

# GP Financing Solutions: Scale Matters

## A Brief Re-Introduction to GP Financing Solutions

Private markets have moved into the mainstream, evolving from a niche portfolio allocation to a core holding for many institutional investors. The firms managing that capital have grown in tandem and so have the demands on their own balance sheets. Funding commitments, seeding new strategies, retaining talent, and managing succession can all compete for the same pool of GP capital. As these demands have multiplied, GPs have become more intentional about what gets funded, when, and with what kind of capital.

Historically, the available tools often solved one problem while creating another, including leverage constraints, permanent dilution, or the scrutiny and governance considerations that can come with external shareholders. A year ago (in *“The Evolution of GP Financing Solutions: From GP Stakes to GP Structures”*), we described GP Financing Solutions as an alternative option GPs previously lacked in scale: capital that can be more flexible than debt while remaining non-dilutive relative to equity. We reasoned that this solution had evolved into another important tool in a GP’s toolset. The capital is typically sized and structured to use cases rather than to a standard set of terms, and it comes without giving up ownership in the business.

The market has adopted this solution at a pace we believe speaks to how acute the underlying need has become. GP Financing Solutions appear to have settled into a category of their own, one that GPs understand and are increasingly utilizing, and one that LPs now often view as reinforcing alignment rather than diluting it.

That evolution raises an important question: what can make a GP Financing Solution most attractive?

At Dawson, we believe that when it comes to GP Financing Solutions, scale matters. This belief is grounded in:

### THREE CORE PRINCIPLES

#### **1 A Scaled Market Can Create More Opportunity**

A larger and more mature private capital ecosystem expands the number, size, and variety of GP financing needs, creating a broader opportunity set in which providers can be selective.

#### **2 Scaled GP Commitments Can Create Stronger Alignment**

A GP with more of its own capital at stake is more closely aligned with the outcome, and data suggests that greater alignment has been associated with stronger fund performance.

#### **3 Scaled GPs Have Historically Achieved Greater Resiliency and Consistency of Returns**

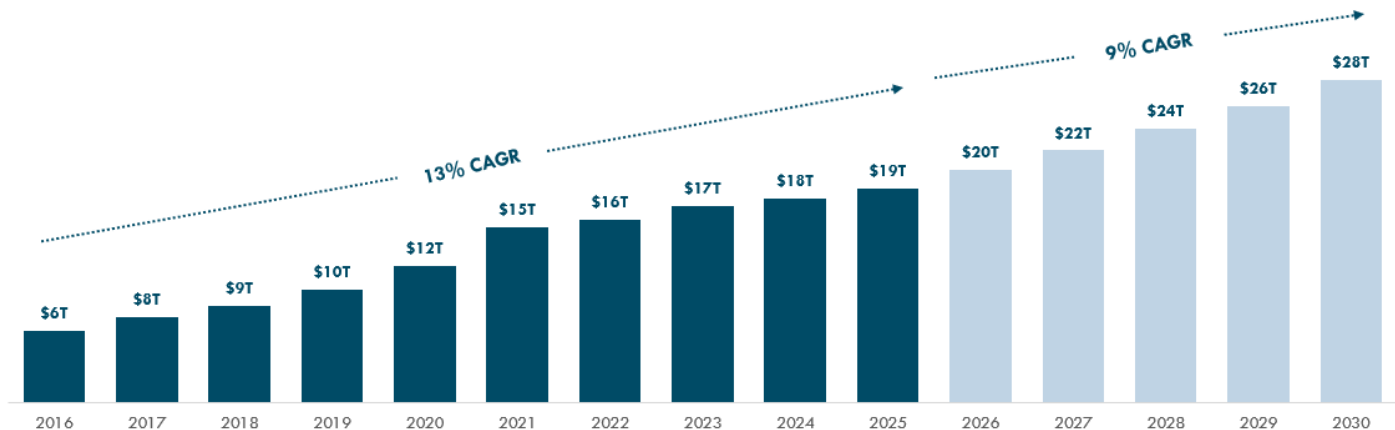
GPs operating in the upper middle and mega buyout market segments have demonstrated their ability to invest through cycles. We believe they have the platform and resources to deliver across a range of environments, generate greater consistency across funds, and narrow the band of returns, ultimately decreasing risk and increasing the probability of return.

