JERA CAPITAL INSIGHT

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Sharpening the Blade: GP-Led Secondaries as Strategic Value Creation

GP-led secondaries are no longer a way to delay exits—they are a strategic tool for value creation. These transactions offer liquidity and choice for LPs, de-risked exposure for buyers, and renewed alignment for GPs. As the market matures, with stronger governance and transparency, GP-led deals are proving to be a thoughtful evolution in private equity—not about postponement but about optimizing outcomes for all parties involved.

Rethinking the Perception

The skepticism surrounding GP-led secondaries typically centers on three concerns: that they artificially extend fund lives, that they suffer from weak alignment between GPs and investors, and that they are often vehicles for warehousing underperforming or unsellable assets. These concerns have historically had some merit, especially in the earlier, less regulated stages of the market.

However, these problems are not intrinsic to the structure of GP-led transactions. Rather, they are a function of execution. As the market has matured, the quality of dealmaking has risen substantially. Today's best GP-led transactions are rigorously structured, transparent, and clearly aligned. They are driven not by a desire to delay outcomes, but by a desire to optimize them.

A Strategic Role in Modern Private Equity

The traditional private equity model–based on fixed fund term–has often forced GPs into premature exits or hurried sales, particularly in situations where companies were strong but markets were illiquid. GP-led secondaries offer a valuable alternative, allowing fund managers to continue managing high-conviction assets without being constrained by arbitrary deadlines. Existing LPs are offered a choice: they can take liquidity at a fair market price, or they can remain invested in a new vehicle that continues to support the growth of the company.

This optionality is not a way to evade decision-making–it is a form of capital efficiency. It allows for more thoughtful exits and better alignment with the timing of strategic buyers or public markets. In an era where liquidity windows open and close unpredictably, GP-led deals provide flexibility without compromising accountability.

Continuation vehicles are no longer an ad hoc solution. They have become an institutionalized part of the private equity ecosystem. Increasingly, GPs are using these vehicles to consolidate outperforming assets, introduce fresh capital for expansion, and realign incentives with both new and existing investors. In this way, GP-led secondaries have become a powerful tool for value maximization–not just for salvaging stranded assets, but for proactively managing long-term winners.

Value for Existing LPs

From the perspective of limited partners, the GP-led model can offer significant benefits–so long as the process is managed transparently. Rather than being forced to stay in or exit en masse, LPs are given a meaningful choice. They can crystallize returns through a sale or continue their exposure via a roll-over, often on essentially similar economic terms.

Furthermore, pricing in GP-led transactions is typically driven by third-party valuations and competitive bidding. This ensures that existing LPs receive fair market value for their interests. Governance, too, has improved and most continuation transactions now involve meaningful input from the LP Advisory Committee (LPAC), ensuring that any conflicts of interest are disclosed and managed in a formal, institutional way.

Notably, in some recent high-profile transactions, existing LPs have chosen to re-up into continuation vehicles—an indication that, when structured well, these deals inspire confidence rather than suspicion.

A Compelling Opportunity for Buyers

For secondary investors, particularly those specializing in GP-led deals, these transactions offer several compelling features. First, they involve assets with known histories, audited performance, and existing management teams. This level of visibility reduces underwriting risk and enhances predictability.

Second, GPs are typically rolling meaningful capital and/or carry into the new vehicle. This co-investment is not symbolic—it reflects genuine alignment of interest and high conviction in the future upside of the asset. Buyers are not entering a blind pool; they are partnering with a GP that is effectively "doubling down" on its own strategy.

Finally, the risk-return profile of GP-led secondaries often compares favourably to traditional secondaries or primary private equity commitments. With shorter durations, lower loss rates, and realistic return targets in the mid-teens, these deals offer efficient capital deployment with controlled downside.

Why GPs Benefit Too

For general partners, GP-led secondaries are more than just an exit-management tool—they are a way to showcase discipline, conviction, and alignment. A well-structured continuation vehicle allows a GP to retain control over a high-performing asset that may still have significant runway. It offers a reset of carried interest, a refreshed incentive structure, and a renewed commitment to value creation alongside a select group of co-investors.

The best GP-led deals reflect intentional strategy, not opportunism. They signal to the market that the GP is not simply seeking to delay, but is making a strong, re-underwritten bet on a known asset. This is a far cry from the earlier criticism of these deals as tools of deferral.

A Maturing and Trusted Market

The GP-led space has matured dramatically in recent years. Processes have become more standardized. Third-party fairness opinions are increasingly common. LPs are more engaged, and secondary investors have built specialized teams to evaluate these transactions. Regulators are watching more closely, which has led to higher disclosure standards and more robust LP protections.

This maturation has also attracted new capital. Many large institutions now allocate explicitly to GP-led secondaries as part of their broader alternatives strategy, viewing these transactions not as red flags but as smart, flexible ways to generate differentiated returns.

Conclusion

The notion that GP-led secondaries are about avoiding decisions or prolonging the inevitable is increasingly out of step with the evidence. These transactions, when structured properly, deliver liquidity, flexibility, and alignment. They are not a way to postpone outcomes—they are a way to optimize them. As the market continues to mature, GP-led secondaries are proving themselves to be a thoughtful and strategic evolution in the private equity toolkit.

Far from kicking the can, the best GPs are kicking open the door to smarter, longer-term value creation.