GCM GROSVENOR

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The Blueprint for Continuation Vehicles:

Expanding the Opportunity Set in Private Equity

01

Continuation vehicles provide another path for private equity assets.

CVs allow sponsors to continue owning and managing companies they believe have additional value-creation potential, while providing existing investors with a liquidity option and creating an opportunity for new investors to participate.

02

CVs provide investors with visibility into specific, seasoned assets.

Because the sponsor has typically owned the underlying company for a period of time, prospective investors can evaluate an established operating history, the sponsor's experience with the asset, and a defined plan for its next phase.

03

Access and underwriting remain critical.

CV opportunities can vary significantly across assets, sponsors and transaction structures. Relationships, independent underwriting, selectivity and portfolio construction can all play important roles in building CV exposure.

Select risks include: macroeconomic risk, sourcing risk, investment selection, portfolio diversification, management risk, execution of value creation plan, risks related to reliance on third parties, and risks related to the sale of investments.

For illustrative and discussion purposes only. Past performance is not necessarily indicative of future results. No assurance can be given that any investment will achieve its objectives or avoid losses. Unless apparent from context, all statements herein represent GCM Grosvenor's opinion.

Setting the Stage

Private equity funds have defined investment periods and fund lives, but the timing of a fund does not always align with the development of every company it owns.

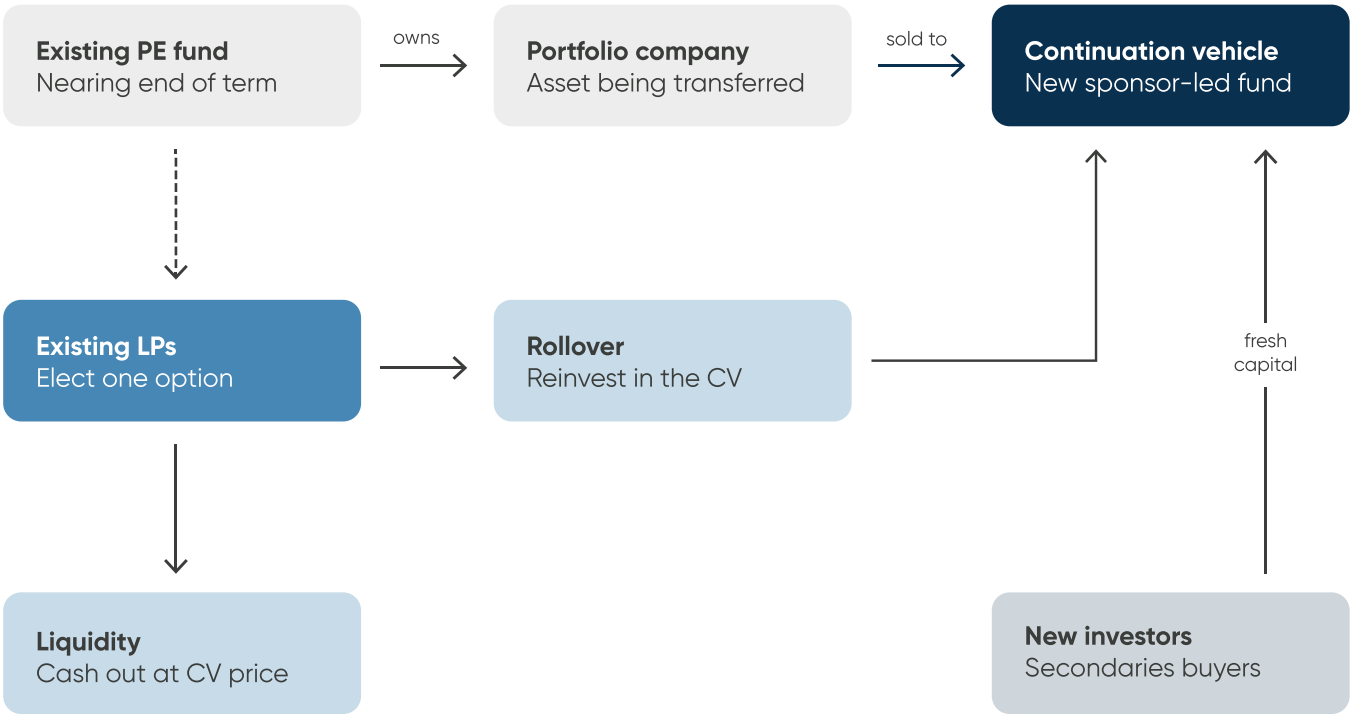
A sponsor may reach the point when it would traditionally seek an exit while still believing that a portfolio company has meaningful opportunity ahead. A continuation vehicle can provide another path forward.

