KEYNOTE INTERVIEW

Unlocking the mid-market growth opportunity



As the GP stakes asset class matures, its role in shaping the next decade of private markets is coming into sharp focus, say RidgeLake Partners' Michael Lunt, Todd Milligan and Doug Amacher

Sophisticated allocators – large institutions, family offices and insurers – are leaning in because GP stakes combine contractual fee earnings and cash yield, capital appreciation and diversification benefits that may help mitigate downside risk. This is no longer a nascent thesis; it's an established and scalable strategy supported by deep relationships, more than a decade of experience and a data infrastructure designed to turn signals into decisions.

RidgeLake Partners co-heads Michael Lunt and Todd Milligan, alongside managing director Doug Amacher, discussed how GP stakes provide a differentiated approach aimed at long-term value creation.

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Q What makes GP stakes such an attractive investment opportunity – especially for family offices and insurance companies?

Michael Lunt: Three things resonate most with investors: potential for yield stability, organic growth and downside protection. Predictable yield comes from contractual management fees on funds that the GP manages. Growth is driven by performance fees and the GP's ability to compound across fund vintages, adjacent strategies and new distribution channels. Downside protection is enhanced by diversification across GPs, vintages, sectors and geographies.

For family offices or advisers that specifically serve family office clients – including our affiliate OA Private Capital – GP stakes sit neatly alongside buyout and other private market strategies.

They're longer-duration, yield-oriented positions that remain invested through cycles with less redeployment risk. Many families like having a sleeve of their private allocation that is continuously invested and has the potential to generate recurring cash-flow over time.

Todd Milligan: Insurers, including our affiliate New York Life and its peers, typically have longer-term investment horizons and focus on cashflow visibility from strategies like GP stakes. Fee-related earnings are comparatively stable, and targeting high-quality mid-market managers with proven track records, repeatable processes and disciplined governance presents multiple drivers of value at the GP level – AUM growth, product expansion, operating efficiency – that don't rely on market timing. At the portfolio level, GP stakes can deliver one-ticket access to what we believe to be the heart of private equity: the mid-market. That's where thoughtful manager selection and partnership can really drive alpha potential.

Q Why is the mid-market GP stakes opportunity so compelling?

TM: Our team has been mid-market investors for more than two decades and have seen this segment historically outperform across cycles against the broader private equity market based on market data we have been tracking. Even in the current environment, we've observed realizations from mid-market buyout portfolio outpace the broader industry in the last few years. The point isn't scale for its own sake – it's the decision advantage: to seek better origination, sharper diligence and targeted value creation.

We also like the alignment that mid-market GP stakes transactions can provide. Capital provided to mid-market GPs is typically utilized to fund growth initiatives. It typically funds larger GP commitments, seeds adjacent strategies, bolsters data and technology, and strengthens distribution and operating infrastructure. That use of proceeds reinforces alignment: the GP is investing in its own business in a way that provides further confidence to LPs and the next generation of firm leadership.

Finally, on exits, we believe the mid-market offers attractive optionality. We're less reliant on public market IPO windows than large-cap franchises might be. We see opportunities for upstream sales to larger GP stakes platforms seeking mature portfolios with limited blind-pool risk, alongside the broader asset manager consolidation reshaping the industry. All of these options aid natural liquidity paths for well-constructed mid-market portfolios.

Q Why are mid-market GPs selling stakes now?

ML: First and foremost: for growth, not to cash-out. GPs are investing in themselves, their people, technology, adjacencies and institutional distribution. GP stakes can accelerate those plans while broadening ownership in a way that aligns founders, next-generation leaders and LPs. There's also a demographic reality. Many high-quality mid-market firms founded 20-25 years ago are at a point where thoughtful

Q What should GPs look for in a GP stakes partner?

Doug Amacher: Start with commitment and patience. Does the partner have a track record and stable capital aligned with your time horizon? Then assess fit and value-add: a genuine sounding board on capital formation, product strategy and organizational design; help with technology, data architecture, operations and talent (including compensation and carried interest allocations); access to new pools of capital without diluting the core; and a customized engagement rather than a template.

Michael Lunt: Alignment matters. We favor structures that create common alignment across founders, next-gen leaders and us as a minority partner. In the end, incentives should reward the investment team's ability to deliver for LPs. The aim is a stronger enterprise that can compound for a decade or more.

succession planning is top of mind. GP stakes can institutionalize equity, create structured pathways for next-generation ownership and retain top talent, giving LPs confidence in continuity and governance without compromising investment autonomy.

DA: They also want a strategic partner, not just capital – one that brings the networks and resources. Firms like ours help GPs think through capital formation, product roadmap, pricing and institutional readiness; we also open doors to new channels – such as private wealth, insurance and family offices – so managers scale with intention.

Q What developments are shaping the GP stakes market today?

ML: A few trends stand out to me. Firstly, enhanced liquidity tools. The GP stakes market has matured with portfolio strip sales, continuation vehicles and broader use of preferred and NAV-based financing. M&A among asset managers adds further exit paths. For investors, the evolution of these tools provides additional mechanisms to manage portfolio duration and liquidity profiles across market cycles.

Next trend is specialization across private markets. We're seeing more specialist mid-market managers access GP stakes capital – private credit, infrastructure, real estate, secondaries – which raises the bar for underwriting. You need platform breadth to evaluate varied performance drivers and risk factors. A platform like ours – through its affiliates – helps us underwrite that evolving mix with depth and expertise.

Lastly, established track records. We're well past the "emerging niche" phase. There are multiple GP stakes platforms like ours with over 10 years of experience for investors to evaluate. That evidence is accelerating institutional adoption and enabling more nuanced portfolio construction.

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TODD MILLIGAN

"GP stakes can institutionalize equity, create structured pathways for next-generation ownership, and retain top talent"

MICHAEL LUNT

Q How do you see the opportunity evolving from here?

TM: Zooming out, GP solutions are now embedded in the capital markets toolkit: equity, preferred and debt solutions; continuation funds and secondaries; NAV and fund financing. GP stakes are a core part of that ecosystem, providing growth capital and alignment for managers who want to scale with control. The common thread is liquidity plus flexibility.

ML: Going forward, we believe the successful platforms will pair capital with true partnership – helping GPs evolve for the next decade: product innovation, institutional distribution, technology enablement and next-gen leadership.

More GPs now view their equity as a currency to attract the right long-term partner. Our job is to bring patient capital, actionable data and a collaborative posture that strives to make the firm better on day one and provides further opportunity for compounding thereafter.

DA: Practically, that means deepening how we support GPs – sharing insights on capital formation, firm design, technology adoption and executive talent. We believe that the more GPs help themselves and their portfolio companies, the more the flywheel spins: better outcomes can lead to stronger fundraising and deployment, which helps lead to better teams and tools, all of which can lead to better outcomes for LPs and the owners of the GP.

The combination of yield, growth and resilience explains why the conversation has shifted from "interesting niche" to "foundational allocation." For investors seeking income-oriented exposure with upside potential, for GPs seeking strategic partners to scale with control and for LPs seeking continuity and governance, we believe the mid-market opportunity is compelling. ■