PPMAMERICA

Alignment and Access: Key Drivers of Single-Asset Continuation Vehicle Success

KEY TAKEAWAYS

> GP-led single-asset continuation vehicles (SCV) emerged as a compelling investment alternative amid private equity liquidity constraints but have now evolved into an enduring portfolio management tool

> In our view, SCVs provide economic and strategic alignment across all participants – LPs, GPs, management teams and new investors

> We believe that long-standing co-investment and primary fund relationships, and the accompanying underwriting experience, can facilitate access to high-quality SCV deals

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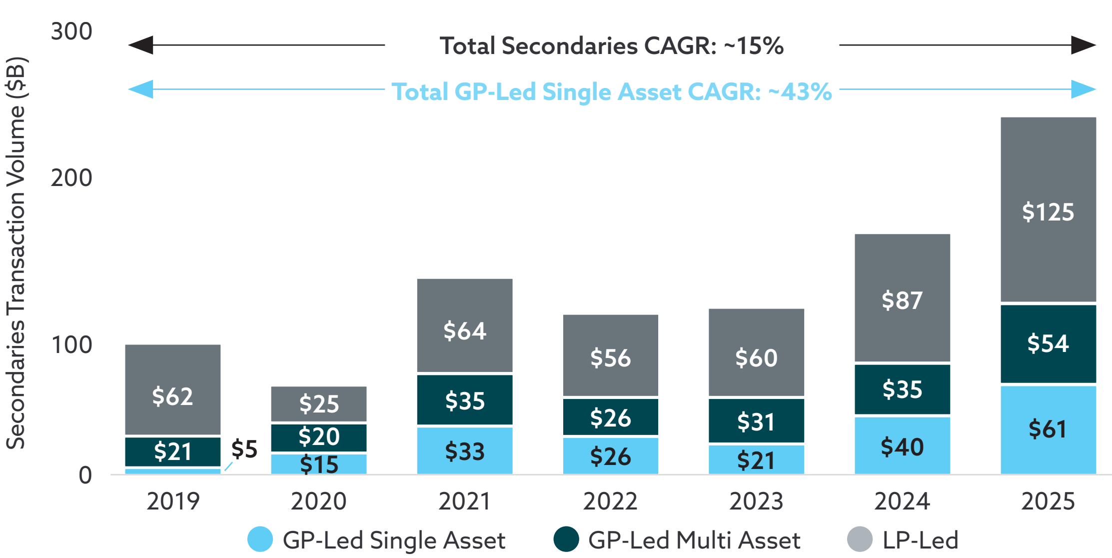
The current private equity (PE) landscape continues to be shaped by extended holding periods, deferred exits and persistent liquidity constraints across the limited partner (LP) community. The macro environment has become particularly complex: a rapid rise in interest rates has been followed by mounting economic uncertainty, driven in part by escalating geopolitical tensions and tariff-driven disruptions. As a result, traditional exit routes (e.g., corporate sales, IPOs and secondary buyouts) remain vulnerable to market dislocation, valuation compression and timing inefficiencies.

Against this backdrop, general partner (GP)-led continuation vehicle (CV) transactions, in both single- and multi-asset form, have emerged as a compelling alternative. Put simply, CVs entail the transfer of one or more portfolio companies from an existing GP fund into a newly established investable entity. This structure allows GPs to pursue additional value creation opportunities while maintaining operational control and provides LPs flexibility. They can hold onto the investment(s) by participating in the CV or sell to monetize their holdings. CVs also offer a clear entry point for new investors.

GP-LED SCVs HAVE BECOME A KEY EXIT MECHANISM[1]



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While liquidity issues may have initially been the reason for the use of CVs, they have now evolved into a key portfolio management tool. In addition to providing an exit option for current investors, CVs reduce blind pool risk and lower the J-curve for new investors. Taken a step further, we assert that SCVs in particular are aligned with these portfolio management benefits. In fact, they are the fastest growing segment of the PE secondary market, increasing from $5B in transactions in 2019 to $61B in 2025.[1]

ALIGNMENT AROUND "TROPHY" ASSETS

The rapid growth of CVs reflects a broader structural imbalance in private markets: a surplus of capital seeking deployment and a limited supply of premium assets. Unlike multi-asset continuation structures, which can often combine top-performing investments with legacy or lower-quality assets, the goal of an SCV is to provide focused exposure to a single, high-conviction company with continued value creation potential. SCVs provide a mechanism for GPs to retain ownership of "trophy assets," while offering investors access to opportunities that have already been vetted over time from a performance and operational perspective.

In our view, a benefit of the SCV structure is economic and strategic alignment across all participants - LPs, GPs, management teams and new investors. GPs keep "skin in the game" by rolling meaningful proceeds and carried interest into SCVs, often alongside fresh capital from successor funds. In turn, GPs earn management fees and carry from new SCV investors, typically governed by tiered structures tied to net MOIC and IRR goals made with the buy-in of the company's management team. We believe there are additional benefits to each segment of the PE ecosystem which include:

EXISTING/ROLLING LPs

> Provides exit optionality – can choose to crystalize gains or roll into a de-risked asset with renewed value creation potential

> Offers attractive pricing versus traditional LP-led secondaries

GPs

> Unlocks additional upside potential from a proven asset through the continued execution of a known value creation playbook

> Avoids the time and complexity of sourcing a new deal

Realigns timeline with GPs, management team and new/rolling investors

MANAGEMENT TEAMS

> Preserves continuity with a trusted partner via a faster, less disruptive process (i.e., a change in ownership)