What Is a Continuation Vehicle?

A continuation vehicle, or CV, is a new investment vehicle created to acquire one or more portfolio companies from an existing private equity fund. The existing sponsor continues to manage the investment through the new vehicle, rather than selling the company to another sponsor or strategic buyer.

For investors in the existing fund, the transaction generally provides an opportunity to receive liquidity or continue their exposure by rolling their investment into the new vehicle. New investors can provide capital to the CV and participate in the company's next phase under the existing sponsor.

What is a Continuation Vehicle?



For illustration purposes only.

How Do CVs Relate to Co-Investments?

Like co-investments, continuation vehicles can provide investors with exposure to identifiable private companies rather than an unknown future portfolio. The key distinction is when the investment takes place.

A co-investment typically allows an investor to invest directly in a company alongside a private equity sponsor when the sponsor makes its initial investment. A CV generally provides exposure later in the company's ownership cycle, after the sponsor has already owned and managed the business for a period of time.

That history can provide CV investors with greater visibility into how the company has performed under the sponsor, while allowing them to evaluate the plan for its next phase.

Why Do GPs Use Continuation Vehicles?

Traditionally, private equity sponsors have had three primary paths to exit an investment: sell the company to a strategic buyer, sell it to another private equity sponsor, or pursue a public-market exit.

A continuation vehicle provides another option.

Rather than selling an asset the sponsor believes still has room to grow, a CV can allow the sponsor to extend its ownership and pursue the next phase of its value-creation plan. The sponsor can maintain its relationship with the management team and continue executing against an established strategy.

At the same time, the transaction can provide liquidity to investors in the existing fund that are ready to exit, while allowing investors that want to maintain exposure to roll their interests into the new vehicle. This combination has helped establish CVs as a fourth exit option within private equity.

The CV Market Is Growing

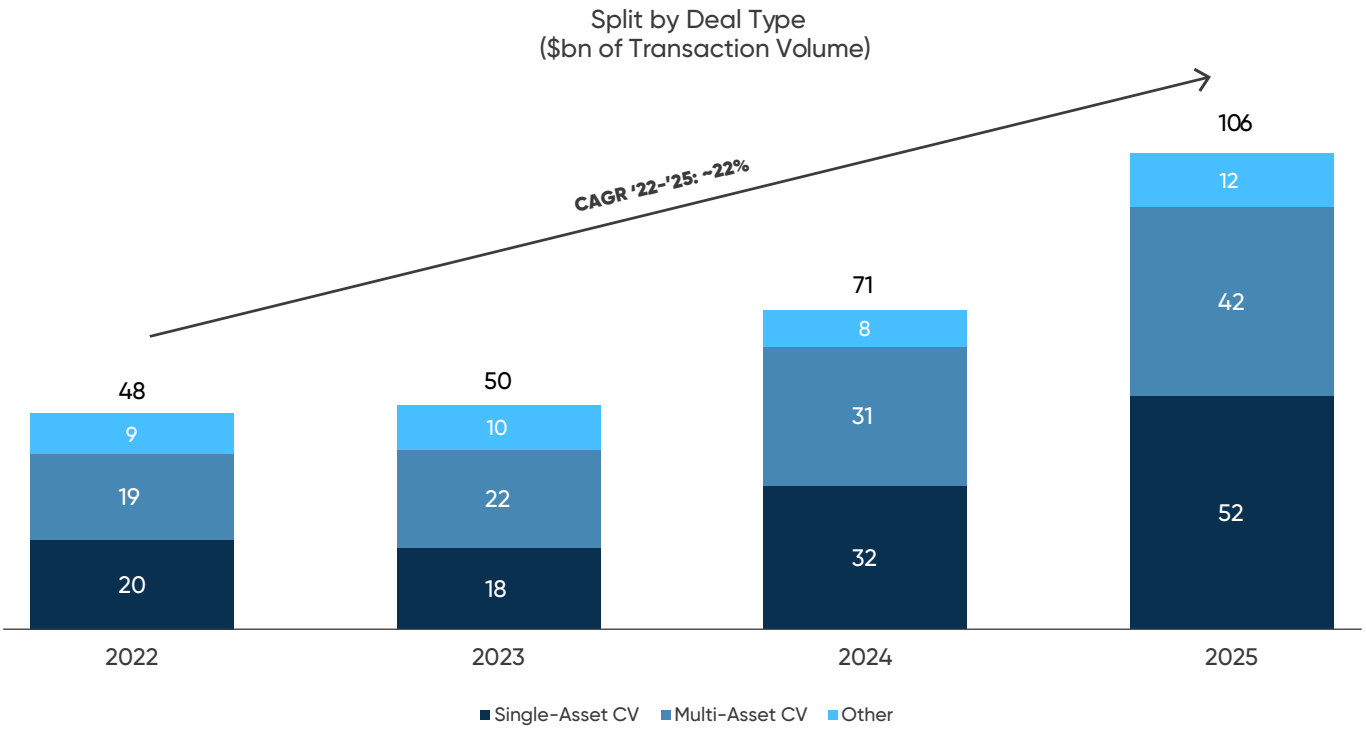
As sponsors and investors have become more familiar with continuation vehicles, their role in the private equity market has expanded.

