Q4 · 2026 · THE BUILD CAPITAL THESIS

Financing the Crossing

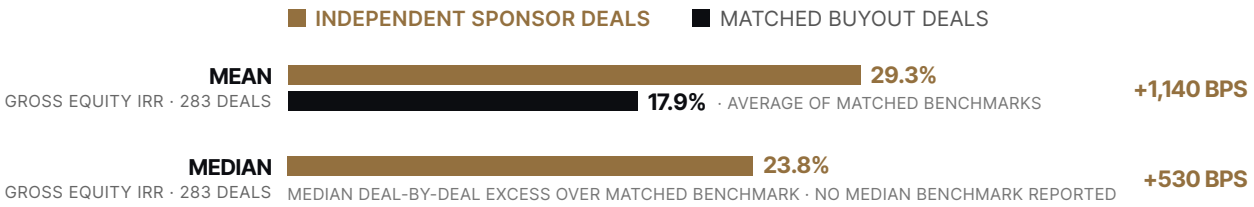
The case for financing independent sponsors at scale within the gap equity tranche.

INTRODUCTION

In July 2026, PitchBook ran a headline that told our team what we already knew: *"Independent sponsors are beating the buyout funds."*[1] Behind it was the first benchmarked study of the segment: 846 transactions entered from 2002 through 2025, assembled by University of North Carolina's Institute for Private Capital.[2] The sponsor deals won, and not narrowly. Across seasoned deals, realized and unrealized, the average sponsor investment generated a 29.3% gross equity IRR, 11.4 points above matched buyout deals of similar size and vintage. The median investment generated 23.8%, and the median deal-by-deal excess over its benchmark was 5.3 points. Both margins are statistically significant, and loss rates were statistically indistinguishable. The authors concluded that the evidence suggests a superior risk-adjusted return. We agree.

This was the first academic-quality study reaching back to what can be considered the start of the modern sponsor age. Other sources point the same way: in Citrin Cooperman's 2026 survey, 84% of sponsors with liquidity events reported returning an average of 3× or more to investors, up from 57% in 2023.[3] The sponsor space is worthy of further consideration from allocators and institutions.

FIG. 01 THE SPONSOR CHANNEL VS. MATCHED BUYOUT DEALS



Source · IPC Study, tbls. 10–11. Investor-reported gross equity IRR on seasoned deals (entered before 2022, or later and already exited), including unrealized marks. Each deal is benchmarked against the median of at least 20 U.S. buyout investments of $100 million or less with the same entry year in the MSCI Private Capital Universe; these are buyout deals, not buyout funds. The 17.9% figure is the average of those matched benchmarks (the 29.3% mean less the 11.4-point mean excess). The paper reports a 5.3-point median excess but no median benchmark: a median of differences is not a difference of medians, so none is shown.

The ecosystem has matured in both size and sophistication from a cottage industry using the term "fundless sponsor" to one showing signs of early institutionalization. Deal volume has nearly tripled since 2021 and sponsors complete about 500 platform acquisitions a year (11% of U.S. LMM buyouts, up from 7% in 2019). On Axial, a LMM deal network, sponsors were 2025's most active buyer type.[4]

1 Esther Luz & Madeline Shi, *Independent Sponsors Are Beating the Buyout Funds*, PitchBook (July 14, 2026) [hereinafter Luz & Shi].

2 Brown & Volckmann, Inst. for Priv. Capital, Small Bus. Inv. All. & Indep. Sponsor F., *Independent Sponsors: Investment Characteristics and Performance* (June 22, 2026) [hereinafter IPC Study]. 846 investments entered 2002–2025, 697 investor-reported; performance statistics restricted to investor-reported deals entered before 2022 or already exited (283 IRR observations) and benchmarked by entry year against U.S. buyouts up to $100 million in the MSCI Private Capital Universe, at least 20 comparables per deal; equity returns net of sponsor economics, before investor-level fees. The survey was voluntary; the authors acknowledge possible selection bias and use only investor-reported deals in the performance analysis to mitigate it.

