

Unlocking liquidity for private equity GPs

A growing liquidity squeeze in private equity is reshaping how general partners manage their own capital. Innovative GP financing models are emerging to sustain growth and strategic alignment.

By Thomas Doyle

Over the past decade, the private equity industry has faced mounting liquidity challenges. With buyout exits slowing and fundraising cycles accelerating, both limited partners (LPs) and general partners (GPs) are adjusting to a new equilibrium. Data from Bain & Company show that global buyout distributions fell to just 11% of net asset value in 2024 – the lowest level in over ten years¹.

While much has been written about the impact of this on LPs, the consequences for GPs themselves are only beginning to be widely understood. The decline in liquidity has created a series of pressures that extend deep into the core economics of private equity management.

The GP liquidity squeeze

General partners have experienced what could be called a ‘quintuple whammy’ of liquidity stress. First, shortened fundraising cycles require them to reinvest more frequently in their own funds. Second, each new fund generation has grown, increasing the absolute amount of GP commitments. Third, market norms now push GPs to contribute larger percentages to



demonstrate alignment with investors. Fourth, the proliferation of continuation vehicles has made cash flow needs less predictable. And finally, slowing distributions have delayed carry realisations and reduced liquidity from earlier commitments.

The cumulative effect is clear: GPs’ need for liquidity has risen even as access to it has diminished. Many firms have a significant portion of their net worth tied up in prior fund generations, often representing between 2% and 5% of total fund capital, alongside carried interest that remains unrealised.²

A structural shift in holding periods

The post-pandemic years have seen a marked lengthening of private equity holding periods. Higher interest rates since 2022 have reduced opportunities to generate returns through valuation multiple expansion, shifting focus instead towards operational improvements and organic growth. This move from beta to alpha is healthy for long-term value creation, but it also stretches the time horizon over which gains are realised.

For GPs, longer holding periods mean capital is locked up for extended durations. The result is a mismatch between capital demands – such as new fund commitments or seed investments in emerging strategies – and the timing of liquidity events from prior portfolios.

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Succession and strategic growth under constraint

Constrained liquidity also complicates succession planning. Many private equity firms are founder-led, and as those founders near retirement, their wealth remains embedded in their firms and legacy funds. In recent years, some have addressed this through partial sales of management company equity to outside investors. However, this approach can dilute ownership and strategic control.

An alternative gaining traction is the use of GP-level financing—structured solutions that provide liquidity without requiring the sale of equity. These transactions typically involve raising capital against a GP's mature but unrealised assets, such as co-investments or balance-sheet stakes in prior funds. By doing so, GPs can fund new commitments, support continuation vehicles, or facilitate internal succession, all while maintaining alignment with their investors.

The emergence of GP solutions

The term 'GP solutions' broadly refers to financing mechanisms that allow general partners to unlock value from existing fund interests. They are often structured as preferred equity or subordinated debt, backed by diversified portfolios of mature, high-quality assets.

Unlike traditional NAV financing—used primarily at the fund level—GP solutions operate one layer above, targeting the GP's own holdings. The result is a tailored liquidity instrument that balances flexibility with investor protection.

Market data suggest growing adoption. We estimate that the current market size for GP solutions is between \$ 150 and \$ 200 billion and could expand to as much as \$ 700–800 billion by 2030³. This growth trajectory reflects increasing demand from private equity managers facing the dual pressures of slower exits and larger successor funds.

Market drivers

Several structural themes underpin this growth:

- A challenging fundraising environment requiring GPs to demonstrate stronger alignment through higher personal commitments.

- Slower investment realisations across buyout markets, extending capital lock-up.
- The proliferation of continuation vehicles, often requiring GPs to roll carried interest or contribute incremental capital.
- Consolidation among private equity firms, leading to new capital needs for M&A at the management-company level.
- A generational transition across the industry, with liquidity needs tied to succession planning.
- A broad shift towards multi-product platforms, requiring GPs to seed adjacent strategies.

A different way to harvest the illiquidity premium

By providing capital against illiquid yet high-quality assets, investors can earn attractive risk-adjusted returns – effectively harvesting the illiquidity premium in a differentiated way.

For GPs, the benefits are strategic rather than merely financial. Liquidity access allows them to reinvest in their businesses, launch new products, or provide stability through transitions. It also reinforces alignment: rather than exiting prematurely or diluting ownership, GPs can continue to build value alongside their investors.

As interest rates stabilise and exit activity gradually normalises, the liquidity gap in private markets is unlikely to close completely. Instead, structural solutions such as GP-level financing are poised to become a permanent fixture of the ecosystem. For credit managers with expertise in underwriting illiquid assets, this evolution opens a long-term opportunity to participate in a rapidly institutionalising segment. We view GP solutions not as a cyclical phenomenon but as part of the ongoing maturation of private markets, where liquidity management becomes an integral part of strategic capital planning. ■

¹ Global Private Equity Report 2025, Bain & Company

² Based on Pemberton's understanding of the market.

³ Based on Pemberton's understanding of the current market (adoption rates, LTVs and growth rates), using industry data sourced from Preqin Pro.

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SUMMARY

Slower buyout exits and higher GP commitments are driving structural liquidity challenges.

GP-level financing offers a non-dilutive way to release capital and fund growth.

Market potential is projected to reach up to \$ 800 billion by 2030.

Solutions enhance alignment between GPs and LPs while supporting succession and innovation.

The GP solutions market reflects the next stage in private capital evolution.