In 2025, the CV market reached a record $106 billion in closed transaction volume, an approximately 51% increase from the prior year[1]. CVs represented approximately 15% of sponsor-backed exit value, compared with 8% in 2012[2]. This growth reflects the increasing use of CVs as an alternative to a traditional exit, particularly when sponsors believe additional value can be created through continued ownership.

1. Data Source: Evercore PCA, 2025 Secondary Market Report, February 2026.

2. Data Source: Morgan Stanley, FY 2025 Continuation Fund Market Review, February 2026. Percentage represents CV transaction volume over sponsor-backed exit deal volume, including M&A and IPO proceeds.

Split by Deal Type ($BN of Transaction Volume)



Data Source: Evercore PCA, 2025 Secondary Market Report, February 2026.

How Continuation Vehicles Can Benefit Investors

For investors, continuation vehicles can combine characteristics of both secondary and direct private equity investing. Investors are evaluating specific underlying companies, but doing so after the existing sponsor has already spent time owning and managing the asset. That can create several potential benefits.

Visibility Into the Underlying Investment

Unlike a traditional blind-pool fund commitment, investors generally know the company or companies they are evaluating before committing capital to a CV.

They may also have access to an established financial and operating history under the existing sponsor. CV processes can provide extensive diligence materials, including financial projections, quality of earnings reports, third-party industry analyses, valuation reports and management presentations.

For investors that already have a relationship with the sponsor or exposure to the selling fund, that history can extend even further. They may have followed the company and sponsor for years before the CV transaction begins.

- **Continuity of Ownership:** A CV generally allows the existing sponsor to remain the control owner of the company. The sponsor has typically worked with the management team for years and enters the CV with an established understanding of the business and a plan for its next phase. The transaction allows that relationship and strategy to continue rather than resetting under new ownership.
- **Alignment:** Alignment among the sponsor, existing investors and new CV investors is an important consideration. One potential indicator is a cross-fund investment, in which the sponsor invests capital from another of its funds alongside new CV investors. Approximately 50% of CV transactions in 2025 included a cross-fund investment. Existing LP rollover and sponsors' own continued economic exposure can also provide useful information when assessing alignment and conviction in the next phase of ownership. No single measure determines whether interests are appropriately aligned, making the full transaction structure important to evaluate.

Types of Continuation Vehicles

Continuation vehicles can take different forms. At the highest level, transactions are generally structured around either a single asset or multiple assets.

Single-Asset vs. Multi-Asset CVS

Two common structures, each with different concentration and underwriting trade-offs.

