

Redefining private equity: How continuation investments are disrupting the buyout market



August 2025

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Key takeaways

- **A USD300bn market within 10 years.** Our forecasts suggest the size of the continuation investment market will quadruple from around USD70bn to more than USD300bn in the next decade, cementing its role as a key engine of value creation and liquidity generation for investors in private equity. In a more conservative scenario, which assumes slower growth of the overall private equity market, we still expect a tripling of continuation investments; under more optimistic assumptions the market could increase up to sixfold
- **Most of the growth is structural.** The strong growth of continuation investments reflects a profound structural shift, with additional tailwinds from the current cyclical downturn in exit markets. Our research indicates that more than 80% of the 2024 transaction volume for continuation investments is driven by structural growth, not cyclical effects
- **Investor appeal drives demand.** 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) of these investments 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. Fund-to-fund transactions (secondary buyouts) have traditionally been a key source of deal flow for many mid and large buyouts, representing about half of new investment volume. Continuation investments instead enable the original sponsor to maintain control, fundamentally reshaping sourcing, value creation and exit dynamics in private equity without increasing aggregate holding periods. We estimate that continuation investments will displace 8% of total deal flow for mid and large buyouts over the next 10 years, compared to where it would be otherwise
- **Nearly every third buyout company is a candidate for continuation investment.** 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
- **The term 'GP-led secondaries' is a misnomer.** The term 'GP-led secondaries' that is frequently used to refer to continuation investments is a misnomer that leads to significant misunderstandings, as the fund managers (GPs) typically retain (and often even enhance) their interest in a portfolio company and do not realise performance fees. These transactions also generally include a primary component (new capital) and are shaped by the lead underwriters (typically new investors), together with the fund manager, hence, they more closely resemble secondary buyouts rather than traditional LP secondaries
- **The lower-mid market is especially attractive.** The lower mid-market has the lowest risk of being disrupted by these changes, 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

Once a more exotic tool in the broader private equity toolkit, continuation investments have emerged as one of the most dynamic and hotly debated developments in the market. 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 (typically new 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. Continuation investments push influence upstream to lower mid-market managers who can stay in control of their prized assets for longer; 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 fund-to-fund sales (also known as secondary buyouts).

In 2024, continuation-related buyout and growth capital exit value reached close to USD45bn, representing around 7% of buyout and growth-related private equity distributions. 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 advisers set a new record of more than USD70bn.

In a broader sense, these investments, commonly referred to as “GP-led secondaries”, are often compared to traditional, so-called “LP-led secondaries”, which involve investors in private equity funds (LPs) selling their fund interests to other LPs. Overall, the global secondary market had a total reported transaction volume of USD160bn in 2024, of which continuation investments represented 44%.

GP-led secondaries is a misnomer

This paper makes the point that continuation investments actually have little in common with ‘LP-led’ secondaries, and should rather be seen as a partial substitute to traditional secondary buyout investments where one fund and fund manager sells a company to another. This is why we also believe the term ‘GP-led secondaries’ is a misnomer that frequently leads to significant misunderstandings:

- 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 (typically new investors) who shape such transactions, together with the fund managers, and run a full due-diligence process

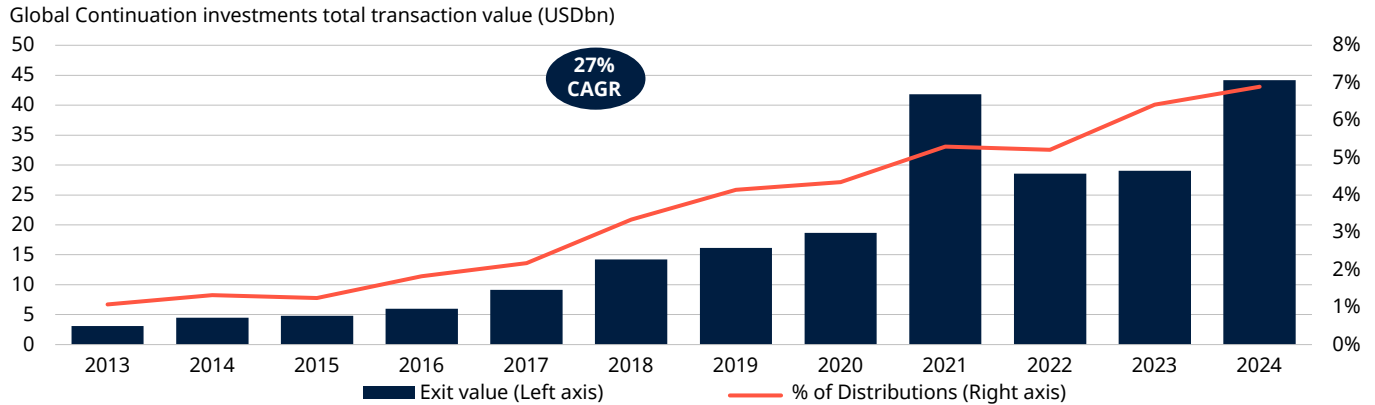
Therefore, when continuation investments are described as ‘private equity selling to itself’, this is exactly not what these transactions are about. Yes, these deals are typically facilitated through the purchase of a company, or companies, by one private equity-backed fund vehicle from another. But, in practice, continuation investments involve existing owners (fund managers) retaining control of key portfolio companies, while new investors inject additional capital to catalyse growth and existing investors are afforded an option to generate liquidity.

Some commentators have further suggested that the growth of continuation investments 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 27%. The surge seen again in 2024 was undoubtedly buoyed by tighter liquidity in other parts of the market, but this underlying trend tells a deeper story: these transactions are not simply a stopgap, they are a disruptive force that is reshaping the architecture of private equity.

Continuation investments have become a key pillar for private equity investors, and we expect their growth trajectory to continue. We provide more detail on the structural vs. cyclical growth of the market later in the paper.

