GP Stakes and Seeding for Leading Alternative Asset Managers

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GP stakes and seeding offer a growing opportunity for investors to access the compelling economics of private market firms as a complement to traditional fund investing. By providing capital to general partners (GPs) in exchange for equity stakes in their businesses, GP stakes and seed investors benefit from a bond-like cashflow stream—via their share of fee and performance-related earnings—with the potential for significant equity upside.

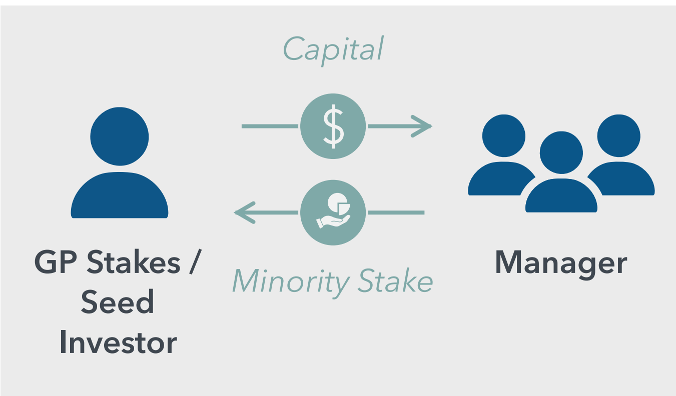
At TPG NEXT, we're focused on partnering with experienced managers from leading investment platforms as they launch and scale their own firms. This part of the market is where we see the most compelling opportunity given the significant volume of high-quality, experienced GPs and the consistent flow of capital further upstream.

More than just providing capital, TPG NEXT offers GPs extensive operational and investment support, leveraging TPG's multi-decade track record as a leading alternatives manager. We deliver this support by providing tailored business-building resources, sector-specific investment guidance, and access to TPG's extensive network, catalyzing the GPs we partner with as they launch and scale.

An Overview of GP Stakes and Seeding

GP stakes and seeding are investment partnerships where capital is provided to GPs in return for equity stakes in their businesses, offering the investor exposure to current and future fund profits via fee and performance-related earnings (see Exhibit 1). In many cases, such investments provide exposure to GP income (fee-free, carry-free GP co-invest), accessing the gross returns of the managed funds.

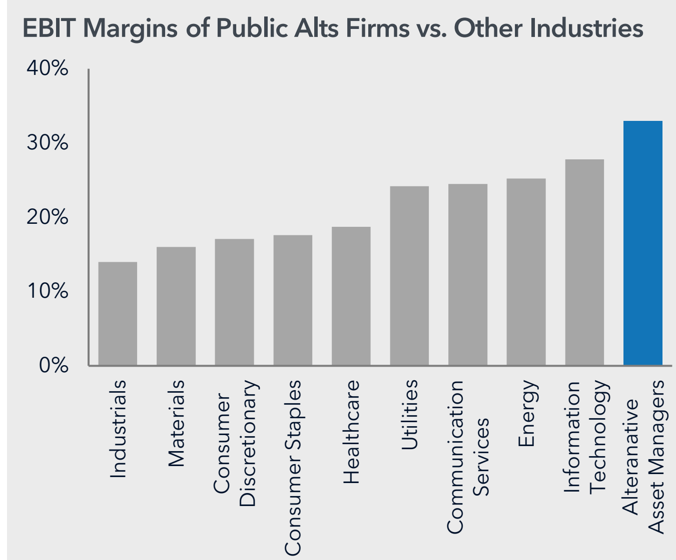
Exhibit 1: An Overview of GP Stakes and Seeding



Relative to traditional fund commitments, GP stakes and seeding strategies provide attractive diversification–across managers, their funds, their portfolio companies, and their cashflow streams–current yield, and the potential for significant equity upside at exit. Equity stakes in a pool of GPs provide investors access to a recurring stream of management and performance-related earnings with the equity upside of franchise growth (see Exhibit 2).

The equity value is highly attractive given the margin profile of private market firms relative to most other industries (see Exhibit 3). At the same time, the secular growth of private markets, a 13% compound annual growth rate since 2014 according to Pitchbook, leaves the broader alternatives industry well-positioned for increased outside investment as emerging and established firms continue to expand their footprints.

Exhibit 3: Alternatives Firms Are Attractive Businesses to Own



Note: Excludes REITs, Capital IQ as of April 2025. Alternative Asset Managers includes market cap weighted EBIT margins of top ten largest listed alternative asset managers based on market capitalization.