## Principle 1: A Scaled Market Can Create More Opportunity

Over the past decade, the private capital market has grown significantly. Global private capital AUM has compounded at roughly 13% annually between 2016 and 2025, growing from \$6T to \$19T. Even if that growth rate were to decelerate by one-third, the asset class would approach ~\$28T by 2030 (see Chart 1.0).

**CHART 1.0**

### GLOBAL PRIVATE CAPITAL AUM GROWTH

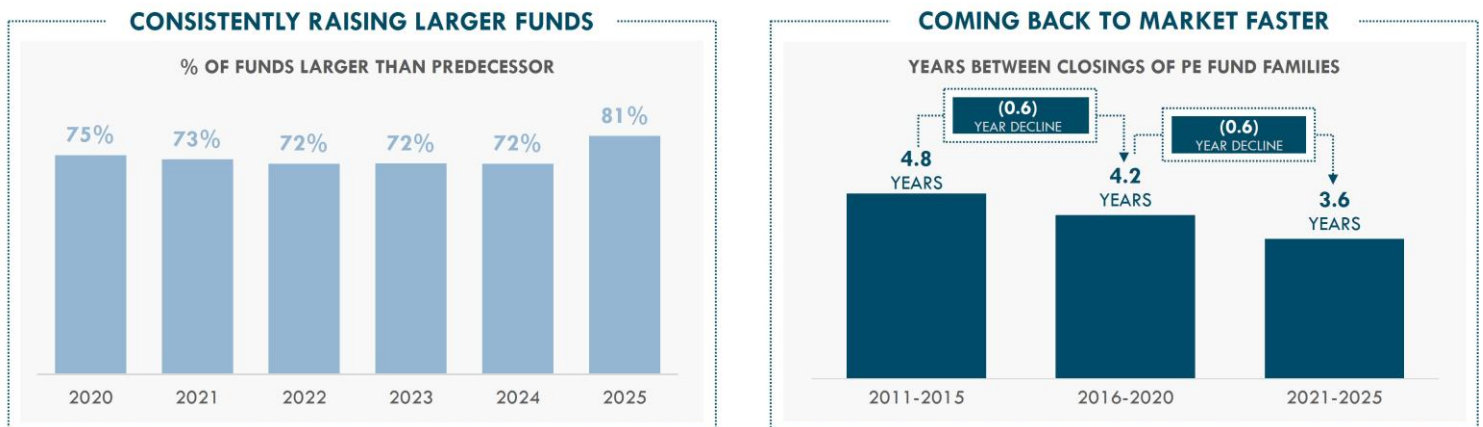


Source: Preqin. Please refer to Legal Disclaimers below for more details.

Part of this growth is fueled by GPs coming back to market faster and with larger funds. In 2025, 81% of managers that raised a fund raised a larger one than their last, the highest rate in the last five years. At the same time, fundraising timelines have compressed, with the average interval between funds shortening from 4.8 years in 2011-2015 to 3.6 years in 2021-2025 (see Chart 2.0).

**CHART 2.0**

### GP CAPITAL DEMANDS ARE GROWING



Source: PitchBook. Please refer to Legal Disclaimers below for more details.

Within Dawson's coverage GP universe alone, we estimate that 50+ funds are currently fundraising or expected to come to market over the next 24 months, seeking to raise \$750B or more in aggregate. As this market continues to scale, so too does the need for flexible capital. Put simply, if GPs make an average commitment of 2-4% (discussed below), that implies upwards of \$15-30B of GP commitments that may require financing over the next 24 months, before considering incremental capital needs for broader GP use cases.