Figure 1: Continuation investment market has experienced significant growth



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

Source: Jefferies, Greenhill, Evercore, Lazard, PJT, Schroders Capital, 2025. Includes buyout and growth strategies globally, excludes structured transactions and unfunded commitments 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 structural factors that are driving the growth of this segment, reflecting a combination of long-term market evolution and short-term dynamics:

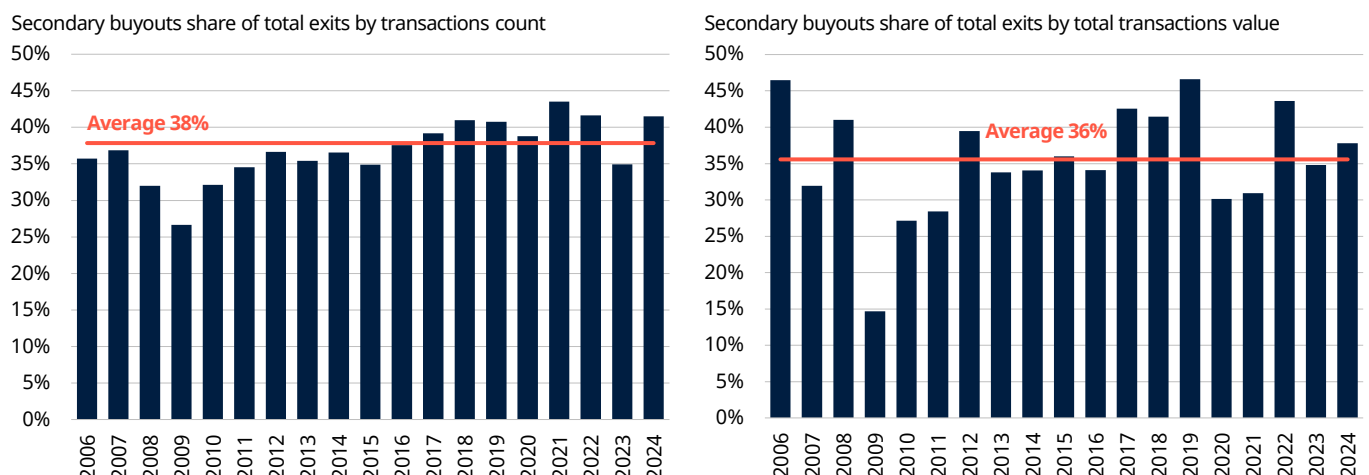
- Continued private equity ownership beyond the original holding period is an established way to drive company transformation
- Ongoing company transformation under private equity ownership often does not require a change in owner
- Continuation investments are a cost-effective way to deliver ongoing 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 the original holding period is not new.

Fund-to-fund transactions – also known as secondary 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



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Source: Pitchbook, Schroders Capital, 2025. Includes all completed buyout and growth transactions globally. Excludes VC-backed exits.

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.

Ongoing company transformation under private equity ownership often does not require a change in owner

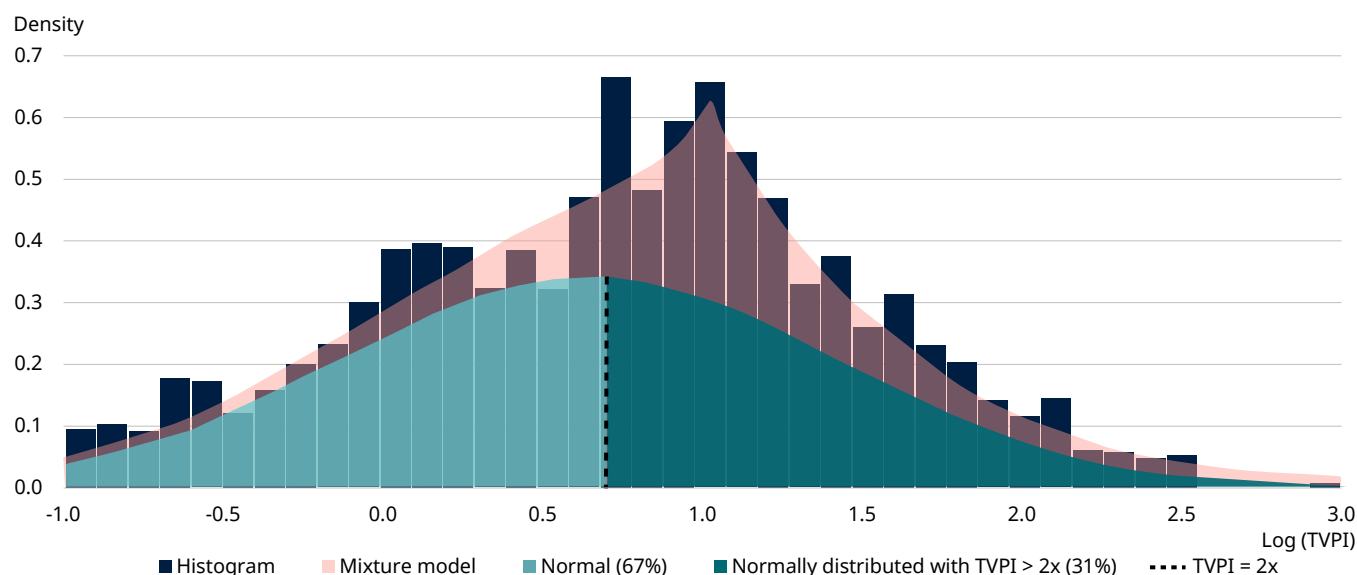
Continuation investments disrupt this dynamic, with future portfolio company transformation led by the same fund manager rather than selling to another. At the same time, continuation investments allow for new investors and new

capital to be brought in to fund continued expansion – also ensuring further independent due diligence, and enabling 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 fund-to-fund transactions and continuation investments).

