In Focus

Continuation investments continue to grow – and to reshape the buyout market

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Authors

Nils Rode
Chief Investment Officer

Petr Poldauf
Senior Investment Director

Eufemiano Fuentes Perez
Lead Data Scientist

On the back of a record – and ahead of forecast – 2025, our analysis continues to point to significant growth in the market for continuation investments over the coming decade, driven both by buy-side demand and supply-side drivers.

Key takeaways

– **Market growth trend – and outlook.** Since our first paper on this topic last year, the continuation investment market has continued to accelerate, with total transaction volume increasing ahead of forecast from a revised $76bn for 2024 to a new record $109bn in 2025. Our analysis points to this momentum continuing, with our base case showing investment volume more than tripling to more than $330bn by 2035

– **Structural vs. cyclical drivers.** The strong growth of continuation investments reflects a profound structural shift, with additional tailwinds from the ongoing cyclical downturn in exit markets. This cyclical component decreased to 9% in 2025, underscoring that continuation investments continue to be driven primarily by structural growth factors

– **Appeal to investors.** Investor demand for continuation investments is being driven by the prospect of reduced risks and more predictable returns, faster liquidity (about 25% shorter holding periods) and lower fees (about half) compared to traditional buyouts

– **Disruption lies in who retains ownership.** The most significant disruption is not in the concept of holding companies for longer under private equity ownership, but rather in who retains ownership. Sponsor-to-sponsor transactions (secondary buyouts) have traditionally been a key source of deal flow for many mid and large buyout managers, accounting for around half of deals sourced over the past 10 years. Continuation investments instead enable the original sponsor to maintain control, without increasing aggregate holding periods. We now estimate that continuation investments will displace about 5% of total deal flow for mid and large buyouts over the next 10 years

– **Candidates for continuation investments.** Based on our analysis of ~2,600 realised buyout investments, we estimate that more than 30% of buyout portfolio companies are potential candidates for continuation investments. This reflects the share of portfolio companies that do not require new control (e.g. a change of fund manager) to continue a successful transformation strategy

– **Misconceptions around ‘GP-led secondaries’.** The term ‘GP-led secondaries’, often used as a synonym for continuation investments, is a misnomer that leads to significant misunderstandings, as fund managers typically retain their interest in a portfolio company and do not realise performance fees. These transactions also generally include new capital and are shaped by the lead underwriters, together with the fund manager

– **The attractiveness of the lower mid-market.** The lower mid-market has the lowest risk of being disrupted by continuation investments, due to its differentiated deal sourcing (less than 25% of investments sourced from other funds). We believe this segment also offers the most attractive continuation investment opportunities in terms of transformational potential and downside resilience, as supported by our prior research

Schroders capital

This paper updates our 2025 analysis of continuation investments, incorporating the latest market data and developments. Over the past year, the trends we identified have not only persisted, but accelerated, with continuation transactions further embedding themselves as a core feature of the private equity landscape, rather than simply a cyclical response to challenging exit market conditions.

A growing cohort of private equity managers are seeing the potential of these transactions to continue the transformation – and realise the full value creation potential – of key portfolio companies without a disruptive change of ownership. In the process they team up with lead underwriters (new secondary investors) to inject fresh capital and offer a valuable, faster liquidity option to existing investors.

As such, continuation investments are catalysing a fundamental reconfiguration of how value is generated and realised in buyout investing. They push influence upstream to lower mid-market managers, who can stay in control of their prized assets for longer. At the same time they provide more continuity and fresh capital to portfolio companies to accelerate growth, and provide more attractive terms to the lead underwriters and other new and existing (rolling) investors compared to traditional sponsor-to-sponsor sales (secondary buyouts).

In 2025, continuation-related buyout and growth capital exit value stood at $66bn, representing close to 10% of buyout and growth-related private equity distributions – up from $46bn and 7.5% respectively in 2024. When including the new capital being injected in such transactions, as well as continuation investments outside of buyout and growth capital (including venture capital, private debt, infrastructure and others), the total continuation transaction volume reported by independent market intermediaries set a new record of approximately $109bn.

Secondary evolution

In a broader sense, these investments, sometimes referred to as 'GP-led secondaries' (more on this below), are often seen as part of a broader universe of secondary deals alongside traditional, so-called 'LP-led' secondaries, which involve investors in private equity funds (LPs) selling their fund interests to other investors. Overall, the global secondary market had a total reported transaction volume in excess of $230bn in 2025.

However, as we did last year, this paper makes the point that continuation investments have little in common with LP-led secondaries – and should rather be seen as a partial substitute to traditional sponsor-to-sponsor sales (secondary buyouts), whereby one fund and fund manager sells a portfolio company to another.

We also believe the term 'GP-led secondaries' is a misnomer that frequently leads to significant misunderstandings. This is because:

- Fund managers typically retain (and often even enhance) their interest in the underlying companies – and typically do not realise performance fees on such transactions
- Continuation investments often include a primary component (new capital) that allows portfolio companies to accelerate their growth, and provides liquidity to existing investors who opt not to roll over their interest
- It is the lead underwriters (new investors) who shape such transactions, together with the fund managers, and run a full due-diligence process

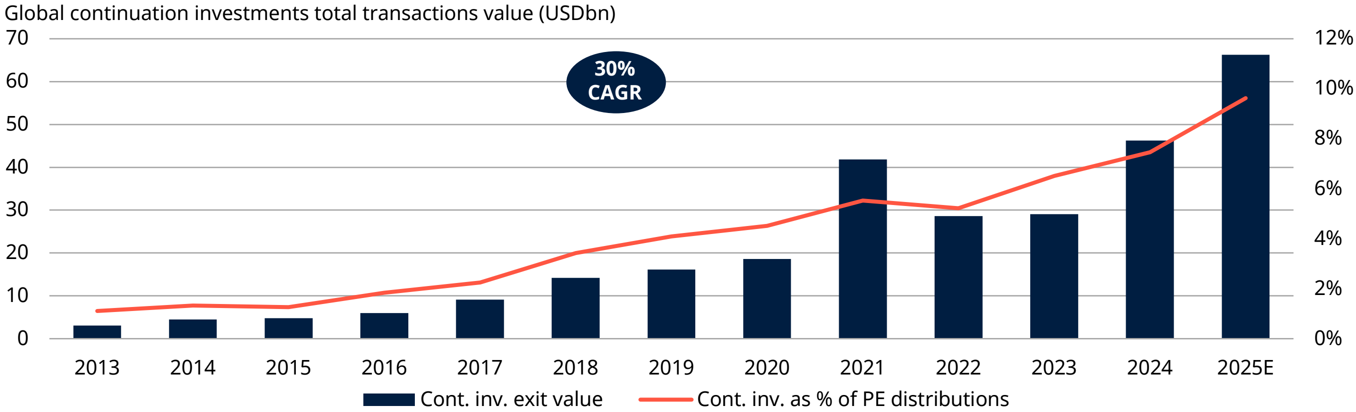
Therefore, when continuation investments are described as 'private equity selling to itself', this is exactly <u>not</u> what these transactions are about. It is true that these deals involve the purchase of a company, or companies, by one private equity-backed fund vehicle from another one controlled by the same manager. But, in practice, continuation investments are actually a mechanism for existing owners to retain control of key portfolio companies, while new investors inject additional capital to catalyse growth. Meanwhile, existing investors are afforded a valuable option to take liquidity.

Some commentators have further suggested that the growth of this market is merely cyclical, driven by a temporary drought in traditional exit routes against a challenging macroeconomic and market backdrop. Our analysis similarly challenges this narrative, highlighting rather that the rise of continuation investments can be seen as a profound structural shift.

Indeed, excluding the anomalous post-Covid rebound year of 2021, continuation investments have grown consistently since 2013, recording an annual compound growth rate over the period of 30%. The surge seen again in 2025 was undoubtedly supported by tighter liquidity in other parts of the market, but we again see that structural, rather than cyclical, factors are the driving force of this momentum, as we will show in the next section.

In short, our data shows that continuation investments are not simply a stopgap, they are a disruptive force that is reshaping the architecture of private equity. They have also already become a key pillar for private equity investors. As such, we expect their growth to continue.

Figure 1: Continuation investment market continues to experience significant growth



Past performance is not a guide to future performance and may not be repeated.
Source: Preqin, Pitchbook, Jefferies, Greenhill, Evercore, Lazard, PJT, Schroders Capital, 2026. Preqin and Pitchbook Q3 2025 YTD data used to estimate 2025 values. Includes buyout and growth strategies globally, excludes structured transactions and unfunded commitments (assumed 20%) in continuation vehicles. Distributions refer to all PE distributions globally.