Exhibit 2: Benefits of GP Stakes and Seed Transactions

GP Stakes / Seed Investor Benefits	Manager Benefits
Share of Management Fees or Earnings	Transaction Proceeds (Primary, Secondary, Fund Commitments)
Share of Carried Interest	Business Building Support
Balance Sheet Return (GP Income Less GP Funding Obligations)	Investment Support
Exit Value	Long-Term, Aligned Partner

Note: Seeding often captures an additional source of return via fund commitments.

BCG further predicts in an April 2025 study that over the next 5 years private equity will lead all asset classes in terms of AUM growth at ~13.5% per year and net revenue margin (management fee percentage net of distribution costs) at ~1.3%, supporting sustained favorable industry dynamics.

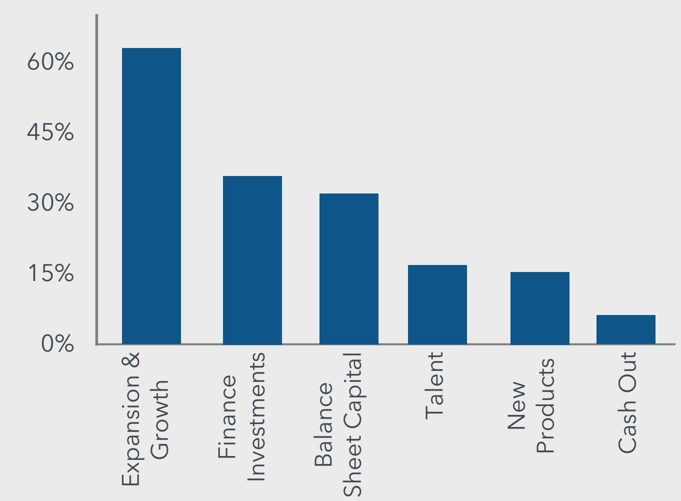
GP stakes and seeding can also offer complementary exposure to secondaries transactions, which often involve a GP-led single-asset continuation vehicle for individual trophy assets or the purchase of an LP commitment to a fund or set of funds (see Exhibit 4).

While secondary fund returns are generated at either the fund or asset level, GP stakes and seeding adds a layer of excess return via the recurring cash yield of fee-related earnings and franchise monetization value generated by the economics of the GP. In a GP stakes or seed investment, the portfolio exposure regenerates over time as new funds are raised. In contrast, secondaries investments self-liquidate as assets are sold.

GPs' growing needs for minority capital is a natural product of the continued expansion of private markets. Many of the most successful alternatives firms in the market today, including TPG, benefited from minority capital as they scaled. From 2010 to 2022, the percentage of private equity AUM overseen by firms that had sold a stake rose from approximately 5% to 30%, according to a recent Cornell study by Gahng and Jackson (2024) (see Exhibit 6 – next page).

Looking at a sample of more than 100 firms who sold stakes, the same study shows that these managers attracted more investment partners, raised more capital, and outperformed the public market after selling stakes (i.e., achieving PMEs >1 vs. S&P 500), challenging the view that selling GP stakes signals adverse selection and causes misalignment. Rather, sale proceeds are most often reinvested into firms for expansion as opposed to cashing out founders or existing investors (see Exhibit 5).

Exhibit 5: Stated Uses of Sale Proceeds



Note: Stated uses of sale proceeds from related press releases and news articles. Includes 111/178 GP stake sales in sample with data available. Reasons are not mutually exclusive and need not sum to 100%.
Source: Gahng and Jackson (2024).

Exhibit 4: A Comparison of GP Stakes and Seeding vs. Secondaries

	GP Stakes and Seeding	GP-led Secondaries	LP-led Secondaries
Ownership	Minority stakes in GPs	Asset-level *(Interest in Continuation Vehicle)*	Interest in existing fund commitments
Returns	Share of management fees or earnings, carry, balance sheet return, and/or fund commitment	Capital appreciation benefiting from positive selection bias	NAV discount capture and possible asset appreciation
Diversification	Regenerates: Across manager, vintage, strategy, geography, and asset	Self-Liquidates: Across manager, geography, and asset	Self-Liquidates: Across manager, vintage, strategy, geography, and asset
Value Proposition	Long-term partnership, closely aligned incentives, yield, and equity upside	Trophy assets, significant positive selection bias, closely aligned incentives	Liquidity solution for LPs and potential for discount (mark-up)

Exhibit 6: Select GP Stake Sellers (2019-2023)

Note: Represents select group of GP stake transactions during period.
Source: Gahng and Jackson (2024).