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



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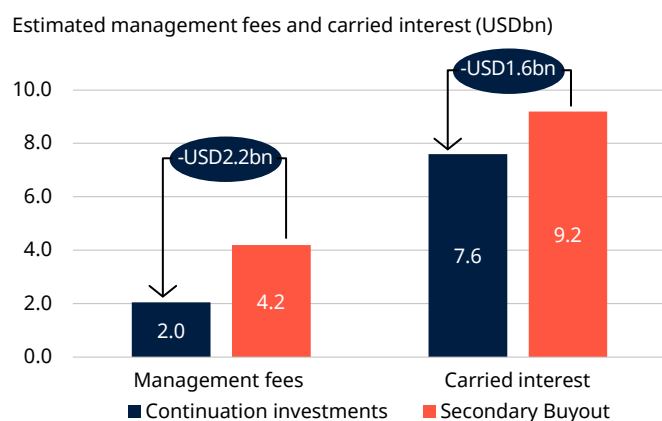
Source: Schroders Capital, 2025. Realised buyout investments only. Total Value to Paid-In Capital (TVPI) calculated on a deal-by-deal basis (gross of underlying fund fees, expenses and carried interest and gross of Schroders Capital fund fees, expenses and carried interest), log transformed and modelled 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 2024 volumes, the total investor savings from lower fee structures in continuation vehicles over a four-year hold period for buyout investments would amount to approximately USD3.8bn. These savings could help to further enhance net returns.

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



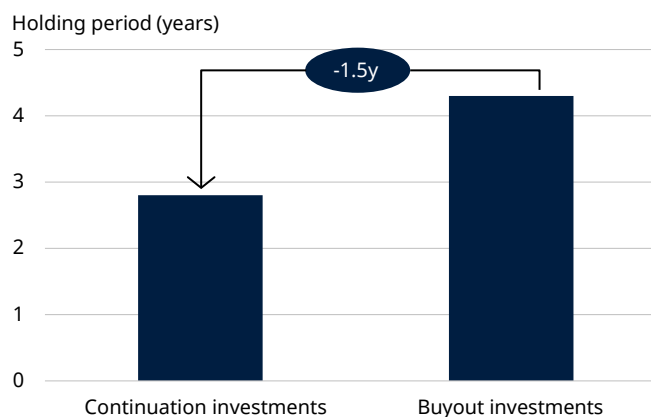
Source: Preqin, Schroders Capital, 2025. Management fee assumptions: continuation investments – 1% p.a. on net invested capital (with unfunded being drawn over two years); Secondary buyouts – 1.9% p.a. on committed capital (average based on Preqin data). Carried interest assumptions: continuation investments – 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. Continuation investment volume assumptions: USD44bn equity value, USD55bn including unfunded commitments – i.e. 2024 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. Schroders Capital data on realised continuation investments suggests that these investments have more normally distributed returns and a smaller tail-risk profile on a logarithmic scale of TVPI multiples, compared to traditional buyouts.

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 25% 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



Source: Schroders Capital, 2025. Based on Schroders Capital data – 81 completed continuation investment exits (includes LP tenders), 59 completed buyout co-investment exits.

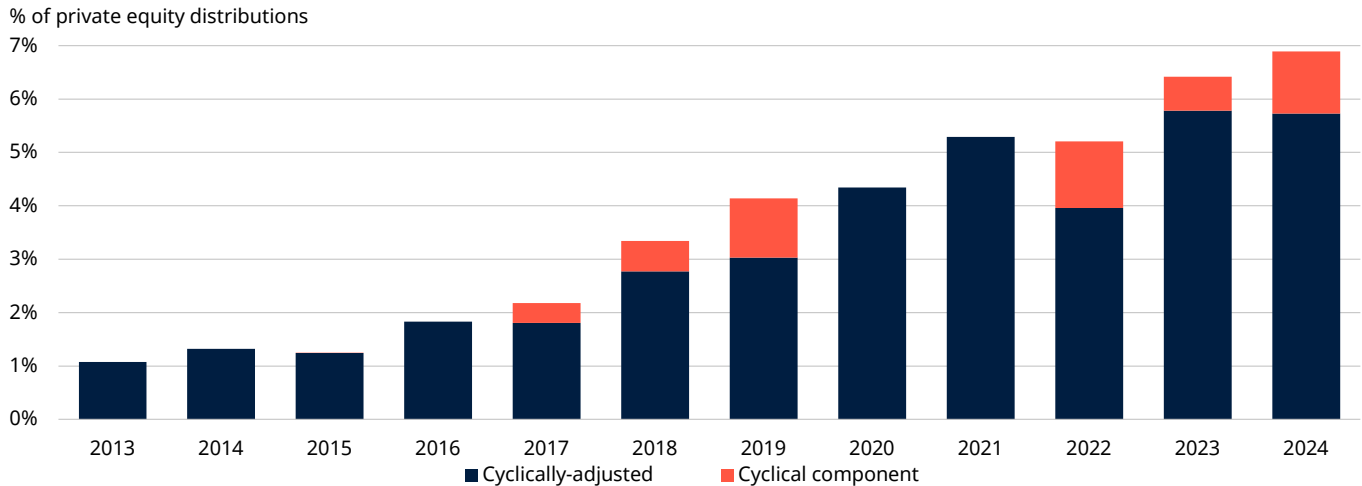
A cyclical exit downturn has increased the availability of continuation opportunities

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 fourth 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 on stock markets.

Based on our analysis, the cyclical tailwind for continuation investments contributed about 17% of the transaction volume in 2024. We calculated this figure by comparing actual combined secondary buyout 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 secondary buyouts (one fund manager selling to the next) with continuation investments.