What is driving the growth of continuation investments

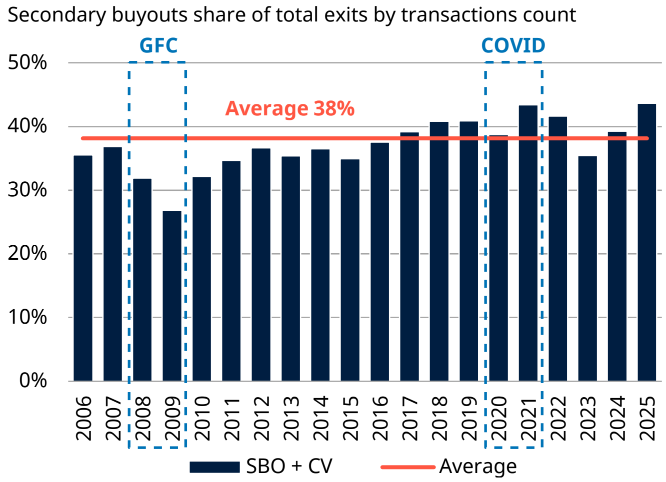
In our view there are five key factors driving the growth of this segment, reflecting a combination of long-term market evolution and short-term dynamics:

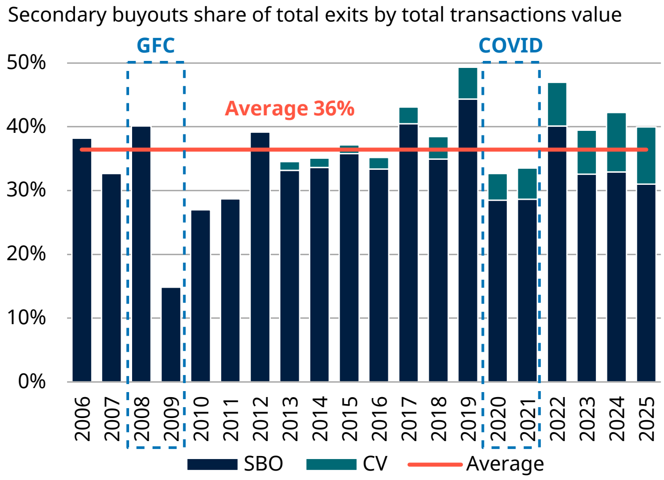
- Continued private equity ownership beyond the original holding period is an established way to drive company transformation
- Ongoing company transformation under private equity ownership often does not require a change in owner
- Continuation investments are a cost-effective way to deliver ongoing transformation
- Continuation investments have more predictable returns and faster liquidity compared to traditional buyouts
- The current cyclical exit gap is accelerating demand for alternative liquidity solutions

Continued private equity ownership beyond the original holding period is an established way to drive company transformation

The concept of businesses remaining in the private equity ecosystem after their original holding period is not new. Sponsor-to-sponsor buyouts, where one fund manager sells a portfolio company to another, have represented a significant share of exits for more than two decades, averaging 38% of deal count and 36% of deal value since 2006.

Figure 2: Private equity has been selling to itself for more than 20 years





Past performance is not a guide to future performance and may not be repeated.
Source: Pitchbook, Jefferies, Greenhill, Evercore, Lazard, PJT, Schroders Capital, 2026. Includes all completed buyout and growth transactions globally. Excludes VC-backed exits. Exit value defined as Enterprise Value (EV). Continuation vehicles' (CV) exit equity value estimated using average yearly values as reported by Jefferies, Greenhill, Evercore, Lazard and PJT, including only buyout and growth strategies globally and excluding structured transactions and unfunded commitments (assumed 20%) in continuation vehicles. Average yearly Equity/EV ratios from Pitchbook used to estimate CV EV exit values from equity value.

This reflects the reality that the typical private equity fund model, which assumes a value creation phase of four to six years, often does not allow for full realisation of value potential in stand-out portfolio companies. There is often further value that can be generated under continued private equity ownership – and many companies will go through multiple phases of such ownership. In the past, this meant being sold from one fund manager to the next, and then sometimes again to the next, and so on.

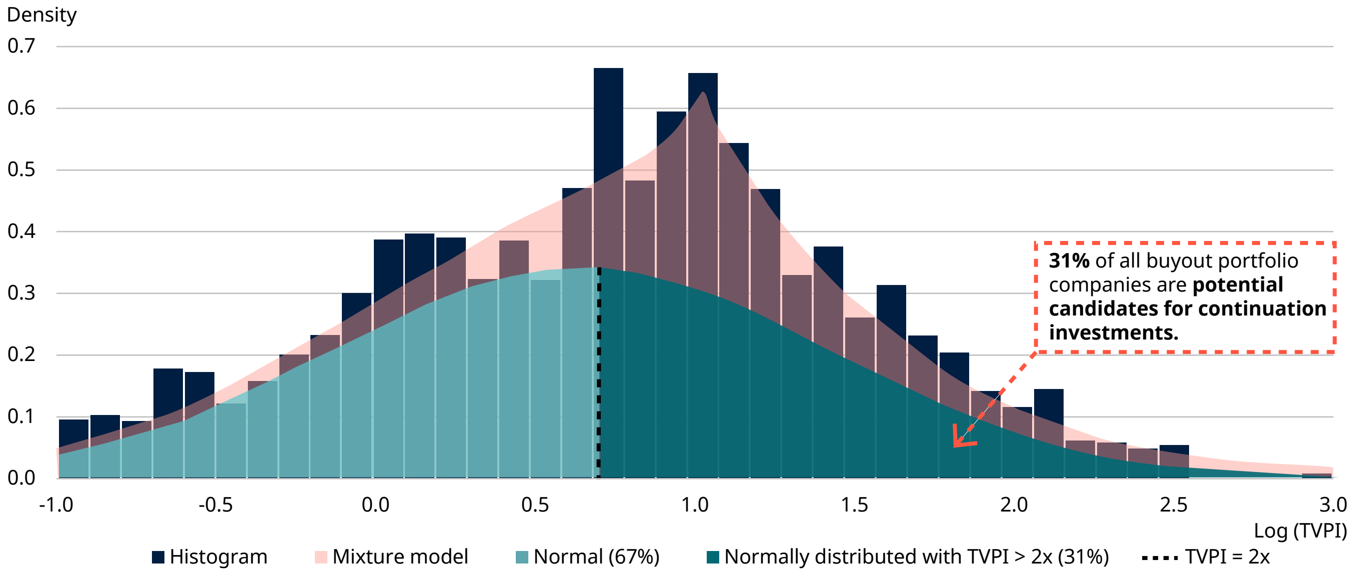
The continuation of company transformation under private equity ownership often does not require a new owner

Continuation investments disrupt this dynamic, with future portfolio company transformation led by the same fund manager rather than selling to another. At the same time, continuation investments allow for new investors and new capital to be brought in to fund continued expansion. This also ensures further independent due diligence, and enables an exit for existing investors (LPs) that wish to cash out.

Our analysis of the returns of ~2,600 realised buyout deals in the Schroders Capital investment database shows that about 31% of all buyout portfolio companies are potential candidates for continued transformation based on their performance and trajectory – and so are also potentially suitable for continuation investments.

To calculate this figure, we plotted the total return multiple (TVPI) across all of the realised buyouts in the sample on a logarithmic scale, isolating the proportion that had a return profile more similar to continuation investments and that generated more than a 2x multiple on invested capital (typical minimum target return for sponsor-to-sponsor transactions and continuation investments).

Figure 3: Proportion of buyouts that are potentially suitable for continuation investments



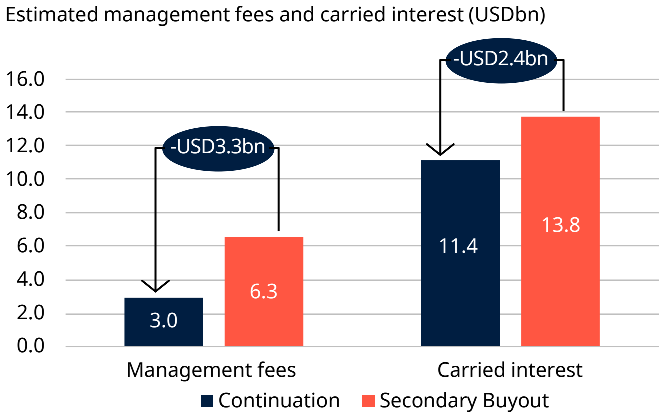
Past performance is not a guide to future performance and may not be repeated.
Source: Schroders Capital, 2025. Realised buyout investments only. Total Value to Paid-In Capital (TVPI) calculated on a deal-by-deal basis (gross of underlying fund fees, expenses and carried interest and gross of Schroders Capital fund fees, expenses and carried interest), log transformed and modelled using a mixed distribution with a normal component and a double Pareto component. Forecasts and estimates may not be realised. The views shared are those of Schroders Capital and may not be verified.

