The Rise of Tail-End Funds

End-of-Life Considerations for Managers, Investors and Secondary Market Participants

Abstract

Tail-end funds have experienced dramatic growth over the last 15 years, outpacing growth in aggregate private markets assets under management (AUM) over this timeframe. As of December 31, 2024, tail-end funds held an estimated $1.8 trillion in unrealized net asset value (NAV). This surge was largely attributable to the robust fundraising environment up through 2015 coupled with recent challenges in the private equity exit landscape. The record-setting fundraising period from 2016 through 2021 foreshadows substantial continued growth in tail-end fund unrealized NAV through 2031. This publication explores the implications of these trends, potential complexities and challenges associated with tail-end funds and examines various solutions, including traditional and GP-led secondaries and proposes certain reforms and recommendations employed in our practice to help fund stakeholders resolve challenging end-of-life circumstances.

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Key Takeaways

Tail-end funds held over $1.8 trillion in unrealized NAV as of December 2024, a 11.25x increase since the post-Global Financial Crisis era—outpacing overall private markets AUM growth.

The surge was driven by robust pre-2015 fundraising and a protracted slowdown in sales of portfolio companies, with tail-end NAV expected to expand through 2031.

Closed-end private capital funds are not designed for longevity, often facing liquidity constraints, misalignment of interests, governance limitations and team attrition as they age beyond their contractual terms.

Most tail-end funds are managed without controversy, but those with structural or circumstantial complexities demand greater investor and manager attention and can be very challenging to resolve.

The opportunity cost of holding tail-end NAV is significant, reducing investors' ability to reinvest capital into new and potentially more profitable investment opportunities.

Research suggests that a substantial majority of private market funds liquidated over the last fifteen years have outlasted conventional fund term horizons of 10-12 years, with 73.8% of private equity funds and 77.6% of venture capital funds having lifespans of 13 years or greater.

Empirical data shows private market funds on average have not resulted in sustained value creation beyond their tenth anniversary and have lost value when the opportunity cost of locked-up capital is considered.

The default orientation in tail-end scenarios should be toward value preservation over speculative value creation, unless supported by clear, risk-adjusted upside potential and other structural risk mitigation.

Conventional provisions in governing agreements often reinforce inertia by lacking clear dissolution mechanics, limiting LP rights, and continuing fees beyond term expiry.

The secondaries market remains underpenetrated with annual transaction volume representing just a fraction of unrealized tail-end NAV—offering significant room for growth in both traditional secondaries and GP-led secondaries.

However, secondary market solutions are not a panacea, with many complex or lower-quality funds falling outside the scope of current GP-led market capacity.

Independent strategic alternatives analysis is critical, enabling informed decision-making, transparency and evaluation of competing outcomes.

Improving resolution dynamics for challenging tail-end circumstances would likely enhance the liquidity characteristics, investment returns and overall attractiveness of private markets asset classes for the benefit of all market participants.

Introduction

Tail-end funds first gathered wide attention in the wake of the Global Financial Crisis at a time when private markets were less than one-fifth their current size and unrealized NAV held by tail-end funds globally approximated $160 billion. The topic has reemerged as a critical area of focus as tail-end funds have come to occupy a substantially larger and rapidly growing position in the private markets landscape.

As of December 2024, the total estimated unrealized NAV held by tail-end funds soared to an unprecedented $1.8 trillion globally, representing a 11.25x increase from levels in the immediate aftermath of the Global Financial Crisis and outpacing overall growth in private markets AUM since that time. This momentum is expected to continue, if not accelerate, as the record-setting fundraising environment from 2016 to 2021 will fuel more rapid growth through 2031.

Tail-end fund situations are commonly resolved naturally and without controversy under ordinary circumstances. However, in more challenging circumstances, investors and managers often contend with an array of complex end-of-life issues that they and their governing documents did not adequately anticipate. Among other pressures, as funds age, they often face liquidity constraints, weakened asset quality, investment team transitions, exposure to dynamic market conditions and ambiguous governing agreement provisions, all of which can complicate decision making and strain stakeholder relationships. For investors, these circumstances frequently translate into longer than anticipated investment hold periods and the resulting opportunity cost associated with the inability to timely reinvest capital locked in tail-end funds. For managers, these challenges can hinder the exercise of fiduciary duties and even threaten the very viability of the investment firm in certain instances.

The rise of tail-end funds has occurred against a backdrop of substantial growth and evolution in the secondaries market and the development of other innovations designed to alleviate fund end-of-life issues. Many industry professionals have predicted an end to the age of tail-end funds as a result of the rapid adoption of GP-led structured secondaries, including continuation vehicles, over the last decade and the advent of evergreen funds as a structural alternative to closed-end funds. While these solutions, particularly GP-led structured secondaries, have become tightly interwoven into the fabric of the industry and will continue to gain in prominence, they only currently address a small fraction of tail-end fund situations. There is simply no one-size-fits-all approach available for resolving complex and challenging end-of-life circumstances.

Recent regulatory developments have opened the door for U.S. 401(k) plans to allocate to alternative asset classes, including private equity, private credit and real assets. This change reflects a growing recognition of the role private markets can play in enhancing diversification and return potential within retirement portfolios. It also signals a significant expansion of the investor base for private markets, with long-term implications for fund structures, governance, and liquidity management.

Against this backdrop, the importance of tail-end funds takes on added weight. The inclusion of private market alternative assets in retirement plans is expected to drive substantial growth in AUM while also fueling further expansion of secondary markets and other liquidity solutions. These dynamics create an environment ripe for innovation, with new tools and structures emerging to meet the needs of a broader investor base. Yet as private markets grow in scale and diversity, the resolution of tail-end funds will become even more consequential—requiring approaches that balance opportunity with careful navigation of new and distinct challenges.

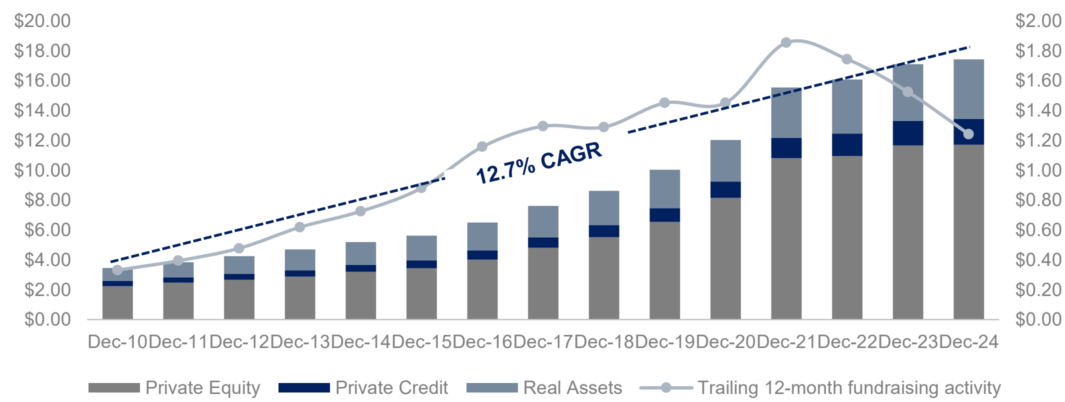
In this publication, we primarily focus on the following key areas related to tail-end funds:

- Review of key trends in tail-end funds in the context of the evolution of private markets over the last fifteen years;
- Analysis of the current profile of publicly-reporting and nonreporting tail-end funds;
- Discussion of common end-of-life challenges and key risk factors;
- Evaluation of solutions that offer pathways to liquidity and value realization for tail-end fund stakeholders, including but not limited to structured secondaries; and
- Recommendations to help stakeholders resolve complex and challenging tail-end fund circumstances.

Revolution in Private Markets

Global private markets have experienced dramatic growth over the last fifteen years across all asset classes and regions, reaching an estimated $17.4 trillion in AUM as of December 2024. The rapid growth was fueled by historically high fundraising activity, which peaked in 2021 and has eased subsequently. Total private markets fundraising activity in 2024 was at the lowest level since 2016.

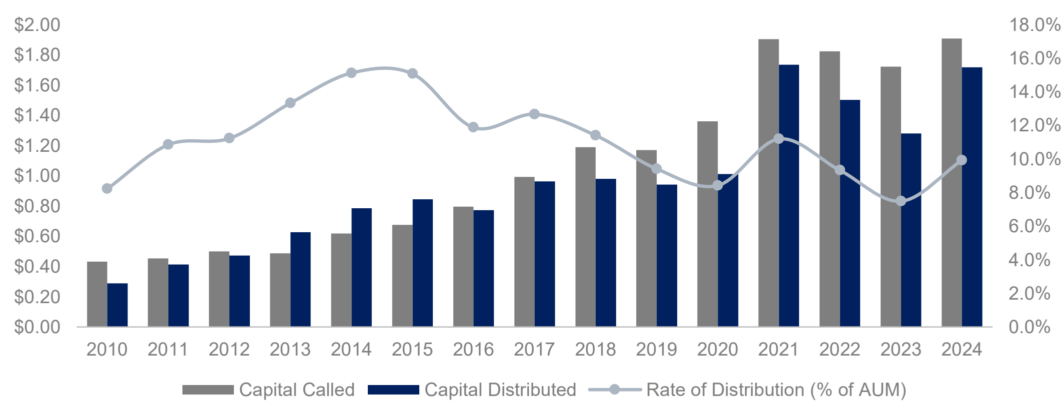
Figure 1: Global Private Markets AUM by Asset Class and Fundraising Activity (USD Tn)[1]



The contraction in private markets fundraising activity has generally been attributed to prolonged softness in the private equity exit environment driving substantially lower investor distributions. These dynamics increased liquidity pressure for investors and constrained allocations to private markets investments in recent years.

As shown below, global private markets investor distributions have lagged contributions since 2017, and the rates of distribution for 2022 and 2023 were approximately 9.3% and 7.5% of total AUM, respectively, levels meaningfully lower than distribution rates experienced between 2011 and 2018. The 2023 distribution rate of 7.5% of total AUM was the lowest level in the last fifteen years. The distribution rate recovered slightly in 2024, reaching 9.9% of total AUM.

Figure 2: Global Private Market Cash Flows and Distribution Rates (USD Bn)[2]



The Rise of Tail-End Funds

Definitions and Data Sources

Closed-end private capital funds have a finite term, commonly a 10-year initial term with two annual extension periods (but may vary by asset class). Tail-end funds are active (non-liquidated) closed-end private funds that have exceeded or are nearing expiry of their initial contractual term. For this publication, we have defined tail-end funds as active private funds with vintage years of 2015 and older.

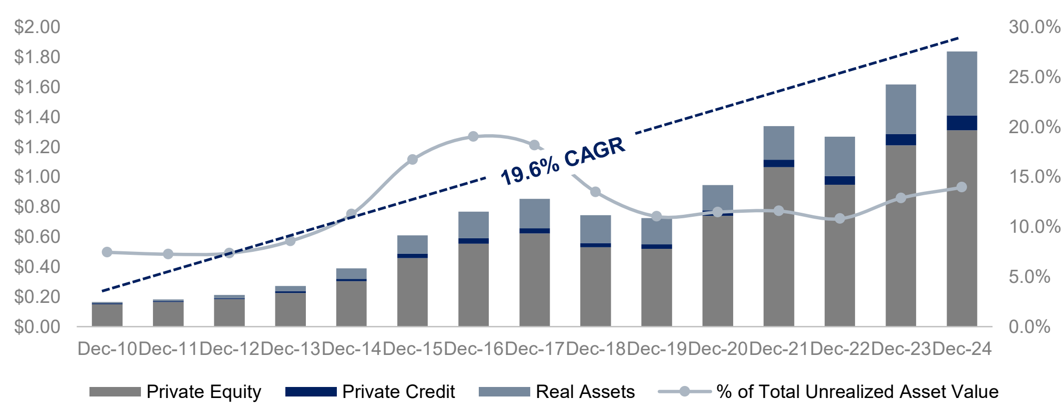
We have predominantly relied on data obtained from Preqin Ltd., a leading provider of private markets solutions, for estimates of dry powder, unrealized NAV, AUM and other relevant information. Notably, Preqin's estimates encompass all private market funds, including both publicly-reporting and nonreporting funds.

Unprecedented Growth (with Substantially More on the Horizon)

Over the last fifteen years, unrealized NAV held by tail-end funds grew to $1.8 trillion as of December 2024, representing a 11.25x increase and a 19.6% CAGR, outpacing growth in overall private markets AUM over this timeframe.

This growth occurred across all private markets asset classes but was most pronounced in the private equity asset class due to its size, growth characteristics and relative maturity as compared to other private market asset classes.

Figure 3: Tail-End Fund Unrealized NAV by Asset Class (USD Tn)[3]



It may seem surprising that tail-end fund unrealized NAV has not only kept pace with, but outstripped, private markets growth and reached current levels without drawing greater attention given the intense focus on tail-end funds and end-of-life challenges in the wake of the Global Financial Crisis. Much of the recent discourse regarding tail-end funds has framed traditional secondaries and GP-led structured secondaries as ubiquitous solutions to *all* end-of-life challenges. While secondary market growth and innovation have been transformative to private markets, the sheer scale of tail-end fund unrealized asset growth suggests that these solutions, while clearly impactful, have not stemmed the tide.

The significant growth of tail-end fund assets alongside the evolution of secondary markets supports a case for significant further expansion of the secondary markets while also challenging the idea that secondary solutions alone could resolve *all* tail-end fund challenges.

Drivers of Growth in Tail-End Funds

There are four primary drivers of the rise in tail-end fund unrealized NAV over the last fifteen years, which are described in more detail below:

1 Closed-end private capital funds have frequently outlasted conventional term expectations and held meaningful unrealized assets beyond 10 to 12 years.