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

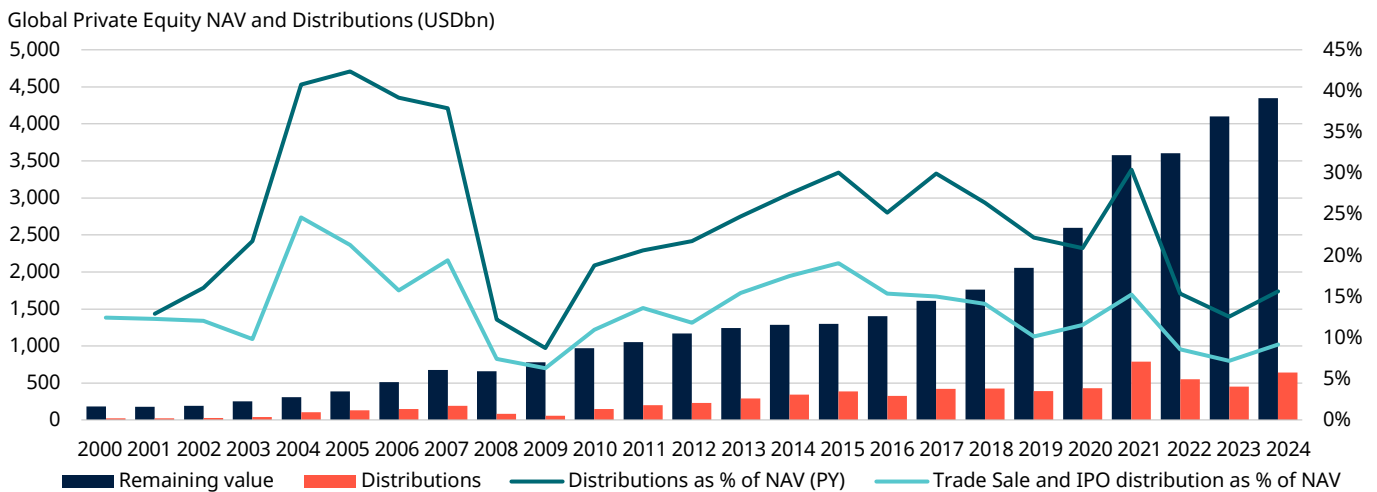


Past performance is not a guide to future performance and may not be repeated.

Pitchbook, Preqin, Jefferies, Greenhill, Evercore, Lazard, PJT, Schroders Capital, 2025. Private equity distributions estimated averaging yearly values from Pitchbook and Preqin. 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 in continuation vehicles. Cyclical component calculated by correcting historical values for excess of buyouts plus continuation investments pool above historical secondary buyouts average of 36%. Forecasts and estimates may not be realised. The views shared are those of Schroders Capital and may not be verified.

Although 2024 offered signs of a tentative exit market recovery, it remains to be seen what impact the renewed market uncertainty, driven by changes to US trade and foreign policy, will have. In this context, continuation investments will continue to offer a much-needed liquidity alternative for investors.

Figure 7: Cyclical exit gap entering its fourth year



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

Source: Pitchbook, Preqin, Schroders Capital, 2025.

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

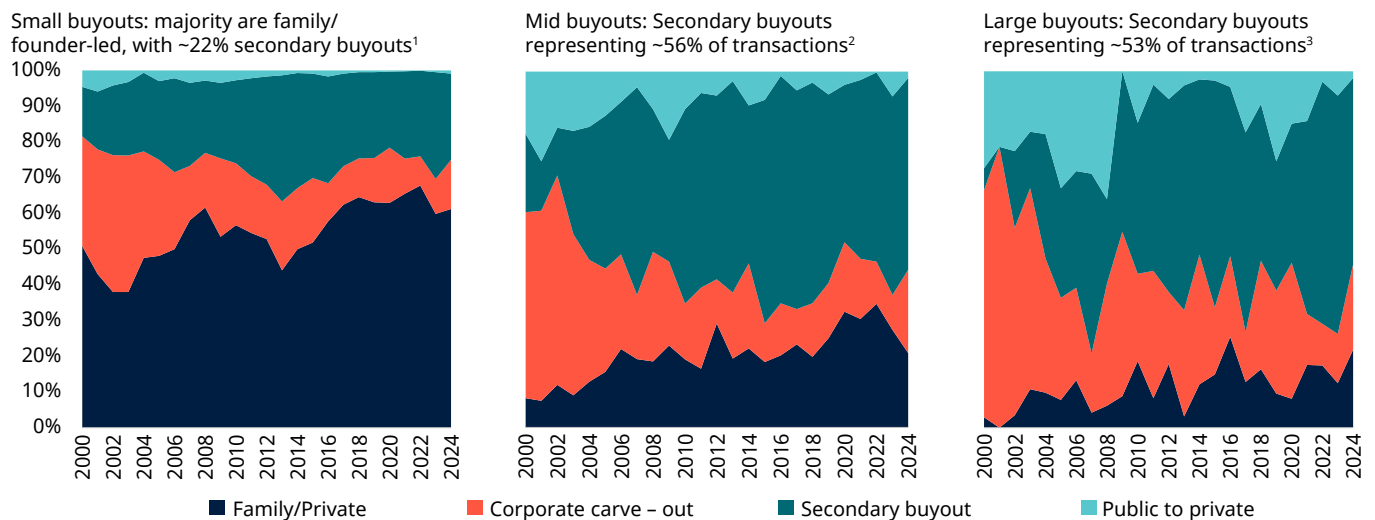
The rise of continuation investments is not only altering how assets are exited (for those investors who opt to cash out), it is actively reshaping the private equity buyout model itself. The most profound disruption is not in the concept of holding companies longer under private equity ownership – as 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 fund-to-fund transactions as their primary deal source, representing more than half of their new transaction volumes (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), we estimate that about 8% 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).

Figure 8: Mid and large buyouts are more dependent on secondary buyouts



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

Source: Unquote, Schroders Capital, 2025.¹Deals with an enterprise value of <€100m ²Deals with an enterprise value of >= €100m and <€1,000m ³Deals 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 2015–2024.

