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A game fund managers play – Continuation Conundrum

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When's a continuation vehicle not a continuation vehicle? When the fund manager insists it wants to hold on to the asset… coz, honestly, it's really good… and… you know… you get kinda attached to these things, don't you?

More likely, the fund manager went out to market as the vehicle the asset sat in was approaching maturity and either failed to find a buyer or was not able fetch the price it was looking for.

As one infra fund grandee puts it nicely: "It's a nuanced argument."

The source continues: "Sometimes an asset is just not ready for a sale to a third party and it's in investor interests to hold on to it longer than an artificial fund-life deadline.

"The problem is when valuation games are played on the transfer. Seller marks at ask, buyer marks at bid!"

That states the case rather prettily, but let's take a closer look at CVs as we at IJGlobal have been logging a fair amount of activity on this front in recent times.

One of our NY-based colleagues – Matt O'Brien – reported recently on the matter, pointing to some Jefferies research that identified GP-led secondaries recorded $47 billion in the first half of 2025, up from $28 billion year-on-year.

Of this sum, real assets accounted for 15% of that activity. Infrastructure amounted to $9.1 billion over H1 2025 with continuation vehicles making up $5.7 billion of that total – set to surpass the 2024 total of $11.4 billion.

Just taking a look at a handful of continuation funds from the IJ database, here are some recent ones:

- FIC Matterhorn – to hold Matterhorn Express Pipeline for funds managed by FIC; WhiteWater Midstream and I Squared
- GIP Edinburgh Airport Continuation Fund – to hold the 44.5% stake for the BlackRock entity
- GI Partners Continuation Fund – to hold Flexential, the US data centre developer
- Summa Circular Fund – €550 million continuation vehicle for NG Nordic. Summa held it in its first fund and closed the CV in December 2023. NG Nordic is now looking at NBOs for part of its business
- ECP Calpine Continuation Fund – to hold a stake in Calpine having sold the majority from ECP III and ECP IV

There are a bunch more, including SVP Spurs where Strategic Value Partners rolled proceeds from its fourth fund into a continuation vehicle for a 41-mile toll road (SH-130) in Texas between Austin and San Antonio.

SVP originally picked it up from creditors out of a 2017 restructuring process. Campbell Lutyens and Evercore ran the continuation fund process, and total commitments were reported at $1.45 billion.

Continuation vehicles are a natural symptom of the market where long-term assets are held in – relatively speaking – short-term vehicles, making them an inevitability… but for all that, we're seeing a lot more of them than used to be the case.

View from the cheap seats

Chatting with folk around the industry this week unveiled a spread of opinions on the subject of continuation vehicles to hold infrastructure assets.

One luminary of the infra fund persuasion says: "Raising new capital remains challenging. So, what better way if you have a closed end fund than to transfer assets to a CV and retain AUM fees in addition to keeping valuations to a behind the scenes tussle with two Big 4 valuers without realising a true mark to market. What's not to like!"

As Mandy Rice-Davies famously said back in the 1960s: "He would say that, wouldn't he?" But not everyone is of that view.

Another infrastructure heavyweight chips in: "It's great for the fund manager as they realise their carry; and they get to keep making management fees and new carry; and they can aggressively manage the transfer value of assets from old to new rather than go through the hassle of selling assets and the cost of doing it."

And then you have the fence sitter: "Yes, I think they are often a fig leaf – as you so aptly put it. You can close the fund, retain level of returns by not having to pay to run the whole fund. They are also ways of holding on for later sale. For a while there was a story around waiting for IPOs to come back."

So, there you have it.

It's fat cats milking a metaphor, a justifiable process to maximise return to LPs, but the last word goes to one source who nails it: "Investors like them less now than they used to."

And ain't that the point?