Various sources have published data evidencing that the lifespan of private funds often exceeds the conventional 10 to 12-year term horizon for closed-end vehicles. Seeking a more nuanced understanding of this issue, we undertook a study of the lifespan of publicly-reporting private funds that have completed liquidations[4] after 2009.

Based on a sample of 2,333 private equity and venture capital funds, we found that the median lifespan of private equity and venture capital funds profiled was 15 years and 16 years, respectively, and that a substantial majority of these funds had lifespans greater than 12 years.

The results of the study are summarized below.

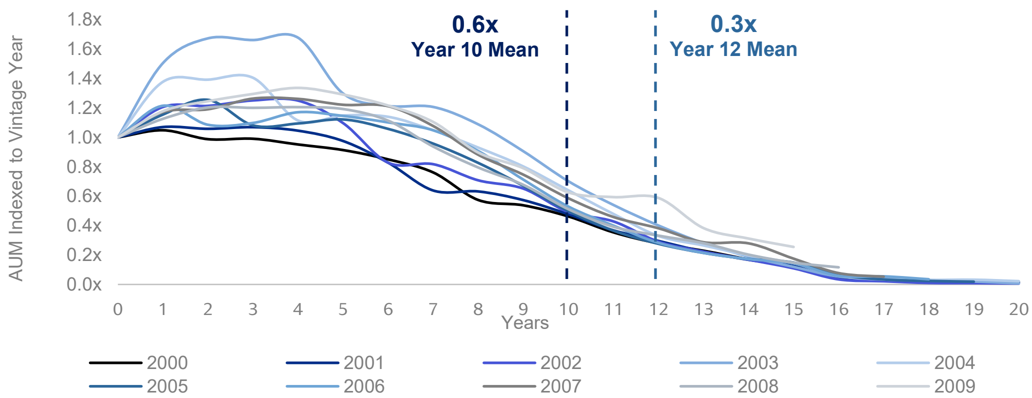
Figure 4: Lifespan of Private Equity and Venture Capital Funds Liquidated From 2010 – Present[5]

Private Equity		Venture Capital	
Age Strata	**% Total**	**Age Strata**	**% Total**
12 Years or Fewer	26.2%	12 Years or Fewer	22.4%
13 - 15 Years	30.0%	13 - 15 Years	26.0%
16 - 18 Years	26.3%	16 - 18 Years	27.7%
19 - 20 Years	8.8%	19 - 20 Years	14.6%
More than 20 Years	8.7%	More than 20 Years	9.2%
Total	**100.0%**	**Total**	**100.0%**
PE Funds 13 Years and Older	**73.8%**	**VC Funds 13 Years and Older**	**77.6%**

Not only have approximately three-quarters of private funds outlasted standard term conventions, but they have also held meaningful unrealized assets beyond their 10 and 12-year anniversaries.

To evaluate this, we analyzed the evolution of AUM on an annual basis for the private equity asset class across all geographies for funds with vintage years from 2000 to 2009 (i.e., those vintage years with sufficient performance history to substantially cover the full lifespan of underlying funds). That data is summarized in the chart below, where we've presented "lifetime value recovery curves," representing changes in AUM (dry powder plus unrealized NAV), indexed to the vintage year (initial) value over a 20-year horizon. The chart below shows that funds within the vintages profiled, on average, held unrealized NAV of 0.6x (or 60%) of initial AUM at the end of year 10 and 0.3x (or 30%) of initial AUM at the end of year 12.

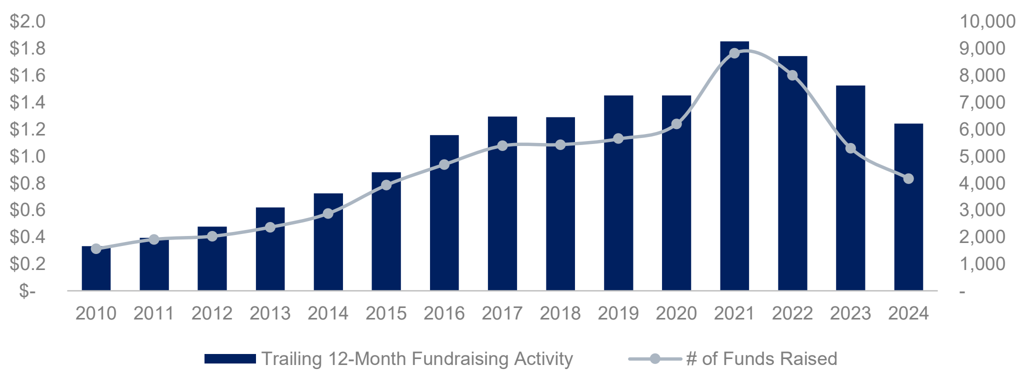
Figure 5: Private Equity Asset Class
Lifetime Value Recovery Curves (Vintage Years: 2000-2009)[6]



2	The dramatic expansion in private markets AUM has fueled growth in tail-end fund unrealized NAV.

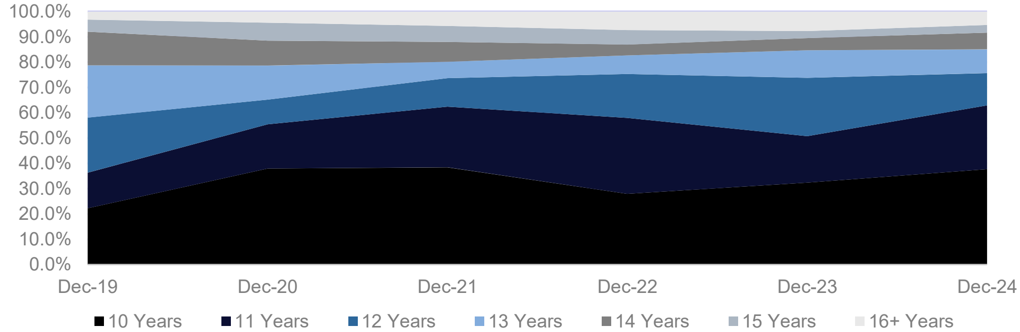
Tail-end fund assets have increased as a natural byproduct of the expansion in private markets over the last fifteen years, due in large part to a record fundraising cycle leading up to 2015—the most recent vintage year to reach tail-end status. The significant ramp up of fundraising activity from 2016 through 2021 foreshadows substantial future additional growth in tail-end fund unrealized NAV through 2031.

Figure 6: Global Private Markets
Fundraising Activity (USD Tn)[7]



As shown in the chart below, tail-end fund unrealized NAV has often been heavily concentrated in vintages that are 10 – 14 years old, with those vintages comprising approximately 80% of total tail-end fund unrealized NAV over the last several years. Assuming similar concentration patterns hold in the near future, we would anticipate tail-end fund unrealized NAV could eclipse $4 trillion by 2031.

Figure 7: Composition of Global Tail-End Fund Unrealized NAV by Vintage Age[8]

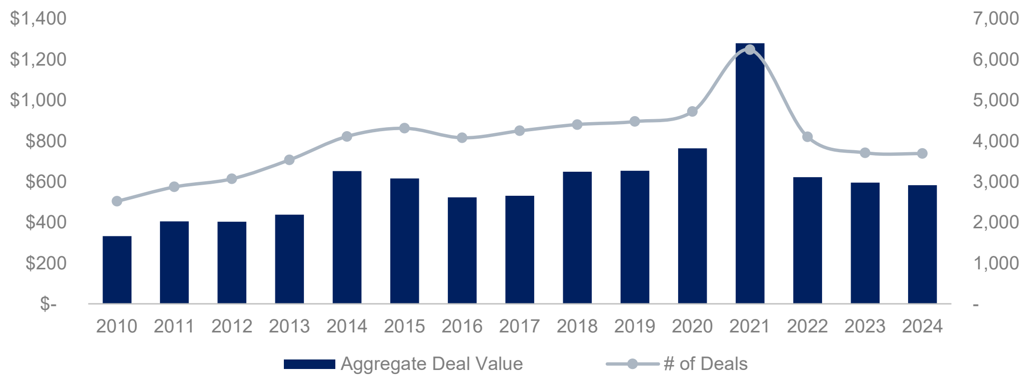


3 A softer private equity exit environment has prolonged hold periods.

Tail-end funds assets haven't just grown in size; they've been sticking around longer over the last several years because of softness in the exit environment. Private equity exit volumes peaked in 2021 but declined sharply between 2022 and 2024.

In fact, over the past three years, exit activity has returned to levels last seen prior to 2018—when private markets AUM was just 43.7% of the December 2024 estimated level.

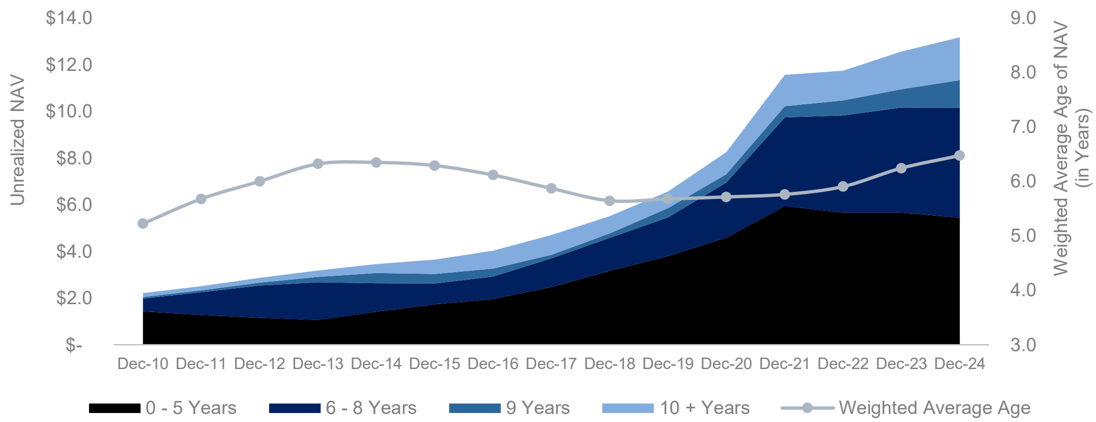
Figure 8: Global Private Equity Exit Activity (USD Bn)[9]



The recent softness in private equity exit activity has contributed to a shift in the composition of private markets unrealized NAV toward older fund vintages. Since 2018, the weighted average age of unrealized NAV has increased from 5.6 to 6.5 years, and nearly 60% of private markets unrealized NAV was concentrated in funds aged 6 years or more as of December 2024.

The concentration of private markets unrealized NAV in funds aged beyond conventional investment periods could signal a supply-demand imbalance where the market is tilted more toward sellers than buyers, which could influence private market valuations over time.

Figure 9: Age of Private Markets Unrealized NAV (USD Tn)[10]

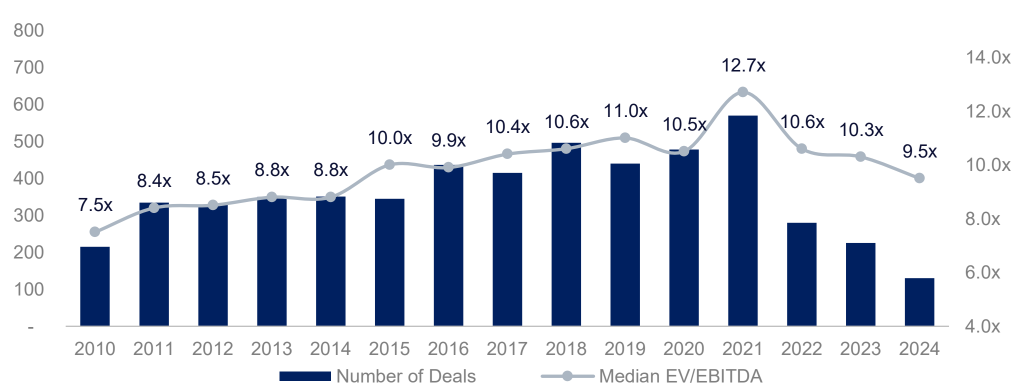


4 Valuation dynamics have played a significant role.

Lastly, the growth in tail-end fund assets has been shaped by valuation trends. Shifts in public market performance, M&A multiples, and broader macroeconomic factors have influenced fund managers' decision-making. In some cases, assets that might have exited earlier remain in portfolios due to valuation dislocations, while in others, managers are waiting for more favorable conditions to maximize recovery. As a result, unrealized NAV remains elevated even in aging portfolios, reinforcing the broader trend of longer fund lifespans and a higher percentage of unrealized value.

The chart below illustrates the trend of substantial increase in median buyout EV/EBITDA multiples in the period following the Global Financial Crisis through 2021 followed by a downward correction over the last three years. Median buyout multiples climbed sharply from 7.5x in 2010 to a peak of 12.7x in 2021. Multiples have contracted subsequently, declining to 9.5x in 2024—the lowest level experienced over the last decade, while still higher than 2010 – 2014 levels.

Figure 10: Median Buyout EV/EBITDA Multiples and Deal Count[11]



Insights from Publicly-Reporting Tail-End Funds

The universe of tail-end funds includes both publicly-reporting funds—those disclosing performance voluntarily or due to Freedom of Information Act (FOIA) and other public disclosure requirements—and nonreporting funds. Notably, much that has been written about tail-end funds has materially understated the scope of the tail-end fund issue by focusing exclusively on publicly-reporting tail-end funds and not addressing nonreporting tail-end funds. Examining these two groups together provides a comprehensive view of the entire tail-end fund landscape, helping quantify unrealized NAV and assess broader implications for private markets.