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. That trend is in turn fuelling further momentum in capital availability for continuation investments that will provide an additional tailwind for transaction volumes in 2025 and beyond.

This may also, in turn, 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.

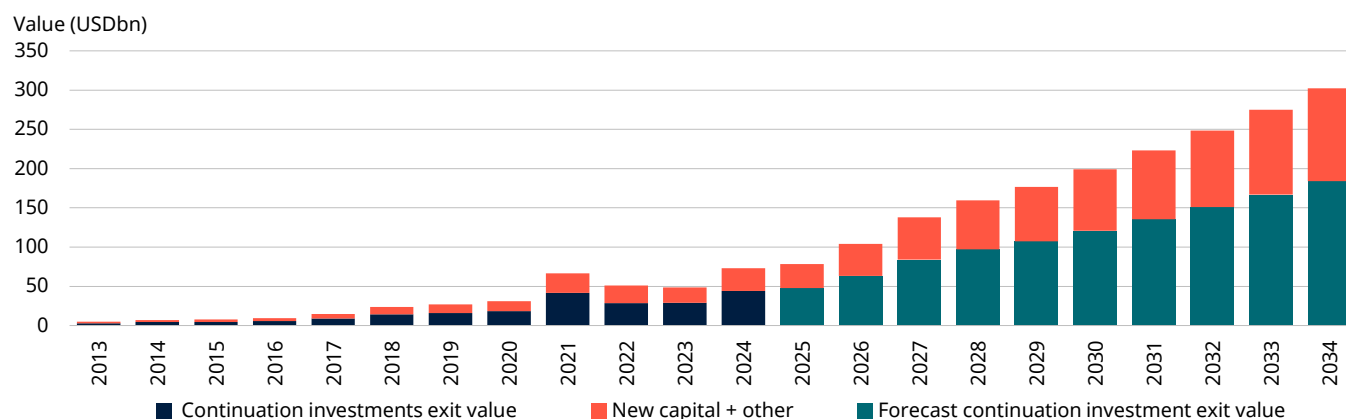
Explosive growth to continue: Continuation market to quadruple in size

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 more than fourfold expansion in continuation investments over the next decade.

Specifically, in our base case forecast we expect total continuation investment volumes to increase from a little more than USD70bn in 2024 to more than USD300bn by 2034.

Figure 9: Continuation investment market to more than quadruple in size by 2034



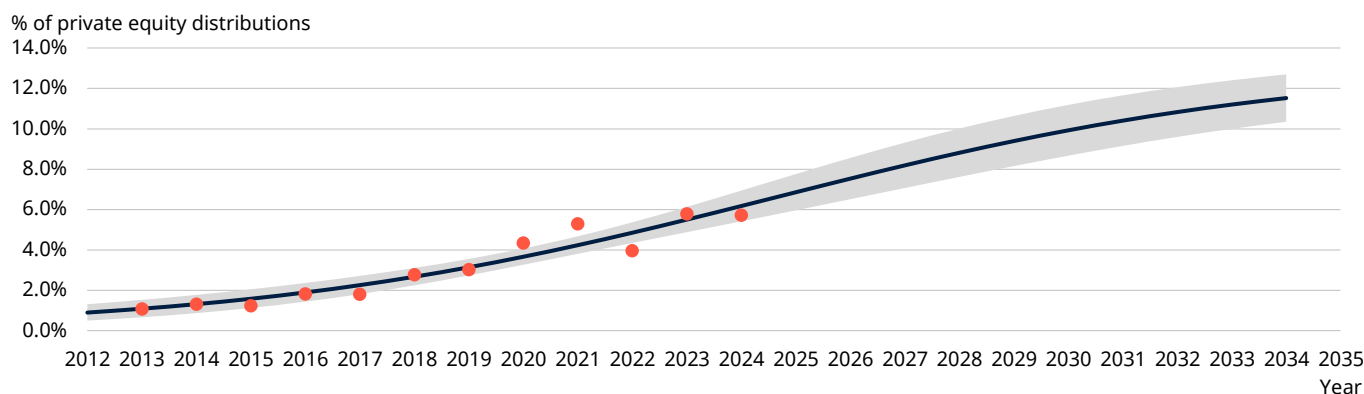
Past performance is not a guide to future performance and may not be repeated.

Source: Pitchbook, Preqin, Jefferies, Greenhill, Evercore, Lazard, PJT, Schroders Capital, 2025. Includes buyout and growth strategies globally, excludes structured transactions and unfunded commitments in continuation vehicles. Continuation investments' growth as % of private equity distributions modelled using a sigmoid function with saturation point at 13% in 2045. Orange bars show delta between reported secondary transaction value and exit value attributed to buyout continuation investments (consisting of fresh capital and continuation investments for strategies other than buyout and growth), the average of which we have applied to forward-looking forecasts to generate a total forecast value. Assumptions: 50% Preqin's forecasted NAV growth until 2029 (50% of CAGR thereafter), distribution rate returns linearly to 20% in 2027. 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 14% annual growth, which we have conservatively halved to 7% 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, cyclically adjusted data and a conservative estimate that market share will saturate at 13% by 2045 (see Figure 10). This saturation limit is significantly below the 31% upper limit that we derived earlier in our analysis, again to be conservative

Figure 10: Continuation investments' growth forecast as % of private equity distributions



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

Source: Pitchbook, Preqin, Evercore, Lazard, Jefferies, Park Hill, Greenhill, Schroders Capital, 2025. Private equity distributions estimated averaging yearly values from Pitchbook and Preqin. Continuation investment exit value estimated using averaged yearly continuation investment volume reported by Evercore, Lazard, Jefferies and Park Hill, including only buyout and growth strategies globally and excluding structured transactions and unfunded commitments in continuation vehicles. Modelled using a sigmoid function with saturation at 13% in 2045. 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 almost 12% of all private equity distributions in 2034, still well below the share of exits accounted for by secondary buyouts currently and historically. Global private equity NAV is forecast to rise from USD4.3tn today to USD7.4tn over that time, while annual distributions from that total are assumed to recover to 20% of starting NAV, assuming an exit market recovery.