Continuation investments are a cost-effective way to continue company transformation

Not only do continuation investments allow fund managers to manage promising assets in the next phase of growth, but they also typically do so more cost-effectively for end investors than secondary buyouts. Market pricing data and analysis from Preqin suggest that management fees on continuation vehicles are roughly half of those of traditional buyouts. Carried interest is also typically structured in tiers, meaning the overall fee burden is lower.

This cost advantage is significant. Based on 2025 volumes, the total investor savings from lower fee structures in continuation funds over a standard four-year hold period for buyout investments would amount to approximately $5.7bn. These savings could help to further enhance net returns.

Figure 4: Continuation investments save close to $6bn in lifetime fees each year



Source: Preqin, Schroders Capital, 2026. Management fee assumptions: GP-led secondaries – 1% p.a. on net invested capital (with unfunded being drawn over two years); Secondary buyouts – 1.9% p.a. on committed capital (average based on Preqin data). Carried interest assumptions: GP-leds – 10% over 8% IRR, 15% over 15% IRR, 20% over 20% IRR; Secondary buyouts – 20% over 8% IRR. Return assumptions: normal distribution of returns with weighted average of 2.0x MOIC, holding period of 4 years. GP-led buyout volume assumptions: $66bn equity value, $83bn including unfunded commitments – i.e. 2025 volume. There can be no assurance that any estimation, objective or intended outcome will be achieved.

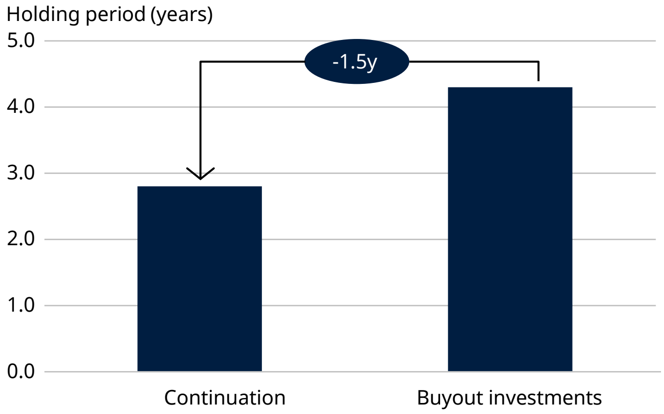
Continuation investments have more predictable returns and generate faster liquidity

More predictable returns: The return profile of continuation investments has historically been statistically more stable than that of traditional buyouts. Since managers continue to own their successful companies where no change in control is needed, such investments naturally mitigate risks associated with investing in unknown companies, or changing ownership. Schroders Capital data on realised continuation investments suggests that these investments have more normally distributed returns and a smaller tail-risk profile than traditional buyouts.

Moreover, research from Evercore, based on performance from 387 continuation funds formed between 2018 and 2024, found that continuation funds have exhibited broadly comparable returns to buyout funds, but with lower return dispersion, supporting the view that continuation investments may offer more predictable outcomes for investors.

Faster liquidity: Continuation investment vehicles tend to deliver liquidity faster than other buyout investments. On average, they have a 1.5-year shorter hold period (less than three years instead of more than four years for traditional buyouts), which translates to a 35% faster time to liquidity for investors. This makes them particularly appealing for investors with evolving cashflow needs.

Figure 5: Continuation investments have a shorter hold period than traditional buyouts



Schroders Capital, 2026. Based on Schroders Capital data – 91 completed continuation investment exits (includes LP tenders), 72 completed buyout co-investment exits.

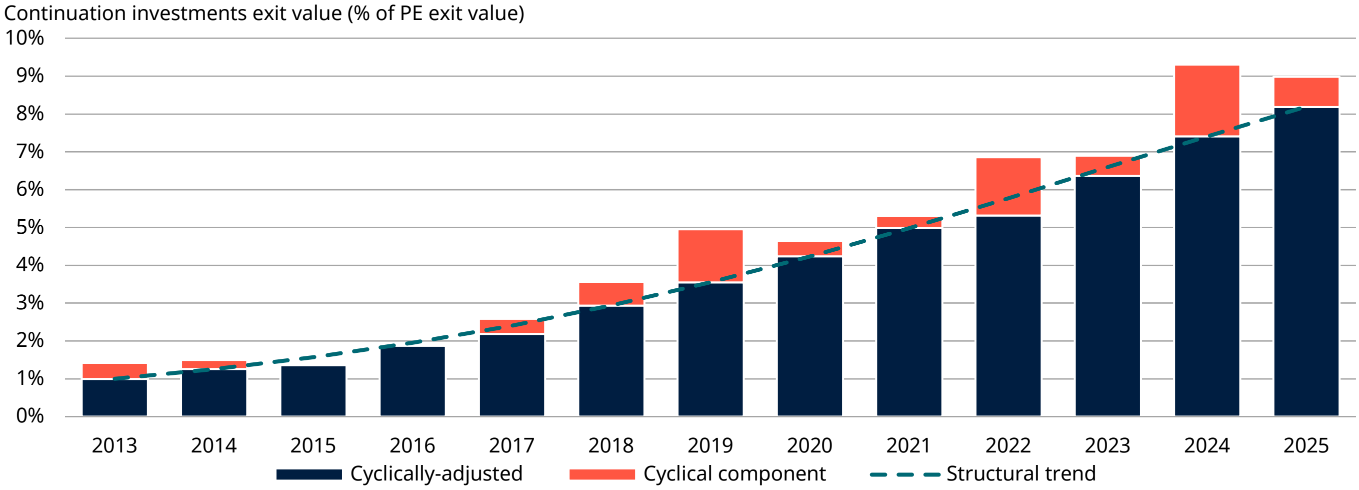
A cyclical exit downturn has increased the availability of continuation opportunities

While the structural case for continuation investments is strong, recent macroeconomic headwinds have acted as an accelerant. The private equity industry is now in its fifth year of a cyclical exit downturn, brought about by a more uncertain economic environment and volatile public equity markets, which have dampened demand for M&A from corporate buyers, reduced the volume of debt financing that is available, and reduced the number of IPOs.

Based on our analysis, the cyclical tailwind for continuation investments contributed about 9% of the transaction volume in 2025, down from 14% in 2024 and within the average historical range. We calculated this figure by comparing actual combined sponsor-to-sponsor and continuation investment volumes over time with the expected volume if the market had followed its long-run growth average, with any excess in a given year assessed as being cyclically driven.

This emphasises our conclusion that most of the market growth is being driven by structural shifts and a gradual and partial substitution of sponsor-to-sponsor buyouts with continuation investments. We will discuss the scale of the substitution of sponsor-to-sponsor deals and the implications for buyout managers later in the paper.

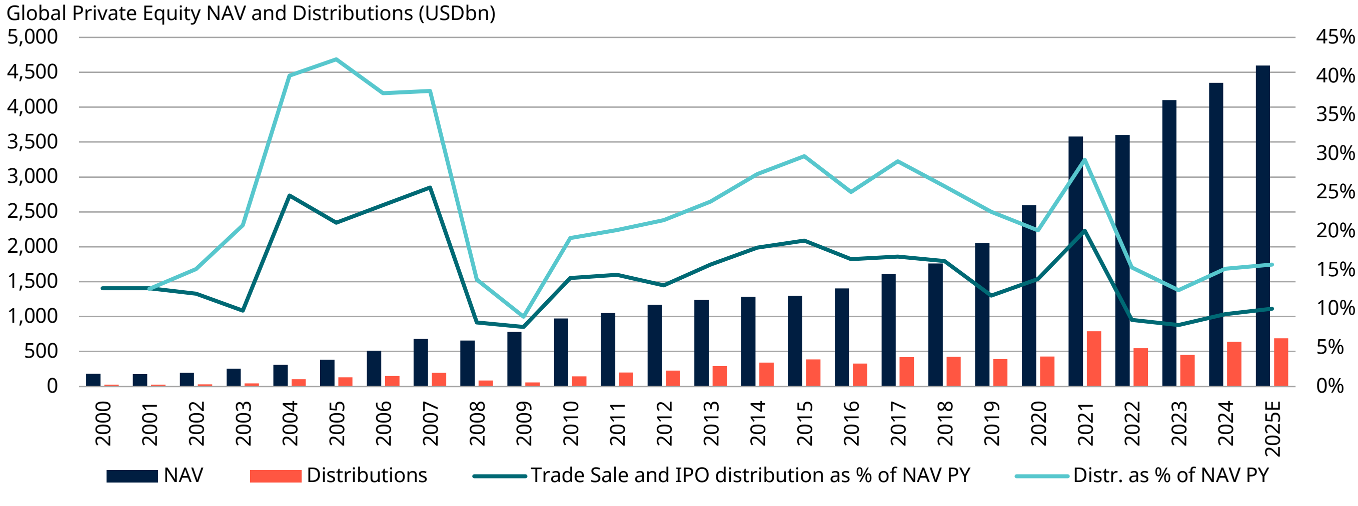
Figure 6: Most of the growth of continuation investments is structural, not cyclical