However, with the caveat that they represent a portion of the overall tail-end fund universe, publicly-reporting tail-end funds can offer additional value by enabling a more granular analysis. By segmenting publicly-reporting tail-end funds based on performance, fund size, remaining asset value and other key factors, we can gain deeper insights into the structure, distribution and resolution dynamics of aging funds. This targeted approach allows us to deconstruct the tail-end fund population, identify targeted risks and opportunities and assess the effectiveness of solutions to end-of-life challenges. As we explore these topics further, we examine how the resulting insights can shape end-of-life decision-making for fund managers, investors and secondary investors.

As a subset of the total tail-end universe, tail-end funds that publicly report performance comprised approximately $862.7 billion in unrealized asset value across 3,627 funds based on data extracted from Preqin's fund performance reporting tool, *Preqin Pro*, in December 2024.

Size and Dispersion of Tail-End Assets

As illustrated below, tail-end fund unrealized NAV was highly concentrated in a small number of large funds, with just 195 funds (5.4% of publicly-reporting tail-end funds) holding more than $1 billion of remaining NAV each and collectively accounting for $439.0 billion (50.9%) of total unrealized NAV. Meanwhile, a substantial majority—3,432 funds (94.6%)—each held less than $1 billion in remaining NAV, representing $423.7 billion (49.1%) of total unrealized tail-end fund NAV.

Figure 11: Publicly Reporting Tail-End Fund Asset Value and Fund Count by Remaining NAV Strata (USD Bn)[12]

(USD Bn)	Remaining Value		Active Funds	
Funds with Remaining Asset Values:				
Greater than $1 Billion	$ 439.0	50.9%	195	5.4%
$0.5 - $1.0 Billion	159.9	18.5%	225	6.2%
$0.1 - $0.5 Billion	213.9	24.8%	899	24.8%
Less than $0.1 Billion	49.9	5.8%	2,308	63.6%
Total	**$ 862.7**	**100.0%**	**3,627**	**100.0%**

These concentrations underscore the situational diversity that exists within the tail-end fund landscape, where a relatively small number of large funds drive a significant portion of overall market dynamics, and a large, fragmented base of middle-market funds present more varied challenges and opportunities for investors and secondary market participants.

Fund Performance

Tail-end funds with Total Value-to-Paid-in (TVPI) multiples below 2.0x accounted for $482.0 billion (55.9%) of unrealized NAV across 2,275 (62.7%) active funds. This finding is particularly significant because these funds may generate little to no carried interest (when preferred return hurdles are present) increasing the risk of potential misalignment of interests between a fund manager and its investors.

The prospect for carried interest decreases while potential claw back risk related to carried interest distributions made earlier in a fund's life increases as funds continue to age. As a result, the economic incentives for tail-end fund managers may weaken, resulting in potential misaligned interests between GPs and LPs.

Figure 12: Publicly Reporting Tail-End Fund Remaining NAV and Fund Count by TVPI (USD Bn)[13]

(USD Bn)	Remaining Value		Active Funds	
Funds with Reported TVPI:				
Greater than 2.0x	$ 380.6	44.1%	1,352	37.3%
1.5-2.0x	290.5	33.7%	1,009	27.8%
1.0-1.5x	160.7	18.6%	941	25.9%
Less than 1.0x	30.8	3.6%	325	9.0%
Total	**$ 862.7**	**100.0%**	**3,627**	**100.0%**
Sum of TVPI <= 2.0x	**$ 482.0**	**55.9%**	**2,275**	**62.7%**

The scale of unrealized NAV concentrated in lower-TVPI funds raises important questions about long-term fund stewardship, alignment of interest, retention of key management personnel, the compounding impact of management fees on fund returns, and the viability of potential secondary market alternatives in this segment of the tail-end fund universe.

NAV Reliance

We further analyzed the above TVPI strata by examining the extent to which tail-end funds were reliant on unrealized NAV (the valuation of which is typically determined by the manager in its sole discretion) to achieve their reported TVPI levels. To measure this, we developed what we refer to as the "NAV Reliance" ratio (defined as Remaining Value-to-Paid-In (RVPI) divided by TVPI), which quantifies a fund's dependency on unrealized NAV to achieve reported levels of TVPI.

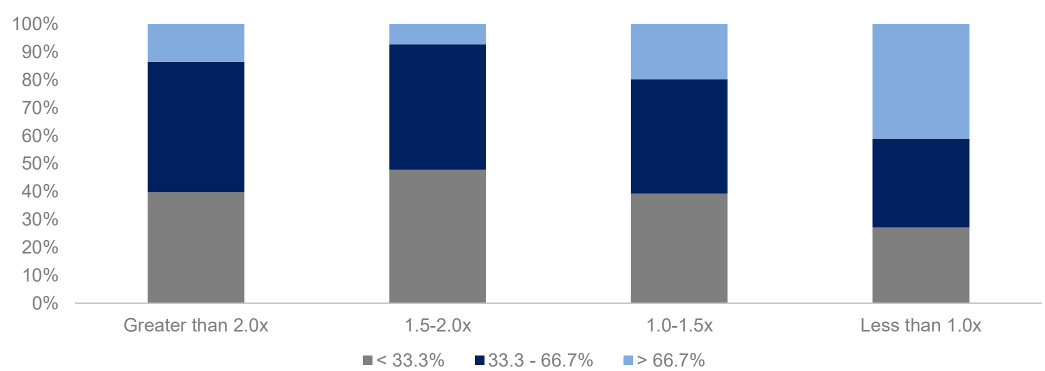
The concept is that funds with a higher reliance on unrealized NAV are exposed to greater variability in outcomes and, therefore, carry higher performance risk. They also stand a lower likelihood of generating meaningful carried interest due to the lower proportion of distributions achieved to date. For these reasons, managers of tail-end funds with higher degrees of NAV reliance may face added scrutiny regarding future asset monetization plans and the reasons why higher rates of distribution were not achieved during the fund's initial term from investors in connection with fund extensions or requests for other end-of-life accommodations.

Figure 13: Remaining NAV
by NAV Reliance Category and TVPI Strata (USD Bn)[14]

(USD Bn)	NAV Reliance			
	< 33.3%	33.3 - 66.7%	> 66.7%	Total
Funds with Reported TVPI:				
Greater than 2.0x	$ 151.2	$ 177.7	$ 51.8	$ 380.6
1.5-2.0x	138.8	130.3	21.4	290.5
1.0-1.5x	63.0	65.8	31.9	160.7
Less than 1.0x	8.4	9.8	12.7	30.8
Total Unrealized NAV	**$ 361.4**	**$ 383.6**	**$ 117.7**	**$ 862.7**
% of Total	***41.9%***	***44.5%***	***13.6%***	***100.0%***
# Active Funds	**2,621**	**693**	**313**	**3,627**
% of Total	***72.3%***	***19.1%***	***8.6%***	***100.0%***
Sum of TVPI <= 2.0x	**$ 210.2**	**$ 205.9**	**$ 65.9**	**$ 482.0**
% of Category	***58.2%***	***53.7%***	***56.0%***	***55.9%***

Tail-end funds where unrealized NAV accounted for more than 33% of reported TVPI represented $501.3 billion (58.1%) of total tail-end fund unrealized NAV across 1,006 active funds (27.7%).

Figure 14: Proportion of Remaining NAV in NAV Reliance Categories
by Reported TVPI Strata[15]



This finding highlights another dimension of risk, which is that a majority of overall unrealized NAV for tail-end funds is concentrated in funds that remain moderately-to-highly dependent on unrealized assets being sold at levels equal to or greater than the GP's latest marks to achieve reported performance levels. This fact, coupled with a lower probability that these funds will generate substantial carried interest, results in heightened risk of misaligned interests and other end-of-life complexities.

Age of Unrealized NAV

Of the estimated $862.7 billion in total tail-end fund unrealized NAV, $576.8 billion (66.9%) resides within 1,514 active funds (41.7%) aged 12 years or less. Meanwhile, tail-end funds aged 13 years or more accounted for $285.9 billion (33.1%) in unrealized NAV across 2,113 funds (58.3%), highlighting a large (albeit minority) population of significantly aged funds still holding material assets.

Figure 15: Age of Unrealized NAV Based on Vintage Year (USD Bn)[16]

(USD Bn)	Remaining Value		Active Funds	
Age Category Based on Vintage:				
10 Years	$ 251.1	29.1%	593	16.3%
11 Years	184.4	21.4%	495	13.6%
12 Years	141.3	16.4%	426	11.7%
13 - 15 Years	182.6	21.2%	858	23.7%
16+ Years	103.3	12.0%	1,255	34.6%
Total	**$ 862.7**	**100.0%**	**3,627**	**100.0%**
Sum of 13+ Years	**$ 285.9**	**33.1%**	**2,113**	**58.3%**

Traditional private equity economics—designed for structured realizations within a conventional fund term horizon—begin to break down when aging portfolios become a test of endurance rather than performance. As tail-end funds continue to languish for years following term expiry, the consequences of weakened alignment between fund managers and LPs can become increasingly more acute.

Successor Fund Status

The stratification of tail-end funds by successor fundraising activity highlights another critical fault line in manager alignment of interest. Approximately $133.5 billion (15.5%) of tail-end fund unrealized NAV resides in 879 funds (24.2%) managed by firms that have not raised a successor fund since 2018. Without an active and ongoing franchise, managers may face dwindling incentives to employ resources toward maximizing recoveries related to long-dated assets. The absence of a successor fund can also result in heighted risk of misalignment related to the timeliness of asset monetization, particularly when management fees continue beyond fund term expiry.

Figure 16: Tail-End Fund Unrealized NAV and TVPI Strata by Successor Fund Status (USD Bn)[17]

(USD Bn)	Successor Fund Raised Since 2018		No Successor Fund Since 2018	
	Remaining Value	Active Funds	Remaining Value	Active Funds
Funds with Reported TVPI:				
Greater than 2.0x	$ 339.2	1,105	$ 41.4	247
1.5-2.0x	259.4	826	31.1	183
1.0-1.5x	112.6	661	48.0	280
Less than 1.0x	17.9	156	13.0	169
Total	**$ 729.1**	**2,748**	**$ 133.5**	**879**
Sum of TVPI <= 2.0x	***$ 389.9***	***1,643***	***$ 92.1***	***632***
% of Total	***53.5%***	***59.8%***	***69.0%***	***71.9%***

In contrast, tail-end fund managers that have raised one or more successor funds may be less dependent upon tail-end fund management fee streams because of their entitlement to successor fund economics, and they also may be more motivated by reputational sensitivities to achieve a timely and value-maximizing resolution to tail-end fund circumstances.

Summary of Asset Quality and Alignment of Interest Risk Factors

To evaluate the varied risk profiles within publicly-reporting tail-end funds, we developed a risk spectrum framework, which maps concentrations of risk across key fund stratifications. This framework categorizes publicly-reporting tail-end funds and unrealized NAV based on remaining asset size, fund performance, NAV reliance, fund age and successor fund status—each of which can independently or collectively contribute to heightened risk. Using a color-coded scale, we classify risk levels from low (green) to moderate (yellow/orange) to high (red), helping to visualize where asset quality and alignment of interest risk factors and other end-of-life complexities may be most concentrated.

On a relative basis, tail-end funds with low performance, high unrealized NAV reliance, advanced fund age and/or managers that have not raised successor funds reflect higher levels of risk in this framework. The risk factors profiled are independent of each other and may be overlapping and compounding. For example, a poor performing fund with a high-degree NAV reliance and a manager who has not raised a successor fund might entail more significant complexities than a similarly-performing fund with a low-degree of NAV reliance that is managed by a GP that has raised one or more successor funds.

While tail-end funds with lower levels of remaining unrealized NAV represent less value at risk for investors, they received a higher risk classification above than their larger fund counterparts because they may be less attractive candidates for GP-led secondaries and other structured liquidity solutions—at least based on where the secondaries market has been most active until this point.

The below risk spectrum framework illustrates that the universe of tail-end funds is not uniform in nature—the fundamental risk profiles and resolution options set for tail-end funds can vary significantly based on situational and performance factors.

Figure 17: Summary of Asset Quality and Alignment of Interest Risk Factors

	Low	Moderate	High
Remaining Asset Size	**> $0.5 Bn of Unrealized NAV** Unrealized NAV: $598.9 Bn (69.4%) Active Funds: 420 (11.6%) Avg. Remaining NAV/Fund: $1.4 Bn	**$0.1 - $0.5 Bn of Unrealized NAV** Unrealized NAV: $213.9 Bn (24.8%) Active Funds: 899 (24.8%) Avg. Remaining NAV/Fund: $238 Mm	**< $0.1 Bn of Unrealized NAV** Unrealized NAV: $49.9 Bn (5.8%) Active Funds: 2,308 (63.6%) Avg. Remaining NAV/Fund: $21.6 Mm
Fund Performance	**TVPI > 2.0x** Unrealized NAV: $380.6 Bn (44.1%) Active Funds: 1,352 (37.3%) Avg. Remaining NAV/Fund: $281.2 Mm	**TVPI 1.5 - 2.0x** Unrealized NAV: $290.5 Bn (33.7%) Active Funds: 1,009 (27.8%) Avg. Remaining NAV/Fund: $287.9 Mm	**TVPI < 1.5x** Unrealized NAV: $191.5 Bn (22.2%) Active Funds: 1,266 (34.9%) Avg. Remaining NAV/Fund: $151.1 Mm
NAV Reliance	**NAV Reliance < 33.3%** Unrealized NAV: $361.4 Bn (41,9%) Active Funds: 2,621 (72.3%) Avg. Remaining NAV/Fund: $137.8 Mm	**NAV Reliance 33.6 - 66.7%** Unrealized NAV: $383.6 Bn (44.5%) Active Funds: 693 (19.1%) Avg. Remaining NAV/Fund: $553.5 Mm	**NAV Reliance > 66.7%** Unrealized NAV: $117.7 Bn (13.6%) Active Funds: 313 (8.6%) Avg. Remaining NAV/Fund: $376.0 Mm
Fund Age	**10 - 12 Years Old** Unrealized NAV: $576.8 Bn (66.9%) Active Funds: 1,514 (41.7%) Avg. Remaining NAV/Fund: $381.0 Mm	**13 - 15 Years Old** Unrealized NAV: $182.6 Bn (21.2%) Active Funds: 858 (23.7%) Avg. Remaining NAV/Fund: $212.9 Mm	**16+ Years Old** Unrealized NAV: $103.3 Bn (12.0%) Active Funds: 1,255 (34.6%) Avg. Remaining NAV/Fund: $82.3 Mm
Successor Fund Status	**At Least One Successor Fund Raised Since 2018** Unrealized NAV: $729.2 Bn (84.5%) Active Funds: 2,748 (75.8%) Avg. Remaining NAV/Fund: $265.4 Mm		**No Successor Fund Raised Since 2018** Unrealized NAV: $133.5 Bn (15.5%) Active Funds: 879 (24.2%) Avg. Remaining NAV/Fund: $151.9 Mm

The Growing Challenge of Tail-End Funds

The dramatic expansion of tail-end fund unrealized NAV over the past fifteen years is reshaping the private markets landscape. This trajectory is set to continue, driven by record fundraising between 2016 and 2021, ensuring that a wave of funds will transition into tail-end status over the coming decade.

