

KEYNOTE INTERVIEW

Evolution and growth in the GP stakes market



*A growing set of trends reflects both operational innovation and growing investor interest in the GP stakes market, say **Ken Blazejewski**, co-leader of the Sponsor Solutions Group, and **Florence Zhang**, partner, at Cleary Gottlieb Steen & Hamilton*

Q How is the market for GP stakes developing today and what trends do you see?

Ken Blazejewski: We continue to see the GP stakes market evolving and maturing as a distinct asset class and with that has come both complexity and a broader range of capital providers.

One important trend is a growing focus on employee ownership and succession planning, seen as key to long-term alignment and sustainability.

We also see a diversification and globalization of the investor base, with sovereign wealth funds, insurance companies and other large institutional investors entering the space.

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What we have also observed is the convergence of GP stakes technology with other forms of liquidity solutions. GP stakes investors are tapping continuation vehicles, NAV loans and other secondary solutions, highlighting a focus in the broader market on offering flexible sponsor solutions rather than operating within silos.

That approach mirrors how we organize in the Sponsor Solutions Group, thinking about the intersection

of transactional work with fund structuring, financing and other disciplines.

Q How are GP stakes platforms advocating for employee ownership to portfolios of mid-market firms as a key tool of value creation?

Florence Zhang: Particularly in the mid-market, asset managers often face difficulties retaining top talent, especially when they lack a clear ownership path. That means GP stakes investors are increasingly recommending employee ownership programs, such as phantom equity, carried interest sharing or minority equity grants, as a way

to institutionalize talent retention. Investors are also paying close attention to succession planning, because often there are a small number of founders or senior partners driving performance, managing LP relationships and leading decision-making at these firms, creating a key person risk.

GP stakes investors want resilient, scalable enterprises, so they see employee ownership as a tool to formalize succession and de-risk key person exposure. By incentivizing the next generation with ownership path, mid-market firms can future-proof leadership and maintain operational continuity.

From a cultural perspective, many investors believe a firm with a wider ownership platform will outperform peers in financial results and resilience. It can be a way to unlock value, especially in firms that are founder-concentrated, while also helping to build an environment where people feel motivated, engaged and included. Employee ownership can foster a culture of accountability, collaboration and long-term thinking – all consistent with a GP stakes investor's investment thesis.

There are many creative ways to structure employee ownership to balance long-term retention and near-term performance incentives, using tools such as vesting schedules, redemption rights and structured buy-backs. These allow firms to align equity participation with career progression.

Q Where is capital flowing from and who are the new players investing in GP stakes?

KB: We see sovereign wealth funds, insurance companies, high-net-worth individuals and family offices all investing. Sovereign wealth funds are doubling down, both partnering with GP stakes-focused private equity funds and going in alone to source and invest in their own GP stakes.

One advantage sovereign wealth funds have is that they are able to hold these assets indefinitely and need not identify a clear exit ramp at point of

investment. They are also large capital providers as LPs in a lot of funds, allowing them to secure long-term discounts and attractive rates for deployment while helping sponsors potentially shore up funding in a challenging fundraising climate.

Another aspect of GP stakes is that they are durable, cash-flowing assets capable of delivering stable, recurring income from management fees and carried interest. That has attracted insurance companies, who view this as a way to access private equity returns.

Family offices have long appreciated the long-term alignment and entrepreneurial mindset behind GP stakes investing, historically providing a lot of seed capital to private equity funds. They continue to be present with an appetite for 'investing in the investors.'

Finally, we also see the more mature GP stakes investors growing their platforms to tap capital from wealth channels and retail markets. That is another growth area driving more capital.

Q What are the paths to exit for these investments and what innovations are being explored in this area?

FZ: Exit has long been an important topic for GP stakes investors. We have seen secondaries and strip sales become more important solutions, allowing investors to tailor their exits, either fully monetizing a stake or unlocking capital selectively through a strip sale.

We also see some GPs choosing to buy back their equity over time or partner with investors to recapitalize ownership and manage succession.

Portfolio IPOs can provide GP stakes investors with liquidity and the opportunity to realize value but they introduce complexity in valuations. Stakes are tied to long-term management fees, so assessing value requires careful analysis of fund performance, projected income, GP economics and market comparables.

A fourth potential route to exit is strategic consolidation, but as with

M&A in other industries, that comes with execution risk that can limit the long-term upsides if synergies are not realized. GP stakes investors are beginning to explore CVs, rolling over existing GP equity stakes into new vehicles using structures that allow some investors to cash out while others stay in.

Then we see new innovative approaches being explored, including evergreen structures with built-in liquidity windows, hybrid exit triggers tied to performance, and even tokenization and digital ownership. Dividend recaps and NAV financing solutions are also being used as an alternative to exits.

Q How can advanced technologies be employed to support GP stakes? What is the role of AI in this field?

KB: Technology and AI are embedded into much of what we do. We have an affiliate arm called ClearyX, a team of technology-assisted analysts working with us on transactions. We have found a lot of success in leveraging those capabilities to reduce diligence expenses and help us get through document reviews that support transactions.

Those tools can be valuable to GP stakes investors, who may need to gain an understanding of a large number of underlying private equity funds and vehicles quickly. With the right client approvals, we are tapping AI software and large language models to assist in nearly all of our day-to-day work.

FZ: The diligence process for GP stakes deals can be very complex. AI can help clients analyze large volumes of structured and unstructured data to help identify targets early.

Lastly, we see GP stakes investors using AI to assess investment targets. AI can forecast future AUM growth, fee income durability and GP fundraising performance, helping them underwrite the long-term value of a GP stake. It can also assist in modeling fair value of GP stakes and simulating potential exit scenarios. ■