Past performance is not a guide to future performance and may not be repeated.
Source: Preqin, Pitchbook, Jefferies, Greenhill, Evercore, Lazard, PJT, Schroders Capital, 2026. Continuation investments exit value estimated using averaged yearly values reported by Jefferies, Greenhill, Evercore, Lazard and PJT, including only buyout and growth strategies globally and excluding structured transactions and unfunded commitments (assumed 20%) in continuation vehicles (CV). Average yearly Equity/EV ratios from Pitchbook used to estimate CV EV exit values from equity value. Structural trend fitted on values adjusted for market cyclicality using a sigmoid curve with saturation point at 13% in 2045. Market cyclicality calculated as percentage of secondary buyouts plus continuation investments above historical average of 36%. Cyclical component calculated as the sum of market cyclicality and any excess above the structural trend. Forecasts and estimates may not be realised. The views shared are those of Schroders Capital and may not be verified.

Although both 2024 and 2025 have offered signs of a tentative exit market recovery, ongoing and heightened market uncertainty, especially driven by the latest conflict in the Middle East and related energy price shock, have stalled progress. In this context, continuation investments will continue to offer a much-needed liquidity alternative for investors.

Figure 7: Cyclical exit gap entering its fifth year



Past performance is not a guide to future performance and may not be repeated.
Source: Preqin, Pitchbook, Schroders Capital, 2026. Preqin and Pitchbook Q3 2025 YTD data used to estimate 2025 NAV and distribution values. Trade sale and IPO distribution values estimated using Pitchbook's transaction exit value proportions (with adjusted continuation vehicles exit values) and applied to PE distributions. Continuation vehicles' (CV) exit equity value estimated using average yearly values as reported by Jefferies, Greenhill, Evercore, Lazard and PJT, including only buyout and growth strategies globally and excluding structured transactions and unfunded commitments (assumed 20%) in continuation vehicles. Average yearly Equity/EV ratios from Pitchbook used to estimate CV EV exit values from equity value.

Why continuation investments are taking off now

It is fair to ask why, if continuation investments are such a compelling proposition for both investors and managers alike, it has taken until now for their growth to truly take off.

In our view, the acceleration of continuation investments reflects a broader maturation of the private equity ecosystem, especially in the secondaries sphere. While the underlying rationale for such transactions has existed for much longer, the market infrastructure required to execute them at scale is a more recent development.

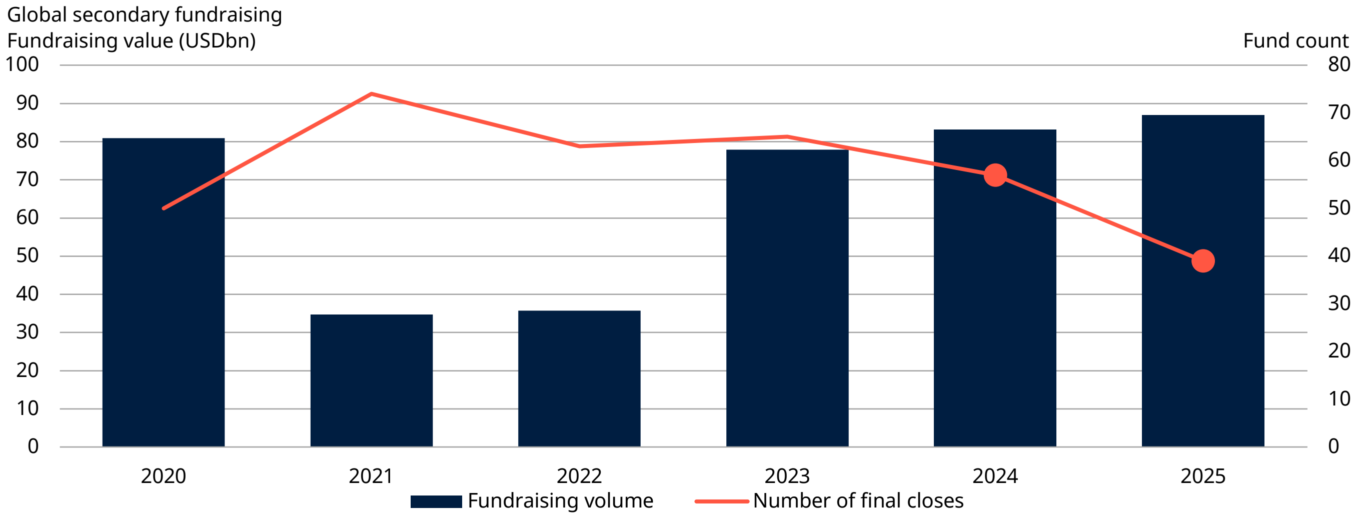
A decade ago, the principal constraint was on the buy-side. The secondary market was smaller, more fragmented and largely focused on LP-led transactions, with limited capital – and limited appetite – to underwrite concentrated GP initiated deals, which require more direct, bottom-up due diligence at company level. These constraints have now largely been removed.

The secondary market has grown significantly in scale, with transaction volumes far exceeding $200bn in 2025, while fundraising for dedicated secondaries vehicles has grown for three consecutive years and reached a new record level in each of the past two years, driven by a number of so-called 'mega-funds'.

Equally important has been the development of direct investment capabilities among lead underwriters. What was once a niche capability is now a core competency, enabling investors to perform full asset-level underwriting and structure bespoke transactions alongside incumbent sponsors.

More broadly, the market has reached a point of institutional maturity. As transaction volumes have increased, pricing frameworks, governance standards and execution processes have become more established, while the accumulation of private equity assets has created a deeper pipeline of suitable opportunities.

Figure 8: Secondaries fundraising reached new record in 2025



Past performance is not a guide to future performance and may not be repeated.
Preqin Pro. Data as of 3 February 2026, Evercore Secondary Market Review, Schroders Capital, 2026. Data includes closed funds only. Data grouped by the year in which the fund held its final close. Fund count includes funds with undisclosed final close fund size. The views shared are those of Schroders Capital and may not be verified. Forecasts and estimates may not be realised.

Disrupting the buyout model: Implications of the growth of continuation investments

The rise of continuation investments is not only altering how assets are exited (for those investors who opt to cash out), it is actively reshaping the private equity buyout model itself.

The most profound disruption is not in the concept of holding companies longer under private equity ownership – as noted above, that has been common for years and we do not see evidence of companies remaining in private equity ownership for longer in aggregate. Rather, it lies in who retains ownership.

Instead of selling from one fund manager to the next (typically a larger one), more assets are remaining with the same fund manager, supported by a continuation vehicle and, typically, a new influx of capital. This allows continued implementation of a proven company transformation and growth plan, for example a consolidation strategy where many smaller companies are added to a larger company, beyond the original holding period.