As these funds and unrealized tail-end assets accumulate, so too do the structural inefficiencies and liquidity constraints that increasingly weigh on investors, fund managers, and the broader private markets ecosystem.

At a macro level, a large and increasing number of assets held beyond conventional fund horizons has created substantial opportunity costs for investors facing delayed distributions and more limited ability to reinvest capital into new opportunities, effectively trapping assets in funds where, in many cases, long-term value creation potential may be diminished.

While it is true that not all tail-end circumstances are problematic, many aging funds are encumbered by fund-specific challenges that can hinder a timely and effective resolution of end-of-life situations. The risk stratifications discussed earlier highlight a diverse and fragmented tail-end fund landscape—one in which some funds are well-positioned for secondary solutions, while others face risk of more protracted and uncertain paths to resolution.

Resolving complex tail-end fund situations requires navigating a series of interwoven challenges that can hinder a timely and value-maximizing outcome. For investors, the effort required to engage meaningfully—analyzing fund and portfolio dynamics, coordinating with other stakeholders and negotiating resolution strategies—often competes with other priorities and may feel disproportionate to their remaining exposure. Limited rights, fragmented investor bases and restricted transparency further complicate decision-making, leaving many investors with little leverage to influence outcomes.

For managers, tail-end dynamics present their own set of difficulties. Liquidity constraints at both the fund- and portfolio-level can limit flexibility, while key personnel departures and diminishing carried interest incentives may weaken alignment and strain governance. When additional complexities—such as asset quality concerns or conduct risks—are present, navigating the end of a fund's life becomes even more challenging.

In these scenarios, inertia is often the default, but it is rarely the best outcome. Addressing end-of-life challenges proactively can mean the difference between a prolonged, inefficient wind-down and a resolution that maximizes and accelerates value recovery for all involved.

Macro-Level Perspectives

Growing Overhang of Trapped Capital

The dramatic rise in tail-end fund unrealized NAV—recently reaching $1.8 trillion—has amplified one of the private markets' most fundamental challenges, namely illiquidity. The surge in private markets AUM has contributed to a substantial and rapidly growing overhang of trapped capital held in tail-end funds. This overhang has impeded investors' ability to timely recover and reallocate capital into new investments resulting in constrained fundraising and significant opportunity cost across all private market asset classes.

This challenge is not just a feature of the current market but a structural shift that continues to accelerate. Given the fundraising trajectory between 2016 and 2021, tail-end unrealized NAV could exceed $4 trillion by 2031—more than doubling in size within a decade.

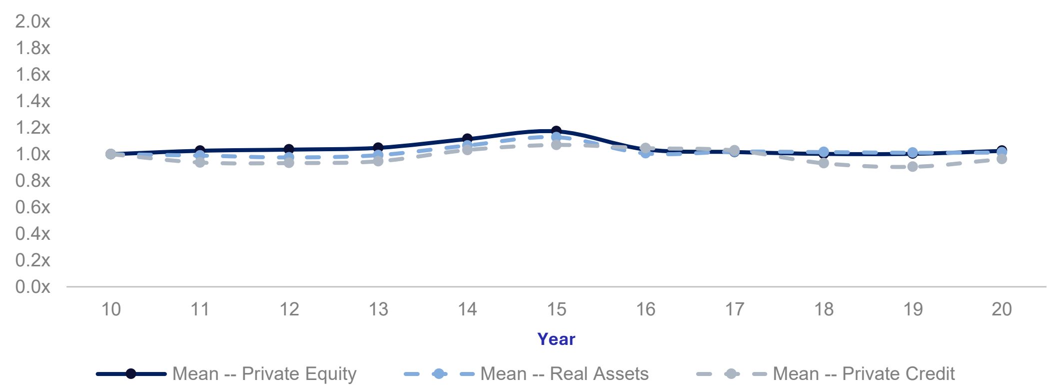
To put this into perspective, this figure surpasses the level of total private markets unrealized NAV less than a decade ago. The question is not whether tail-end fund assets will continue to grow but rather how investors and fund managers will navigate the constraints and unlock value within this rapidly expanding segment of the market.

Limits of Value Creation in Tail-End Funds

A fundamental assumption in private markets is that value is created with the passage of time. However, historical data suggests that for closed-end private capital funds this has generally not been the case beyond year 10. According to our analysis using Preqin data, tail-end funds have generally not experienced sustained value creation after their tenth anniversary and have, in fact, lost value when the opportunity cost of capital is considered.

In our analysis, we evaluated aggregate performance data from across the private equity, real assets and private credit asset classes for fund vintages from 2000 through 2013 (those with sufficient performance history) and analyzed changes in TVPI (indexed to year 10 value) from year 10 through year 20. While there were most certainly individual funds that gained or lost value, the aggregated data tells a clear story: on average, tail-end funds have historically not experienced sustained improvement in TVPI in their extended years. While based on historical results, these findings have relevant implications for how investors and fund managers should frame and approach the resolution of tail-end fund situations today and into the future.

Figure 18: Historical Tail-End Fund Value Creation by Asset Class (Vintage Years: 2000 – 2013)[18]



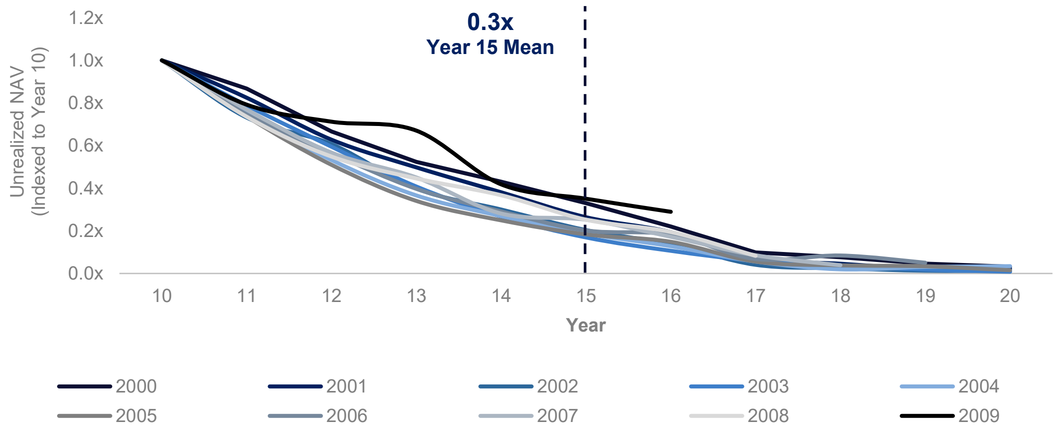
Once again, it is important to recognize that our analysis reflects average performance across mature vintage years, capturing a blend of outcomes. The takeaway is not that *all* tail-end funds have failed (or will fail) to generate incremental value. Each tail-end fund situation is unique and should be evaluated on its own merits, considering, among other things, the profile of specific assets and other sources of recovery, governance dynamics and strategic options available.

Persistence of Tail-End Unrealized Asset Value

A common misconception is that tail-end funds generally wind down quickly after reaching the end of their initial term. However, our analysis suggests that tail-end NAV frequently endures for several years following initial term expiry.

Using Preqin data, we examined the run-off of unrealized NAV across 2000–2009 vintage funds by tracking changes in RVPI, indexed to year 10 value. The data reveals that, on average, closed-end private market funds have retained meaningful assets well beyond the 10-year mark.

Figure 19: Historical Runoff of Tail-End Fund Unrealized NAV (Vintage Years: 2000 – 2009)[19]



At year 15, the mean value of unrealized NAV was still 0.3x (or 30%) of the year 10 value, underscoring the longevity of tail-end assets. Rather than dissipating quickly, these assets often linger for several years, reinforcing the notion that tail-end fund challenges are not ephemeral but structural.

Fund-Specific Considerations

In many cases, tail-end funds can reach the natural conclusion of their lifecycle with little to no issues. In these cases, a manager may initiate a short-term extension (which may or may not require advisory committee or investor consent), remaining assets are then monetized in a timely and orderly manner and capital is distributed in order of legal priority. When a well-established private equity firm seeks an additional year to wind up the affairs of a flagship fund, the process is often routine and not a cause for concern.

However, many end-of-life scenarios are not so straightforward. When certain conditions are present, the resolution of a tail-end fund can become significantly more complex and challenging, requiring careful navigation by managers, investors and other stakeholders.

In our experience, the most challenging tail-end fund situations tend to share one or, more often, a confluence of risk factors in common. Recognizing these risk factors is critical to navigating complex tail-end fund challenges and working to achieve a resolution that is both timely and value-maximizing under the circumstances.

Common Risk Factors

Risk factors that commonly impact resolution in complex and challenging tail-end fund circumstances include the following:

Alignment of Interest Risk

Alignment of interest is the foundation of the private equity model, yet it frequently erodes in tail-end fund situations, creating significant obstacles to resolution. When a fund's carried interest prospects diminish, management fees continue into dissolution, clawback risks loom or the manager has not raised a successor fund, incentives can diverge sharply between GPs and LPs. Without clear economic alignment, the risk of prolonged, suboptimal decision-making increases, making a timely and value-maximizing resolution far more difficult to achieve without investor activism.

Asset Quality Risk

The nature and quality of a tail-end fund's remaining assets are critical in shaping both the complexity of resolution efforts and the range of potential outcomes. Underperforming or distressed portfolio companies, illiquid minority stakes and other marketability constraints can severely undermine confidence in asset values and limit liquidity options. Investments in development-stage enterprises or firms with esoteric business models and limited comparables further compound uncertainty around valuation and anticipated recoveries.

Adding to the challenge, these assets often come with speculative follow-on capital requirements, forcing investors to make difficult choices—commit additional capital or risk dilution.

Liquidity Risk

Liquidity challenges in tail-end funds arise at both the portfolio and fund levels, each introducing complexities that can complicate resolution. In particularly difficult situations, these liquidity constraints may be present at both levels simultaneously, magnifying the risks.

At the portfolio-level, incremental capital needs can emerge, threatening to disrupt operations, constrain growth initiatives, force premature asset sales or, in extreme cases, precipitate insolvency. Without sufficient liquidity, companies may struggle to execute their business plans, limiting investment recovery potential.

At the fund-level, illiquidity can be equally consequential. Aging funds often have little to no dry powder and limited cash on-hand, restricting a manager's ability to cover expenses, meet obligations and make protective or value-enhancing follow-on investments. In severe cases, fund-level illiquidity can hinder a manager's ability to discharge fiduciary duties or even threaten franchise stability—particularly when a fund's inability to pay management fees disrupts compensation for key personnel.

Human Capital Risk

As funds age, the stability and engagement of the investment team can become a critical risk factor. The prospect of carried interest often diminishes in tail-end situations, reducing incentives for key personnel to remain engaged. This challenge is further compounded when a firm has not raised a successor fund, leaving managers with fewer long-term prospects, lower total management fees and a higher likelihood of personnel departures.

Key person events and other attrition of team members can leave funds without the leadership and institutional knowledge needed to navigate complex tail-end resolutions. When such transitions occur, critical management functions may be interrupted, decision making may become inconsistent, investor confidence may erode and the path to an orderly and value-maximizing resolution can become significantly more challenging.

Conduct Risk

Investor confidence is foundational to effective fund management, but when that confidence erodes due to undesirable management traits, questionable behavior, misconduct or other governance concerns, resolution dynamics can become significantly more challenging. Conduct risk in tail-end funds can emanate from passive, avoidant, opaque, aggressive or conflictual management styles. It can also arise from a range of other issues, including but not limited to actual or potential conflicts of interest, breaches of contract, breaches of fiduciary duty and other circumstances of misconduct. Even the perception of questionable behavior, poor judgment or self-dealing can create friction between managers and investors and irreparably erode confidence.

When conduct risk factors are present, investors may be reluctant to support resolution plans proposed by management and any related accommodations (including term extensions, waivers or consents and partnership agreement amendments) as well as potential liquidity solutions, leading to heightened scrutiny and, in some cases, the need for third-party intervention.

Structural Challenges that Hinder Resolution

In addition to the risk factors discussed earlier, certain structural challenges inherent to closed-end private market investments can create significant barriers to the resolution of complex tail-end fund situations. These challenges are not incidental; they are embedded in the fundamental mechanics of private funds and, in many cases, contribute to the persistence of tail-end situations long after the fund's term has expired.