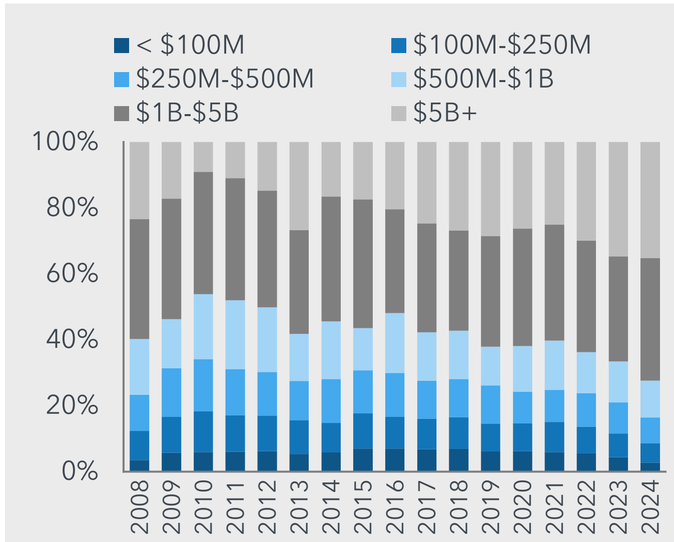
Within the GP stakes market, we see a growing opportunity for TPG NEXT to provide both capital and strategic support to next generation managers as they spin out from leading platforms and scale their own investment firms. These GPs are operating in an undercapitalized segment of the market and stand to benefit from growth capital as they seek to inflect their businesses.

Despite the rapid growth in private markets, the share of capital raised by funds with less than $1B in assets under management (AUM) is at record lows (see Exhibit 7).

Nonetheless, performance data suggests that top-performing PE "New Managers"—defined as those who've raised three or fewer funds with fund sizes less than $2B—tend to outperform PE "Established Managers"—or those who've raised more than three funds—without additional downside risk, as bottom quartile manager performance is identical for both groups (see Exhibit 8).

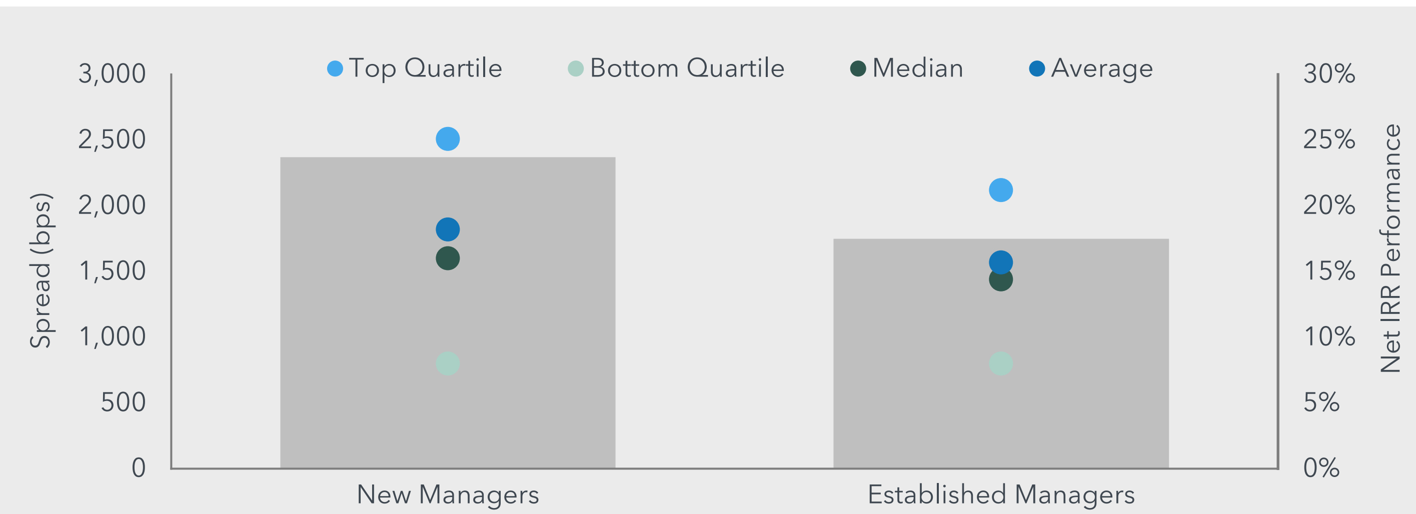
This funding gap affecting new and growth-stage managers creates a significant opportunity for GP stakes and seed investors. TPG NEXT's solution complements the vast majority of existing GP stakes

Exhibit 7: The Share of Capital Raised by Funds With <$1B Is At Record Lows



Source: Pitchbook, data as of December 31, 2024.

