

Doubling Down: Follow-Ons, Upsizes and the New Complexity of GP Stakes Deployment

The GP stakes industry has spent a decade perfecting the art of the first close, but its next act is proving to be about the second one. Across the market, deployment is quietly shifting from originating new positions to concentrating existing ones, whether through follow-on investments and top-ups in managers a platform already owns, stapled upsizes that pair incremental management company economics with fresh fund commitments, cross-vintage purchases that move or expand positions across a fund family, or preferred and structured instruments in lieu of additional common equity. Each is, at its core, a response to a thinning list of new targets.

This article surveys the market forces driving the concentration trend, and then turns to the questions the trend raises in practice, including how upsizes get negotiated and implemented when the deal documents are silent, which terms predictably get reopened along the way, and the fund-level and regulatory considerations that a significant upsize can put into play for the investor.

A Market That Outgrew Its Target List

Blue Owl GPS III, one of the first stakes funds focused on private markets, held its final close in 2016. In the decade since, funds pursuing the strategy have reportedly closed roughly \$45 billion in additional commitments, a nine-fold increase in the cumulative capital committed to the strategy.¹ By some counts, industry-wide assets dedicated to the strategy have now climbed past \$60 billion. Yet the transaction universe remains strikingly small. By one count, the market has produced just over 200 GP stakes transactions in its entire history.²

Taken together, those two figures explain the strategic picture. The scaled, diversified, multi-product sponsors that the large-cap GP stakes funds were built to buy are a finite (and by now largely picked-over) set. Many of the obvious candidates are already staked, some by more than one investor. Many of the rest no longer need the capital, having institutionalized their balance sheets, diversified their revenue streams, or grown to the point where a minority sale does little to solve the problem they still have.

None of this means the strategy is out of runway. Origination continues, particularly in the middle market and in adjacent asset classes, as discussed below. But for the large-cap platforms, each marginal dollar increasingly competes for a shrinking set of new names, and as a consequence the names already in the portfolio have begun to look correspondingly more attractive.

Evergreen Capital Meets a Finite Deal Universe

Just as the target list has thinned, the capital-formation model has changed in ways that intensify the pressure to deploy. The GP stakes strategy has gone evergreen and retail. Blue Owl runs a GP Stakes

¹ Bonaccord Capital Partners, *Accelerating Liquidity in GP Stakes* (Mar. 31, 2026), <https://www.bonaccordcapital.com/news/accelerating-liquidity-in-gp-stakes>.

² See Paul Elias, *Bonaccord's \$1.6B Raise Helps Fuel GP Stakes Growth*, Mergers & Acquisitions (Nov. 25, 2025), <https://www.themiddlemarket.com/news-analysis/bonaccords-1-6b-raise-helps-fuel-gp-stakes-growth>; Bonaccord Capital Partners, *supra* note 1.

Advantage Fund through the private wealth channel, and in February 2026, CAZ Investments launched the CAZ GP Stakes Fund, a registered interval fund offering daily subscriptions and quarterly repurchases.^{3,4}

These types of perpetual vehicles significantly change the deployment math. Whereas a traditional drawdown fund has an investment period that ends and a finite pool of committed capital (and, if targets are scarce, the option simply to slow down), a perpetual vehicle has none of these. Subscription flows arrive as often as daily and must be put to work, and any cash drag is measured and reported.

At the same time, the slowdown in private equity returns and distributions has narrowed the field of attractive new targets. Managers stuck between fundraises or unable to raise a next fund at all (the so-called “zombie fund” problem) are not viable stakes candidates, because the value of a GP stake is, in large part, the value of future fundraising and its associated cash flows. The result is a structural mismatch, with a growing pool of perpetual capital chasing a shrinking set of underwritable new names. That mismatch systematically favors additional investment into proven managers the investor already knows.

The Concentration Playbook

Faced with that mismatch, buyers have converged on a recognizable playbook.

Follow-ons and top-ups. The most direct response is incremental investment in names the investor already owns and has already diligenced. At a surface level, this is the lowest-friction path to deployment given the relationship already exists, so the underwriting is an update rather than a new build. As discussed below, however, the documentation often tells a different story.