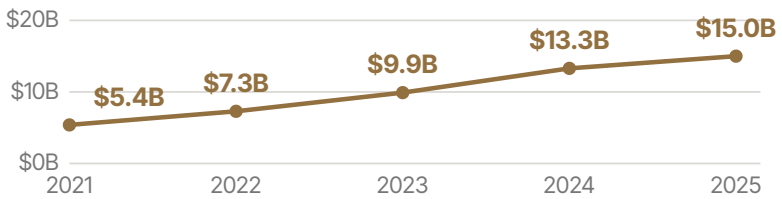
3 IPC Study, *supra* note 2, tbls. 10–11 (mean and median excess IRR each significant at $p < 0.01$); Citrin Cooperman, *2026 Independent Sponsor Report* 14 (2026) [hereinafter Cooperman 2026] (self-reported average realized multiple, respondents with liquidity events only); Citrin Cooperman, *Uncharted No More: 2025 Independent Sponsor Report* (Sept. 2025) [hereinafter Cooperman 2025].

4 PitchBook, U.S. PE Breakdown (2024–25) (platform counts); Axial, *2025 Independent Sponsor Report*.

This growth is likely being driven by generational, secular tailwinds that encompass three key areas: Talent, Taxes and Targets. The predominant driver is a great talent migration — professionals are leaving private equity, banking, and corporate roles for ownership, autonomy, and better economics. The active U.S. sponsor population has roughly doubled in five years, to an estimated 1,200–1,600 today.[5] In the IPC sample, 88% of sponsors had prior private equity experience and 71% had worked in investment banking; 63% brought operational expertise, half industry-specific expertise.[6] Two-thirds of transactions were done by serial sponsors on their third deal or later, most sponsors work with two or more partners, and only one in eight works alone.[7]

A revised Section 1202 of the tax code and demographic trends also strongly favor sponsor and investor returns. The Qualified Small Business Stock exclusion, or Section 1202, was enhanced by the One Big Beautiful Bill Act in July of 2025 — effectively qualifying the entire segment (issuers with no more than $75m of gross assets). Because the exclusion applies per issuer, per taxpayer, it is uniquely suited to constructing a broad portfolio of targets with the potential to eliminate all federal capital gains taxes. The often cited Silver Tsunami means $10 trillion of privately held business value is changing hands as the founding generation retires, producing tens of thousands of potential targets.[8]

FIG. 02 ESTIMATED ANNUAL SPONSOR DEAL VOLUME · 2021–2025



Build Capital estimates from PitchBook and Citrin Cooperman data. No public census of the segment exists; every market-size figure in circulation — including this one — is an attributed estimate.[9]

Smart money is following this sophisticated talent migration, and leveraging the aforementioned tax advantages. SBICs were the primary capital source on 58% of deals in the IPC sample, followed by non-SBIC private equity, funds of funds, private credit and family offices (Fig. 02B), and SBIC participation has jumped by 50% in two years. Transaction volume across the space grew by roughly 29% a year since 2021, now totaling approximately $15b per year across roughly 500 platform deals averaging about $30 million, with half of it equity value. And sponsors plan to do more, larger deals, with 86% of sponsors planning one or two platforms in the next eighteen months and 44% targeting >$10 million of EBITDA, up from 4% in 2017.[10]

FIG. 02B PRIMARY SOURCE OF CAPITAL IN IPC SPONSOR DEALS

INVESTOR TYPE	SHARE	INVESTOR TYPE	SHARE
SBIC	**58.1%**	Non-SBIC private credit / lender	7.4%
Non-SBIC private equity	13.2%	Family office	6.5%
Fund of funds	9.4%	Institutional LP & other	5.3%

IPC Study, tbl. 5 (primary capital source, share of investments); the SBIC share likely reflects the SBIA's role in the survey.

5 H.I.G. Capital / WhiteHorse Capital (Aug. 2025); Prosek Partners (Mar. 2026) (1,200–1,600 active sponsors).

6 IPC Study, *supra* note 2, tbl. 9 (backgrounds; multiple selections permitted).

7 IPC Study, *supra* note 2, tbls. 7–8 (two-thirds of transactions by sponsors with three or more closed deals; 66.7% of sponsors with two or more partners; 12.5% solo).

8 Commonly cited transition estimate; methodologies vary.

9 Build Capital estimates from PitchBook and Citrin Cooperman data; forward figures are extrapolations under haircut growth assumptions.

10 Cooperman 2025, *supra* note 3 (planning and target-size shares); IPC Study, *supra* note 2, tbl. 5 (SBIC primary investor on 58.1% of deals; the authors attribute part of this to the SBIA's role in the survey).