Exhibit 8: New PE Managers Can Outperform Established Managers Without Additional Downside Risk



Source: Preqin data as of December 31, 2024. PE defined as buyout and growth equity strategies. New managers (n=1,812 funds) defined as fund ordinal less than 4 and fund size <$2bn. Established managers (n=2,043 funds) defined as fund ordinal of 4+.

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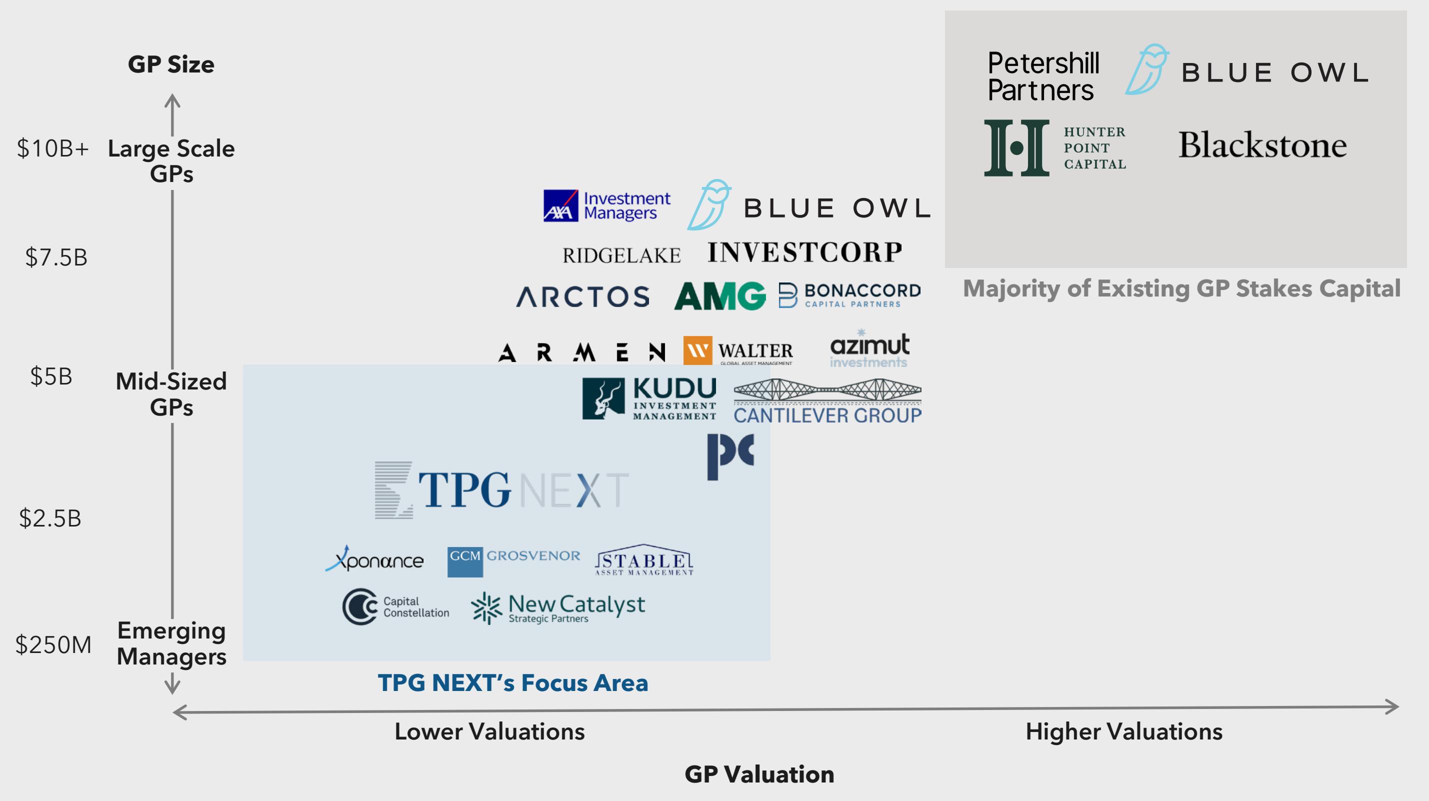
Exhibit 9: Most GP Stakes Funds Are Focused on Larger, Established Managers



