CONTINUATION FUNDS:
GOVERNANCE & THE ALTERNATIVE INVESTMENT STANDARDS

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EXECUTIVE SUMMARY

Continuation funds have developed from a niche liquidity solution into an established component of private markets. As adoption has increased, these transactions have provided managers and investors with greater flexibility to extend investment horizons, generate liquidity, and access new capital. At the same time, their growth has highlighted the importance of robust governance frameworks to address the structural conflicts that arise in these transactions.

The principal governance challenge of continuation funds is aligning the interests of GPs, existing LPs, and new LPs. Unlike traditional third-party exits, continuation fund transactions involve a GP establishing a new vehicle to acquire assets from an existing fund managed by the same firm. While these structural conflicts are not inherently inappropriate, they require robust governance arrangements, transparent disclosures, and appropriate oversight to support fair outcomes.

The *Alternative Investment Standards ('Standards')*, as updated in 2026, reflect evolving market practice by providing enhanced guidance for managers and investors involved in private market transactions. Enhanced expectations for valuation governance, conflicts management, independent valuation providers, investor disclosures, and GP-led secondary transactions establish a practical, principles-based framework to strengthen transparency, improve process integrity, and support investor confidence.

This report examines the evolution of continuation funds, their benefits, challenges, and the practical application of the *Standards*. It also considers a recent public GP-led continuation transaction dispute, illustrating how differing governance practices can contribute to significant disagreement, irrespective of the ultimate commercial outcome. This case reinforces the importance of consistent governance frameworks rather than suggesting any inherent weakness in continuation fund structures themselves.

KEY TAKEAWAYS

- Continuation funds have become a mainstream feature of private markets, driven by structural changes in exit markets rather than temporary market dislocation.
- Continuation funds can deliver meaningful benefits for managers, existing investors, and new investors when supported by appropriate governance arrangements.
- The principal challenge is governance, not the product. Structural conflicts of interest require transparent processes, independent challenge, and robust investor protections.
- Many legacy fund agreements were not drafted with continuation vehicles in mind, increasing the importance of industry standards to establish consistent governance expectations that reflect evolving market practice.
- The SBAI *Alternative Investment Standards* provide a principles-based governance framework designed to promote transparency, independent valuation, effective management of conflicts, and greater investor confidence in GP-led transactions.

01 THE RISE OF CONTINUATION VEHICLES

The immediate catalyst for the growth of continuation vehicles was the deterioration in conventional exit conditions after the exceptionally active markets of 2020 and 2021. Higher financing costs, valuation gaps between buyers and sellers, weak transaction volumes, and periods of weak IPO activity made it difficult for GPs to realise mature assets at prices they considered acceptable. This liquidity pressure also affects LPs, as lower distributions constrain their ability to meet capital calls, rebalance portfolios, and commit to new funds.

Continuation funds have therefore become an important feature of private market investing, offering the potential to align the objectives of GPs, existing LPs, and new LPs at once. When appropriately structured, they provide a mechanism to generate liquidity while enabling (continued) ownership of assets with further value creation potential. Their growth reflects evolving private market dynamics rather than a fundamental shift in investment objectives.

02 BENEFITS FOR GPs & LPs

For **managers**, continuation funds provide commercial and portfolio management benefits, including the ability to:

- **Retain ownership of assets that demonstrate further value creation potential**
- **Extend investment horizons** to execute value creation initiatives, e.g., operational improvements, strategic acquisitions
- **Avoid pressured exits** during challenging market conditions, e.g., subdued IPO or M&A markets
- **Provide capital and stability** to portfolio companies
- **Maintain continuity of ownership and management of portfolio companies** while generating liquidity to investors
- **Support future fundraising** by demonstrating disciplined portfolio management and maintaining positive relationships with existing investors

For existing and prospective **investors**, continuation funds provide greater flexibility to meet their investment and liquidity objectives by enabling them to:

- **Buy-in, sell, or roll their investments** (or any combination) according to their goals
- **Generate liquidity** by allowing existing investors to realise before traditional exit
- **Maintain exposure** to familiar and/or high-quality assets with additional value creation potential with a familiar management team
- **Access mature investments** giving prospective investors exposure to more established assets with extensive due diligence and operating histories
- **Rebalance portfolios**, allowing capital to be redeployed while supporting liquidity and denominator management objectives
- **Reduce blind-pool risk**, as investors already possess knowledge of the underlying asset, the GP, and the investment strategy.