For these reasons we believe the segment is entering a prolonged growth cycle. Evidence of early institutionalism is emerging, too: terms have standardized, smaller institutional capital is getting organized, and there is now sufficient data to benchmark performance and construct portfolios properly. The segment is an asset class waiting for its vehicles.

While independent sponsors are recycling the buyout playbook from traditional private equity one deal at a time, the financing of deals has taken an altogether different shape and process. Of course sponsors approach deals in reverse order to traditional private equity, with fundraising coming after a company is under LOI. This creates a unique condition where sponsors are "passing the hat" against a closing deadline.

Banks, family offices, SBICs and a handful of dedicated equity providers have now oriented around this fundless process, but the space remains capital constrained and inefficient. We estimate gap equity demand of roughly $1.2 billion a year, of which $500m to $1b goes unmet (and growing). This tranche is the most difficult portion of the capital stack for a sponsor to finance, and this inefficiency presents an opportunity to deploy in an uncrowded space. The conditions creating it will likely persist over a long cycle as the barriers to competing it away are endemic to larger market participants.

FIG. 03 A $20 MILLION SPONSOR ACQUISITION THAT NEEDS A GAP CHECK, BY TRANCHE

	SHARE	AMOUNT	WHO SUPPLIES IT
Senior debt	50%	$10.0M	Banks & SBICs — deeply supplied
Co-invest equity	25%	$5.0M	Family offices — well supplied
Preferred equity gap	**17.5%**	**$3.5M**	**A handful of dedicated funds nationally**
Sponsor & seller	7.5%	$1.5M	Alignment capital — skin in the game

Roughly half of sponsor deals require a gap tranche; across all deals it averages about 8–9% of transaction value. Build Capital estimate.

OUR THESIS

Sponsor deals deliver outsized returns because of four structural features: entry-multiple dislocation, talent asymmetry, a broad returns dispersion, and finally, a simple lack of sufficient capital in the hardest-to-finance gap equity tranche. These inform the strategy and execution behind a scaled deployment of capital.

First, entry multiples for deals with $4 to $10 million of EBITDA are structurally underpriced from the sponsor financing lens. This is because the buyer pool on the low end of the price curve is simply thin — transactions this size are too large for the search funder and too small for committed funds. This is mostly due to the fact traditional private equity operates on a control model. The control model requires more people to source, purchase and operate targets — and the opportunity/time cost (not to mention larger AUM incentives) means these groups face endemic organizational barriers to bidding on smaller deals.

On the contrary, from our perspective as providers of equity, sponsors do not suffer from the same control constraint. Each deal financed pays for the cost of labor to improve the company. The sponsor is dedicating all of its effort and attention to a single improvement plan. In addition, much of the risk discount that applies to these smaller businesses greatly diminishes at closing, at which point the sponsor and a professional team take the reins. Empirically, the loss rate for sponsor deals is statistically no different from that of matched buyout deals of similar size and vintage.

Second, the small enterprises being purchased benefit from a real talent asymmetry that sponsors and their teams bring to the operation. Most sponsors come out of private equity, banking or have deep industry expertise, with many on their second, third, or fifth deal. Set that talent against smaller, virgin-ground businesses — a second-generation family company transacting for the first time in its history — and the result is an asymmetry between operator quality and enterprise size that favors rapid value creation. Fundamentally, what a sponsor does, beyond growth, margin, and professionalization, is bridge a company out of a thin market and into a thicker one. **We call it the crossing.** Once across — with better systems, EBITDA pushing past $10 million, risk visibly lower — the company sells into the strike zone of traditional PE and strategics.

Third, the dispersion profile skews to the upside, and a strict selection filter is how a portfolio captures it. The segment's average deal generated a 29.3% gross IRR against a 23.8% median: the right tail pulls the mean well above the middle. At the same time, the loss rate is statistically no different from matched buyout deals, so even an "on average" picker compounds near the segment median. With 16 or more positions, the 5th-percentile portfolio in our simulation still earns roughly a 14% gross IRR (Fig. 08).

Ultimately, the exciting allocation case lives in the upper right tail of sponsor deals, which makes selection of sponsors and companies the most important lever an allocator possesses. Selection in turn requires a minimum viable volume of relationships, deal flow, and market-specific underwriting. This looks more like a fund-scale level of professional deployment. In practice, funds with high volume and a large view of the marketplace are well suited to select the most promising sponsors and companies.