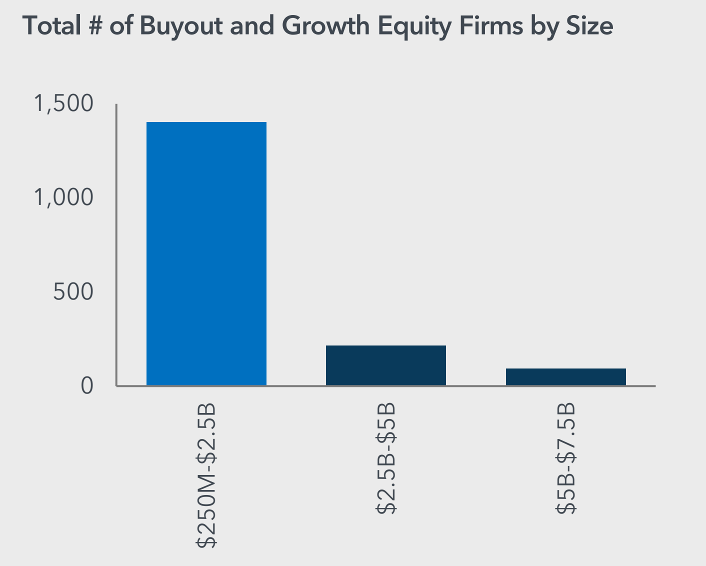
Note: Market mapping based on subjective views of TPG.

capital that has been directed towards fully-scaled GPs with $5B or more in AUM (see Exhibit 9). The AUM of GP stakes funds is close to $60B as of 2024, according to Preqin, with a significant skew towards funds targeting larger-sized GPs. Despite receiving far less attention from GP stakes investors, the total number of buyout and growth equity-focused managers across the US and Europe with less than $5B in AUM is far larger than the comparable universe of larger funds (see Exhibit 10).

At TPG NEXT, we are focused on both scaling experienced managers with first-time funds that are less than $1B and supporting growing managers with AUM of $1B to $5B. Within the GP stakes market, the growing number of new firms and our ability to accelerate the growth of managers ready to access institutional capital makes for a compelling and differentiated opportunity set.