Structural challenges can impede investor engagement, slow decision-making, prolong uncertainty and limit the practical ability of stakeholders to drive resolution. These issues exist to some degree across all tail-end funds. However, in particularly challenging circumstances, few natural forcing mechanisms for resolution may exist, and the conditions that enable delay may be embedded in the fund's structure itself. The following structural challenges frequently hinder resolution:

Natural Bias Toward Longevity

Tail-end fund dynamics exhibit an inherent bias toward longevity, and this tendency is particularly acute in more complex or challenging cases. Even when investors may prefer a timely resolution, structural forces within the private fund model often reinforce inertia rather than action.

This embedded bias toward longevity is seemingly counterintuitive given that private funds are not designed for endurance. Unlike indefinite-lived investment structures, closed-end funds are built around a defined lifecycle, with value creation concentrated in the early and middle years. Our earlier analysis revealed that, on average, private funds have historically not experienced sustained value creation following initial term expiry. Despite this, key structural factors accommodate and incentivize delayed resolution, potentially leading to extended fund durations even when the economic rationale for doing so is weak.

Key structural factors contributing to this longevity bias include the following:

Incentive and Compensation Structures

The same structures that promote strong alignment of interest during a fund's active term can fracture as a fund ages, particularly in marginal or poor-performing funds. As prospects for meaningful carried interest diminish, managers may have structural incentives to prolong resolution efforts—sometimes by taking excessive risks in pursuit of remote upside potential of carried interest payment and continuing to receive annual management fees.

Fund documents frequently permit managers to continue earning management fees beyond term expiry, thereby weakening a manager's contractual motivation to expedite resolution efforts. In circumstances where prospects for incremental carry are remote and where management fees represent a significant share of a firm's income, they may become a near-existential motivation to extend the life of a fund as long as possible. Additionally, claw back obligations in American-style distribution models can reinforce this incentive. Since these obligations typically crystallize upon final dissolution, GPs—particularly those that have not raised successor funds—may have a strong incentive to delay fund resolution to avoid liquidity shortfalls that could arise if claw back liabilities outstrip available capital.

The economic dynamics of challenging tail-end fund situations often entail asymmetric upside and downside profiles for managers. By the later stages of a fund's life, opportunities for additional carried interest can be speculative, remote, or non-existent, leaving little performance-based incentive for managers to maximize value efficiently for its investors. At the same time, dissolving the fund often results in the loss of ongoing management fee income, forcing GPs to weigh their own financial sustainability against the best interests of LPs. In this way, economic misalignment can contribute directly to structural inertia, increasing the likelihood of prolonged fund duration even when circumstances may call for a more expeditious resolution.

Conventional Governing Terms Enable Inertia

Many of the structural features that underpin closed-end fund governance—designed to balance flexibility and fiduciary discretion—can unintentionally reinforce a bias toward prolonged fund life in tail-end scenarios. When resolution becomes complex, certain conventional governing terms may provide both the opportunity and the incentive for continuation, often without meaningful investor recourse or engagement.

- **Unbounded Dissolution Horizon.** Dissolution provisions, for example, often mark more a change in label than heralding a substantial change in structure or process. While the term "dissolution" may suggest imminent resolution, most agreements afford GPs wide discretion over how and when to monetize assets and wind-up fund affairs. There is often no defined timeframe, no mandated exit sequencing and no automatic shift in governance dynamics. Instead, GPs are typically empowered to continue managing the fund in a manner they deem consistent with investor interests—an open-ended standard that can accommodate lengthy monetization timelines.
- **Management Fee Continuation.** Conventional management fee provisions in LPA's often provide for continuation of management fees following expiry of a fund's term and into dissolution. While fees at this point are often calculated based on invested capital and step down as monetization milestones are achieved, they nevertheless reduce a manager's contractual motivation to expedite resolution efforts.
- **GP Removal.** Many limited partnership agreements do not permit no-fault removal of the GP, and for-cause removal provisions are often subject to high and exacting standards. In many cases, "cause" must be established through formal adjudication—sometimes requiring a final, non-appealable judgment from a court of competent jurisdiction. As a result, even when investors harbor serious concerns about misconduct or misalignment, their practical ability to replace the manager may be severely constrained. In challenging tail-end situations, the theoretical value of GP removal erodes with time and may ultimately prove illusory—particularly when the manager remains in control throughout a drawn-out litigation process that can take years to yield a final, adjudicated outcome.
- **LPAC Inability to Retain Advisors.** Many limited partnership agreements do not expressly provide limited partner advisory committees (LPACs) with the right to retain legal or other professional advisors, with related costs borne by the partnership. Codifying this right would strengthen governance and enhance the LPAC's practical ability to provide oversight, including in complex tail-end situations, especially where the LPAC holds consent rights in addition to its consultative role. Meaningful review of potential conflicts of interest and other complex matters requiring LPAC consent often requires specialized expertise, and allocating these professional fees to the partnership (subject to reasonableness and documentation standards) ensures costs are shared pro rata among investors, rather than discouraging the LPAC from seeking advice when it might be appropriate to do so.

In combination, the conventional provisions identified above contribute to a governance environment where the economic, practical and contractual dynamics all point toward delayed resolution. In straightforward fund scenarios, this may simply result in a more gradual wind-down. However, in more complex tail-end situations, the interplay of these terms can create meaningful obstacles to resolution. When the path to liquidity is unclear, when transparency is limited and when recourse mechanisms are weak or impractical, the result can be a system that favors status quo management over timely resolution, even when that status quo may no longer serve investor interests.

Some industry initiatives have sought to address these structural limitations in standard forms of limited partnership agreements. The Institutional Limited Partners Association (ILPA), a leading industry association representing the interests of LPs in the private equity industry, has advanced multiple versions of a standard Model Limited Partnership Agreement (Model LPA) aimed at promoting stronger alignment of interest, enhanced governance and improved fund economics for parties to limited partnerships in connection with closed-end private market investments. The Model LPA was developed in partnership with an international group representing both GPs and LPs and is intended to be a best practices guide rather than a prescriptive template. Among other provisions, the July 2020 “Deal-by-Deal Waterfall” version of the Model LPA includes:

- A dissolution clause requiring that a GP or liquidator use all reasonable efforts to fully liquidate a fund within twelve months of termination, unless extended with the consent of a majority in interest of LPs.
- A compensation provision that ends management fees upon initial term expiry, even if the fund’s term is extended;
- Both no-fault and for-cause GP removal provisions, offering investors more accessible options to pursue a change in management when necessary; and
- Entitlement for a fund’s LPAC to retain professional advisors and requirement that associated fees are treated as a partnership expense and paid for by the fund.

While the Model LPA was initially met with a certain amount of apprehension from managers and other industry participants, its framers certainly got more right than wrong in acknowledging the long-term consequences of structural design.

While individual fund terms vary as a function of market forces and must reflect the diversity of strategies and circumstances across the private markets, these governance conventions merit reexamination. In particular, there is a need to rebalance the inherent bias toward longevity and encourage a more deliberate, case-by-case approach to resolution—one that prioritizes timely, orderly outcomes where warranted. The challenge is structural, but so too is the opportunity for reform.

Limited Investor Influence Over Resolution Efforts

GPs are typically vested with broad authority to manage the fund and oversee asset monetization, subject to the terms of a fund’s governing agreements. In practice, GPs are afforded substantial discretion over the timing, structure and execution of exits, provided they act in what is asserted to be the best interests of the fund. While this discretion is bounded by fiduciary obligations, it may function with minimal practical constraints—particularly in complex and challenging tail-end fund situations, where investors may face diminished visibility and limited mechanisms for direct influence.

A critical factor often reinforcing GP control can be significant informational asymmetry between GPs and LPs. Investors may lack sufficient transparency into portfolio company performance, asset-level risks and the viability of various resolution strategies. Such an imbalance can make it challenging for LPs to independently assess alternatives or constructively engage in the resolution process.

In end-of-life scenarios, it is not uncommon for GPs to propose a singular course of action—such as a term extension, structured transaction, or continuation strategy—and then solicit LP or LPAC support to execute the plan. In the absence of robust discourse regarding strategic alternatives, this process can take the form of ratifying a pre-determined outcome. In our experience, it is rare for GPs to provide LPs with a comprehensive analysis of alternative pathways to resolution—such as a near-term asset sale alternative—including comparative merits, risks and trade-offs. As a result, even when investor consents are required, LPs may find themselves responding to a narrow set of choices, with limited context and little opportunity to influence the broader direction of the fund’s resolution.

Resolution May Entail Substantial Time and Resource Requirements

Resolving complex tail-end fund situations is rarely a passive exercise—it often requires significant time, effort and expertise. Investors must conduct detailed portfolio analyses, coordinate with other stakeholders, formulate and negotiate resolution strategies and oversee execution. These demands create a fundamental tension:

- Investors must allocate scarce time and resources across multiple priorities, and active engagement in tail-end fund resolutions may compete with core investment activities.

- In cases where an investor's exposure to a tail-end fund is relatively small, the effort required to drive a resolution may be disproportionate to the potential recovery, making active engagement a difficult strategic decision rather than a straightforward priority.

While investors may feel compelled take an active role in the management of complex tail-end fund situations, the practical challenge often lies in doing so in a balanced and efficient manner. When resolution efforts compromise other critical priorities or demand disproportionate time and effort relative to investor exposure, the inertia of the status quo and investor disengagement can become significant barriers to progress.

Governing Agreements May Not Provide Effective Rights and Remedies

The terms that govern end-of-life circumstances often do not provide investors with meaningful rights and remedies to influence the course of resolution efforts. Even when investors have concerns about the fund's direction, their ability to intervene may be structurally limited. Several issues contribute to this challenge:

- **High Barriers to Collective Action.** Even when investor action is permitted, it often requires significant thresholds—such as supermajority approval—and the coordination of a dispersed and diverse investor base. This can make it difficult to initiate change, especially when investors have limited transparency or divergent priorities.
- **Procedural and Practical Hurdles.** Some remedies require formal processes that are time-consuming, legally burdensome and/or expensive. As a result, even when investors possess relevant rights and remedies, the practical ability to exercise them may be limited.
- **Vague or Unbalanced Terms.** Key provisions may be subject to differing interpretations, lack clarity or fail to anticipate the unique end-of-life complexities faced by tail-end funds. In some cases, the drafting may favor manager discretion without establishing effective checks and balances or clearly drafted investor protections.

In the absence of a clear, actionable and balanced framework of rights and remedies, LPs sometimes find themselves in a reactive and passive posture, reacting to proposed plans rather than proactively engaging in efforts to define them alongside management.

LP Interests Are Often Fragmented and Unorganized

Private capital funds often have widely dispersed investor bases, with LPs that have differing priorities, objectives and levels of engagement. This fragmentation can complicate collective action in tail-end situations.

A high degree of investor fragmentation and a lack of organization can become structural impediments to resolution, as meaningful engagement often depends on LPs forming a functional group with reasonably aligned interests. Worse, misalignment among investors can be exploited in challenging circumstances—whether through selective information sharing, divide-and-conquer tactics or other strategic maneuvering. Without a coordinated approach, investors may struggle to assert influence, extending uncertainty and complicating resolution efforts.

Lack of Necessary Transparency

As a fund nears the end of its lifecycle, the need for transparency becomes even more critical. Investors must have access to sufficient information to:

- Evaluate remaining assets and potential sources of recovery;
- Understand available resolution pathways and their comparative merits and liquidity requirements; and
- Assess GP-led proposals, extension requests, or alternative liquidity solutions.

Yet in many tail-end fund situations, transparency remains limited. A well-managed resolution process should include clear disclosure of the fund's financial position, asset-level considerations and strategic alternatives. Without this level of transparency, investors are ill-equipped to participate in informed decision-making, increasing the risk of suboptimal or drawn-out outcomes.

Resolution Pathways for Tail-End Funds

Tail-end fund situations can be resolved through several different pathways, with the appropriate course of action depending on the nature of remaining assets, investor objectives, governance considerations and market conditions. Some resolutions occur naturally with minimal intervention, while others require structured transactions, modifications to governing agreements or changes to fund management. The following six pathways represent some of the typical approaches to resolving tail-end funds.

Fund Extension and Orderly Wind-Down

In many cases, a tail-end fund may simply require additional time for remaining assets to be sold in an orderly manner. When there is clear visibility into liquidity events within a reasonable timeframe, investors and managers may consensually extend the fund to facilitate value realization in a reasonably expeditious and orderly manner without undue complexity.

This pathway is most effective when:

- Remaining portfolio assets have near-term exit opportunities or active sales processes;
- The GP and LPs are aligned on extending the fund to maximize value without excessive delays; and
- No material governance issues or structural challenges impede resolution.

GP-Led Secondary or Other Structured Secondary Transaction

GP-led secondary transactions and other structured solutions have become increasingly prevalent, allowing investors to exit tail-end fund positions while providing capital for continued asset management. These transactions offer liquidity optionality, enabling some investors to sell while others roll into a continuation vehicle. However, structured secondaries are not a universally appropriate solution for tail-end funds.

They tend to be most effective when:

- The portfolio comprises high-quality assets with clear value creation potential;
- The GP is well-aligned and committed to managing the assets; and
- A transaction can be executed on fair terms with investor support.

In circumstances where concerns related to asset quality, alignment of interest or fund governance are present, structured secondaries may not be an appropriate path forward.

Fund Extension to Support Delayed Resolution

When additional time is needed to support a GP's proposed resolution plans, modifications to key governing agreement provisions (including but not limited to those related to term, compensation, distribution mechanics, management rights and duties and investor rights) may or may not be pursued in concert with a fund extension request. When funds need additional capital to support fund-level and portfolio company liquidity requirements, financing arrangements may also be pursued—including NAV loans and other structured financings from existing or third-party investors—to accommodate a delayed asset monetization program. These financing arrangements may or may not require governing agreement modifications to be implemented.