This gives a total buyout continuation fund exit value of almost USD184bn in 2034. 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 USD118bn, giving us our combined total of close to USD302bn.

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

Why small/mid continuation investments are structurally more attractive

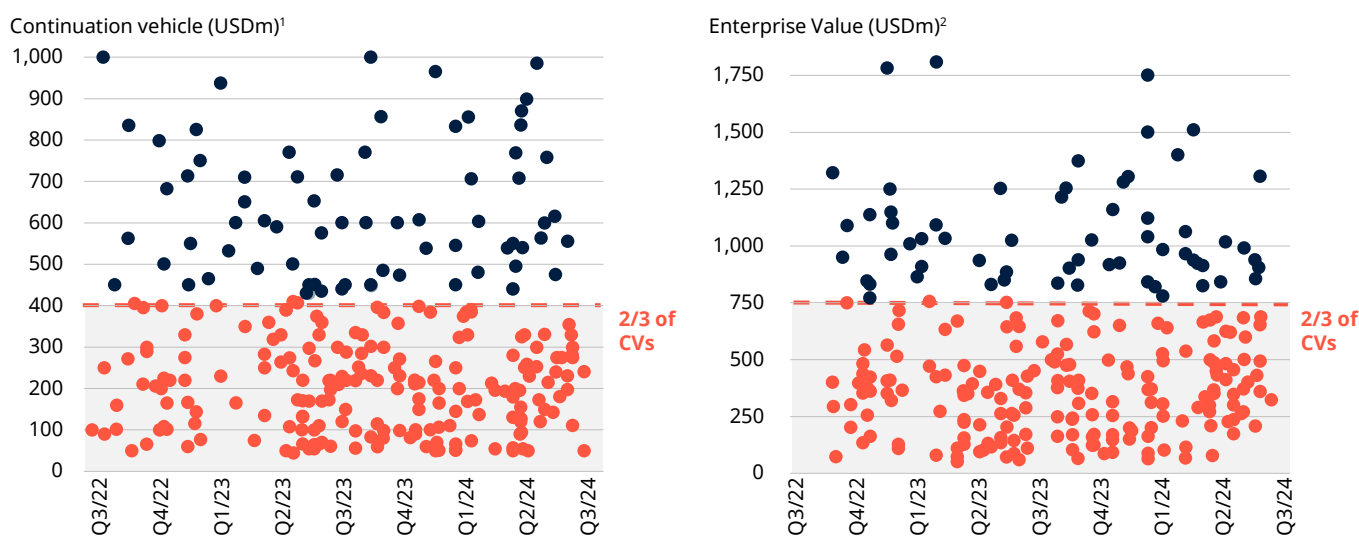
While continuation funds are proliferating across the private equity spectrum, we believe the lower mid-market, covering continuation fund investments in small and mid-sized buyout portfolio companies (companies with enterprise values below USD1bn), offers particularly compelling opportunities. This 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 ten times more managers and funds operating in the small- and mid-cap buyout space

(less than USD2bn in capital to invest) than there are large-cap fund managers (over USD2bn). 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.

Over the past two years, more than two-thirds of the potential continuation fund transactions evaluated by Schroders Capital involved companies with enterprise values below USD750m.

Figure 11: Deal flow is concentrated in the lower end of the market



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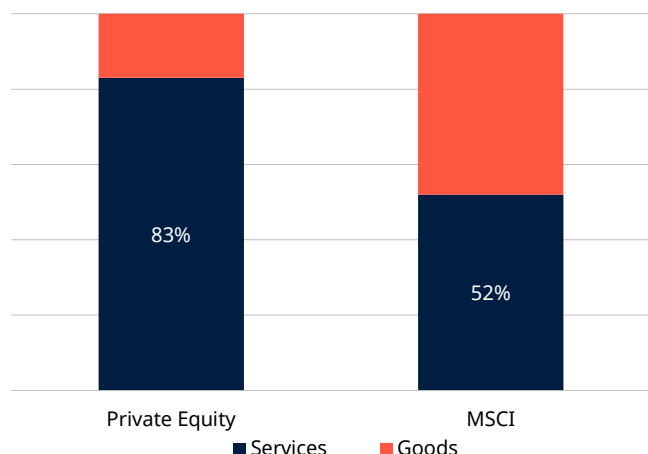
Source: Schroders Capital, 2025. ¹Represents total CV size (funded + unfunded) for single asset and multi-asset continuation investment opportunities evaluated by Schroders Capital over the past two years. ²Represents the enterprise value of single asset continuation investments evaluated by Schroders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

Several factors make the lower mid-market especially attractive:

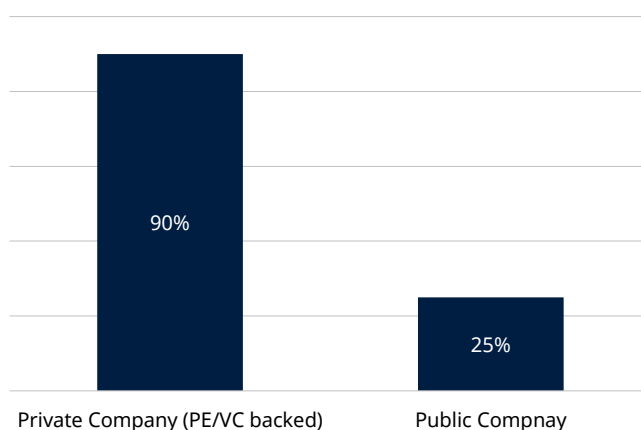
- **Valuation multiples:** Deals in this segment often trade at lower entry valuations. Market data from Preqin and advisers up to the end of 2023 indicates that up to 60% of continuation vehicle transactions by small and mid-sized funds (those managing under USD5bn) have been executed at multiples below 13x EBITDA, and nearly 30% below 11x. In contrast, more than half of large-cap transactions were executed at multiples above 13x EBITDA, with none below 11x
- **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 (secondary buyouts). These sponsor-to-sponsor trades can allow for the continuation of private equity ownership under a different GP with a new growth
- **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 of the last 25 years, 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 Figure 12)

Figure 12: Services and local-orientated portfolios buffer against trade shocks

Private Equity runs significant service overweight vs. MSCI
% share of services and goods



Higher domestic share in PE
% domestic revenue share



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, noticeably in 2021 and 2024, our analysis shows that this merely accentuates the steady and consistent growth seen in this segment over the past decade – and that we believe is set to continue.