Fourth and finally, there's a measurable capital gap which exists on the cap table of nearly every sponsor deal trying to close. This is the $2m to $5m+ equity check, the hardest tranche for sponsors to raise. The gap position is the most scarce capital in the sponsor space, being served by only a handful of providers. But it prices the best relative to where it sits in the waterfall. And unlike the debt above it, its upside is not capped at a spread: the preferred keeps uncapped participation above the preference. A sponsor with a signed LOI and a closing date needs certainty of equity, and scarcity buys preferred terms and governance rights across a wide funnel.

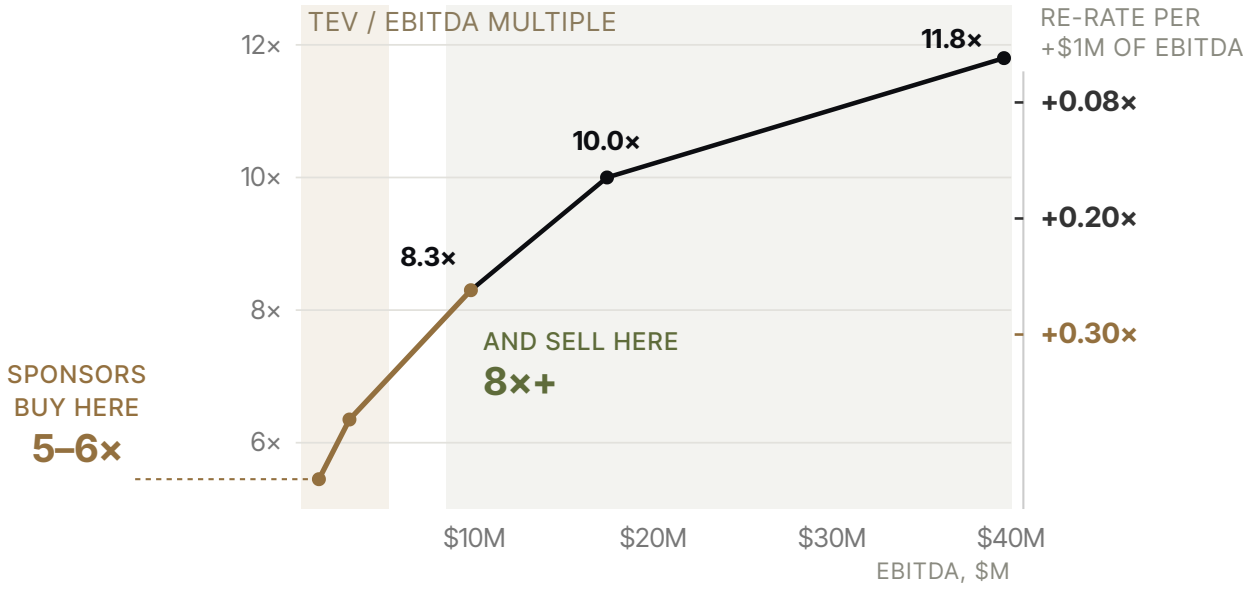
THE MECHANISM: THE CROSSING

Consider the archetypal case.[11] A coatings manufacturer in Ohio: $5 million of EBITDA, steady growth for two decades, and a founder ready to retire who agrees to a $25m purchase price. Too small for the traditional lower middle market or strategics, and too large for a search funder. So the price is what the shallow end of the pool will pay: about five and a half times. Five years later the company has a CFO, better systems, an acquisition behind it, customer concentration fixed, and $12 million of EBITDA. A formal sale process follows, and it sells for eight times. While the company was de-risked and improved, what also changed is who was allowed to bid — a vastly different looking and better funded pool of buyers.

This is what we call the crossing. The sponsor purchased the company in one market — thin, local, 5–6× — and sold into a deeper, higher-priced one (Fig. 04). Of course this logic holds true across a price curve for most transactions where a company grows. But the gradient is steepest between where sponsors enter and exit. On this portion of the curve, each added million of earnings re-rates the whole company at nearly four times the incremental re-rate that prevails above $20 million of EBITDA.[12]

The IPC study corroborates the mechanism at scale: **the median entry multiple in its sample was 5.5× EBITDA and the median exit multiple 8.0× — the crossing, measured.** Measured deal by deal, multiples expanded by a median of 2.6 turns (3.5 on average), with more than 75% of companies expanding. The operational and financial improvements do drive value, but traversing markets is what pays them twice — once in the earnings the work adds, and again in the deeper market those earnings are sold into.