Scale matters here not just because a larger market creates a larger financial need. It can also create more choice. More managers, more strategies, larger funds, and more frequent fundraising cycles can expand the range of counterparties and structures available to a GP Financing Solution provider. Ultimately, a larger opportunity set supports greater selectivity, and we believe that breadth is what turns market scale into investment opportunity.

## Principle 2: Scaled GP Commitments Can Create Stronger Alignment

The case for scale also extends to how GPs may think about their own commitments and how to demonstrate alignment to their LPs. As GPs weigh priorities when launching funds today, the size of a GP commitment is a critical component. A larger GP commitment can not only bring about stronger LP alignment, but data from recent years also suggests a strong correlation to improved fund outcomes as well.

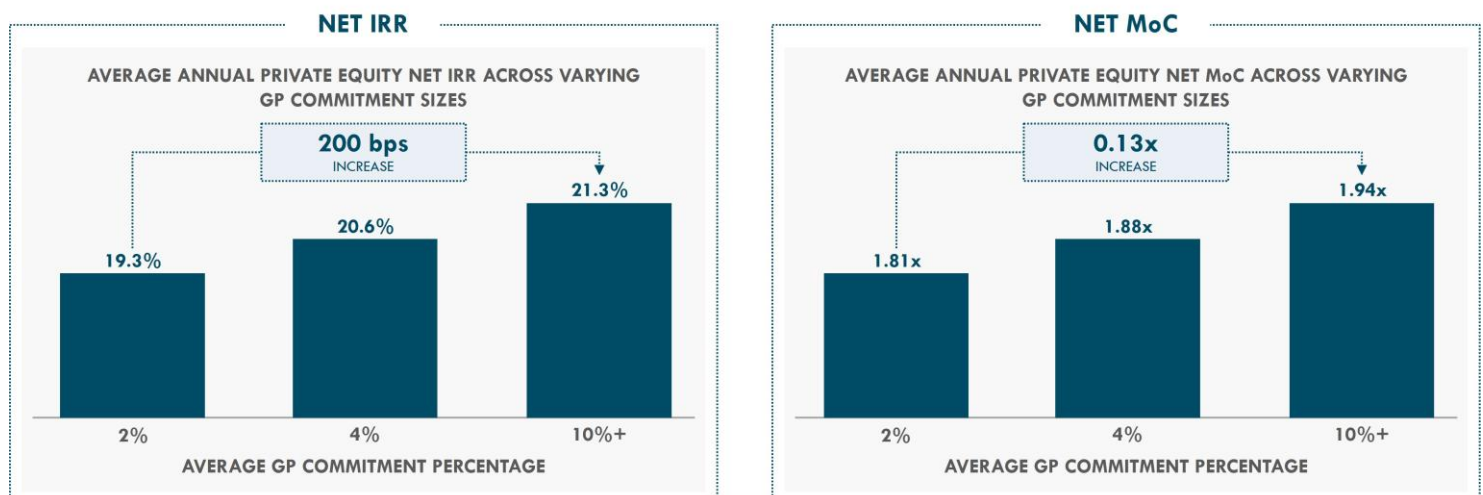
As the private equity fundraising market has become increasingly competitive and GPs have sought to differentiate themselves through larger GP commitments, private equity GP commitments have increased on average from a range of 1-2% to 2-4%, according to Torsys research. Moreover, LPs are increasingly expecting greater alignment, with GP commitment ranking amongst investors' top priorities when considering fund terms, according to Preqin.

This shift matters for two reasons. First, a larger GP commitment puts more of the manager's own capital alongside its LPs, strengthening alignment. Second, given fund sizes have grown while fundraising cycles have shortened, the absolute dollars required from a GP can increase meaningfully, furthering the potential need for financing.