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 some stand-out investments.

For investors looking to gain exposure to private equity via continuation investments, these deals offer potentially more 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 fourfold by 2034, hitting more than USD300bn in annual transaction value – with low and high scenarios that suggest the market will at least triple, and could see an even larger expansion of up to 6x 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 triples in size

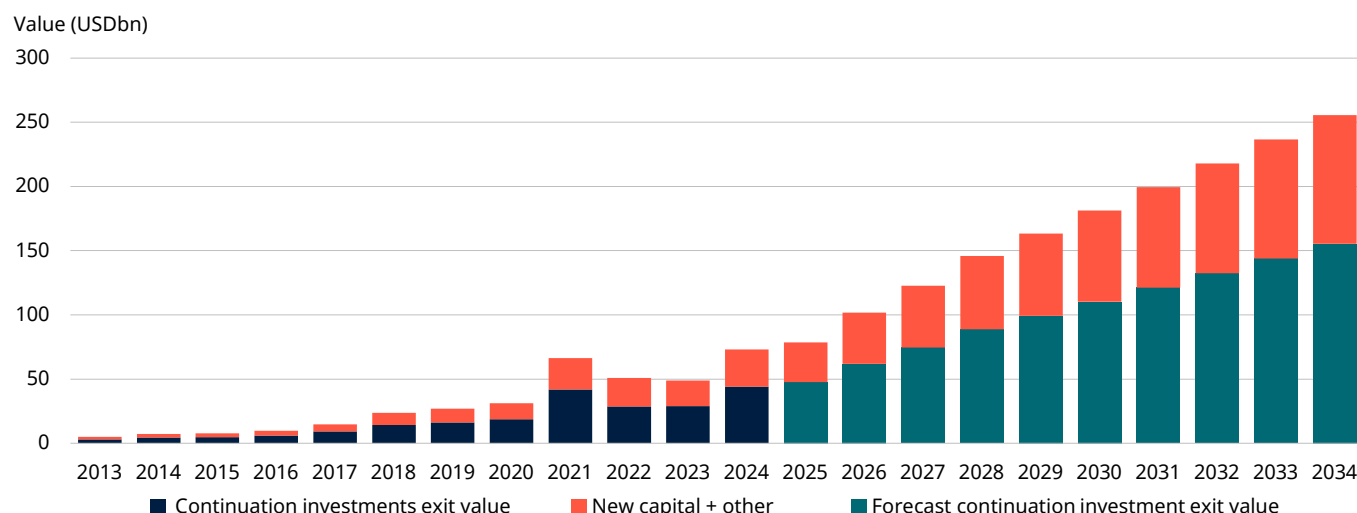
Here we used a very conservative estimate for private equity NAV growth, of 5% – just over a third of the estimate from data provider Preqin. For market returns we assumed a linear return to 20% of distributions of starting NAV each year, below the long-run average of around 25%, by 2028 – and that

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 be 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 USD250bn by 2034, a more than threefold increase from the ~USD70bn seen in 2024.

Figure 13: 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, 2025. Includes buyout and growth strategies globally, excludes structured transactions and unfunded commitments in continuation vehicles. Continuation investments' growth as % of private equity distributions modelled using a sigmoid function with saturation point at 13% in 2045. Orange bars show delta between reported secondary transaction value and exit value attributed to continuation investments, the average of which we have applied to forward-looking forecasts to generate a total forecast value. Low scenario forecast assumptions: 5% NAV growth, distribution rate returns to 20% in 2028. 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 quadruples 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 growth of around 7%, based on half of Preqin's forecast. 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.

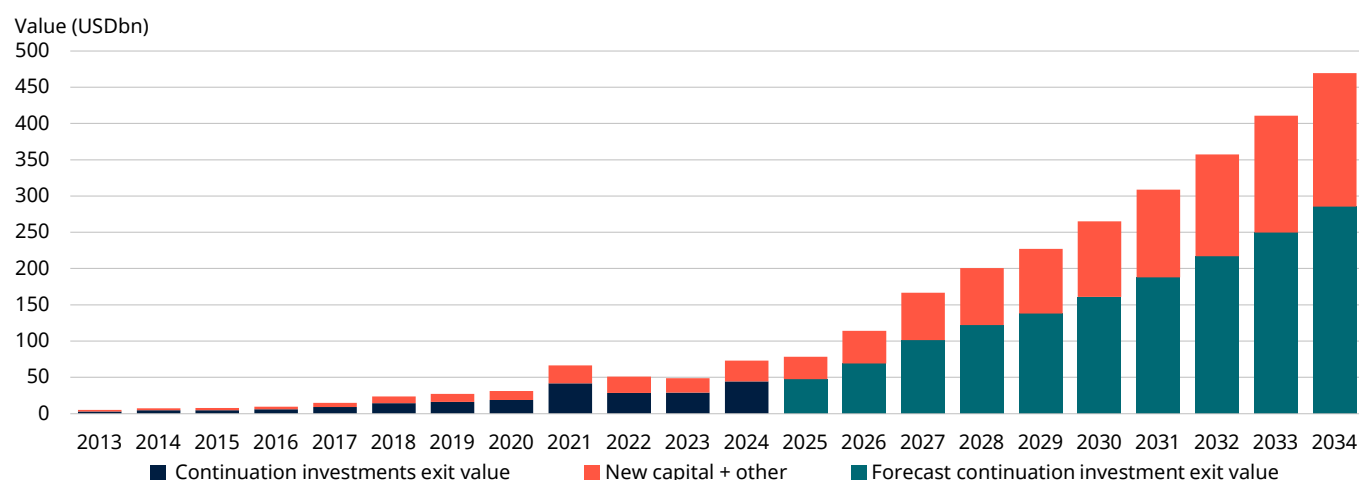
We also assumed annual distributions of starting NAV return to 22% by 2027, a slightly lower value than the long-run average of 25%, after which they remain flat. The same estimate for market penetration of continuation investments is applied.