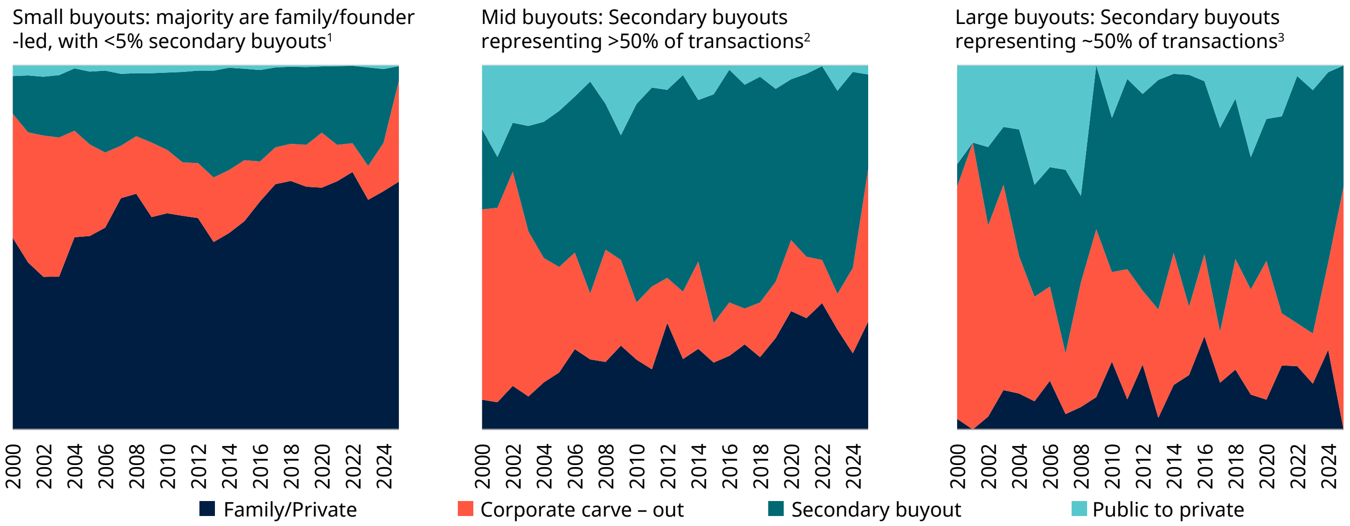
This displacement of deal flow disrupts part of the buyout market, especially for mid and large buyouts. Over the past two decades, those strategies have increasingly depended on sponsor-to-sponsor transactions as their primary deal source, representing around or in excess of half of new transaction volumes on average over the past 10 years (see chart below).

This deal flow is now partially disappearing as continuation investments are often a better and cheaper alternative to continuing company transformation. Based on our forecasts of continuation market growth (of which more below), our new estimates indicate that about 5% of all mid and large buyout deal flow could be displaced over the next 10 years, compared to where it would be otherwise (see Appendix 2).

Such a shift will have a significant impact on larger buyout managers and secondary firms, given that large secondary transactions typically focus on large buyout funds. These groups have taken notice, with more and more such firms now raising dedicated continuation investment strategies –.contributing to the maturation and increased fundraising reported earlier. This will in turn provide an additional tailwind for transaction volumes in 2026 and beyond.

This may further lead to continued innovation, including potentially hybrid continuation investment situations. This is where an existing fund manager retains ownership for the continuation of the company transformation, while an additional fund manager shares partial ownership to bring in specific skills for the next phase of company transformation. For example, the existing fund manager might continue a proven buy-and-build/consolidation strategy, while a new, additional fund manager might contribute its expertise with regard to a regional expansion or a planned exit through an IPO.

Figure 9: Mid and large buyouts have been more dependent on secondary buyouts over the past decade



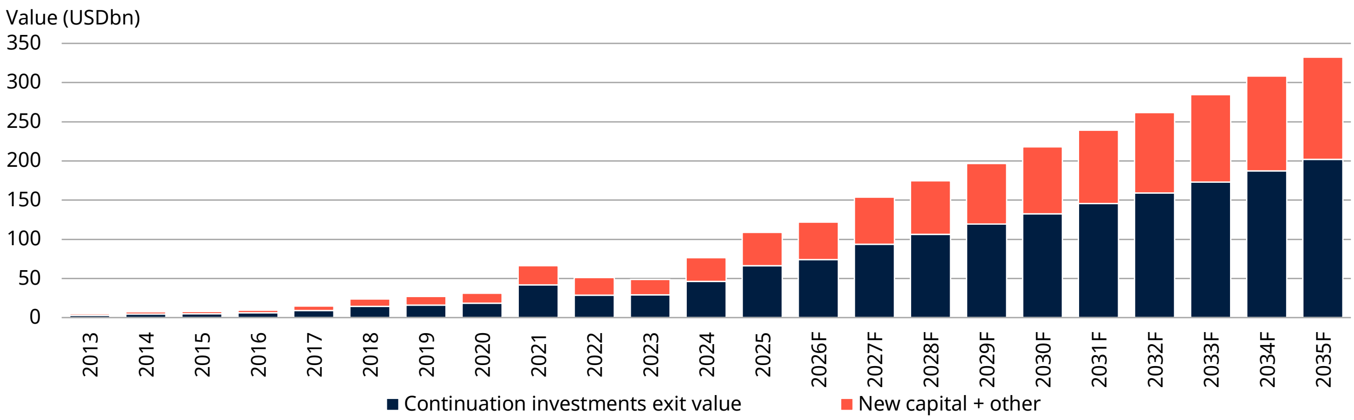
Past performance is not a guide to future performance and may not be repeated.
Past performance is not a guide to future performance and may not be repeated. Source: Unquote, Schroders Capital, 2026. Figures in chart titles reflect 10-year averages. [1]Deals with an enterprise value of <€100m. [2]Deals with an enterprise value of >=€100m and <€1,000m. [3]Deals with an enterprise value of >=€ 1,000m. Note: Based on Transaction Value; Includes all completed buyout and growth transactions globally. Excludes VC-backed exits. Headline figures are value-weighted averages for 2015–2025.

Explosive growth to continue: Market to triple in size from 2025 record

The continuation investment market's recent growth trajectory shows no sign of slowing. Based on Schroders Capital's conservative projections, rooted in increasing market penetration of continuation investments, growth in broader private equity NAV (net asset value – the total value of assets held, minus liabilities), and anticipated overall recovery in private equity distributions, we forecast a more than threefold expansion in continuation investments over the next decade, compared to 2025's already above-forecast record total.

Specifically, in our base case forecast we expect total continuation investment volumes to increase from around $109bn in 2025 to more than $330bn by 2035.

Figure 10: Continuation investment market to triple in size by 2035

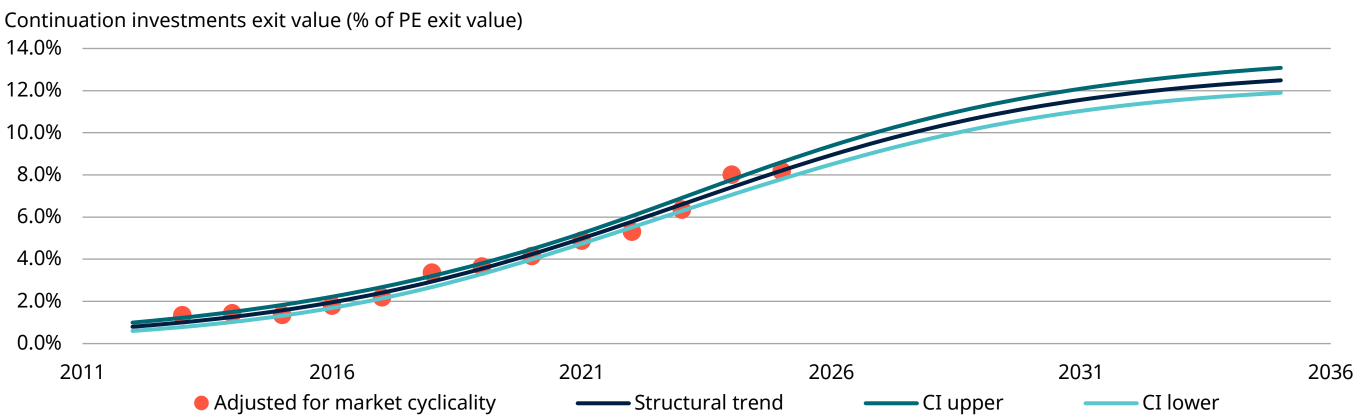


Past performance is not a guide to future performance and may not be repeated.
Source: Preqin, Pitchbook, Jefferies, Greenhill, Evercore, Lazard, PJT, Schroders Capital, 2026. Includes buyout and growth strategies globally, excludes structured transactions and unfunded commitments (assumed 20%) in continuation vehicles. Forecast values calculated by forecasting buyout and growth NAV over time, then applying distribution rate assumptions, then applying the structural forecast estimates of continuation investments as % of PE exit value, fitted on values adjusted for market cyclicality using a sigmoid curve with saturation point at 13% in 2045. Preqin and Pitchbook Q3 2025 YTD data used to estimate 2025 buyout and growth NAV values. Assumptions: 50% of Preqin's forecast NAV annual growth, distribution rate of 18% in 2026, then 20% from 2027 onwards. Forecasts and estimates may not be realised. The views shared are those of Schroders Capital and may not be verified.

