



**LP-Led Managed Funds:  
A Strategic Liquidity Option for Institutional Investors  
Evercore Private Capital Advisory – Spring 2026**



## Introduction

Since its inception, the private equity secondary market has evolved from a niche liquidity solution into a core portfolio management tool for Limited Partners (“LPs”). As transaction volumes have increased, so too has the range of structuring tools available to LPs seeking to actively manage their portfolios. Today, LPs are looking beyond traditional “straight” secondary sales and evaluating more tailored transaction structures designed to better align liquidity outcomes with broader strategic objectives. Within this expanded toolkit, Managed Fund transactions sit alongside other structured liquidity solutions such as preferred equity and collateralized fund obligations.

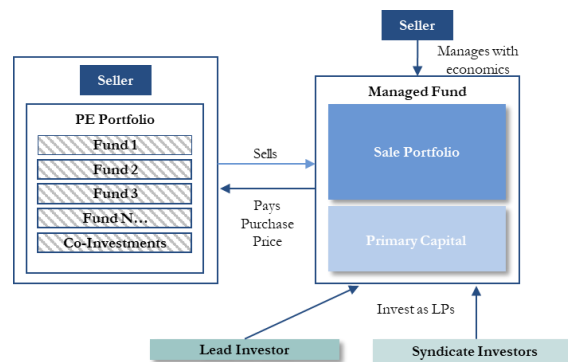
## The Managed Fund Structure

A Managed Fund transaction involves the creation of a special purpose vehicle (the “Managed Fund”) into which a selling LP transfers a selected portfolio of fund interests and /or co-investments. The selling LP continues to manage the Managed Fund, making it an affiliated vehicle, but it is capitalized by third-party secondary investors. These investors subscribe to the Managed Fund and fund the agreed purchase price, which is distributed to the selling LP in exchange for the transferred interests.

Economically, the transaction functions as a negotiated secondary sale. However, rather than transferring interests directly to one or more buyers, the assets are aggregated in a vehicle managed by the seller. The buyer becomes an LP in that vehicle.

This structure enables the seller to generate liquidity while preserving GP relationships and maintaining exposure to the underlying portfolio. For buyers, the structure provides scalable, diversified access to curated secondary assets through a single investment vehicle.

Unlike continuation vehicles, Managed Fund transactions are typically initiated by a selling LP and do not involve a broad-based election process across an existing fund investor base. From the seller’s perspective, the decision-making process more closely resembles a traditional secondary sale, with the LP exercising discretion to proactively manage its portfolio.



*\*The above schematic presents an illustrative structure of a Managed Fund transaction.*

## Rationale and Strategic Applications

Understanding the motivations behind Managed Fund transactions enables institutional investors to assess whether the structure aligns with their program’s objectives. Broadly speaking, these transactions are used for two primary purposes:

### 1. Building or Expanding an Asset Management Platform

For certain institutions, a Managed Fund can serve as a bridge toward developing or enhancing a broader third-party asset management business. The structure may enable a seller to:

- Establish or formalize an institutional-quality track record
- Deepen engagement across its GP network, including increased participation in co-investment opportunities
- Lay groundwork for future dedicated fundraises
- Showcase platform capabilities to prospective long-term investors
- Generate incremental management fee and carried interest revenue
- Raise stapled primary capital alongside the secondary portfolio

In this context, the Managed Fund functions not only as a liquidity solution but also as a strategic platform-building tool.

### 2. Portfolio Management

Alternatively, Managed Funds may be used by institutions seeking to streamline legacy exposure while preserving assets under management (“AUM”) and GP relationships. In these situations, the structure may facilitate:

- Consolidation of multiple interests into a single line item
- Simplified reporting and administrative oversight
- Wind-down of legacy vehicles
- Preservation of GP relationships, AUM, and information rights

The remainder of this paper focuses primarily on platform-building dynamics, with additional commentary on portfolio management at the end of the paper.

## Key Benefits for Sellers

For selling LPs, the principal appeal of a Managed Fund lies in its ability to generate liquidity without fully exiting underlying commitments. The seller remains the LP of record with the GPs while receiving proceeds from the secondary capitalization of the Managed Fund. This structure preserves existing relationships, reporting channels, and information rights, allowing the selling institution to remain connected to its managers. Sellers may also elect to sell partial interests (or “strips”), allowing them to retain exposure to the portfolio. Sellers will typically include a small management fee and / or administrative fee alongside the secondary portfolio.

In addition to unlocking liquidity and preserving exposure, the structure can also serve as a means to raise new primary commitments for the seller. While not included in every transaction, the addition of primary capital may enhance flexibility and strategic positioning, particularly for institutions aiming to expand their asset management activities.

Compared to a traditional secondary sale, this structure allows both sellers and buyers to shape outcomes beyond the uniform pricing and transfer of a straight sale.

## **Key Considerations**

For the right portfolio, Managed Funds are a powerful liquidity tool. To maximize execution potential, there are a handful of key considerations that LPs should evaluate prior to going to market with a Managed Fund.

### **Portfolio Construction**

Managed Funds tend to be most compelling when the underlying portfolio of fund interests and co-investments has meaningful remaining upside and offers buyers differentiated exposure. Portfolios that include co-investments (ideally fee & carry-free) often enhance market appeal, particularly where access to those assets would otherwise be limited. The go-forward NAV growth profile also influences the seller's ability to charge economics and raise primary capital (as discussed later). In general, sellers should aim to craft a portfolio that is roughly two-thirds funded at close, including any new primary raised. While this ratio is flexible, a highly unfunded secondary portfolio can cannibalize buyers' appetite to provide a primary staple on top of the sale portfolio.