03 EMERGING GOVERNANCE CHALLENGES

Continuation funds represent a legitimate and increasingly important portfolio management and liquidity solution within private markets. However, as GP-led transactions have become more common, expectations regarding governance, transparency, and investor protection have evolved accordingly. The focus should therefore be on ensuring that these transactions are supported by robust governance arrangements, independent valuation and transparent disclosure, rather than on questioning the continuation fund structure itself.

Against this backdrop, industry stakeholders have increasingly focused on the areas where there is potential for conflicts and inequitable treatment of investors.

STRUCTURAL CONFLICTS

The principal governance challenge arises from the GP's dual role within the transaction. Unlike a conventional sale to an unrelated third party, the manager is closely involved on both sides of a continuation fund transaction. The GP typically represents the selling fund while simultaneously establishing and managing the acquiring vehicle – thereby overseeing the transaction process, selecting external advisers and negotiating with incoming secondary investors.

This creates a structural conflict of interest. The manager seeks to achieve an attractive valuation for existing investors while also establishing an entry price that is acceptable to new investors. At the same time, the GP may crystallise carried interest from the legacy fund, receive ongoing management fees from the continuation vehicle, and create the opportunity for future performance fees. These commercial interests are not inappropriate in themselves, but they reinforce the importance of robust governance and independent oversight throughout the transaction.

As the CFA Institute has observed, structural conflicts should be distinguished from procedural failures or misconduct. The existence of a conflict does not imply that investors have been treated unfairly. Rather, the quality of the governance process, including transparency, independent challenge, and effective oversight, determines whether those conflicts are appropriately managed.

VALUATION

Valuation lies at the center of every continuation fund transaction. Because assets are transferred within the same manager's ecosystem, transaction prices cannot rely solely on traditional market price discovery. Independent valuation providers and fairness opinions therefore play an increasingly important role in supporting confidence in the valuation process.

However, neither an independent valuation nor a fairness opinion should be viewed as a substitute for good governance. Investors also require confidence in the methodology adopted, the assumptions underpinning the valuation, the scope of the external provider's engagement, and the independence of the advisers involved. Transparent documentation of valuation methodologies, material assumptions, and any changes to those methodologies is equally important in demonstrating that valuation outcomes have been reached through a disciplined and consistent process.

INFORMATION ASYMMETRY AND INVESTOR CHOICE

Further challenges arise from the information imbalance that can exist between different participants in a continuation fund transaction. The GP controls much of the information available regarding the underlying asset, the transaction process, and the commercial rationale for pursuing a continuation vehicle rather than an alternative exit route. Existing investors in the fund must therefore be provided with sufficient information, adequate time, and meaningful opportunities to evaluate their options before making a sell, roll, or partially roll decision.

Compressed transaction timetables can undermine this objective by limiting investors' ability to undertake appropriate legal, valuation, and governance reviews. Equally, inconsistent disclosure or differing information provided to selling investors, rolling investors, and prospective investors may impair confidence in the fairness of the process. Effective LP Advisory Committee (LPAC) engagement, clear disclosure of conflicts, and sufficient time for investor review have therefore become increasingly important features of good market practice.

LEGACY FUND DOCUMENTATION

Many continuation fund transactions today arise in funds that were established ten or more years ago. Those limited partnership agreements (LPAs) were negotiated before GP-led continuation vehicles became commonplace and therefore often contain only broad conflict provisions rather than detailed expectations regarding valuation processes, investor disclosures, LP elections, or LPAC involvement.

While more recent fund documentation increasingly anticipates these transactions, many legacy agreements remain comparatively silent on issues that have become central to modern continuation fund governance. They may not specify appropriate review periods, the scope of independent valuation work, disclosure expectations, the allocation of transaction costs or amortised expenses, or the mechanics surrounding investor elections.

The absence of detailed contractual provisions does not remove the underlying governance challenges. Instead, managers, investors, and advisory committees are often required to develop transaction processes based on differing interpretations of good practice. As a result, market practice can become inconsistent even where all participants are acting in good faith.

This is where the *Alternative Investment Standards* provide an important governance framework. Rather than seeking to rewrite the underlying commercial bargain or impose a uniform transaction structure, the Standards establish consistent governance expectations in areas where historical fund documentation is silent, incomplete, or no longer reflects the complexity of today's private market landscape.

04 THE *ALTERNATIVE INVESTMENT STANDARDS* AS A SAFEGUARD

The SBAI Alternative Investment Standards cover disclosure, valuation, risk management, fund governance, and shareholder conduct. Signatory managers conform on a comply-or-explain basis and make disclosure statements available to existing and prospective investors. The Standards distinguish between bold-text requirements and accompanying guidance and examples that explain how conformity may be achieved. The updated valuation provisions create a layered control framework for continuation vehicles.