Historical performance data suggests a positive relationship between GP commitment size and fund outcomes. Private equity funds with an average GP commitment of 2% have seen an average net IRR and MoC of 19.3% and 1.81x, respectively; funds with an average GP commitment of 4% have seen an average net IRR and MoC of 20.6% and 1.88x, respectively; and funds with an average GP commitment of 10%+ have seen an average net IRR and MoC of 21.3% and 1.94x, respectively (see Chart 3.0). While we do not interpret this relationship as proof that a larger commitment, by itself, causes better performance, we view the relationship as directionally consistent with our alignment case. Managers with more capital at risk have historically experienced stronger average fund outcomes.

CHART 3.0

### POTENTIAL POSITIVE CORRELATION WITH RETURNS



Source: Institute for Private Capital. Please refer to Legal Disclaimers below for more details.

That dynamic leaves many GPs with a practical problem. A commitment moving from 2% to 4% of a fund is a meaningful increase in absolute dollars and is a difficult ask at any point in a GP's lifecycle, but particularly in today's environment, when average fund sizes themselves are often larger and the interval since a GP's prior raise is often shorter (see *Chart 2.0*). That capital has to come from somewhere and traditional sources carry different costs. This is another key area where GP Financing Solutions are filling a gap today by providing capital that is generally sized to the commitment needed, timed appropriately, and structured flexibly, without requiring GPs to give up ownership or exposing GPs to the structural inflexibility of debt.

A larger commitment is often framed as something LPs ask for and GPs concede. We would put it differently. It can be a mechanism through which both sides increase their exposure to the same outcome, increasing alignment. LPs gain a manager with more capital at risk alongside them, while GPs gain greater participation in the assets they know best. GP Financing Solutions can help make alignment more economically achievable.

## Principle 3: Scaled GPs Have Historically Achieved Greater Resiliency and Consistency of Returns

In addition to a growing market creating greater opportunity, and scaled GP commitments correlating with improved alignment and performance, we continue to assert that GP scale counts as well, especially as we consider risk. As the private equity market has evolved, the largest firms have remained difficult to beat, and from our perspective larger, more institutionalized, differentiated managers tend to have an advantage. A GP's size and duration have become increasingly reliable predictors of the resiliency and consistency of its returns. When structuring and underwriting GP Financing Solutions, which are often secured by a multi-year horizon, that consistency can matter as much as a fund's absolute performance itself.

Case in point, the growth in private equity has not been evenly distributed. As the asset class has continued to mature, it has concentrated more around GPs with larger fund sizes and the institutional infrastructure to persist through market cycles. In fact, funds sized below \$500M represented just 13% of total fundraising in 2025, this is down from 18% in 2021. In contrast, funds sized above \$5B grew their share from 28% in 2021 to 35% in 2025 (see *Chart 4.0*). That concentration does not, by itself, prove that larger managers make better investments, but it is consistent with a market in which LPs have increasingly favored managers with more established franchises.