Investors may be polarized in these circumstances, with some preferring near-term liquidity and resolution and others more open to supporting longer-term value creation initiatives and delayed resolution. While this pathway can unlock additional value, it also introduces broader fund-level and portfolio company-level execution risks, prolonged exposure to dynamic market conditions and potential misalignment between and among stakeholder groups.

This pathway is most effective when:

- The unrealized portfolio is comprised of high-quality assets with compelling potential for value creation;
- The manager has actively engaged with investors and provided robust transparency regarding the fund's circumstances and how the proposed resolution plan compares to other relevant strategic alternatives, including a near-term orderly asset sale alternative;
- The manager is well-aligned with investors (including, for example, funds with potential for meaningful carried interest and/or providing for management fee cessation during dissolution and whose managers have raised successor funds) and free from conflicts of interest; and
- The manager has the necessary team and resources to execute the proposed resolution plan, has maintained investor trust and confidence and no disputes or conduct concerns exist.

Transition of Fund Management

Certain tail-end fund situations require a fundamental change in fund management and governance, typically following concerns related to potential misconduct, conflicts of interest, misaligned interests or key person events. In such cases, investors may seek to transition management responsibilities to a new party through a consensual or nonconsensual removal and replacement of the existing GP and investment manager.

While stakeholders may conclude that this pathway is necessary in certain circumstances, GP removal and replacement actions can be highly complex and challenging to implement because they:

- Are often subject to high contractual standards, particularly for-cause removals, which may require adjudication (sometimes through a final non-appealable judgment) by a court of competent jurisdiction. Consequently, this pathway can be very costly to effectuate and subject to a high degree of outcome risk.
- Often entail high threshold requirement of LP support.
- Require significant effort to plan, coordinate, execute and ensure an orderly transition of fund management and control and possession of all property of the fund, including all books and records.

GP removal and replacement actions are typically reserved for circumstances where there are substantial concerns related to misconduct, conflicts of interest, misaligned interests or other factors resulting in an irreparable loss of confidence in the existing manager.

In-Kind Distribution of Remaining Assets

Instead of extending a fund indefinitely, investors may receive distribution of remaining fund assets in-kind—effectively transferring underlying fund assets and responsibility for their management from the fund to investors. This alternative is often not practicable unless a fund's remaining holdings are publicly held, highly liquid or passive securities.

In-kind distributions can be controversial because investors:

- Often prefer cash distributions and a final and certain resolution of a fund and all of its interests; and
- May be subject to tax, regulatory, or operational limitations associated with holding and managing direct investments.

For these and other reasons, this pathway is often viewed as a last resort when no practical alternatives exist.

Transfer of Remaining Assets to Alternative Liquidation Vehicle

Rather than continuing a fund in its existing structure, remaining assets can be transferred to a more fee- and expense-efficient liquidation vehicle—such as a liquidating trust or other structured vehicle designed to hold assets until exit opportunities emerge.

This approach has become increasingly common for funds holding:

- Highly illiquid, passive equity or equity-like interests (e.g., minority equity stakes, warrants, long-dated assets) with limited governance rights or ability to compel an earlier liquidity event; and
- Investments with uncertain or long exit horizons and speculative recovery prospects, where maintaining a traditional fund structure could be value-destructive and inefficient.

Liquidation vehicles can allow investors and other fund stakeholders to preserve upside while reducing fees and expenses; however, they typically require consent of the existing manager to implement as well as ongoing professional oversight once established. These vehicles typically must also have some funding mechanism or capitalized with an appropriate level of cash to provide necessary liquidity.

Summary of Options

In summary, each of the foregoing pathways offers distinct benefits and challenges, and no single approach is universally applicable. Selection of the most appropriate path requires a case-by-case evaluation of a fund's circumstances considering the value, character and liquidity characteristics of remaining assets, alignment of interest dynamics and relevant governance considerations.

Figure 20: Summary of Tail-End Fund Resolution Alternatives

	Complexity	Resolution Horizon	Prevalence
Fund Extension and Orderly Wind-Down	Low	Expeditious-to-moderate duration	Very common
GP-Led Secondary or Other Structured Secondary Transaction	Moderate-to-high	Expeditious-to-moderate duration	Very common under select circumstances
Fund Extension to Support Delayed Resolution	Varies depending upon circumstances	Expeditious-to-moderate duration	Very common
Transition of Fund Management	High	Varies depending upon circumstances	Infrequent
In-Kind Distribution of Remaining Assets	Moderate-to-high	Expeditious-to-moderate duration	Infrequent
Transfer of Remaining Assets to Alternative Liquidation Vehicle	Moderate	Varies depending upon circumstances	Increasingly common under select circumstances

There is no well-defined playbook for navigating complex tail-end fund circumstances. The resolution process can be particularly challenging when key risk factors and other situational complexities are present. In these cases, managers, investors and other stakeholders often contend with an array of challenges that they and their governing documents may have not fully anticipated.

Secondary Market Solutions

Over the past fifteen years, the growth and evolution of secondary market solutions have provided investors and managers with expanded tools for managing tail-end fund circumstances. Traditional LP secondaries offer a means for individual investors to exit otherwise illiquid fund positions, while GP-led solutions have created structured alternatives for optimizing portfolio outcomes over an extended monetization horizon. These mechanisms have addressed many tail-end fund challenges and have become an increasingly important part of the private markets landscape.

However, secondary market solutions are not a universal fix. A significant number of tail-end fund situations—particularly those characterized by low remaining NAV, asset quality concerns, weakened alignment of interest or management issues—may not be well-suited for structured secondary transactions.

Understanding both the capabilities and limitations of secondary market solutions is critical to effectively navigating tail-end fund situations. The following discussion explores how these solutions have evolved, their applicability to different fund circumstances, opportunities for further growth and where alternative approaches may be necessary to achieve a successful resolution.

Evolution of the Secondaries Market

As private markets have grown and matured, sophisticated solutions have evolved to address investment horizon and liquidity challenges inherent to private markets asset classes, including a vibrant secondaries market. Initially a tool for institutional investors to generate liquidity by selling interests in late-vintage funds, the secondary market has expanded to include a range of transaction options, including GP-led structured solutions.

Figure 21: Global Secondaries Fundraising Activity (USD Bn)[20]

Global secondaries fundraising activity and transaction volume have experienced dramatic growth over the last fifteen years. What represented less than $20 billion of annual fundraising activity fifteen years ago, secondaries fundraising has experienced substantial growth since the Global Financial Crisis, with particular strength 2020 and 2023. Over the five-year period from 2020 through 2024, aggregate secondaries fundraising activity totaled $353.9 billion.

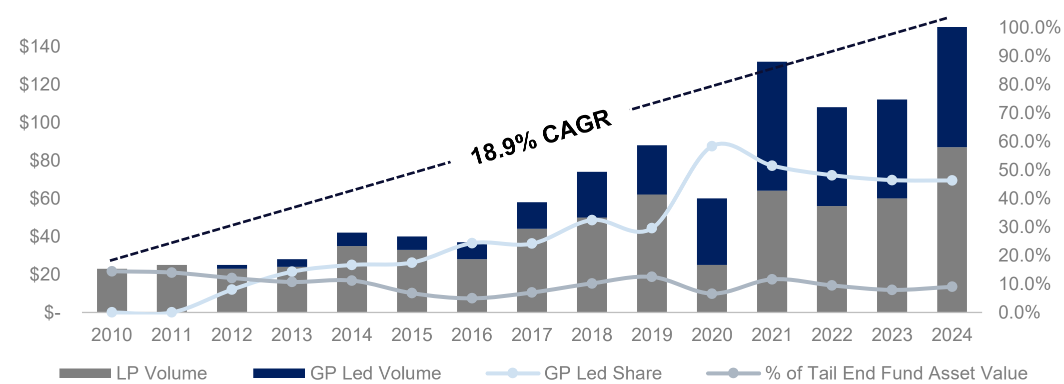
A significant majority of capital raised during this period was concentrated among a small group of large managers. The top-10 and top-20 largest managers by aggregate secondaries fundraising activity accounted for 59.1% and 75.1% of total capital raised during this period, respectively.

Figure 22: Largest Secondary Managers by Fundraising Activity—2020-2024 (USD Bn)[21]

Firm Name	# Funds Raised	Aggregate Capital Raised	
Lexington Partners	4	$ 37.0	*10.3%*
Blackstone Strategic Partners	5	33.2	*9.2%*
Goldman Sachs	5	31.6	*8.8%*
Ardian	2	24.3	*6.7%*
HarbourVest Partners	4	23.7	*6.6%*
LGT Capital Partners	4	15.9	*4.4%*
Pantheon Ventures	9	14.2	*4.0%*
StepStone Group	6	12.1	*3.4%*
Coller Capital	2	10.4	*2.9%*
AlpInvest Partners	4	10.2	*2.8%*
Subtotal Top-10 Firms	45	212.5	*59.1%*
Next 10 Largest Firms	25	57.4	*16.0%*
Other Secondaries Firms	419	89.4	*24.9%*
Total	**489**	**$ 359.3**	***100.0%***

Secondaries transaction volume has experienced substantial growth and evolution over the last fifteen years, fueled meaningfully by growth in overall private markets AUM and the correspondingly higher investor demand for liquidity solutions. However, more fundamentally, the advent of GP-led structured secondary solutions in years following the Global Financial Crisis and their rapid adoption has been the primary driver of growth in secondaries transaction volume. The introduction of GP-led solutions arguably represents one of the most important changes to the private markets landscape in recent history.

Figure 23: Global Secondaries Transaction Volume (USD Bn)[22]



Despite significant growth over the past fifteen years, annual secondary transaction volume still represents only 9.0% of the total unrealized value in tail-end funds and just 0.9% of overall private markets AUM. These low penetration rates suggest both substantial unmet demand and meaningful growth potential for structured secondary solutions—while also underscoring that secondary market solutions alone are not sufficient to address all tail-end fund situations.

Traditional Secondaries

Traditional LP secondaries have evolved as a critical liquidity and portfolio management tool for investors over the last two decades. As private markets AUM has grown, so too has the need for investors to rebalance portfolios, manage exposures and address liquidity constraints. Today, the secondary market is not merely a mechanism for distressed sellers but a widely used tool for active portfolio management.

Alongside this growth, the secondary investor landscape has evolved, with firms specializing across transaction sizes, asset classes and fund lifecycle stages. Among these, a subset of specialist secondary buyers has emerged to focus on acquiring interests in tail-end funds. These investors typically price tail-end interests at deeper discounts to account for asset quality risks, uncertain exit timelines and other tail-end fund risks.

While traditional secondaries are an important solution for individual investors or small groups of investors, they do not represent a complete solution if the objective is to fully resolve a tail-end fund for all stakeholders. These transactions facilitate individual investor liquidity but do not inherently address broader fund-level considerations, such as governance, asset realization strategies or GP alignment.

GP-Led Secondaries

GP-led secondaries are structured transactions that enable GPs to continue to manage and control one or more portfolio companies while providing investors with the option to sell their interests for cash or roll their interests into a new investment fund, commonly referred to as a continuation vehicle.

GP-led secondary transactions are among the most complex and multi-dimensional deals in private markets, requiring careful orchestration across fund-level and portfolio-company dynamics. Structuring these transactions demands extensive underwriting, negotiation and execution expertise, as they must balance the sometimes-divergent interests of the GP, existing investors and new investors while addressing inherent conflicts of interest. The need to synthesize detailed fund and asset-level information, align stakeholder incentives, observe governing agreement requirements, provide robust transparency and ensure process integrity further heightens the complexity.

Given these intricacies, successful GP-led transactions generally require specialized intermediation to be successful. Secondary advisory firms, which initially emerged to create an efficient marketplace for traditional LP secondary sales, have taken a leading role alongside secondary investors in driving innovation and shaping the GP-led market over the past two decades. These firms facilitate connections between buyers and sellers, drive competitive tension to optimize outcomes and provide structuring expertise to navigate governance and process challenges. Their involvement has been instrumental in defining process mechanics, innovating new transaction structures, fostering investor confidence and driving market adoption of GP-led solutions as an increasingly mainstream component of the secondaries market.

Market Dynamics

The evolution of the GP-led secondaries market has been shaped by both supply-side and demand-side capital dynamics, alongside the broader expansion of private markets and the correspondingly rising need for liquidity solutions.

On the demand side, the most active segment of the GP-led market has centered around single or multi-asset continuation vehicles formed around high-quality assets managed by high-performing, well-aligned GP franchises. These transactions have attracted institutional investors seeking exposure to proven assets with attractive upside profiles managed by strong managers while offering existing LPs the option to liquidate their positions. As a result, GP-led secondaries have gained traction as a portfolio management tool for LPs rather than a last-resort liquidity solution.

On the supply side, capital formation in the GP-led space has been significantly concentrated among a small number of large, well-established secondaries firms and diversified asset managers. While many new players have entered the GP-led market over the last several years, scale remains a critical competitive advantage. The capital intensity of GP-led transactions, particularly in the segment of the market that has been most active, has created barriers to entry for smaller secondaries firms, potentially requiring them to partner with larger investors, concentrate on traditional LP secondaries or pursue smaller, less competitive transactions. This supply-side concentration reinforces the deal selection bias among large secondaries firms, further shaping the market’s focus until now on larger, high-quality transactions.

Momentum for Further Growth and Evolution

The relatively low rate of incidence of GP-led secondaries as a percentage of total unrealized NAV held by tail-end funds suggests there remains substantial unmet demand for these solutions. This present unmet demand, coupled with the expectation that tail-end unrealized asset values will climb rapidly between now and 2031, argues strongly that the market for GP-led solutions will grow sharply over the next several years.

As competition intensifies at the upper end of the GP-led market, secondary market participants are likely to turn their attention increasingly to the middle market. This segment—often defined by smaller deal sizes, more varied asset quality and multi-asset or whole-portfolio transaction requirements—represents a compelling growth opportunity and differentiated investment strategy but also introduces new and distinct challenges unique to this asset class.