Cross-vintage purchases. Investors are also deploying newer funds into managers that older funds in the same family already hold, either buying incrementally into the manager alongside the legacy position or purchasing part of the older fund’s position outright. Because these transfers occur between affiliates, they are usually permitted under the transaction documents as affiliated transfers not requiring manager consent. But, as explored further in this article, they raise their own allocation and conflicts questions on the investor’s side of the table.

Preferred and structured instruments. Where more common equity is not available or the parties do not want to expand a perpetual common position, investors are turning to preferred equity and structured participations in GP cash flows. The instrument gives the manager capital without further diluting its perpetual economics, and gives the investor a defined return profile and, frequently, a defined exit. CAZ’s registered fund expressly contemplates preferred equity and structured cash-flow instruments as a core part of the strategy, reflecting this growing trend.⁵

³ See Blue Owl Private Wealth, *GP Minority Stakes* (platform data as of June 30, 2025), <https://wealth.blueowl.com/solutions/investment-strategy-gp-strategic-capital-gp-stakes>.

⁴ Press Release, CAZ Investments, *CAZ Investments Announces Launch of the CAZ GP Stakes Fund* (Feb. 3, 2026); CAZ GP Stakes Fund, Registration Statement (Form N-2) (Aug. 8, 2025); CAZ GP Stakes Fund, Annual Report (Form N-CSR) for the period ended Mar. 31, 2026.

⁵ See CAZ GP Stakes Fund, Annual Report (Form N-CSR) for the period ended Mar. 31, 2026, *supra* note 4; CAZ GP Stakes Fund, Registration Statement (Form N-2), *supra* note 4.

Stapled commitments. Mature GP stakes transactions now frequently pair the management company investment with meaningful commitments to the manager’s future fundraises. For an investor with excess capital, the staple is a useful pressure valve to deploy at scale without asking the manager to give up additional perpetual economics, and for the manager, it converts a dilutive negotiation into an accretive one.⁶

Sponsor-to-sponsor secondaries. A secondary market in GP stakes positions is emerging as first-generation funds reach their monetization windows. Some 65% of the strategy’s single-investment liquidity events have occurred since 2024, and strip sales and continuation vehicles have produced four announced transactions estimated at more than \$4 billion in aggregate value. These transactions provide both an exit path for the seller and a way for the buyer to acquire scale in a known name without a new origination.⁷

Migration. Finally, buyers are moving down-market and outward. Dedicated mid-market strategies, such as Blue Owl and Lunate’s joint venture, now target sponsors below roughly \$10 billion in fee-paying AUM, where managers still need more in the way of growth capital and succession solutions. The strategy is also stretching into adjacencies, including registered investment advisers and wealth management platforms, insurance, infrastructure, private credit, even professional sports franchises, as well as seeding, where the line between backing an established manager and launching a new one has begun to blur.⁸

Papering the Second Bite: Where the Complexity Lives

On paper, the concentration playbook looks efficient. In practice, however, a follow-on into an existing position is not simply “more of the same trade.” Most first-generation deal documents did not contemplate a second investment from the same investor, and the gaps surface quickly once parties start digging into how such a deal might be papered.

The documents are usually silent

Typically there is no pre-baked mechanism for an upside. Absent a top-up option entitling the investor to force a follow-on issuance, the follow-on may have to be negotiated substantially from scratch. And unlike the initial investment, a follow-on is much more frequently on a timeline driven by the investor’s deployment needs rather than the manager’s capital needs, which is not a strong opening position.

Nor do the standard protective provisions fill the gap. Preemptive and anti-dilution rights in the original documents are usually drafted to protect the investor against dilution from third-party issuances by preserving the investor’s original percentage but not providing an affirmative right to increase it on

⁶ Elina Alperovich, Timothy Jonas Clark, Ira Phillip Kustin & Fadi G. Samman, Akin Gump Strauss Hauer & Feld LLP, *2026 Perspectives in Private Equity: GP Stakes Investing in a Maturing Market* (Mar. 31, 2026), <https://www.akingump.com/en/insights/articles/2026-perspectives-in-private-equity-gp-stakes-investing-in-a-maturing-market>.

⁷ Bonaccord Capital Partners, *supra* note 1; *see also* Ken Blazejewski & Florence Zhang, *Evolution and Growth in the GP Stakes Market*, Buyouts (Dec. 2025/Jan. 2026).