Given that the buyers are inherently buying into one single diversified book, it is important to construct a cohesive portfolio, either largely comprised of one strategy (e.g. buyout, credit, infrastructure) or complementary strategies (e.g. buyout and growth) with a consistent risk-return profile.

Offering investors a degree of flexibility can significantly improve outcomes. Going to market with more NAV than intended to sell and allowing investors to tailor their preferred portfolio composition or adjust strip sizes may broaden the buyer universe and enhance competitive dynamics.

Scale is another important consideration. While Managed Funds can be executed at various sizes, they have to be of enough scale to justify the additional layer of structure. Different segments of the secondary buyer universe play at different sizes, and so it is important to keep the target investor profile top of mind when deciding on the ultimate size. At certain size thresholds, segments of the buyer universe may fall away. One way to manage size and the lead investor's exposure to the deal is through syndication.

## **Syndication**

Syndication is a common feature of Managed Fund transactions and can expand execution capacity beyond what a single buyer might absorb, while also creating the opportunity for the seller to build new investor relationships. By distributing exposure across multiple investors, sellers can:

- Increase overall transaction size
- Reduce reliance on a single counterparty
- Broaden and diversify their LP base (particularly where primary capital is included), building new and potentially long-term strategic partners

For lead investors, syndication enables them to participate in transactions that may exceed their typical check size by partnering with other investors. For primary-oriented syndicate investors, the ability to participate as a syndicate allows them to access a diversified secondary portfolio that they otherwise would not be able to compete for in a traditional auction process involving dedicated secondary investors.

## **Primary Capital**

Primary capital is a feature that can be incorporated in a Managed Fund, either comingled with the secondary portfolio in the same vehicle or stapled into a separate product. This primary component represents new investor commitments that are deployed over time, complementing the existing secondary assets and supporting the go-forward investment strategy.

In either case, the seeded secondary portfolio should generally be representative of the intended go-forward investment strategy. Continuity between existing assets and go-forward deployment is critical to maintaining underwriting confidence and buyer support. For instance, a buyout-oriented seed portfolio paired with a staple intended for credit investments may create misalignment in the buyers' underwriting. With respect to primary, clarity around deployment strategy, pacing, and pipeline visibility are essential. Demonstrating differentiated opportunities and a credible path to capital deployment can enhance buyer conviction and support the primary capital request.

Flexibility on deployment parameters can also be helpful. Sellers who remain collaborative regarding investment selection and pacing are generally better positioned to maintain buyer engagement. Conversely, overly prescriptive primary requirements may limit participation or introduce pricing pressure.

It is important to note that the inclusion of primary capital can influence headline pricing. For some secondary investors, the primary allocation may be viewed as accretive to the overall deal; for others, it may dilute returns and therefore lower purchase price. Some secondary investors are entirely averse to providing primary capital, so if raising primary is a goal for the seller, they need to be comfortable with the fact that it could come at the expense of maximum buyer engagement. As

a result, the structure and sizing of the primary component should be calibrated thoughtfully to align incentives and preserve transaction momentum.

### **Economics and Fees**

Economics should reflect both the nature of the portfolio and the seller's objectives. In a Managed Fund context, economics and fees generally refer to the management fee, carried interest, and other structural terms negotiated between investors and the seller.

It is most common to charge economics on primary capital, if included. It is more variable, however, for economics to be charged on the seeded secondary portfolio within the Managed Fund. If the secondary portfolio consists of newer vintages with significant remaining growth potential, sellers have a stronger case for management fees and, in certain circumstances, carried interest.

However, it is worth noting that buyers will incorporate any economics into their underwriting and adjust purchase price accordingly. Similar to primary, sellers must balance their request for economics against maximizing price.

### **Management & Governance**

Managed Fund transactions generally require underlying GP transfer consent and negotiation of transfer documentation, similar to traditional secondary sales. In certain situations, GPs may favor a managed fund structure as it preserves continuity in the GP-LP relationship, allowing them to maintain an existing dialogue with a known counterparty rather than onboarding a new investor base. Consequently, the structure can optimize competitive tension by allowing the maximum number of investors to participate in a process.

Sellers should consider whether the ongoing role of sitting above new investors in the Managed Fund as a manager aligns with their long-term objectives; for some institutions, a clean exit may be more appropriate. As the manager of the new vehicle, the seller will have a degree of reporting obligations to the Managed Fund LP base and steps into the role of "Sponsor" after previously being an LP. Notably, the selling LP must have the requisite infrastructure and regulatory status (e.g., the ability to manage third-party capital, typically as a Registered Investment Advisor), and therefore, this structure may not be suitable for all institutions.

## Managed Funds for Portfolio Management Contexts

When a seller's primary transaction objectives are more aligned with administrative simplification and AUM preservation, rather than platform expansion, some of the key considerations change:

- **Portfolio Construction:** Assets may consist primarily of legacy or tail-end exposure targeted for liquidity.
- **Primary:** In the scenarios where the seed portfolio is tail-end with limited remaining upside, it becomes challenging to raise primary capital as it alters the duration profile of the deal for buyers.
- **Economics:** Ongoing fees are typically limited. Economics above those embedded in the underlying selling funds may create alignment concerns. Where no primary capital is raised, structures often include only modest administrative fees.

## Conclusion

Managed Fund transactions represent a flexible and increasingly relevant tool within the secondary market. For the right seller and portfolio, they can provide a differentiated liquidity solution that balances monetization, relationship preservation, and strategic optionality.

As the secondary market continues to mature, Managed Funds merit consideration alongside traditional sales and other structured solutions when evaluating portfolio management alternatives.

## Evercore Team

Evercore is the most experienced advisor in the secondary market, and more specifically in the Managed Fund space, with deep syndication capabilities and a track record of executing these structures for many leading institutional investors. Our team would welcome the opportunity to discuss whether a Managed Fund could be a strong fit for your program.

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