FIG. 04 THE CROSSING, IN MARKET DATA



11 Composite case; not a particular company or transaction.

12 GF Data / ACG, TEV / adjusted EBITDA on PE-sponsored platform deals through Q3 2025; large-buyout endpoint 11.8× per Bain (2025); slopes between size-band midpoints (EBITDA ≈ TEV ÷ multiple). Plainly: at $3–9M of EBITDA, +$1M of earnings lifts the multiple about a third of a turn, re-pricing every dollar the company already earns; above $18M the same million moves it under a tenth.

ONE DEAL, FROM THE INSIDE

The following is a representative deal, worth analyzing to show how sponsor deal structures produce IRR at different outcomes.

A company with $22.9 million of revenue and $4.0 million of EBITDA, a 17.5% margin, acquired at 5.0× for $20.0 million. With $1.0 million of transaction costs, $21.0 million is capitalized: $9.0 million of senior debt (2.25× EBITDA, on a ten-year amortization schedule), a $3.2 million seller note, $2.0 million of seller rollover, and $6.8 million of LP equity. Total debt is 3.05× EBITDA, seller note fully counted. Held five years. Exited at 5.0× — **the same multiple paid at entry.**

Over the hold, revenue grows about 5% a year and margins recover from a J-curve first year at 16.5% to 21%, taking EBITDA from $4.0 million to $6.3 million. The business converts roughly 70% of EBITDA to unlevered free cash flow, and that cash does two things at once: $6.8 million of the $12.2 million of debt — 56% — is retired through mandatory amortization, and $6.7 million of levered free cash flow accumulates on the balance sheet. Leverage falls from 3.1× to 0.9×; debt-service coverage never drops below 1.36×.

FIG. 05 WHAT GROWS LP EQUITY · $6.8M → $25.4M

SOURCE (TOTAL-EQUITY LEVEL)	CONTRIBUTION
EBITDA growth — $2.3M of EBITDA × the 5.0× multiple	+$11.4M
Deleveraging — 56% of $12.2M of debt retired	**+$6.8M**
Cash retained — accumulated levered free cash flow	+$6.7M
Total equity gain, net of $1.0M transaction costs	+$24.0M
LP share (77%)	**+$18.6M**

Just under half of the gain is EBITDA growth at an unchanged multiple. The rest — $13.6 million of the $24.0 million — is cash: debt retired on schedule and free cash flow left in the business. Nothing heroic, five years of doing what the company has done for twenty, producing a 3.7× MOIC and a ~30% gross IRR. In a base case with no multiple expansion, the cash-flow structure does the heavy lifting. The retained cash is shown as cash for illustration; in practice it is distributed, swept to debt, or reinvested — the base case assumes none of those and takes no credit for them.

FIG. 06 THREE CASES ON THE SAME COMPANY

	ASSUMPTIONS	MOIC	GROSS IRR
Downside	Flat revenue, margins recover; exit at 4.0× — a full turn *below* entry	**2.0×**	**~15%**
Base case	~5% revenue CAGR, exit at 5.0×, no expansion	**3.7×**	**~30%**
Modest expansion	~8% revenue CAGR, exit at 6.0× — one turn up	**5.1×**	**~39%**

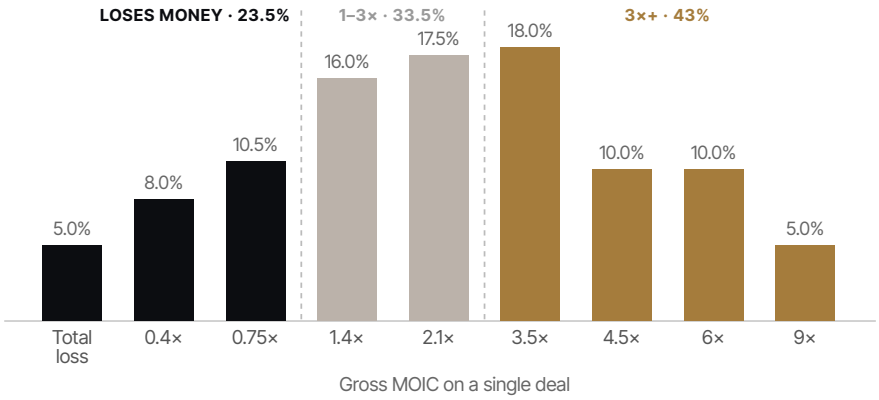
Now note the downside case, where the company sells at a full turn below entry, a 4.0× exit multiple, with zero revenue growth. The lower multiple takes $4.8 million off the exit value. But the company still services its debt and still throws off cash: the debt retired and the free cash flow retained together roughly double LP equity, from $6.8 million to about $13.7 million — a 2.0× MOIC and a ~15% gross IRR, with no help from growth or the exit price.