	Company A	Company A	Company B	Company C
	Single-asset CV	**Multi-asset CV**		
Number of underlying companies	One portfolio company	Several portfolio companies transferred together		
Concentration vs. diversification	Concentrated exposure to one company and sponsor plan	Greater diversification within a single transaction		
Scope of underwriting	Deep underwriting of one individual business	Several businesses to evaluate; risks and opportunities interact		
Underlying exposure	Outcome depends more on one company's performance	Blended outcome across the portfolio of companies		

Neither structure is inherently preferable.
The right fit depends on asset quality, transaction terms and the role the investment plays in a portfolio.

For illustration purposes only.

Understanding the Risks

An existing history can provide investors with additional information, but it does not eliminate investment risk.

A CV creates a unique dynamic because the sponsor is effectively on both sides of the transaction: selling an asset from an existing fund while seeking to continue managing that asset through a new vehicle. Investors therefore need to independently assess whether the transaction appropriately balances the interests of existing investors, new investors and the sponsor.

Valuation is particularly important. Unlike a traditional competitive sale, the objective of a CV process is not necessarily to identify the highest possible purchase price. The transaction must establish a valuation that provides an appropriate outcome for selling investors while creating an attractive entry point for new capital.

CVs also remain private, illiquid investments. Single-asset vehicles can introduce significant concentration, and even a company with a strong historical record may not execute its future value-creation plan as expected.

For these reasons, familiarity with an asset or sponsor should complement, rather than replace, independent underwriting.

Evaluating the Opportunity

Evaluating a CV requires investors to look beyond whether the underlying company is attractive. The sponsor, valuation, alignment and structure of the transaction can be equally important.

A Framework for Evaluating a Continuation Vehicle

01 **Asset** Is this a high-quality company with a durable business model and a credible opportunity for additional value creation?

02 **Sponsor** Does the sponsor have relevant experience, a strong history with the company and the capabilities required to execute the next phase of the plan?

03 **Valuation** Does the entry valuation appropriately reflect the company's outlook, remaining value-creation opportunity and downside risks?

04 **Alignment** How much exposure is the sponsor maintaining or adding? Are existing investors rolling their interests? Is another sponsor fund investing alongside the CV?

05 **Structure** How are fees, carried interest, governance and other terms structured, and how do they affect the interests of new investors?



From Individual CVs to a Portfolio

An individual continuation vehicle can provide exposure to a specific company or group of companies. But for investors seeking broader exposure to the market, portfolio construction introduces another set of considerations.

A single-asset CV may create concentrated exposure to one company, one sponsor and one value-creation plan. A diversified CV strategy can spread exposure across companies, sponsors, sectors, vintages and transaction leads.

Access also matters. Sponsors ultimately determine which investors receive allocations to CV transactions, and existing relationships can influence both visibility into potential opportunities and access to transactions.

The average CV transaction reached approximately $1 billion in 2025, and even smaller and mid-sized transactions frequently require multiple investors to complete the transaction. This creates opportunities for investors with broad sponsor relationships and the ability to evaluate a significant pipeline of transactions.

For investors seeking diversified exposure, the goal is not simply to participate in more CVs. It is to remain selective while assembling a portfolio of attractive opportunities across different assets and sponsors.

How to Evaluate a Continuation Vehicle Manager

For investors accessing CVs through a dedicated strategy, understanding the manager behind that strategy can be as important as understanding the individual transactions.

- ☑ **How are opportunities sourced?** Does the manager have relationships that provide consistent visibility into CV transactions?
- ☑ **How selective is the investment process?** How broad is the opportunity set, and what proportion of transactions ultimately make it into the portfolio?
- ☑ **How are sponsors evaluated?** Does the manager have existing relationships or investment history with the sponsors behind its CVs?
- ☑ **How is independent underwriting conducted?** How does the manager evaluate the asset, valuation and go-forward value-creation plan rather than relying solely on the sponsor's underwriting?
- ☑ **How is alignment evaluated?** What role do sponsor commitments, cross-fund investments and LP rollover play in the investment decision?
- ☑ **How is the portfolio constructed?** How does the manager manage exposure across companies, sponsors, sectors and transactions?

Continuation vehicles can provide investors with an opportunity to participate in the next phase of companies that private equity sponsors know well and believe still have room to grow. But known assets and sponsor familiarity do not eliminate the need for disciplined investment selection.

As the market continues to evolve, access, independent underwriting, selectivity and thoughtful portfolio construction can remain important considerations for investors seeking exposure to continuation vehicles.

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