CHART 4.0

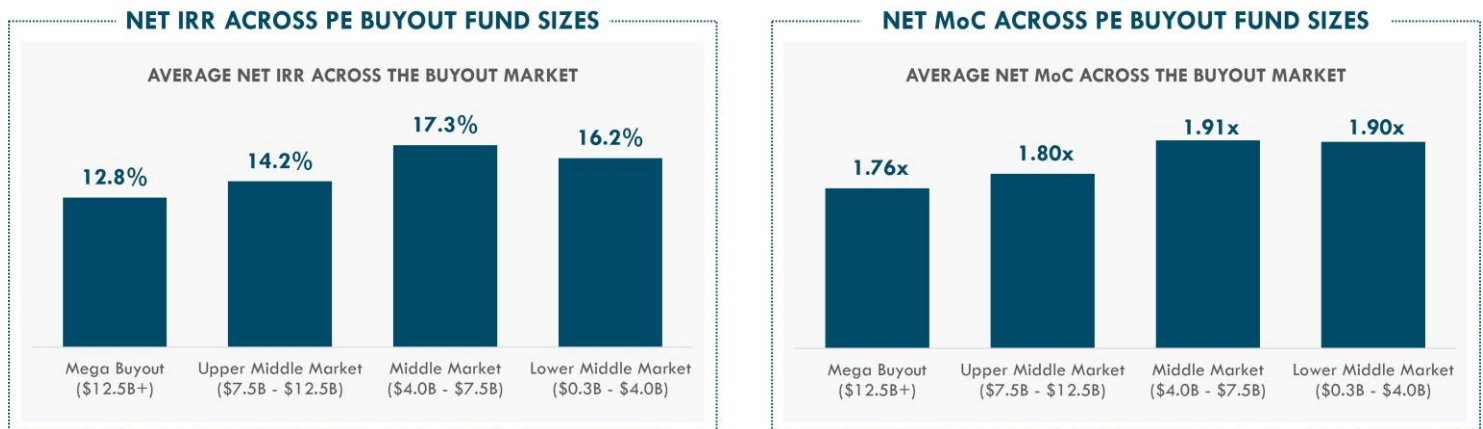
### FUNDRAISING MARKET SHARE BY FUND SIZE



Source: McKinsey & Company. Please refer to Legal Disclaimers below for more details.

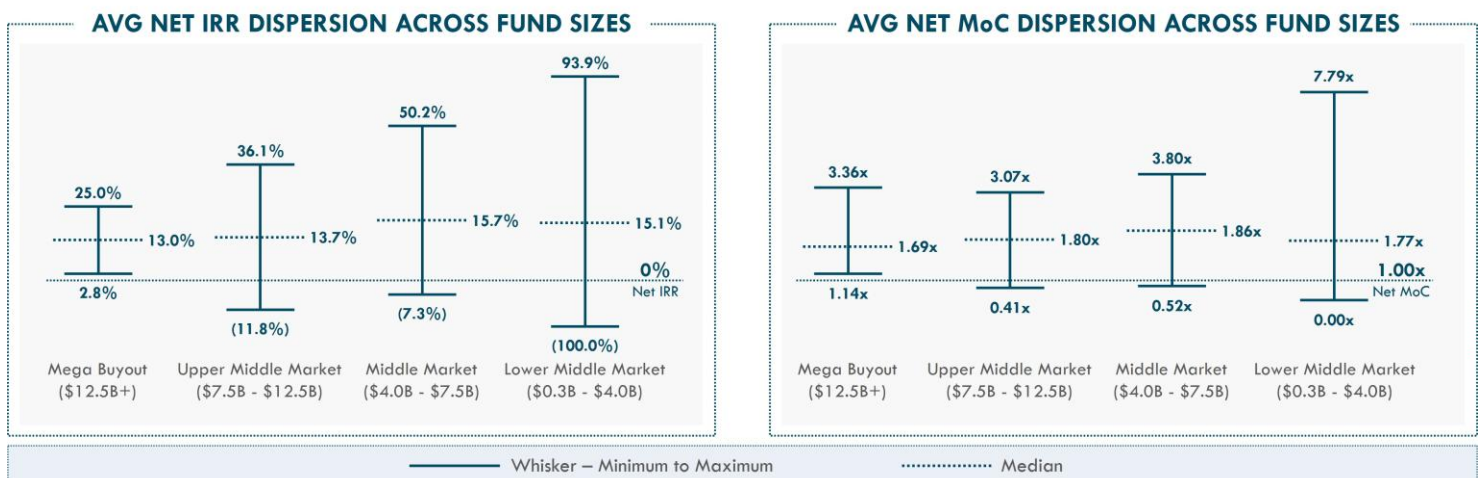
To try to understand what underpins that preference, we evaluated 1,500+ private equity funds over the past two decades, and a clear trend emerged: fund size is among the most prominent factors underpinning GP resiliency and consistency of returns.