What happens if the company sells at a turn above entry and revenue grows 8% instead of 5%? LP equity grows to about $34.8 million: a 5.1× MOIC and a ~39% gross IRR, the third row of Fig. 06.

THE ARGUMENT FOR SCALE AND SELECTION

Arguably, the distribution shape of returns in the sponsor space is more akin to venture capital, but without venture's loss rates: 23.5% of sponsor deals lose money, statistically indistinguishable from 21.6% for comparable buyouts. And per the literature, "overall the dispersion in performance is extreme with about 5% of investments being complete write-offs and nearly a quarter of investments having TVPIs greater than 4.0."[13]

FIG. 07 INDUSTRY-WIDE DISPERSION OF SPONSOR DEAL OUTCOMES

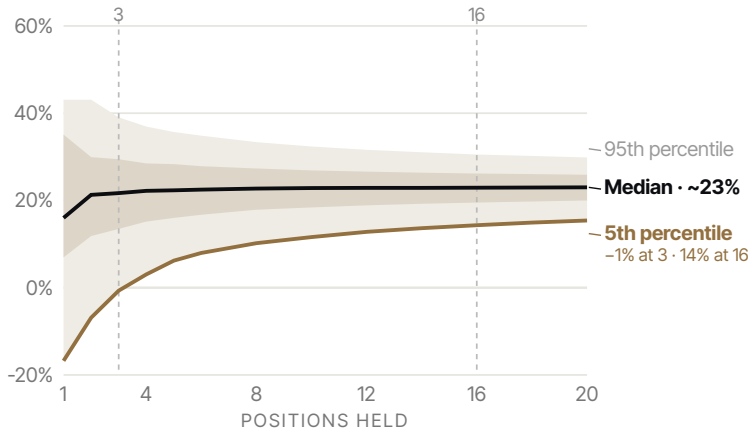


Build Capital model of segment-wide deal outcomes, calibrated to the IPC Study (mean gross TVPI 2.86; 23.5% of deals below 1×; roughly a quarter above 4×). Gross MOIC at the deal level.

Practically speaking, this means that even achieving the segment's median return requires a large number of bets — by our modeling, roughly 10–15 per vintage — to construct a statistical position that achieves both the low loss rate and sufficient exposure to the 4× part of the curve.

Of course placing this many bets assumes sufficiently high deal flow, decent screening, and requires substantial time and attention — read: people, overhead, time.

FIG. 08 WHAT SAMPLE SIZE DOES · PORTFOLIO IRR BY POSITION COUNT



Build Capital Monte Carlo, 200,000 trials per position count, drawing deals from the Fig. 07 distribution. Bands show the 5th–95th and 25th–75th percentile range of portfolio IRR, five-year equivalent, gross of fees. Illustrative; not a projection of any fund's results.

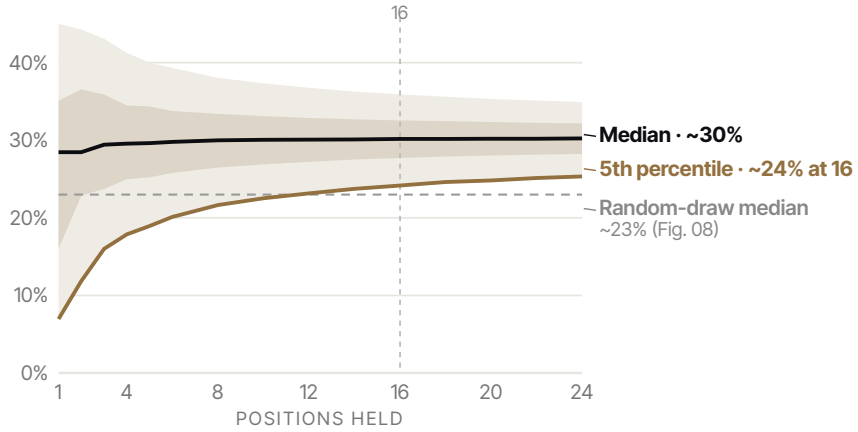
13 IPC Study, *supra* note 2, at 12 & tbls. 10, 12 (mean TVPI 2.86, median 2.10; loss incidence 23.5% vs. 21.6% for entry-year-matched benchmark investments, differences not statistically significant).