The core basis on which we have calculated these assumptions centres around three key variables:

- **The total value of private equity NAV:** Data provider Preqin predicts an average of 13% annual growth, which we have conservatively halved in our base case
- **The value of distributions in a given year:** In our base case we have projected this to recover linearly to 20% of NAV by 2027 (below the long-run average of 25%) and then to remain flat thereafter to the end of the forecast period
- **The proportion of distributions that will be accounted for by continuation investments:** We have forward projected this based on a model that builds on the growth seen over the past 10 years, using cyclically adjusted data. This results in a conservative estimate that market share will saturate at 13% by 2045 (see chart). This saturation limit is significantly below the 31% upper limit that we derived earlier in our analysis, again to be conservative

Figure 11: Continuation investments' growth forecast as % of buyout distributions



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Preqin, Pitchbook, Jefferies, Greenhill, Evercore, Lazard, PJT, Schroders Capital, 2026. Continuation investments exit value estimated using averaged yearly values reported by Jefferies, Greenhill, Evercore, Lazard and PJT, including only buyout and growth strategies globally and excluding structured transactions and unfunded commitments (assumed 20%) in continuation vehicles. Equity/EV ratios from Pitchbook used to reconcile equity amounts from secondary advisors with EV amounts provided by Pitchbook. Market cyclicality calculated as percentage of secondary buyouts plus continuation investments above historical average of 36%. Structural trend fitted on values adjusted for market cyclicality using a sigmoid curve with saturation point at 13% in 2045. Confidence intervals (CI) calculated with a 95% confidence level. Forecasts and estimates may not be realised. The views shared are those of Schroders Capital and may not be verified.

In sum, then, our base case scenario equates to continuation investments accounting for around 12% of all private equity distributions in 2035, still only around a third of the share of exits accounted for by secondary buyouts consistently. Based on our conservative forecasts for asset growth across the industry, global private equity NAV would rise from $5.1tn today to $9.3tn over that time, while annual distributions from that total are estimated to recover to 20% of starting NAV, assuming an exit market recovery.

This gives a total buyout continuation fund exit value of just over $200bn in 2035. To this we add an estimate for additional capital invested to make up total continuation investment volume, based on an average of the delta between total value and exit value over the past decade. The delta represents fresh capital injected and continuation investments for strategies other than buyout. This equates to approximately $130bn, giving us our combined total of more than $330bn.

Under a more conservative low case for continuation investment market growth, we still expect the total size of the market to almost triple over the coming decade, while under more optimistic assumptions the growth of the market could as much as fivefold. See Appendix 1 for full details of the low and high case forecasts.

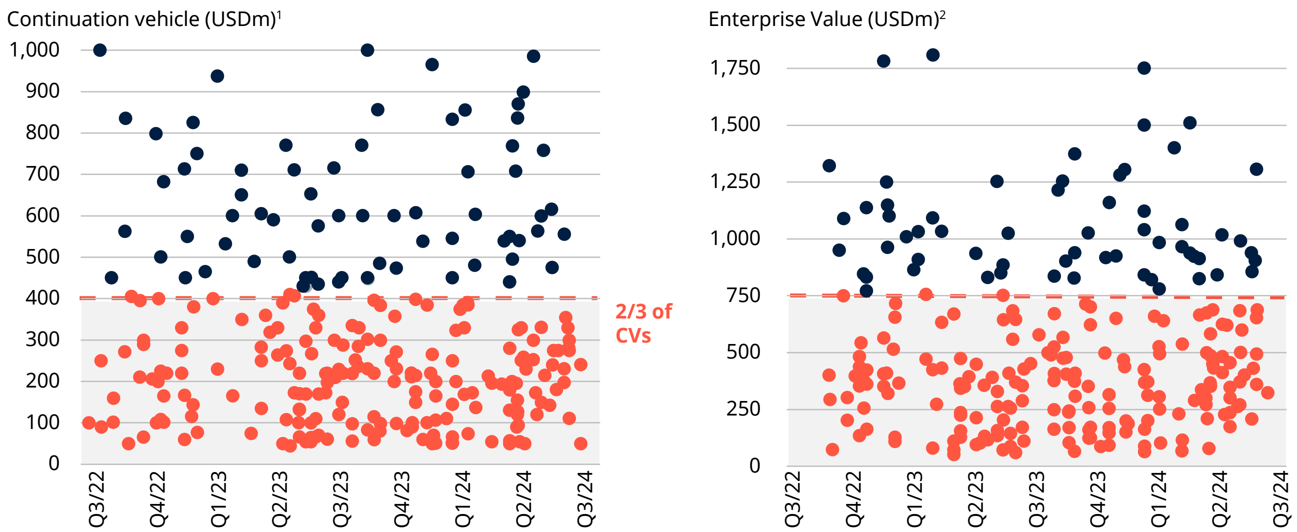
Why small/mid continuation investments are structurally more attractive

While continuation funds are proliferating across the private equity spectrum, we believe the lower mid-market, covering continuation fund investments in small and mid-sized buyout portfolio companies (companies with enterprise values below $1bn), offers particularly compelling opportunities. This segment is marked by a vast and diverse universe of potential targets, typically more favourable transaction economics and companies with greater transformational growth potential.

According to Preqin data, there are 10 times more managers and funds operating in the small- and mid-cap buyout space (less than $2bn in capital to invest) than there are large-cap fund managers (over $2bn). Correspondingly, a disproportionate share of continuation opportunities, which as noted above are merely buyouts continuing under the same ownership in a new structure, originate in the smaller part of the market.

Based on analysis of deal flow between 2022 and 2024, more than two-thirds of the potential continuation fund transactions evaluated by Schroders Capital involved companies with enterprise values below $750m.

Figure 12: Deal flow is concentrated in the lower end of the market



Past performance is not a guide to future performance and may not be repeated.

Source: Schroders Capital, 2025. [1]Represents total CV size (funded + unfunded) for single asset and Multi-Asset continuation investment opportunities evaluated by Schroders Capital over the prior two years. [2]Represents the enterprise value of single asset continuation investments evaluated by Schroders Capital over the past two years.

Several factors make the lower mid-market especially attractive:

- **Valuation multiples:** Deals in this segment often trade at lower entry valuations. Average enterprise value to EBITDA multiples for small and mid-buyouts in 2025 was up to 40% below that of large-cap buyouts, and up to 55% below small cap public peers based on figures for the Russell 2000 index

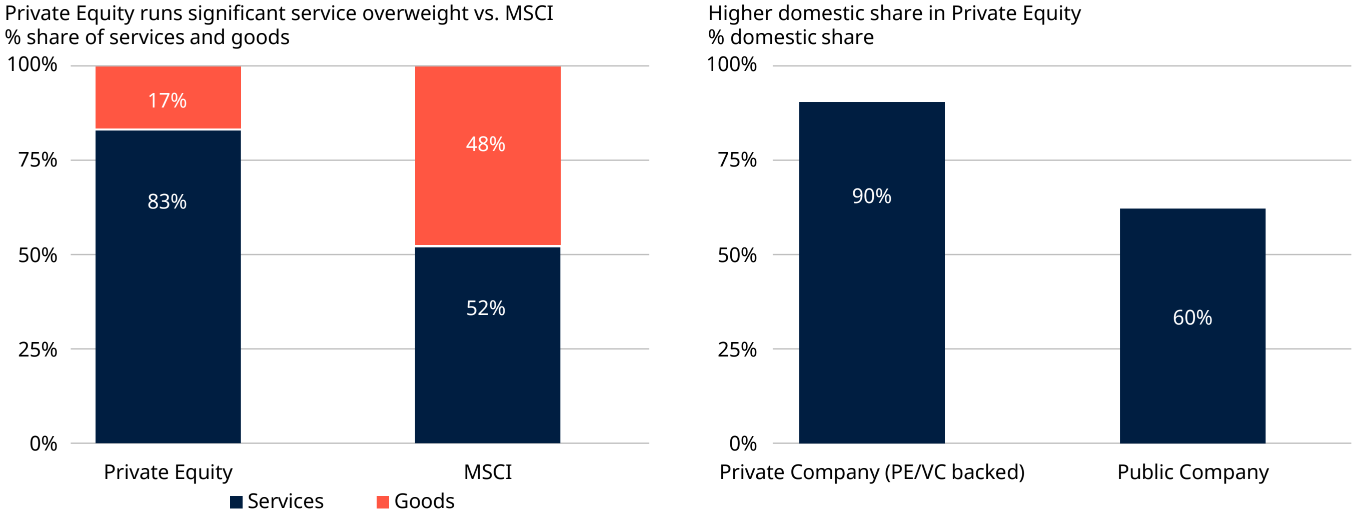
- **Transformational growth potential:** Smaller companies typically have more levers for growth. Whether through operational improvements, geographic expansion, or product diversification, the scope for value creation is wider than in larger, more mature businesses