> Maintains strategic and execution momentum

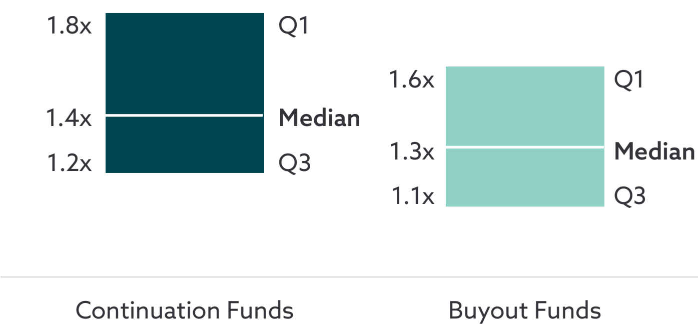
NEW CV INVESTORS

> Opens access to high-quality, tightly-held assets

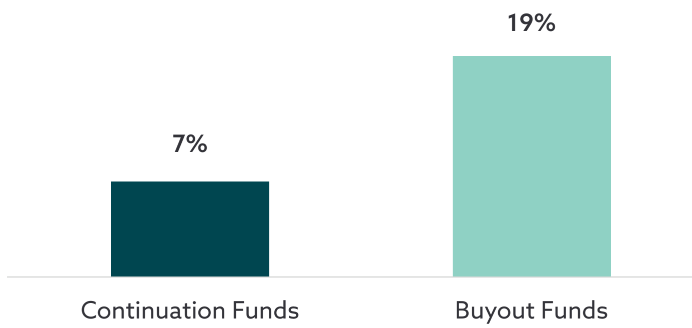
> Offers a de-risked asset, in our view, given that the GP has managed the asset for a period of time (three to five years) and will continue to manage the asset going forward

These structural advantages have resulted in continuation funds (i.e., the means by which investors participate in SCVs) outperforming buyout funds on both a net MOIC and principal loss ratio across vintage years 2018-2024.[2,3]

NET MOIC [2]



PRINCIPAL LOSS RATIO [2,3]



Continuation funds historically have provided ~0.1x uplift in median returns versus traditional buyout funds and a ~0.2x advantage at the top quartile – reflecting the strength of investing in proven assets with known performance trajectories. Additionally, the materially lower loss ratios of continuation funds relative to buyout funds underscore the structural advantage of investing in known assets and management teams, with significantly reduced blind pool risk.

DIFFERENTIATION THROUGH ACCESS

However, not all SCVs are created equal. With the surge of deals hitting the secondary PE market given continued liquidity issues, we have observed that SCVs are not necessarily reserved for only top-performing assets. In our experience, access and conviction are needed to both identify and participate in the most attractive opportunities available.

Two main paths exist to participate in an SCV: an investor can either lead the deal or be a part of a syndicate. Leading deals results in binary outcomes – an investor either wins the deal or loses. Selective syndicate players, on the other hand, can get wider access at the negotiated terms. PPM America Capital Partners (PPMACP) prefers the latter, operating in this "sweet spot" by historically focusing on the mid-market where SCVs have a more limited, targeted syndication.[4]

In our view, GPs tend to selectively allocate the most attractive opportunities, particularly those tied to top-performing assets, to a narrow group of existing relationships, including primary fund investors and long-standing co-investment partners. This dynamic creates a structural barrier within the market. Because of this, we believe investors without preferred partner status or proven underwriting credibility may find it difficult to access the highest-quality deal flow.

Conversely, those PE firms with deep GP networks and a history of partnership, such as PPMACP, can help investors gain entry into a segment of the market characterized by:

- Limited competition, as deals are not widely marketed
- Favorable economics, including favorable fee structures and pricing dynamics
- Greater transparency, driven by existing knowledge of the asset and GP

In an environment where capital is abundant but differentiated opportunities are scarce, we believe that the access that comes from trusted relationships with GPs is vital to participating in high-conviction opportunities.

(2) Morgan Stanley PCA – The Case for Continuation Funds: An Updated Review on Initial Performance (March 2025). Data represents CV and buyout funds with vintages between 2018 and 2024. (3) Principal loss is defined as funds with <1.0x net MOIC. (4) PPM America Capital Partners is the private equity arm of PPM.

CONCLUSION

SCVs represent a strategic entry point into a more focused and relationship-driven segment of PE, which has the following attributes:

- **Alignment via structure** designed to ensure that all stakeholders are invested in long-term value creation
- **Access unlocks opportunity** – trusted GP relationships help source high-quality deals
- **Selectivity may drive performance** as the dispersion of available assets continues to widen

This growing slice of the market demands disciplined due diligence as well as deep insight into the strengths of each GP to identify high-quality assets. In our view, investors can leverage those PE firms, like PPMACP, that have decades' worth of underwriting experience in both primary funds and co-investments to assess SCV opportunities with speed and precision. The right firm can also provide investors with a disciplined approach to portfolio construction, balancing concentration with prudent diversification. Each investment is a high-conviction building block, contributing to an optimized risk-return profile.

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Our mission is to be seen by clients and their advisors as a consistently reliable partner to help them achieve their long-term value goals.

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We believe the success of our investment culture is best demonstrated by the strong retention of our clients and investment professionals

ABOUT PPM AMERICA CAPITAL PARTNERS

PPM America Capital Partners (PPMACP) is a fully integrated private equity platform with more than three decades of institutional investing experience, guided by a core philosophy centered on access, alignment, and disciplined underwriting. The team specializes in primary fund commitments, co-investments, and GP-led secondaries primarily focused on middle market North American buyout and growth equity opportunities, with a consistent track record of disciplined execution across market cycles.

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