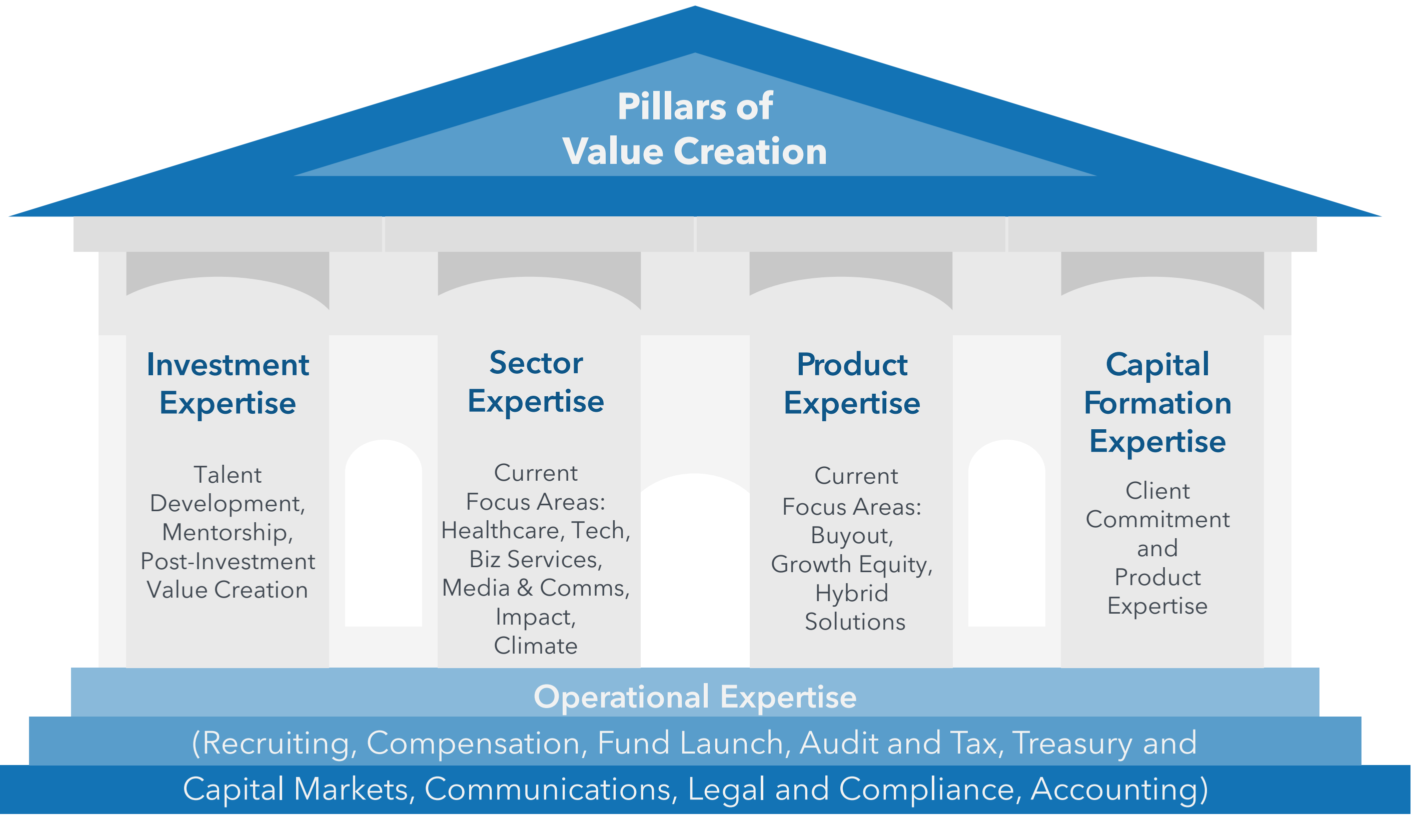
Additionally, this segment provides better exit optionality, in our view, given the broad set of financial and strategic buyers that operate upstream and managers' willingness to buy back a stake as their growth inflects.

Exhibit 10: TPG NEXT's Universe of Prospective Partners



Note: Data as of May 2025. Covers US and Europe.
Source: Pitchbook.

Exhibit 11: TPG NEXT's Business Building Playbook



Our Distinctive Focus on Business Building

Beyond an emphasis on partnering with experienced managers from leading investment platforms as they launch and scale their own firms, our approach to GP stakes and seeding is distinctly focused on supporting GPs as they inflect the growth of their businesses. This approach is closely aligned with the intensive operational focus of our private equity businesses and involves leveraging an extensive business-building playbook that we've perfected over more than three decades of developing a market-leading alternatives platform (see Exhibit 11).

While we believe we're well-positioned to find attractive opportunities, the highest-quality GPs look for more in a partner than just capital–they want a strategic partnership and access to investment and operational expertise as they scale.

Our partnerships also involve collaboration with GPs whose strategies directly align with TPG's sector focus areas, including healthcare, technology, business services, media and communications, impact, and climate. This collaboration enables us to bring our full investment resources to bear when a GP is analyzing new investment opportunities or actively making investments into sectors where multiple TPG portfolio companies operate.

Conclusion

We believe GP stakes and seeding strategies provide a valuable complement to direct fund investments and secondaries. GP stakes and seeding offer attractive diversification, recurring cash yield, and significant equity upside potential.

In particular, we see an outsized opportunity in partnering with highly experienced managers from leading investment platforms as they launch and scale their own firms. This part of the market remains significantly undercapitalized, and we benefit from being highly selective among the thousands of private market GPs who are actively seeking institutional capital.

Disclosures

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TPG (Nasdaq: TPG) is a leading global alternative asset management firm, founded in San Francisco in 1992, with $251 billion of assets under management and investment and operational teams around the world. TPG invests across a broadly diversified set of strategies, including private equity, impact, credit, real estate, and market solutions, and our unique strategy is driven by collaboration, innovation, and inclusion. Our teams combine deep product and sector experience with broad capabilities and expertise to develop differentiated insights and add value for our fund investors, portfolio companies, management teams, and communities. For more information, visit www.tpg.com.