- **Broader exit routes:** The lower mid-market enjoys a broader set of exit options, including sales to other, larger private equity fund managers (sponsor-to-sponsor buyouts). As noted above, these trades can allow for the continuation of private equity ownership under a different GP with a new growth thesis. Additionally, the lower mid-market does not depend on IPOs as an exit source

- **Resilience in challenging markets:** Our research has shown that small and mid-sized buyouts more broadly have historically outperformed other private market strategies and listed equities during periods of market stress. In four of the five major downturns since before the turn of the millennium, small and mid-sized buyouts were among the best-performing segments of private equity. Find out more by reading our paper: [Private equity's resilience during major crises: a 25-year analysis]

- **Greater insulation from market turbulence:** Building on this potential for resilient returns, smaller and mid-sized continuation fund transactions typically relate to underlying companies that are more domestically focused and service-orientated, which makes them less susceptible to the trade and geopolitical tensions that are currently driving renewed market volatility. Private equity as a whole has a higher domestic revenue share and runs a significant overweight in services compared to public markets (see chart)

Figure 13: Services and local-orientated portfolios buffer against trade shocks



Past performance is not a guide to future performance and may not be repeated.
Source: Pitchbook data as of 27 May 2025, MSCI data as of 10 June 2025, S&P Capital IQ data as of 21 May 2025, Schroders Capital, 2025. For Private Equity, the percentage of services and goods is based on capital invested in buyout investments LTM April 2025. 41 sectors have been split into goods and services. For MSCI Global, the percentage of services and goods is based on the adjusted market cap USD. 151 sectors have been split into goods and services. Real estate was excluded. Domestic share is defined as revenues generated in the company's segment 1 region. Forecasts and estimates may not be realised. The views shared are those of Schroders Capital and may not be verified.

Conclusion

Continuation investments are a growing phenomenon in the private equity market – and they represent a significant structural shift in the dynamics of how the industry creates and realises value. While there have been cyclical factors that have accelerated transaction volumes in recent years, our analysis shows that this merely accentuates the steady and consistent growth seen in this segment over the past decade.

This in turn reflects a growing maturation of the market and increased recognition of the potential benefits to fund managers, both existing and new investors, and new secondary buyers that we believe will continue to drive momentum.

This paper has covered the key reasons for this trend, including the fact that continuation investments are displacing some secondary buyouts (one fund manager selling to the next) as a cost-effective way to continue transformative growth under private equity ownership, without the disruption of a change in owner and while offering liquidity options to existing investors. In this way, they solve for fundamental limitations of traditional limited partnership funds, which can restrict the capital and time available to maximise the value of stand-out investments.

For investors looking to gain exposure to private equity via continuation investments, these deals offer predictable and stable returns, and a faster route to liquidity. The small and mid-buyout segment in particular is a compelling space to which to allocate, with a wide and deep universe of investment opportunities, attractive transaction economics and structural benefits with regard to companies that have greater potential for transformative growth and that tend to be more resilient in times of uncertainty and market volatility.

Our forecasts suggest that the continuation investment market overall could rise more than threefold by 2035, hitting more than $330bn in annual transaction value – with low and high scenarios that suggest the market will almost triple in size, and could see an even larger expansion of up to 5x of the current levels. Helping to fund this growth – and a key dependency as to the scale it will reach – is the proliferation of larger buyout and secondary managers launching dedicated continuation fund strategies, which in turn is likely to fuel continued continuation investment innovation.

Appendix 1: Continuation investment growth forecasts

Our long-term forecast for the continuation fund market is based on estimating the growth in private equity net asset value (NAV – the asset base of the industry), the scale of distributions of starting NAV each year (the value that is exited), and the proportion of distributions that will be accounted for by continuation investments.

We then add an assumption for the new capital invested, based on averages extrapolated from the delta between buyout exit value and total transaction value recorded for continuation investments over the past decade, to reach an estimate for overall market volume.

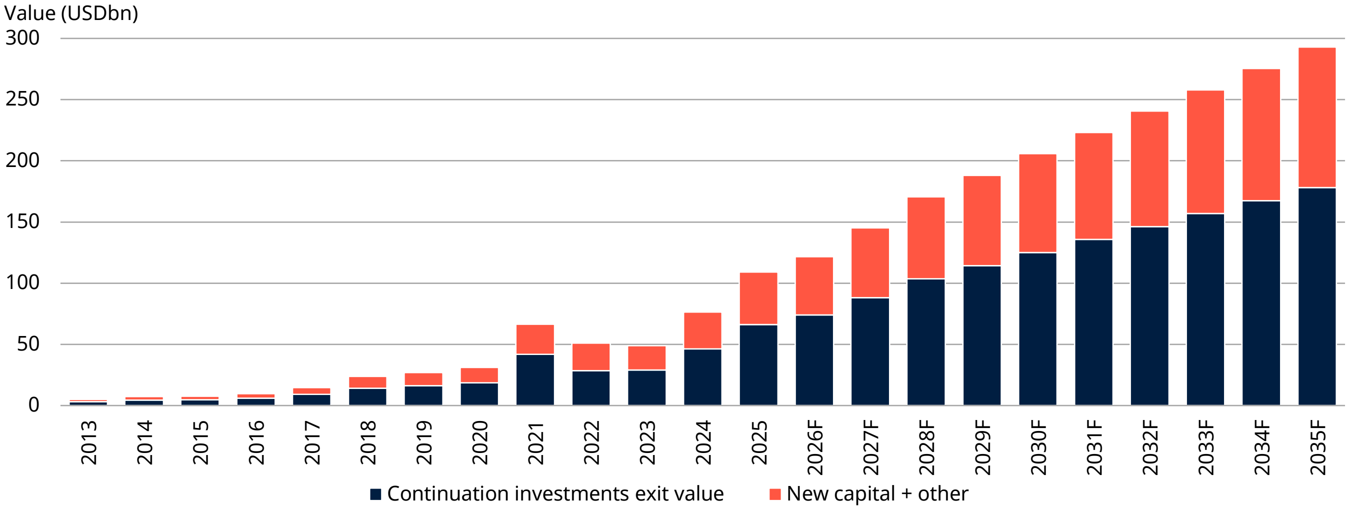
Low case: Market almost triples in size

Here we used a very conservative estimate for private equity NAV annual growth, of 5% – just over a third of the estimate from data provider Preqin. For market returns we assumed a linear return to 20% of distributions of starting NAV each year, below the long-run average of around 25%, by 2028 – and that this would remain flat thereafter.

We then applied our estimate of continuation investment share of distributions, which is based on our predictive model that extends out the growth seen over the past 10 years to a saturation point of 13% by 2045. Specifically, we used a sigmoid function for our market penetration forecast to reflect the S-curve nature of adoption in private markets – slow initial uptake, followed by acceleration, and eventual plateau. The 13% plateau is very conservative compared to the 31% upper limit we derived in the above analysis.

The result can seen in the chart below. Once we add in the estimate for new capital invested, the projected total transaction volume in the market reaches above $290bn by 2035, an almost threefold increase from the ~$109bn seen in 2025.

Figure 14: Low scenario forecast for continuation investment market growth



Past performance is not a guide to future performance and may not be repeated.
Source: Pitchbook, Preqin, Jefferies, Greenhill, Evercore, Lazard, PJT, Schroders Capital, 2026. Includes buyout and growth strategies globally, excludes structured transactions and unfunded commitments (assumed 20%) in continuation vehicles. Forecast values calculated by forecasting buyout and growth NAV over time, then applying distribution rate assumptions, then applying the structural forecast estimates of continuation investments as % of PE exit value, fitted on values adjusted for market cyclicality using a sigmoid curve with saturation point at 13% in 2045. Preqin and Pitchbook Q3 2025 YTD data used to estimate 2025 buyout and growth NAV values. Assumptions: 5% NAV annual growth, distribution rate of 19% in 2027, then 20% from 2028 onwards. Forecasts and estimates may not be realised. The views shared are those of Schroders Capital and may not be verified.

Base case: Market more than triples in size

This is the scenario described in the body of the paper, which uses the same estimate for market penetration of continuation investments, but a slightly higher – although still conservative – estimate for private equity NAV annual growth of around 6.5%, based on half of Preqin's annual forecasts. It also assumes the same proportion of NAV distribution each year of 20%, albeit that this will be reached (linearly) a year earlier in 2027 and then remain flat thereafter.