One of the reasons the middle market has remained underdeveloped is that secondary intermediaries, much like secondary investment firms, have historically tended to gravitate toward larger, high-quality transactions. With limited bandwidth and a focus on risk management, intermediaries have prioritized transactions that offer a high probability of success while requiring less execution risk.

Unlike large, single-asset continuation vehicle transactions, middle-market transactions often require more nuanced underwriting, structuring and execution. To gain investor confidence and attract capital, these deals will demand even greater transparency, ensuring that both new and existing investors have a clear understanding of the assets, underlying risks and the potential return profile. Intermediation by experienced secondary advisors will be critical to navigating the structural nuances of middle-market transactions and aligning necessary stakeholder support.

The heightened complexity and varied asset quality of middle-market GP-led transactions will place increasing demands on GPs and their advisors. To attract new investors and support their underwriting requirements, GPs must synthesize relevant fund- and portfolio-level information while demonstrating a clear and compelling case for value creation. At the same time, existing investors will require robust transparency to evaluate how a proposed transaction compares to other viable resolution options.

Role of Independent Advisors

In addition to the necessity for secondary intermediaries, the role of a separate independent advisor, which may be retained by the manager, the fund or investors, is also particularly important in middle market secondary transactions due to their inherent complexity. In addition to providing specialized expertise and necessary resources, an independent advisor can provide a third-party validation of a GP's plan for resolving tail-end fund circumstances, including a potential structured secondary transaction.

As part of its role, the independent advisor rigorously assesses strategic alternatives, providing both qualitative and quantitative analyses of how the GP's proposed plan compares to other available options. For a tail-end fund, this may include a direct comparison between a GP-led secondary transaction versus a hypothetical near-term asset sale option as well as a delayed asset monetization option, detailing the financial, operational and governance implications for stakeholders associated with each potential alternative. By offering a clear and independent evaluation of these alternatives, the advisor enhances decision-making transparency and helps stakeholders navigate the inherent trade-offs of each path.

The importance of strategic alternatives analysis and the role of independent advisors are well-understood fixtures in the realm of corporate transactions. In the corporate world, independent advisors help companies, boards of directors and shareholders navigate high-stakes transactions where fiduciary obligations, competing stakeholder interests and long-term value considerations must be balanced. Strategic alternatives analysis in corporate transactions supports the discharge of fiduciary duty for corporate boards, enhances process credibility, strengthens investor confidence and ensures that relevant stakeholders have the transparency and insight needed to make informed decisions.

Similarly, in tail-end fund situations, objective strategic alternatives analysis enables GPs, LPs and other critical stakeholders to discharge their fiduciary responsibilities effectively. Independent advisors also serve as an essential bridge between the GP and LPs, helping to mediate concerns and address any potential misalignment of interests. In certain cases, investor skepticism toward a GP-led transaction or an extension request may stem from a lack of clear, independent validation of the fund's remaining assets and strategic alternatives. By serving as an objective counterparty in these discussions, an independent advisor can provide LPs with greater confidence in the process and create a foundation for more constructive engagement.

As the middle market for tail-end funds continues to evolve, so too must the approaches of managers, LPs and secondary investors. Addressing these complex situations effectively will require a blend of established and innovative strategies, with a heightened focus on transparency, alignment and structured decision-making. The use of independent advisors serves as a practical mechanism to enhance clarity and confidence in resolution processes, helping stakeholders navigate the inherent challenges of complex tail-end fund circumstances and facilitate informed and effective decision-making.

Recommendations for Resolving Complex Tail-End Fund Circumstances

The persistence of tail-end fund challenges is not merely a byproduct of market conditions—it reflects structural conventions and a status quo bias toward delayed resolution. While most closed-end funds resolve without complexity or controversy, a large number of tail-end situations demand more deliberate, disciplined approaches due to their complexity and unique challenges. These circumstances call for a reframing of objectives, a rebalancing of incentives and a revisitation of governing agreement provisions.

This section offers a set of recommendations aimed at improving outcomes in complex tail-end fund scenarios. The recommendations are divided into three parts:

- The first part calls for a shift in mindset: reframing tail-end fund dynamics in light of the practical limits of late-stage value creation.
- The second part addresses key contractual and structural contributors to extended fund duration and advocates for targeted reforms to governing agreements to encourage timely resolution as the default posture while still allowing for resolutions over an extended horizon as circumstances warrant.
- The third part of this section provides strategic and practical guidance for GPs, LPs and secondary market participants as they manage and evaluate challenging tail-end exposures today.

Tail-end situations must always be evaluated individually, but they need not be approached in isolation. A more intentional, transparent and principled framework is possible—and necessary.

Part I: Reframing Tail-End Circumstances

The Practical Limits of Late-Stage Value Creation

Closed-end private market funds are not geared for longevity as numerous constraints progressively limit the value-creation potential for aging funds:

- By term expiry, funds often operate with limited on-hand liquidity and uncalled capital with which to fund fees and expenses and potential protective or value-accretive follow-on investments in portfolio companies;
- Portfolio company investment theses have generally played out with fewer available levers for value creation;
- In venture capital, outcomes for long-dated positions can be binary, increasing volatility and risk;
- Manager-level attrition, strained team resources and reduced dedicated focus become more common as funds age;
- Alignment of interest inevitably weakens as funds age beyond term expiry, particularly in lower quartile funds, where carry is unlikely to be earned and management fees may continue; and
- For firms that have not raised successor funds, continuation of management fees beyond term expiry can create a structural incentive to delay resolution.

It is therefore not surprising that various studies have concluded that funds have not created value during their tail-end years on average.

Our analysis of the data supports this conclusion: tail-end funds, in aggregate, have not historically realized sustained improvement in TVPI following their tenth anniversary.

When the opportunity cost arising from the inability to reinvest unrealized NAV held by tail-end funds is taken into account, it becomes clear that tail-end funds, viewed as a whole, have on average generally lost economic value after year 10.

Reframing the Concept of Value Maximization

In tail-end fund circumstances, the concept of ***maximizing value*** must be understood in context. Maximizing value is the overarching objective in resolving tail-end circumstances, just as it always is in fiduciary asset management. However, this objective does not command managers to pursue value creation at all costs, particularly when doing so may threaten existing value through exposure to dynamic market conditions, execution risk or speculative reinvestment risk.

When the potential for value creation is highly speculative, ***value preservation*** should become the highest-order priority within a value maximization framework. This reframing is especially critical in late-stage situations, where asset quality, capital constraints, weakened alignment of interest and diminished flexibility limit the viability of traditional growth pathways.

When value preservation is viewed as the dominant objective, such a prioritization should inform the selection, design and time horizon of efforts undertaken to resolve complex and challenging tail-end fund situations. Resolution approaches and related time horizons should aim to minimize exposure to the following key compounding risks:

- Prolonged exposure to dynamic market conditions that may erode asset value unpredictably;
- Fee and expense burdens that steadily diminish investor recoveries;
- Asset-level execution risks, including operational volatility and strategic missteps;
- Speculative follow-on investments, which may introduce “good money after bad” dynamics; and
- Extended duration of dissolution efforts, which can further delay any return of capital.

Establishing a Default Bias Toward Timely Resolution

From Passive Extension to Active Engagement

One of the most persistent issues in tail-end fund dynamics is the normalization of delay and passive bias toward extension of resolution time horizons. In the absence of structural guardrails, the passage of time can become the path of least resistance—even when it may not be the path to maximize value.

To counter this systemic bias toward delayed resolution, the default orientation should be timely resolution with no continuation of management fees beyond initial or final term expiry, with the GP and LPs having the ability to extend, if mutually agreed upon. Extended duration resolution processes should be the exception, not the rule.

Reframing Does Not Preclude Value Creation

Crucially, this reframing does not foreclose the possibility of value creation beyond a fund’s original term. Instead, it creates a structured imperative for relevant stakeholders—GPs, LPs and advisors—to engage in healthy discourse, evaluate a fund’s circumstances and make informed decisions about whether a fund should continue after term expiry and, if so, for how long.

Overcoming Lack of Engagement

The prevailing structure of closed-end funds frequently allows tail-end dynamics to unfold with limited incremental transparency and minimal investor influence. A default bias toward timely resolution can change this dynamic—creating the necessity for engagement, disclosure and collaborative decision-making rather than passively defaulting toward extension.

Part II: Structural Reforms to Governing Agreements

While each fund structure must accommodate the unique characteristics of its strategy and objectives, there is significant room for improvement in how governing terms address the complexities that commonly emerge as funds approach and exceed their contractual terms.

At inception, it is simply not practicable to anticipate the circumstances a fund may face at term expiry. However, partnership agreements commonly contain end-of-life provisions that tend toward extended duration.

Rather than defaulting toward extended resolution, partnership agreements should contain terms promoting an evaluation of resolution alternatives, collaboration among critical stakeholders and informed decision making.

The following recommendations aim to improve alignment, enhance transparency and create a framework that supports timely, value-preserving resolution—without eliminating the flexibility to pursue extended duration resolution pathways as circumstances warrant.

Aligning Compensation with Resolution Objectives

In the absence of LP consent to extend a fund's term or otherwise continue management fees into dissolution, management fee payments should be eliminated at term expiry or step down to a reduced level for a finite period of time negotiated by the parties.

This approach would incentivize timely resolution while preserving flexibility to continue the partnership when agreed by the parties. Investors may also consider evaluating proposed modifications to fee terms in tail-end periods through the lens of resolution objectives to balance a manager's entitlement to compensation for winding up the affairs of a fund against the priority of maintaining healthy alignment of interest.

Defining the Dissolution Period with Appropriate Flexibility

Partnership agreements should include a defined dissolution period (e.g., 12–18 months) following final term expiry, which provides managers a clear runway to execute resolution activities and a requirement that managers use commercially reasonable efforts to complete dissolution within this timeframe. Extensions to these timeframes can be considered, as appropriate, and modified by mutual agreement of the parties.

Promoting Collaborative Stakeholder Engagement

Partnership agreements should contain provisions that promote collaborative stakeholder engagement to resolve tail-end circumstances, including:

- Requirement of LP consent for extensions beyond a defined dissolution period; and
- Entitlement for LPACs to retain professional advisors and treat related fees as fund expenses.

Recalibrating Information and Transparency Standards for Tail-End Conditions

Tail-end fund circumstances present unique incremental transparency requirements beyond what is typically expected during a fund's active term. As funds approach initial term expiry, investors require a clear understanding of potential outcomes, risks, and strategic options to make informed decisions regarding extensions, potential accommodations required to support a GP's plan and other potential resolution pathways.

In addition to standard reporting requirements, partnership agreements should include provisions requiring:

- Preparation and delivery of a resolution plan to investors in advance of term expiry, which should include (i) defined plans and estimated recoveries from asset monetization efforts and other relevant elements of the GP's proposed course of action, (ii) a comparative evaluation of the GPs proposed plan against other relevant strategic alternatives and (iii) defined milestones and timelines for execution of the proposed plan;
- Periodic updates to the resolution plan, detailing progress against milestones and any material deviations; and
- Routine written meetings and communications with LPs and/or LPAC, tailored to the complexity and risk profile of the remaining assets.

These measures not only promote transparency and alignment—they create the foundation for collaborative engagement and informed decision-making in situations where passive engagement may be suboptimal or even dysfunctional.

Incorporating Accountability Measures

Partnership agreements should include covenants tied to resolution milestones set forth in the manager's plan of resolution, where failure to meet agreed thresholds could trigger enhanced governance rights for investors and/or require parties come back to the table to engage in discourse regarding the path forward.

Partnership agreements should include both no-fault and for-cause removal rights, with clearly defined removal thresholds and streamlined procedures, including, for example, the following potential features:

- No-fault removal provisions should require substantial investor support (e.g., a supermajority not to exceed 66.7% in interest) and become effective upon delivery of a valid removal notice;
- To promote stability and value preservation, removed managers should be obligated to cooperate with an orderly transition, including but not limited to the transfer of all books, records and other fund property;
- The GP should retain entitlement to all management fees and contractual reimbursements accrued through the effective date of removal; and
- Carried interest entitlements may be preserved in no-fault scenarios—subject to actual future distribution outcomes—but should be subject to reduction or forfeiture in for-cause situations.

These provisions are not intended to punish, but to promote accountability, deter potential misconduct and rebalance incentives, especially in circumstances where misalignment has taken hold, misconduct has occurred or investor confidence has eroded.

Evolving Governing Agreements to Match the Moment

These structural reforms are not intended to constrain thoughtful fund management, foreclose the pursuit of upside or eliminate flexibility— but instead they are designed to promote healthy fund governance, realign incentives, empower informed investor engagement and minimize stakeholder conflict. No two funds are the same, and no single solution will apply to every situation. However, thoughtful adjustments to conventional fund terms can create a stronger baseline—one that encourages timely, transparent and collaborative resolution when it arguably matters most.

Part III: Strategic Approaches to Tail-End Fund Management

While structural reforms may take years to reshape the contractual architecture of private markets, the need for thoughtful, proactive management of tail-end fund situations is immediate. Our strategic approaches are grounded in the following principles: that value preservation should often guide decision-making in tail-end scenarios; that timely resolution should be the default orientation, not a reluctant exception; and that greater transparency, accountability and collaboration are essential to restoring alignment and driving effective outcomes.

These principles are not only relevant to the design of future funds—they are actionable today. Investors, managers, and secondary market participants all have tools at their disposal to evaluate exposures, formulate resolution priorities and desired outcomes, engage collaboratively with other stakeholders and make informed decisions. The following recommendations offer practical guidance for stakeholders navigating the complex and often resource-intensive final chapter of fund life.