The returns dispersion is also unique in that "the outperformance of IS investments is driven by higher positive returns instead of less downside risk, and…this result reinforces that the large dispersion in performance means that skill in selecting IS investments is crucial for driving outperformance in a way that is analogous to other investments with high return variance such as venture capital."[14]

Note that a random-draw portfolio compounds near 23% (Fig. 08), below the 29.3% deal-level mean. Averaging deal IRRs overweights fast, high-IRR exits, while a portfolio's pooled cash flows track the mean multiple (2.86×) over a roughly five-year hold. Closing that gap is a selection problem.

Like venture capital, horse and jockey selection are paramount at the outset. Achieving returns above the median likely means having a view on dozens or hundreds of deals to push through tight underwriting criteria. Skilled managers able to cull the bottom 30% of deals land more of their bets higher up the curve. If they can, the portfolio median approaches 30% IRR: the segment's deal-level mean, captured at the portfolio level, rather than its 23.8% median.

FIG. 09 THE SAME SIMULATION WITH SELECTION FILTER



Same Monte Carlo as Fig. 08; removing the bottom 30% of the deal distribution is the only change — the median moves to roughly 30% gross, in line with the 29.3% deal-level mean; the floor rises to the random draw's median, and the upper bands shift up with them: fewer losers leaves more of each portfolio in the 4×+ tail. Illustrative; not a projection.

14 IPC Study, *supra* note 2, at 15.

THE TAX STATUTE PERFECTLY TAILORED TO THE SEGMENT

In July 2025 the One Big Beautiful Bill Act delivered the largest expansion of qualified small business stock since 2010.[15] Three of its features deserve more attention as they fit perfectly with sponsor deals.

The ceiling now covers a supermajority of deals in the sponsor space. A company with $4 to $10 million of EBITDA bought at 5 or 6× carries $20 to $60 million of enterprise value and, even with a stepped-up asset basis, sits under the $75 million gross-asset test. Substantially every deal we look at can be structured as a C-corporation acquisition qualifying at issuance.

The enhanced graduated schedule matches how these deals exit. Sponsor holds cluster at three to five years — the IPC sample's median exited hold is four years, and 84% of surveyed sponsors report three-to-ten-year holds[16] — and the old cliff meant a three-year exit got nothing. Partial exclusion at three and four years turns a binary timing risk into a slope.

The icing on the cake: the exclusion is per issuer, per taxpayer. Fifteen million dollars, or 10× basis if greater, applies separately to each qualifying company. A three-deal direct program has a ceiling of $45 million. A sixteen-company portfolio has one of $240 million.

The benefit scales with the *number* of qualifying issuers, not the size of any position. The code in this segment rewards breadth, and a portfolio with just a third of deals qualifying for QSBS creates a real IRR tailwind (or margin for error), lifting even average results into the top quartile.

FIG. 10 §1202 BEFORE AND AFTER · STOCK ISSUED AFTER JULY 4, 2025

	BEFORE	AFTER
Issuer gross-asset ceiling	$50M	$75M, indexed
Per-issuer exclusion cap	$10M	$15M, indexed
Exclusion at 3 years	—	50%
Exclusion at 4 years	—	75%
Exclusion at 5 years	100%	100%

Subject to eligibility, per-issuer limits, and qualified trade or business tests. Not tax advice.

15 One Big Beautiful Bill Act, Pub. L. No. 119-21 (2025) (amending I.R.C. § 1202).

16 Cooperman 2025, *supra* note 3 (52% holding five to under ten years, 32% three to under five); IPC Study, *supra* note 2, tbl. 10 (median exited investment length of four years).