Governance Area	Relevant SBAI Standard(s)	Key SBAI Requirements	Governance Objective
Transaction governance	Standard 6.3 - Manager-led Secondaries, Crossed Investments and Related-Party Transactions	Transactions should be conducted consistently with the manager's fiduciary obligations, applicable regulatory requirements, investor disclosure obligations and internal compliance policies. Managers should commission an independent valuation or fairness opinion prior to completion of the transaction.	Establishes a formal governance framework for inherently conflicted transactions and reinforces fiduciary decision-making.
Independent valuation provider governance	Standards 5.3, 5.4, 5.5 and 5.6	Managers should undertake appropriate due diligence when appointing independent valuation providers, considering competence, experience, staffing, independence and potential conflicts of interest. The scope and limitations of the provider's engagement should be disclosed. Where an independent valuation is modified, rejected or not followed, managers should document the rationale and maintain an appropriate audit trail.	Strengthens confidence in the independence, quality and transparency of external valuation advice while providing accountability for management decisions.
Valuation methodology and assumptions	Standards 5.1 and 5.2 *(Valuation Policies and Methodologies)*	Valuation policies should describe the methodologies reasonably expected to be applied. Material methodology changes should	Promotes consistency, transparency and comparability in valuation practices while reducing

		be justified, documented and subject to appropriate governance oversight. Managers should disclose significant assumptions, inputs and adjustments, explain the weighting of methodologies where appropriate and perform sensitivity analysis where valuation conclusions are materially dependent upon key assumptions.	the potential for selective methodology changes or valuation bias.
Investor engagement and disclosures	Standard 6.3 (Guidance)	Investors should receive early engagement regarding the proposed transaction, access to the independent valuation report (where appropriate), sufficient time to review transaction materials and engage with external advisers, together with clear disclosure of the transaction rationale, conflicts of interest, manager economics and available election options. LPAC engagement should occur where required or appropriate.	Enables investors to make informed sell, roll or partial election decisions through transparent disclosures and meaningful review periods.
Process integrity and governance	Standards 5.5, 5.6 and 6.3	Managers should maintain comprehensive documentation supporting valuation decisions, governance approvals and methodology changes. Where managers operate both primary and secondary strategies, buy-side and sell-side decision-making structures should remain appropriately independent. Managers should consider competitive processes or alternative bids where appropriate and seek to achieve best execution.	Demonstrates robust governance, strengthens evidential records and provides assurance that conflicted transactions have been conducted through a disciplined and transparent process.

05 CASE STUDY: GOVERNANCE LESSONS FROM A RECENT PUBLIC GP-LED CONTINUATION FUND DISPUTE

A recent public GP-led continuation fund dispute illustrates the governance challenges that can arise in complex secondary transactions when lack of industry standards can lead to diverging expectations and practices. Public reporting of the dispute[1] raised allegations concerning valuation practices, investor communications, governance processes, and conflicts of interest. While the merits of these allegations remain for the courts to determine, they provide a useful illustration of the governance issues that industry standards seek to address. The table below summarises selected publicly reported allegations and the corresponding governance considerations.

Illustrative Allegations and Relevant SBAI Governance Safeguards

Publicly Reported Allegation	Potential Governance Risk	Relevant SBAI Standard(s)	Risk Mitigation Using SBAI Standards
The transaction allegedly favoured the manager's commercial interests through a conflicted internal sale.	The GP occupies roles on both the buy-side and sell-side, creating inherent conflicts of interest.	Standard 6.3 - Manager-led Secondaries, Crossed Investments and Related-Party Transactions	Requires GP-led transactions to be conducted consistently with fiduciary obligations, regulatory and investor disclosure requirements, and internal compliance procedures. Recommends obtaining an independent valuation or fairness opinion before completion.
Different valuation information and assumptions were allegedly presented to existing investors and prospective buyers.	Information asymmetries may undermine informed investor decision-making and confidence in pricing.	Standards 5.5, 6.7 and 6.8	Require transparency regarding valuation methodologies, material assumptions, inputs, and adjustments, together with appropriate documentation of valuation decisions and sensitivity analysis where relevant.