Looking across the buyout market by fund size, the largest funds have not led on headline returns. Middle market funds (\$4.0B-\$7.5B) and lower middle market funds (\$0.3B-\$4.0B) generated higher average outcomes than upper middle market (\$7.5B-\$12.5B) and mega buyout funds (\$12.5B+) (see Chart 5.0).

**CHART 5.0**
**BUYOUT GP PERFORMANCE ACROSS FUND SIZES**


Source: Preqin. Please refer to Legal Disclaimers below for more details.

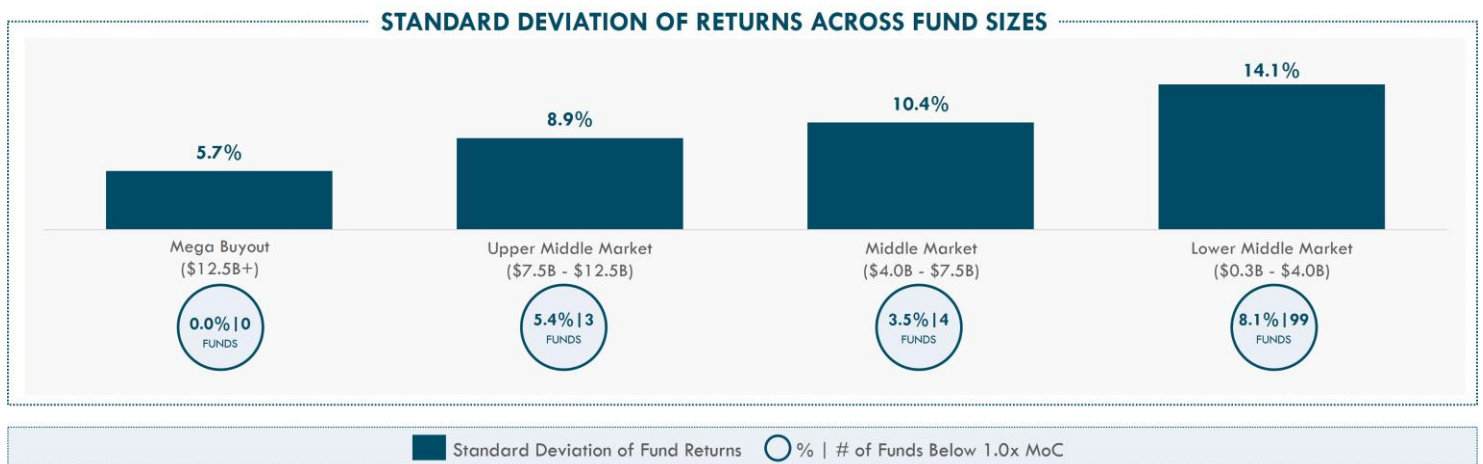
On simple averages alone, it appears the smaller cohorts come out ahead. What these simple averages fail to consider is the risk taken to generate each unit of return. Return dispersion against those averages, we believe, tells the more important story. Among mega buyout funds, outcomes cluster tightly around the median, with observed net IRRs spanning 2.8% to 25.0% and net MoC ranging from 1.14x to 3.36x (see Chart 6.0). Moving down the size spectrum, that band widens. Upper middle market fund outcomes range from (11.8%) to 36.1% and 0.41x to 3.07x; middle market fund outcomes span from (7.3%) to 50.2% and 0.52x to 3.80x; and lower middle market fund outcomes span from deeply negative and no return of capital, to quite exceptional.

**CHART 6.0**
**BUYOUT GP PERFORMANCE DISPERSION ACROSS FUND SIZES**


Source: Preqin. Please refer to Legal Disclaimers below for more details.