High case: Market grows more than sixfold by 2034

For this scenario, we took a larger share (80%) of the Preqin estimate for NAV growth (~14% CAGR) to still be conservative.

The result can be seen in the chart below, which shows after the estimate for new investment capital and strategies other than buyout is added that the market reaches a total volume of USD470bn by 2034. The key challenges to an upside scenario like this being realised lies in the volume of buy-side capital that is available to transact continuation investments; in short, whether enough new funds launch and capital invested to consummate that level of deal flow.

Figure 14: Continuation investments to partially substitute secondary buyouts as an exit channel



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Pitchbook, Preqin, Jefferies, Greenhill, Evercore, Lazard, PJT, Schroders Capital, 2025. Includes buyout and growth strategies globally, excludes structured transactions and unfunded commitments in continuation vehicles. Continuation investments' growth as % of private equity distributions modelled using a sigmoid function with saturation point at 13% in 2045. Orange bars show delta between reported secondary transaction value and exit value attributed to continuation investments, the average of which we have applied to forward-looking forecasts to generate a total forecast value. High scenario forecast assumptions: 80% Preqin's forecasted NAV growth until 2029 (80% of CAGR thereafter), distribution rate returns linearly to 22% in 2027. 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

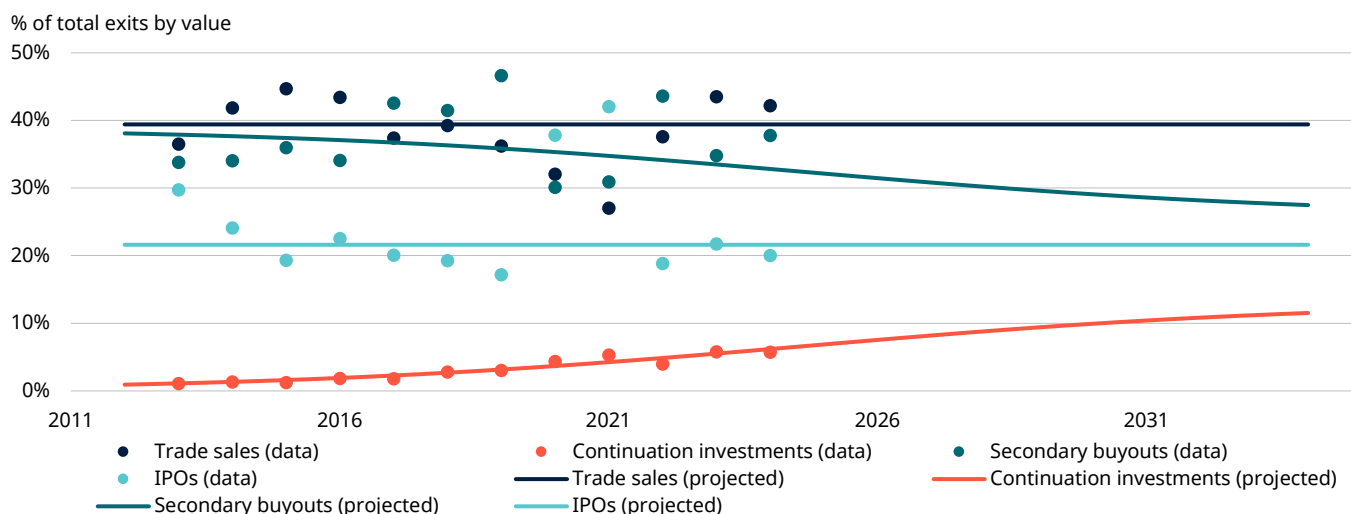
We have described how continuation investments will, to some extent at least, displace secondary buyouts. Buyout portfolio companies that are sold to other buyout fund managers are, by definition, candidates for continuation investments, as they are companies that are assessed as being able to continue 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 close to 38% of exit value in 2024. 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 6.2% in 2024 to 11.5% by 2034 in

our base case scenario, will directly reduce the share of secondary buyouts, which we forecast to decrease from 32.8% in 2024 to 27.5% by 2034. These forecasts are based on cyclically adjusted data for continuation investments, representing the long-term structural trend.

In percentage terms, this decrease from 32.8% to 27.5% represents a 16% 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 value. When considering that secondary buyouts represent about 50% of investments for mid and large buyouts, this will reduce total deal flow in these segments by about 8% over the next 10 years in our base case scenario, compared to where it would be otherwise.

Figure 15: Continuation investments to partially substitute secondary buyouts as an exit channel



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

Source: Pitchbook, Preqin, Evercore, Lazard, Jefferies, Park Hill, Greenhill, Schroders Capital, 2025. Private equity distributions estimated averaging yearly values from Pitchbook and Preqin. Continuation investments exit value estimated using averaged yearly values reported by Evercore, Lazard, Jefferies and Park Hill, including only buyout and growth strategies globally and excluding structured transactions and unfunded commitments in continuation vehicles. Continuation investments data is cyclically adjusted. Modelled using a sigmoid function with saturation point at 13% in 2045. Other exit strategies modelled using a robust linear regression, 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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