Recommendations for All Stakeholders

While each party brings distinct perspectives and priorities, a handful of universal core practices can elevate decision making, reduce friction and create alignment across the board in end-of-life interactions.

- **Engage in early and frequent dialogue with relevant stakeholders**—beginning in advance of initial term expiry—to surface potential issues and promote alignment around potential outcomes.
- **Embrace strategic alternatives analysis as a standard part of end-of-life fund management;** transparency around potential pathways enables informed, responsible decision-making and reduces the likelihood of conflict.
- **Prioritize value preservation over speculative value creation as a baseline approach;** if value creation initiatives are pursued, they should:
    - Be supported by clear and convincing rationale;
    - Offer compelling, demonstrable upside;
    - Be evaluated alongside other credible resolution alternatives;
    - Withstand underwriting scrutiny consistent with a new-money investment; and
    - Be supported by an assessment of constraints across relevant levels:
        - Manager-level (e.g., engagement and retention of key professionals, bandwidth, incentives, alignment);
        - Fund-level (e.g., liquidity resources, follow-on capacity, compliance with governing and financing agreements); and
        - Portfolio company-level (e.g., retention of key management personnel, incremental liquidity requirements, stability of credit arrangements).
- **Rely on balanced fair value measurements** that reflect objective assessments and valuation assumptions related to unrealized assets—free from any undue bias to the upside or downside.
- **Coordinate with legal counsel, as necessary, to understand relevant contractual rights, remedies and duties** under the fund's governing agreements; effective navigation of tail-end circumstances often hinges on knowing the boundaries and flexibilities of the structure.

Recommendations for Managers/GPs

Tail-end situations can present complex challenges for GPs. Navigating them effectively requires more than asset management acumen—it demands thoughtful engagement, transparent communication and the ability to adapt strategy in the face of evolving fund dynamics.

The following recommendations are intended to support managers in leading through this complexity: reducing friction, protecting franchise stability, discharging fiduciary duty, building alignment, enhancing investor confidence and positioning resolution plans for broader support from critical stakeholders.

- **Initiate early and structured engagement with investors**. Begin outreach in advance of final term expiry. Use initial discussions to build trust, surface concerns and align around process.
- **Develop and share a clear, credible resolution plan.** This should include:
  - Anticipated timelines, monetization strategies, risk factors and expected outcomes for stakeholders; and
  - A comparative analysis of strategic alternatives (e.g., near-term sale alternative vs delayed exit alternative, etc.).
- **Maintain a robust communication and reporting cadence.** Provide regular written updates and conduct periodic calls or meetings with the LPAC and broader investor group, as appropriate. Tailor communication content and frequency to the complexity of circumstances and materiality of the remaining assets.
- **Be proactive in addressing potential alignment of interest challenges**. Disclose economic arrangements transparently, including related party transactions. Structure resolution plans in a way that provides transparent disclosure and minimizes conflicts of interest.
- **Take actions to mitigate team departure and franchise risk.** Identify potential personnel transitions early and communicate a clear continuity plan to LPAC/investors. Develop proposed solutions to ensure continuity of key management personnel and other resources.
- **Anticipate and accommodate negotiation touchpoints.** Prepare for investor feedback or requests for modifications to governance or economics. Offer practical accommodations where reasonable to maintain alignment and momentum. Doing so can create leverage to support GP requests for desired reciprocal accommodations.
- **Leverage third-party advisors and legal counsel when appropriate.** Consult with legal counsel regarding contractual and other legal matters. Use independent advisors to increase transparency, validate assumptions, evaluate strategic alternatives, reduce perceived conflicts of interest and build credibility and alignment with investors and other critical stakeholders.
- **Leverage strategic alternatives analysis as a tool for stakeholder alignment and gaining negotiating leverage.** A thoughtful and objective comparison of resolution paths can build confidence in the GP's plan. This tool can also help secure support for partnership agreement modifications and other necessary accommodations.
- **Retain independent professional advisors to support complex GP-led transactions.** Especially in middle-market scenarios, independent advisors can help articulate the merits of a transaction, facilitate investor dialogue and provide critical third-party validation. This is particularly useful in complex situations and for navigating potential conflicts of interest or investor skepticism under time constraints.
- **Proactively identify solutions to known challenges and seek necessary investor accommodations.** Where challenges are identified—such as liquidity constraints, team capacity limitations or portfolio execution risks—GPs should take the lead in proposing actionable solutions. This may include requesting reasonable partnership agreement modifications, waivers or other investor support for tailored accommodations. Framing these requests within a transparent and solution-oriented narrative and as a component of the overall resolution plan can improve alignment and accelerate decision-making.

Recommendations for Investors/LPs

In many challenging tail-end fund situations, LPs find themselves navigating complex dynamics with limited transparency and lacking enforceable rights under governing agreements. Nevertheless, through thoughtful analysis, deliberate engagement, strategic coordination and collective action, LPs can play a meaningful role in shaping the course of resolution efforts in a constructive manner. The following recommendations were designed to help investors approach complex and challenging tail-end exposures with greater transparency, efficiency, deliberate action and influence.

- **Conduct a situational assessment in advance of term expiry.** Begin evaluating tail-end fund exposures meaningfully in advance of final term expiry. Assess remaining NAV, anticipated monetization timelines, potential challenges and preferred resolution pathways. Use this assessment to better understand the expected complexity, time commitments and level of engagement required.

- **Evaluate the risk posture and governing terms of the tail-end situation.** Conduct a detailed review of relevant risk factors and situational dynamics that may affect resolution complexity and investor outcomes.
  - Review relevant provisions of the partnership agreement, including but not limited to term expiry, dissolution, extension, GP removal, information rights, LPAC authority and compensation terms with the advice and assistance of legal counsel and identify any embedded limitations or opportunities that may shape resolution dynamics.
  - Conduct a situational assessment based on key risk factors, including asset quality risk, alignment of interest risk, manager risk (team stability, bandwidth, performance), conduct risk (past behavior, investor confidence), transparency risk and liquidity risk (fund and portfolio companies).
- **Clarify resolution priorities and begin to formulate outcome preferences**. Consider whether value preservation, timely resolution, near-term liquidity or value creation are investors' highest-order priorities. Use these priorities to guide engagement, communications and consensus building with the manager and other stakeholders.
- **Consider a default prioritization toward value preservation and speed to resolution over the pursuit of speculative upside** unless supported by a highly credible plan of resolution, particularly where the return profile is risky, performance has been weak, resources are constrained, transparency is limited or manager confidence is impaired.
- **Request a documented plan of resolution and alternatives analysis**. Encourage the GP to develop and share a written plan outlining relevant details related to the proposed resolution pathway, anticipated milestones, resolution timing, costs, risks and related mitigation and expected outcomes for investors.
- **Request a comparative analysis of relevant strategic alternatives** to a GP's proposed resolution plan to help validate the proposed path and improve engagement and decision-making.
- When a delayed resolution plan is proposed by a GP, **consider whether necessary tools and resources are in place at all relevant levels to execute the GP's plan and whether critical stakeholders are aligned in plan implementation**. Key related considerations include:
  - Adequate liquidity at the fund and portfolio companies;
  - Stable credit arrangements with portfolio company lenders (and fund lenders, if applicable);
  - Sufficient engagement from professionals at the manager with relevant capabilities and alignment of interest with plan objectives;
  - Fund possesses requisite rights and influence necessary to support anticipated portfolio company value creation initiatives and liquidity events; and
  - No material gaps in leadership at key portfolio companies.
- **Given the risk of value erosion in connection with delayed resolution, consider incorporating monitoring and accountability measures** to ensure performance against key milestones and safeguard investor interests. These may include:
  - Milestone covenants that trigger springing rights for investors or duties for the manager in the event of non-performance;
  - Milestone-based compensation or other incentives for the manager; and/or
  - Rights to appoint a co-fiduciary or replacement fiduciary in the event of nonperformance, if warranted.
- **Understand potential sources of leverage and influence**. Clearly understand legal rights, remedies and duties for the manager and investors and leverage that understanding to formulate negotiating positions with awareness of potential counterparty positions. Embrace the Churchillian philosophy, "never let a good crisis go to waste," by seizing opportunities for change that may arise during difficult circumstances. These opportunities may be found in key elements of a fund's circumstances, which, if recognized timely and wielded appropriately, could represent powerful fulcrums for leverage. Such potential opportunities may include:
  - Management fee cessation upon term expiry;

- Fund-level illiquidity and need for incremental financing to support a GP's resolution plan from existing or third-party investors;
- Dependencies for investor approvals or accommodations inherent in a GP's proposed plan of resolution;
- The existence of no-fault and for-cause GP removal and replacement provisions; and/or
- Known or potential breaches of partnership agreement and/or other potential conduct concerns that could give rise to viable claims for recovery, triggers for GP removal/replacement and/or other sources of leverage.

- **Organize with investors to support collective action.** Organization and coordination of fragmented investor bases into groups representing a significant share of economic and voting-influence can enable investors to share valuable information and insights, understand and reconcile any disparate viewpoints and build consensus related to potential resolution pathways. These organization efforts and the resulting collective action can substantially increase optionality, influence and negotiating leverage for investors and enable more effective and decisive engagement with managers in complex and challenging tail-end fund circumstances.
- **Consider the retention of professional advisors**. Appropriately qualified legal and strategic financial advisors can support investors in the resolution of complex tail-end fund circumstances in several ways, including but not limited to helping investors assess risks, identify and evaluate strategic alternatives, evaluate a GP's proposed plan of resolution, formulate negotiating strategies, organize and facilitate communications with investors and other critical stakeholders, engage in negotiations with GPs and support the implementation of agreed upon resolution plans.

Recommendations for Secondary Market Participants

The opportunity set for GP-led secondaries is on a course for substantial future growth—but much of the growth opportunity remains difficult to access and more challenging to execute. While the middle market is recognized as a promising frontier, the practical realities of sourcing, underwriting and closing complex transactions have slowed progress. The recommendations below focus on strategies to help secondary participants expand their effective opportunity set, improve close rates, address structural challenges and enhance returns in a competitive and evolving market.

- **Target both publicly-reporting and nonreporting tail-end funds through data-informed sourcing strategies**. Expand targeting efforts beyond the visible universe of publicly-reporting funds by identifying nonreporting tail-end funds through indirect analysis. One approach is to cross-reference private market fundraising data with funds that report performance publicly by vintage year, helping to surface potential tail-end funds that do not report performance publicly. Intermediaries and secondary investors that can systematically map this segment may gain earlier insight into underserved and less competitive opportunities.
- **Develop execution strategies that are purpose-built for the middle market**. Progress in the middle market requires more than interest; it requires differentiated approaches to sourcing, underwriting and structuring transactions and engaging with market participants. Secondary investors will likely be required to adapt diligence and decision-making models to address smaller deals, multi-asset portfolios, varied asset quality and other fund-specific and portfolio company complexities. Addressing this segment may also require a higher degree of risk tolerance than transactions in the upper segment of the GP-led market, potentially necessitating distinct pools of capital with differentiated return targets, underwriting approaches and pricing models.
- **Advocate for the use of independent advisors in complex or sensitive GP-led situations**. In complex and challenging tail-end fund circumstances—particularly in the middle market—secondary market participants should actively encourage GPs or LPs to retain independent advisors when appropriate to do so. Independent advisors can add significant value by organizing and synthesizing large volumes of fund and portfolio company information, preparing strategic alternatives analyses and facilitating efficient and credible interactions with investors. Their presence improves transparency, reduces friction in stakeholder interactions and fosters informed decision-making—helping to bridge gaps between and among stakeholder groups.

Conclusion

The growing prevalence of tail-end funds reflects a structural reality of today's private markets: capital formation has outpaced capital resolution. What was once a residual concern has become a recurring challenge, with aging funds often caught between constrained governance, competing objectives and fading incentives. As complex and challenging end-of-life situations accumulate, so too does the need for more effective, efficient, collaborative and transparent approaches to resolution.

Tail-end funds are not a flaw in the private markets model—they are a feature of its success and a test of its adaptability. The conditions that give rise to end-of-life challenges are unlikely to disappear, but changes can be made to help improve their outcomes.

Tail-end funds expose the limits of legacy structures, but they also invite better ones. The tools and insights market participants require to improve outcomes are already in place or emerging. What's needed now is not reinvention, but intention—a shift toward greater responsibility, engagement and urgency at the end of the fund lifecycle. That shift won't solve every challenge, but it can help define a more scalable, mature and enduring model for private capital.

About the Authors

This publication was co-authored by Kenneth Latz and Michael Cavanaugh, managing partners and co-founders of Atlas Resolution Partners.

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About Atlas Resolution Partners

Atlas Resolution Partners is a specialized advisory and asset management firm focused exclusively on resolving complex private capital fund issues for its clients. Atlas partners with its clients to preserve value and maximize outcomes through a proactive resolution of challenging and underperforming private capital fund investments. The firm's ethos of integrity, transparency and independence guides its conduct and approach to every engagement. The firm and its professionals treat each role with the highest standard of professionalism, confidentiality and discretion. In all cases, the firm's success is measured by the outcomes achieved by its clients.

Disclaimer

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[1] Preqin, Ltd.

[2] Preqin, Ltd.

[3] Preqin, Ltd. and Atlas Resolution Partners analysis

[4] Defined as the first quarter in which reported RVPI was less than or equal to 0.05x.

[5] Preqin, Ltd. and Atlas Resolution Partners analysis

[6] Preqin, Ltd. and Atlas Resolution Partners analysis

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[18] Preqin, Ltd. and Atlas Resolution Partners analysis

[19] Preqin, Ltd. and Atlas Resolution Partners analysis

[20] Preqin, Ltd.

[21] Preqin, Ltd. and Atlas Resolution Partners analysis

[22] Jefferies Global Secondary Markets Review