⁸ *See* Press Release, Blue Owl Capital Inc., *Blue Owl Capital to Partner with Lunate to Invest in Private Market Investment Managers* (Feb. 7, 2024); *Unlocking the Mid-Market Growth Opportunity*, Buyouts (Dec. 2025/Jan. 2026); Alperovich et al., *supra* note 6; *see also* Blue Owl Capital, *Aligning Interests with GP Strategic Capital*, <https://www.blueowl.com/gp-strategic-capital> (last visited Jul. 27, 2026).

demand. An investor holding a full suite of customary minority protections can still find itself with no contractual path to a larger position.

Matters compound where another investor sits in the structure with its own customary protective rights, such as preemptive rights, tag-along rights, rights of first refusal, and the like. Although those provisions were drafted to police the arrival of new third-party investors, an upsize by one existing investor can implicate them just the same. The practical effect is that a bilateral upsize negotiation becomes a trilateral one, with a party at the table whose rights were never designed with this situation in mind, and whose consent, or at least acquiescence, may nonetheless be required.

What gets reopened

Because the documents are silent, the follow-on functions in practice as a partial reopening of the original deal, and several categories of terms predictably come back to the table.

Consent and governance rights. A bigger check invites a demand for more, whether board or observer seats, expanded consent lists, enhanced information rights, or budget and compensation approvals. The manager, for its part, will resist ratcheting governance and may try to trade the new capital for a narrowing or modification of rights it conceded the first time around (especially if it has grown substantially). Both sides may also use the reopening to mark positions to the current “market,” which has itself moved since the original close.

Tail periods and restrictive covenants. A follow-on is an opportunity to reset or extend restrictive covenants, lock-ups and other post-closing arrangements that were sized to the original investment’s timeline. A common compromise is to bifurcate so that the extended tail applies only to the upsized portion (e.g., a fresh post-closing redemption right that attaches only to the new issuance). But bifurcation is not always possible; some rights are binary and cannot sensibly run on two clocks for the same holder.

Most-favored-nation and preferential terms. If the manager has taken other third-party capital since the original deal, reopening the documents for a follow-on can surface tension over preferential terms granted in the interim. An upsizing investor that discovers a later investor received additional rights or better economics will often ask to align with those terms as the price of new money and the manager may find itself managing MFN-style obligations running in multiple directions at once.

Fee and carry economics. Because a GP stakes investment is typically a bundle of separately negotiated participations, often including a share of management fee revenue, a share of carried interest in specified funds, and, in some cases, a balance sheet component, each with its own caps, floors, or step-downs, an upsize reopens scope as well as price. As a result, the parties must decide whether the new money participates in the same funds and products as the original stake, whether it reaches funds raised in the interim, and whether the original split between fee and carry value still makes sense given how the manager’s business mix has shifted since the first close.

Liquidity and exit rights. Puts, calls, drag and tag rights, and registration rights sized to the first investment may not fit a position twice the size. One or both parties may want these re-cut. The investor may find that exit mechanics that worked for the original position are illusory for a much larger one, while the manager faces a bigger contingent call on its balance sheet in the form of a larger put obligation.

Negotiating dynamics

Leverage has usually shifted since signing. If the manager has scaled and fundraised successfully, it holds far more leverage on the follow-on than it did at the original close, especially where the investor needs to deploy more than the manager needs the capital. If the manager is capital-hungry or between fundraises, the reverse is true. The follow-on is a re-test of relative leverage, and the documents should anticipate that the test can go either way.

A stapled commitment amplifies the dynamic. Because mature deals routinely pair management company economics with one or more fund commitments, the follow-on negotiation can often become two negotiations run in parallel with each used as leverage on the other. A manager may price incremental fee and carry entitlements attractively to land the anchor commitment for its next flagship, while an investor may size its staple to buy governance concessions it could not otherwise win.

LP and Regulatory Considerations

The complexity is not confined to the transaction documents. A significant upsize also raises questions under the investor's own fund documents and under the Investment Advisers Act of 1940 (the "Advisers Act").