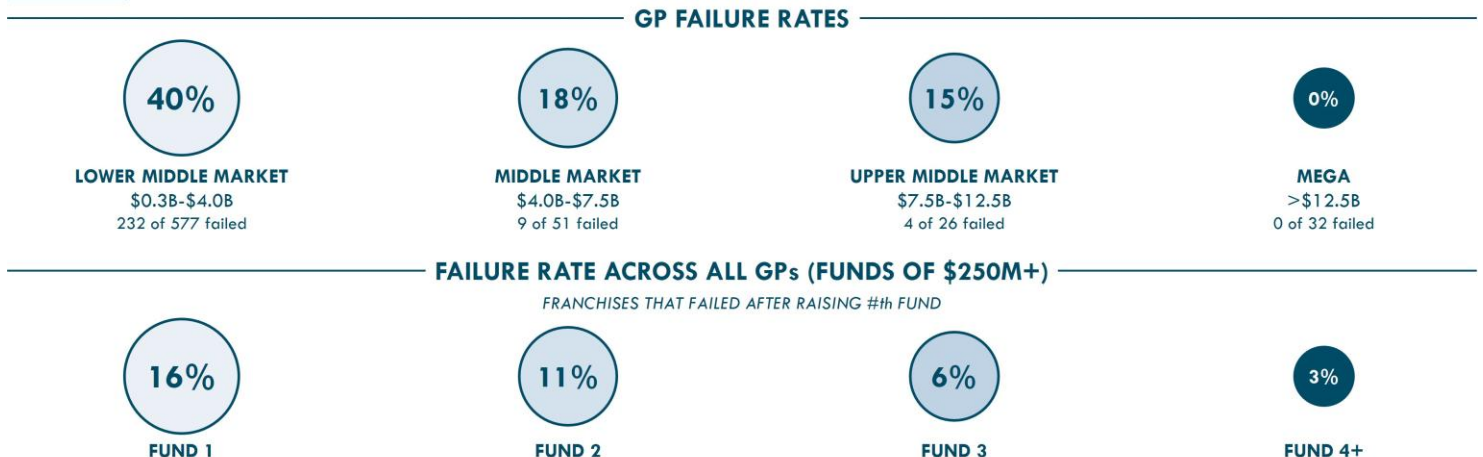
Standard deviation reinforces the same point. Net IRR standard deviation was 14.1% among lower middle market funds, 10.4% for middle market funds, 8.9% for upper middle market funds, and just 5.7% for mega buyout funds, with net MoC dispersion similarly compressing (see Chart 7.0). Dispersion, in this sense, can be a proxy for risk. The tighter the band, the more likely a potential outcome and, potentially, the lower the risk for an investor. Selecting the right-tail managers can be a winning strategy, but doing so consistently is difficult, and the cost of getting it wrong has been considerably higher at the smaller end of the market.

Said differently, a larger fund has offered a narrower and more predictable set of outcomes and potentially lower risk, which we believe is driven by what scale can afford: more diversified portfolios across companies and sectors, institutionalized and cycle-tested underwriting, deeper capital market relationships and operational infrastructure with platform resources to manage through a downturn. As markets have become increasingly uncertain and volatility persists, in our view this stability and consistency in the band of returns is paramount.

**CHART 7.0**


Source: Preqin. Please refer to Legal Disclaimers below for more details.

The consistency of outcomes from scaled players is reinforced by their staying power and ability to navigate multiple cycles with successor funds. Across a dataset of 686 GPs raising funds of \$250M+, 36% ultimately failed to raise a subsequent flagship fund. Among lower middle market managers, the failure rate was 40%. It falls to 18% for middle market managers and 15% for upper middle market managers. Among the 32 mega buyout managers in the sample, there were no failures (see Chart 8.0).

**CHART 8.0**


Source: Preqin. Please refer to Legal Disclaimers below for more details.

Franchise durability tells a similar story. Failure is overwhelmingly an early life event, as GPs have yet to establish the track record, team stability, and economic alignment that often underpin a durable franchise. 16% of all GPs in the sample failed after raising a first fund, 11% after a second fund, and 6% after a third fund. From a fourth fund onward, that rate falls considerably, and eventually to negligible levels (see *Chart 8.0*). Scale is partly an outcome of that durability and partly evidence of it.