[1] The following case study is based on allegations made in publicly reported litigation concerning a GP-led continuation fund transaction. The allegations remain contested and should not be interpreted as findings of fact or wrongdoing. The purpose of this case study is to illustrate the types of governance challenges that can arise in GP-led transactions and how the SBAI's *Alternative Investment Standards* provide a framework to help mitigate those risks. *Abu Dhabi Inv. Council Co. et al. v. Energy & Minerals Grp LP et al., No. 2025-1389-NAC (Del. Ch. Dec. 3, 2025)*

The transaction timetable was allegedly compressed, limiting investors' ability to assess the proposal.	Investors may be unable to undertake appropriate legal, valuation, and governance reviews before making election decisions.	Standard 6.3 (Guidance)	Encourages early investor engagement and recommends that independent valuation materials be provided sufficiently in advance of investor elections or LPAC approvals, with longer review periods for more complex transactions.
Information provided to different investor groups was allegedly incomplete or inconsistent.	Unequal access to information may impair informed consent and create unfair advantages between investor groups.	Standards 5.4 and 6.3	Promote transparent disclosure of valuation reports, adviser scope, conflicts of interest and supporting information to facilitate informed investment decisions.
The manager's continuing economic interests were allegedly not fully disclosed.	Investors may be unable to assess the extent to which GP incentives align with their own interests.	Standard 6.3 (Guidance)	Recommends transparent disclosure of the manager's economic interests, including fees, carried interest, GP commitments, and other financial incentives associated with the transaction.
Alternative exit options were allegedly not adequately considered or communicated.	Investors may be unable to assess whether the continuation vehicle represented the most appropriate execution strategy.	Standard 6.3 (Guidance)	Encourages managers to articulate the commercial rationale for the transaction, consider alternative exit options where appropriate, and seek best execution, including competitive processes where suitable.
Governance arrangements surrounding LPAC engagement and adviser independence were allegedly inadequate.	Weak governance oversight may reduce effective challenge and independent review of conflicted transactions.	Standards 5.3, 5.4 and 6.3	Require due diligence on independent valuation providers, transparency regarding adviser mandates and conflicts, and appropriate governance arrangements for conflicted transactions.
Documentation supporting the transaction process was alleged to be incomplete or inconsistent.	Poor records make subsequent oversight, audit, and regulatory review more difficult.	Standards 5.5, 5.6 and 6.3	Require contemporaneous documentation of valuation decisions, governance approvals, methodology changes, and circumstances where independent valuations are modified or not followed.

Key Governance Observations

The public reporting of this dispute highlights several governance themes that extend well beyond any individual transaction:

- Structural conflicts are an inherent feature of GP-led continuation fund transactions, but they can be managed through transparent governance processes, and independent oversight.
- Investor confidence depends as much on the integrity of the process as on the ultimate transaction price.
- Transparent valuation methodologies, consistent investor disclosures, and meaningful review periods are essential to informed investor decision-making.
- Comprehensive governance documentation provides an evidential record that supports oversight by investors, auditors, and regulators.

The purpose of the SBAI Alternative Investment Standards is not to determine whether a particular continuation fund transaction is commercially appropriate, nor to eliminate the inherent conflicts associated with GP-led transactions. Rather, the Standards establish a principles-based governance framework designed to promote transparency, consistency, and investor confidence by strengthening the processes through which these transactions are evaluated, executed, and documented.

06 CONCLUSION

Continuation funds have grown to become an established feature of private markets, providing an alternative mechanism for liquidity and portfolio management. As their use has expanded, so too have expectations regarding governance, valuation transparency, and the management of conflicts of interest.

The SBAI Alternative Investment Standards are not intended to prescribe commercial outcomes, determine whether a continuation fund should proceed, or dictate how assets should be valued. Rather, they provide a principles-based framework to support managers in executing transactions through robust processes and give investors greater confidence that decisions are supported by appropriate governance, transparency, evidence, and independent challenge.

By establishing common expectations for valuation governance, investor disclosures, conflict management, and process integrity, the Standards seek to promote informed decision-making and consistent market practice. While no framework can eliminate commercial disagreement, the SBAI believes that broader adoption of the Alternative Investment Standards can help address the complexities of GP-led transactions and strengthen confidence among managers and investors in the private markets.

Source Materials: *This paper has drawn on the April 2026 SBAI Alternative Investment Standards; the SBAI valuation FAQ and implementation materials; CFA Institute's Continuation Funds: Ethics in Private Markets and Conflicts of Interest in Continuation Funds; Jefferies' 2025 Global Secondary Market Review; McKinsey's Global Private Equity Report 2026; Morgan Lewis's Annual Continuation Vehicles Report 2026; and legal and practitioner analyses of the 2025–26 continuation-vehicle dispute discussed above.*