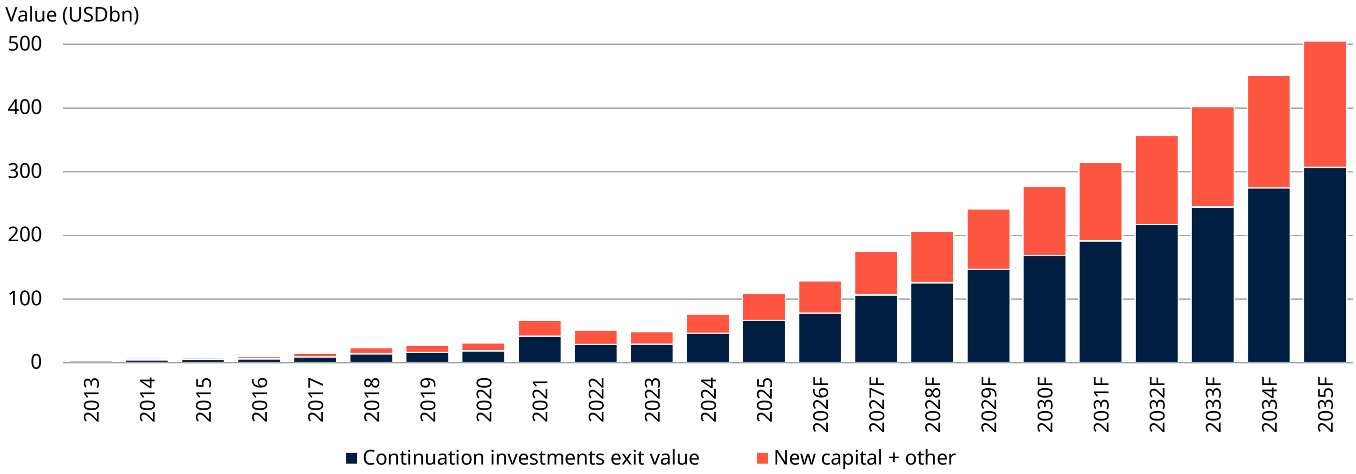
High case: Market grows almost fivefold by 2035

For this scenario, we took a larger share (80%) of the Preqin yearly estimates for NAV growth (~13% CAGR) to 2030, and applied 80% of the projected CAGR from this date, to still be conservative.

We also assumed annual distributions of starting NAV return to 22% by 2027, a slightly lower value than the long-run average of 25%, after which they remain flat. The same estimate for market penetration of continuation investments is applied.

The result can be seen in the chart below, which shows after the estimate for new investment capital is added that the market reaches a total volume of $505bn by 2035. The key challenge to realising an upside scenario like this is the availability of sufficient buy-side capital to fund continuation investments. Put simply, the question is whether enough new funds can be raised – and enough capital deployed – to support that level of deal flow.

Figure 15: High scenario forecast for continuation investment market growth



Past performance is not a guide to future performance and may not be repeated. Pitchbook, Preqin, Jefferies, Greenhill, Evercore, Lazard, PJT, Schroders Capital, 2026. Includes buyout and growth strategies globally, excludes structured transactions and unfunded commitments (assumed 20%) in continuation vehicles. Forecast values calculated by forecasting buyout and growth NAV over time, then applying distribution rate assumptions, then applying the structural forecast estimates of continuation investments as % of PE exit value, fitted on values adjusted for market cyclicality using a sigmoid curve with saturation point at 13% in 2045. Preqin and Pitchbook Q3 2025 YTD data used to estimate 2025 buyout and growth NAV values. Assumptions: 80% of Preqin's forecast NAV annual growth until 2030 (80% of Preqin's forecast CAGR thereafter), distribution rate of 19% in 2026, then 22% from 2027 onwards. Forecasts and estimates may not be realised. The views shared are those of Schroders Capital and may not be verified.

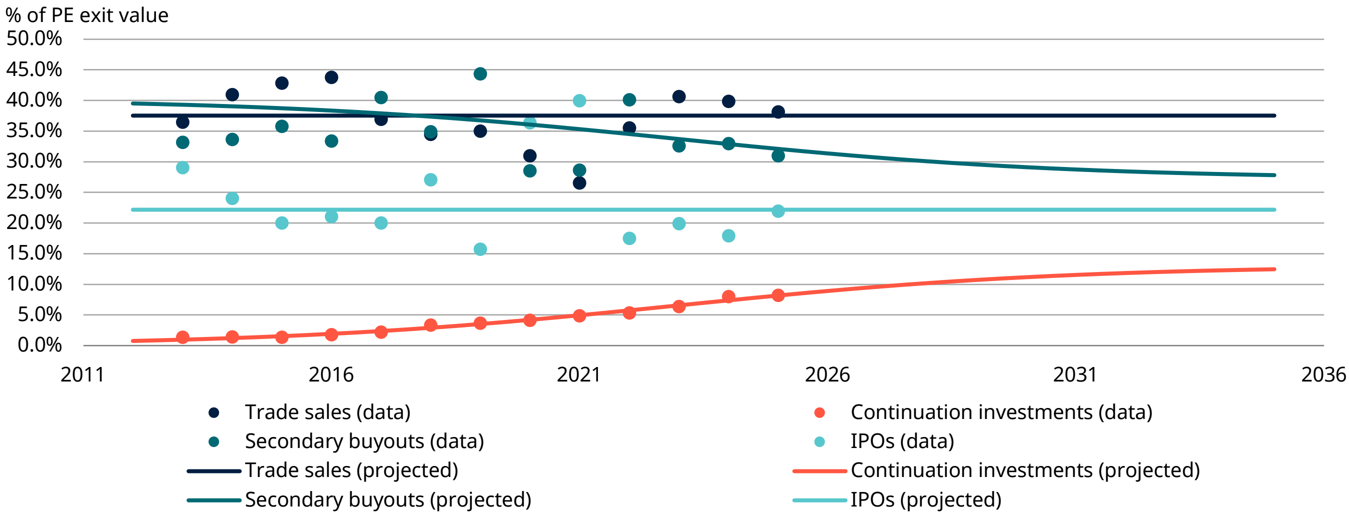
Appendix 2: Deal flow displaced by continuation investments

We have described how continuation investments will, to some extent at least, displace secondary buyouts. Buyout portfolio companies that are sold to other buyout fund managers are, by definition, candidates for continuation investments, as they are companies that are assessed as being able to continue growing under private equity ownership. Continuation investments achieve this without a change of owner – and typically in a more cost-effective way, with lower fees and more tiered carried interest.

We have shown that secondary buyouts have accounted for an average of 36% of exit value over the past 20 years and accounted for practically 40% of exit value in 2025. We assume that the share of trade sales and IPOs of exit value remains flat as there is no discernible trend. Therefore, the expected rise in the share of continuation investments of total exit value, which is expected to increase from 9.0% in 2025 to 12.5% by 2035 in our base case scenario, will directly reduce the share of secondary buyouts, which we forecast to decrease from 31.0% in 2025 to 27.8% by 2035. These forecasts are based on cyclically adjusted data for continuation investments, representing the long-term structural trend.

In percentage terms, this decrease from 31.0% to 27.8% represents a 10% decrease in the share of exit value attributed to these deals. This forecasted decrease in share of exit value of secondary buyouts will, in turn, also directly decrease the share of secondary buyouts in terms of new investment opportunities. When considering that secondary buyouts have represented about 50% of investments for mid and large buyouts over recent years, this would therefore reduce total deal flow in these segments by about 5% over the next 10 years in our base case scenario, compared to where it would be otherwise.

Figure 16: Forecast changes to exit strategies by volume



Past performance is not a guide to future performance and may not be repeated.

Source: Preqin, Pitchbook, Jefferies, Greenhill, Evercore, Lazard, PJT, Schroders Capital, 2026. Continuation investments exit value estimated using averaged yearly values reported by Jefferies, Greenhill, Evercore, Lazard and PJT, including only buyout and growth strategies globally and excluding structured transactions and unfunded commitments (assumed 20%) in continuation vehicles (CV). Average yearly Equity/EV ratios from Pitchbook used to estimate CV EV exit values from equity value. Structural trend fitted on values adjusted for market cyclicality using a sigmoid curve with saturation point at 13% in 2045. Market cyclicality calculated as percentage of secondary buyouts plus continuation investments above historical average of 36%. Other exit strategies modelled using a robust linear regression model, then renormalised so that secondary buyouts adjust to the continuation investments projection and exit values by year add up to 100%. Forecasts and estimates may not be realised. The views shared are those of Schroders Capital and may not be verified.

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