CONCLUSION

The sponsor space — and specifically its undercapitalized gap equity tranche — presents a generational, tax-advantaged allocation opportunity to produce superior risk-adjusted returns: a channel whose average deal has generated a 29.3% gross IRR across seasoned deals, with loss rates statistically no different from matched buyouts. The ecosystem at large is growing into a formidable portion of the lower middle market. It's now entering a goldilocks zone — it's not too early, and not too late.

The primary growth driver is sophisticated talent migrating into the space because these individuals see the excess alpha and high success rates. Ironically, the majority of sponsor entrants are coming from "traditional PE"; this speaks volumes. Financing this talent migration as a provider of "picks and shovels" is a scalable play.

Sponsor-led deal volume is approaching $15 billion a year and compounding, and roughly half of each transaction is equity value — call it $7 to $8 billion of annual equity demand. The gap equity slice of that — roughly 8–9% of transaction value across all deals — about half need it, at roughly 17.5% of the deal when they do — and the most challenging piece of the stack to finance — is on the order of $1.2 billion a year. Our $100 million annual target is under a tenth of it.

Both sides of the market are growing into the vehicle: the sponsor universe has doubled in five years, and the deals themselves are getting larger. The ecosystem is still small enough that capturing even a portion of it today allows capital providers to vector into being a larger play as the space grows. Fast, committed capital to let sponsors close wins deals; won deals create repeat sponsors; repeat sponsors widen the funnel; the funnel's volume produces a proprietary dataset — loss curves, pricing grids, term standards — ultimately sharpening the selection ability.

The market is echoing the early days of private credit and secondaries (Fig. 11). It's now ripe for a platform that manages a series of funds specializing in gap equity, and in doing so, earns a position to lead rounds as the market matures.

FIG. 11 THREE ASSET CLASSES, SAME ANATOMY, DIFFERENT DECADES

	PRIVATE CREDIT	SECONDARIES	SPONSOR STRUCTURED EQUITY
Born from	Bank retreat after 2008	LPs needing liquidity mid-fund	Structural barriers to incumbents
Premium captured	Origination spread over syndicated loans	5–15% below NAV, episodic	5–6× entry vs. 7–10× exit
Seat	Senior / unitranche debt	LP interests in existing funds	Preferred equity between debt and common
Upside	Capped at the spread	Capped at NAV convergence	Uncapped participation above the preference
Scale today	~$1.5T AUM	~$160B annual volume	~$15B annual deal volume; ~$1.2B gap tranche
When it was this size	Circa 2005	Circa 2002	Now
Institutional presence	Dominant	Dominant	Cited by ~11% of sponsors
What industrialized it	Origination platforms	Dedicated funds + NAV data	The missing piece — this note's thesis

Private credit and secondaries scale figures approximate, per Preqin and Jefferies (Jan. 2025). Sponsor structured equity figures are Build Capital estimates.

ABOUT US

Our team has been deep in the sponsor space for three years, having already deployed the first fund across 14 durable businesses (the first of which is realizing a 38% IRR). With early proof of concept we're going all in on the space. Our vision is to deploy $100m a year and to be a substantial provider of capital in the specialized tranche we know best — the gap equity check.

We're probably not the traditional-looking team made exclusively of high-finance veterans (we have a couple) — we more closely resemble the sponsors we serve: operators, founders, entrepreneurs and business owners. Our group has purchased, grown and sold about a dozen companies in the LMM — we understand the challenges sponsors and LMM companies face. We've collectively advised on hundreds. Our lead quantitative underwriter completed the full sponsor cycle successfully. The questions and issues we surface resonate with sponsors since we've been there before.

Our team is already known in the space with a great beachhead — we estimate we presently see approximately 30–40% of the entire market's deal flow each year from our 800+ sponsor relationships. This lets us realistically achieve the returns seen in the right-hand side of the distribution curve because we are ultra-selective.

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SOURCES & DISCLOSURES

This note is for informational purposes and is not an offer to sell or a solicitation of an offer to buy any security. Any offering is made only pursuant to definitive offering documents. Modeled figures are illustrative, rest on stated assumptions, and are not projections of the results of any fund. Forward market figures are extrapolations under stated assumptions. Past performance of the segment does not indicate future results. Nothing here is tax or legal advice. The Ohio illustration is composite and does not describe a particular company or transaction.

SOURCES

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