Taken together, the data does not suggest that the largest managers always generate the highest returns. It suggests something more relevant to GP Financing Solutions: scaled managers have historically produced a narrower band of outcomes and demonstrated greater franchise staying power.

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## The Punchline for GP Financing Solutions

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Which brings us back to where we started. We believe scale matters based on:

### THREE CORE PRINCIPLES

- 1 A Scaled Market Can Create More Opportunity**
- 2 Scaled GP Commitments Can Create Stronger Alignment**
- 3 Scaled GPs Have Historically Achieved Greater Resiliency and Consistency of Returns**

Which leaves a final question: why does this matter from the lens of a GP Financing Solution provider? From our perspective, the answer lies in the counterparty. These structures typically span multiple years and often multiple fund vintages. They are designed with the objective of creating an asymmetric return profile, one that benefits from downside protection while participating in some upside potential, but with a relatively consistent and banded return. The stability and resiliency of the counterparty and the underlying collateral, over that horizon, we believe, is as relevant as its absolute performance.

What is more likely to cause impairment or below expectation returns for a GP Financing Solution provider is not modest underperformance, but a scenario where the underlying collateral fails to return cost altogether. An exceptional outcome on the underlying collateral, meanwhile, is a great result for a fund's direct investors, but is comparatively less impactful from the lens of a GP Financing Solution provider, whose return is typically more banded. Consistency, in other words, is what we view as the primary driver of the GP Financing Solution's performance.

For that reason, we believe a manager's staying power is as important as its ability to generate consistent returns, and the data suggests this is best found at the scaled end of the market (see *Charts 6.0-8.0*). This would suggest that on average, when a GP Financing Solution is structured with a large, established GP, the range of outcomes that would threaten that structure is narrower, and the potential to earn the underwritten return is more predictable. This is precisely what we mean when we say scale matters.

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**Chart 1.0:** Source for 2016-2025: Preqin as of June 30, 2026. 2025 data (shown as pro forma estimate with latest data available) as of September 30, 2025. 2026-2030 assumes a go-forward growth rate of two-thirds of the prior 10-year CAGR (9%) and is based upon Dawson's current estimates informed by published sources and third parties outside Dawson. No assurances can be made that these estimates will materialize. Private capital includes private equity, private debt, infrastructure, real estate and real assets.

**Chart 2.0:** Source: "Q4 2025 Global Private Market Fundraising Report Summary" – Pitchbook. Data as of December 31, 2025.

**Chart 3.0:** Source: "Do GP Commitments Matter?" – Institute for Private Capital (December 2024). Based on data from StepStone, which contains 1,503 private equity funds across 917 GPs with vintages from 2000-2019 making investments in 38 countries across 15 industries.

**Chart 4.0:** Sources: "Global Private Markets Report 2026" – McKinsey & Company and Preqin analysis (February 10, 2026). Includes global buyout and growth equity funds based on the size of funds raised and includes only funds that held final closes in each respective calendar year.

**Charts 5.0, 6.0 and 7.0:** Source: Preqin. Represents North American and European private equity buyout funds only, with vintages from 2000-2018. The dataset includes 1,425 funds: 38 Mega Buyout funds, 56 Upper Middle Market funds, 113 Middle Market funds, and 1,218 Lower Middle Market funds, as of August 20, 2026. Cohorts based on fund size in USD. Fund sizes are adjusted for inflation to 2025 U.S. dollars using annual CPI, and size categories are based on the adjusted fund size. In the case of Chart 7.0, standard deviation is calculated on a population basis.

**Chart 8.0:** Source: Preqin. Based on North American and European private equity buyout flagship funds raised since 2000, as of August 20, 2026. Failed GPs are defined as GPs that have not raised a subsequent flagship fund since 2019. GP size category has been determined based on each respective GPs' largest flagship fund raised.