KEYNOTE INTERVIEW

The rise of sector specialism in CVs





Firms with deep sector expertise and direct underwriting experience are reshaping the single-asset continuation vehicle market, say TPG GP Solutions co-managing partners Matt Jones and Michael Woolhouse

Q Why are we seeing so many new entrants coming into the single-asset continuation vehicle (SACV) market?

Matt Jones: The SACV market is the fastest growing segment in the secondaries industry – in fact, it is the fastest growing part of the entire private equity market. Given that growth, it makes sense that it has attracted the attention of GPs and LPs alike.

There are three main factors that make dealflow in this market structurally attractive. The first is positive selection bias – GPs are proactively picking their best companies to move into CVs. The second is that these deals are lower risk – they involve companies with a proven track record of performance where you are investing alongside the existing owners in the next leg of growth. Third, SACVs offer the strongest alignment you will see across the alternatives industry, with GPs investing more of their own funds in these deals than elsewhere in the private markets. We have long believed that these factors will generate buyout returns with less risk, and we are now seeing that come through in industry-wide data.

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Over the last several years, the model of building a specialist team, integrated with a buyout platform, has proven itself. Unsurprisingly, as direct GPs increasingly see the best businesses in their respective sectors being moved into CVs rather than sold in secondary buyouts, they are making the decision to build platforms in the SACV market to participate in this attractive dealflow.

Q Do you believe the single-asset CV market will ultimately become a direct investment play?

Michael Woolhouse: In short, no. Secondaries investors are passive LPs, which isn't going to change. Purpose-built SACV strategies that are integrated with large buyout platforms are differentiated by bringing deep sector expertise and related industry networks of management teams and senior advisers that support making large, multi-hundred-million-dollar investments in single companies.

Traditional secondaries investors, by contrast, have a long history acquiring large, diversified portfolios of hundreds, if not thousands, of underlying companies. Both require specialist skills, but they are very different.

Another way of looking at this is to approach these deals from the perspective of underwriting the company. We ask ourselves: is it a high-quality business in a sector we understand and that we believe has tailwinds? Whereas a traditional secondaries firm might start by assessing the quality of the manager. These are fundamentally different approaches.

By approaching this market with a company-first mindset and with a private equity toolkit, you are then able to select the best companies on offer, invest at an attractive valuation and ensure alignment with the sponsor both on their value creation plan and economically. If I were an LP looking at this market opportunity, that approach would resonate. The incumbent firms are to be commended for driving the innovation that got the secondaries market to this point, but I would argue that the next phase of growth for this segment requires more capital, deeper sector expertise and a company-first approach.

Q Is there not an argument that GPs will be reluctant to work with firms they may view as direct competitors?

MJ: This argument is the biggest red herring in the market. Sponsors frequently work with other sponsors across the marketplace on direct deals – in fact, about half of all exits are sponsor-to-sponsor. The SACV market is no different.

When GPs choose a lead investor for their transaction, minimising risk is their priority. They want to work with a lead investor that understands their business and provides credibility in the underwriting. A lot of these deals require syndication, and those syndication partners want to know that the lead investor has expertise in this specific sector too. Ultimately, LPs want to see that a credible lead investor has set and validated the price as well.

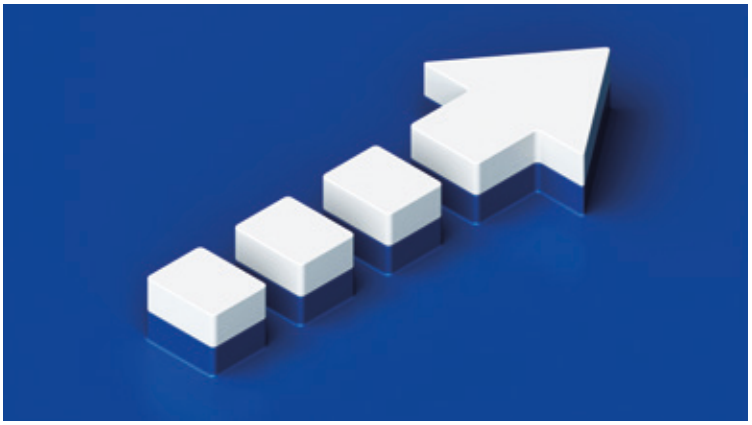
It's important to emphasise that groups like TPG GP Solutions represent passive capital, with no intention of taking governance at the board level. GPs are then able to keep control, while our capital helps further the growth of the company. So, in short, this approach provides passive capital that brings credibility to the underwriting, reducing execution risk.