"Follow-on investment" versus "new investment"

GP stakes fund documents typically treat follow-on investments favorably by carving them out of single-issuer concentration limits, and they are typically permitted even after the expiration of the investment period. Those constructs were drafted to preserve flexibility, allowing a manager to support an existing position without tripping technical limits. It is safe to assume that no one drafting them had in mind a follow-on that doubles a position by several hundred million dollars.

A significant upsize can therefore stretch the follow-on construct well beyond what was intended when the fund was raised. Managers will need to consider whether the size and character of the transaction is consistent with the disclosure LPs received, and weigh whether LPAC consultation or consent is prudent even where a technical reading permits the trade.

Allocation across vintages

Where the platform has raised successor funds since the original investment, the upsize opportunity itself must be allocated. Does the follow-on belong to the fund that owns the position, to the successor fund now in its investment period, or to both? The question is a fiduciary one under Sections 206(1) and 206(2) of the Advisers Act, and Section 206(3) can be implicated where the adviser is effectively on both sides of the transaction in a principal capacity (such as in a cross-vintage purchase of an older fund's position by a newer fund). In practice, the adviser's allocation policy is the operative document, and it should be applied as rigorously for a follow-on as for a new platform investment.

Platforms that manage registered vehicles alongside private funds face an additional layer since the Investment Company Act's affiliated-transaction restrictions can bear on cross-trades and co-investments involving the registered fund. A full treatment is beyond the scope of this article, but the arrival of registered GP stakes vehicles means the issue will recur with increasing frequency.

The 25% threshold

Perhaps the most consequential regulatory constraint on upsizing is the control question. A stake creeping above 25% of a manager's equity can create a presumption of "control" for Advisers Act purposes under the SEC's Form ADV glossary. A change of control is potentially a deemed "assignment" of the manager's underlying advisory contracts under Section 202(a)(1) and the parallel provisions built into standard advisory contract language, with Section 205(a)(2) requiring that advisory contracts prohibit assignment without client consent. A deemed assignment can require consent under every fund LPA and every advisory agreement in the target's stable, turning an incremental equity purchase into a platform-wide consent solicitation.

Historically, GP stakes transactions were simply sized below the threshold to avoid the issue. But as follow-ons push aggregate positions toward (and potentially past) 25%, parties have had to approach the problem more creatively, relying on non-voting or non-participating units in lieu of additional common equity, contractual disclaimers of control, and governance architectures designed to rebut the presumption. These structures are bespoke and fact-dependent, and when the potential of a deemed assignment becomes material they deserve the same attention as the economic terms.

Additional complexity arises where the investor is itself a registered investment adviser (or a fund managed by one) and acquires a 25% or greater stake in another registered investment adviser accompanied by indicia of control, such as a board seat. In that scenario, the investor and the target will likely want to establish structural separateness between the two advisory businesses to ensure that the investor does not acquire supervisory authority over the target's operations, is not drawn into the target's compliance program, and is not tainted by material nonpublic information that the target receives through its own advisory relationships. Without careful attention to these boundaries, an investment position can inadvertently trigger obligations and information-barrier challenges that neither party anticipated.

Greater ownership also brings greater public disclosure obligations when the target is a registered adviser. Form ADV's direct and indirect ownership tables require that 5% owners of the registered adviser be reported, with 25% owners disclosed up the ownership chain. These disclosure requirements add transparency but also expose the investor's position to competitors, LPs, and market observers.

Looking Forward

The forces driving concentration are structural rather than cyclical. Perpetual vehicles and the retail channel are still growing, and the universe of scaled, stake-able managers expands only slowly no matter how much capital arrives. Follow-ons, top-ups, staples, and structured layers are therefore best understood not as a stopgap but as a standard lifecycle event in a GP stakes position, albeit one that most first-generation documents never anticipated.

In light of this, parties negotiating new GP stakes investments today should assume a follow-on may be proposed and build the machinery in advance, such as pre-agreed valuation mechanics or processes, top-up options with defined windows and limits, express treatment of other investors' protective rights in an upside, MFN architecture that anticipates later capital, control-threshold guardrails, and fund-level concentration and investment-period provisions drafted with upsizes in mind. The next few years will also test the market's first-generation liquidity mechanics, as put rights and other exit provisions built into

deals over the past decade begin to mature, and the lessons from those tests should feed back into how upside and exit provisions are drafted going forward.⁹

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⁹ See Alperovich et al., *supra* note 6.