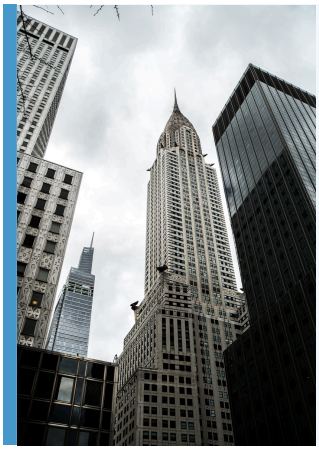
> "Your outcome hinges on correctly anticipating where the industry, the competitive landscape, and the management team will be down the road, and that's a much harder call to make without real, deep operating experience in a given sector."

Genuine Collaboration and Institutional Judgment

Q: There are a lot of direct private equity firms entering the GP-led space. What is the biggest differentiator between these firms?

VM: The real differentiator comes down to two things: whether a firm has a genuinely collaborative culture, underpinned by a single carry pool, and whether its judgment still runs through one individual rather than through an institutional decision-making process.

GP-led investing rewards firms that can bring their full platform to every deal. Every time a firm evaluates a deal in this market, you want professionals from across its sectors and geographies weighing in—people who have been following these companies and sectors for years. Most firms will tell you they operate as one platform, but that kind of collaboration rarely happens on goodwill alone. It ties back to how the firm itself is built. **When economics are shared across the platform rather than tied to any single fund or strategy, partnership stops being something the organization asks for and becomes the way the firm naturally works. I think that structural choice will ultimately matter as much to outcomes in this market as sourcing or underwriting skill.**



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The second consideration is whether a firm's judgment is institutional or personal. Many of today's leading firms are still led by their founders and haven't gone through a meaningful leadership transition. A firm where every important decision still depends on one person's instincts has built a single exceptional decision-maker, not decision-making infrastructure. Very few firms can genuinely claim both—a collaborative culture and institutional judgment and durability—and I think those that claim both will be best positioned to lead this market.

Building a Horizontal Platform: The Next Generation of Private Equity

Q: Zooming out—is GP-led investing best understood as its own strategy, or as a signal of something bigger happening across private markets?

AD: I think it's a signal, not just its own strategy, and I'd go further and say it's one of the earliest and clearest examples of where private markets as a whole are heading. Companies are staying private for meaningfully longer than they did historically, and that alone changes what LPs and sponsors need from their capital. Ownership structures increasingly need flexibility to match the duration of the capital with the needs of the underlying assets, rather than defaulting to a traditional fund timeline. Once you accept that, the line between private equity and secondaries starts to blur, because both are different tools for solving the same underlying problem: matching capital to the time a good business needs to compound.

That has real implications for how firms should be built, not just what strategies they offer. For most of the last two decades, firms organized themselves around products, funds, strategies, and distinct asset classes, and that made sense when capital, information, and expertise didn't need to move very far. **I think the firms that define the next generation of private equity will be organized differently—around opportunities and solutions rather than around products—with information, relationships, and expertise able to move to wherever they create the most value instead of remaining siloed within the vertical that owns a given deal.** GP-led investing is a useful lens for that shift because it's happening there first and most visibly, but I don't think it's where the shift ends.

> "I think the firms that define the next generation of private equity will be organized differently—around opportunities and solutions rather than around products."

Warburg Pincus Partnership Solutions

In 2025, Warburg Pincus formalized the Partnership Solutions team, which collaborates alongside other GPs to identify and invest in high-quality, growth-oriented businesses through GP-led secondary solutions, typically in the form of single-asset vehicles. The team consists of experienced professionals with direct and secondary investment expertise, backed by Warburg Pincus' firmwide infrastructure, including sector-focused investment professionals and value creation professionals. The Partnership Solutions team leverages the firm's strong one-firm culture, a model that incentivizes seamless collaboration and enables close partnership with industry sector experts across the firm's core sectors – Healthcare, Financial Services, Industrials, and Technology – while also building on the firm's 60-year track record of partnering with high-quality peer GPs.

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