The proof is in the pudding – since inception, we've signed over 600 NDAs. We also now have numerous other direct private equity houses entering the market, seeking to replicate the integrated approach we have been describing.

Q What are your views on CVs on CVs, or so-called CV-squared deals?

MJ: We employ exactly the same criteria when assessing these deals as we would the first time. If there is a logic to the transaction and a sponsor could sell the business today but is instead choosing to put their capital back at risk, that is a huge statement of conviction.

Furthermore, in every environment, there are companies where it makes sense to remain in private ownership for longer. It can be tremendously disruptive for businesses to undergo a full ownership change at certain points during their growth, and management teams can be keen to pursue a continuation vehicle just as much as sponsors, especially where they already have a great private equity partner. It can be damaging for a business to force a change of ownership at the wrong time, just to deliver cash back to investors in a fund.



Q Is it universally the case that single-asset CVs involve trophy assets?

MW: Positive selection bias is one of the most attractive features of this market. One of the best tests to identify a great opportunity is whether the sponsor could sell the business today. If the answer is yes, the opportunity to do a CV is coming from a position of strength. It is in this segment of

the market where we seek to position ourselves.

In a typical SACV, the sponsor will already have made between 3x and 5x for their LPs and, while it may be time to realise the investment for their fund, there is significant remaining upside potential and they are not ready to sell. The danger, however, is that this is not always the case. There are companies that appear to have done well historically, but where the sponsor does not have a clear exit path today, for example, there is no strategic buyer, there may be sponsor concerns over business quality or valuation, or the IPO window is shut. In these instances, a SACV transaction serves as a life preserver.

An investor with sector expertise can ensure they select the right investments to drive differentiated returns for their investors in the SACV market. As the market has grown, it is no longer a market where you can invest predominantly based on a GP's brand – you have to have sector specialisation to independently assess the attractiveness of the business.

Q Just how big do you think the SACV market can get?

MW: The SACV market had another record year in 2025, up over 65 percent year-on-year with about $50 billion of volume, compared with approximately $30 billion in 2024, per recent advisory firm reports. Even if you cut that growth rate in half, we would hit $125 billion in three years and north of $200 billion in five years. That is as large as the entire secondaries market today. Those are extraordinary numbers, but they are plausible.

At the same time, we expect to see more and more direct new entrants. These groups will help us collectively realise the growth potential of this market. However, the bar for success is high, and it's unlikely that all new entrants will be successful.

As competition increases, LPs remain discerning. They want new entrants with a strong brand, dedicated teams with both secondaries and direct expertise, experience in dealmaking and are increasingly realising the importance of sector expertise in the SACV market. This is a market where it is easy to see the opportunity, but sourcing, executing and realising the synergies that exist with a direct platform is a lot more nuanced.

We entered the market with a sector-driven approach, and looking ahead, it will be interesting to see how the market evolves with a growing list of new entrants recognising the opportunity.

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"SACVs are now demonstrating returns that are in excess of buyout benchmarks, with much lower loss rates"

MATT JONES

Q Will the growth trajectory remain as alternative exit options open up?

MJ: It is important to recognise that this market has grown in environments where exits have been both strong and weak. For example, 2019-21 was a great time to sell, and the single-asset secondaries market was growing rapidly. Yet, in more recent years when exits have been more limited, the SACV market has continued to grow. The variable driving growth in the SACV market is not the health of exit markets. The key driver of growth is GPs' desire to own their best companies for longer, and that dynamic is not going to change even if traditional exit activity accelerates.

To realise its growth potential, the market needs capital, however, the rate of capital formation is not keeping pace with the increase in dealflow.

SACVs are now demonstrating returns that are in excess of buyout benchmarks, with much lower loss rates – this should encourage significant increases in LP commitments to funds focused on this market. However, while LP appetite has already increased markedly, there are still large institutions waiting on the sidelines for that realised track record to come through. The point at which the industry starts to boast a longer track record of exits will be a pivotal and catalytic moment for the market. ■