GP Stakes
European Opportunity

Whitepaper

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ARMEN

Contents

About Armen

Armen is the European pioneer in investing in mid-market alternative investment firms, fostering their growth through strategic "GP stakes" transactions. The firm takes its name from a renowned lighthouse on the Brittany coast, constructed between 1867 and 1881 off the Isle of Sein. A suitable symbol for Armen's core values – trust, resilience and foresight.

Much like its namesake, Armen aims to serve as a beacon, guiding mid-market GPs through transformative growth and development.

If you are interested in learning more:

- Please visit the Armen website
- Feel free to contact Armen at contact@armen.eu

GP Stakes – The European[1] Opportunity

GP stakes have recently garnered significant attention as an emerging asset class, with numerous white papers and articles dedicated to the topic. Often regarded as a dynamic addition to the private capital continuum, GP stakes offer a compelling avenue for investors to enhance or initiate exposure within this space. While much of the focus has been on the firmly established U.S. market, it is time to turn our attention to the European landscape, where mid-market GPs present a burgeoning and attractive investment opportunity.

Purpose of This White Paper

1. Recall the origins and value proposition of GP stakes investing
2. Provide a focused analysis of the European market, offering insights into the usual three key steps for creating value in private equity: Sourcing, Managing, and Exiting best-in-class investment opportunities

Fact Sheet

Established asset class in the U.S.[2]

$60 billion
Raised globally
via several multibillion funds

250+
Transactions realised in the U.S.

40%+
Large PE[3] firms opened their capital

GP stakes in the European mid market space

European Opportunity

Largest **Single Market**
with 28 countries &
2nd largest economy

~1,000 GPs
Vast reservoir
with €500m~10bn AUM

Underserved Market
with limited competition

Accelerating
with European GP stakes
emerging only recently

Transaction catalysts for GPs

1. To develop **new products or geography**
2. To improve b/s & finance **GP commits**
3. To facilitate **reorganisation**
4. To tackle **strategic & ops** challenges

Main benefits for LPs

Exit and liquidity

M&A scenarios:
asset sales, institutional takeovers, IPO etc

- ✓ **Petershill**'s partial exit by selling part of its stake in Accel-KKR (24' Nov)
- ✓ **Bonaccord**'s exit of Monroe following the majority acquisition by Wendel (24' Oct)

Liquidity routes:
cash dividends, dividend recapitalisation, continuation vehicles, secondary sales

- ✓ **Annual cash dividends**
- ✓ **Investcorp** raised $125 million in debt (24' Oct)
- ✓ **Blue Owl** sold a 10% stake in its GP Stakes Fund III to Eldridge Industries (24' Oct)

(1) Continental Europe and the UK
(2) Source: Armen internal research, Preqin, Pitchbook, other research papers
(3) GPs with AUM above $15bn

Executive Summary

GP stakes investing combines **cash yield, diversification, downside protection and capital appreciation,** making it a uniquely advantageous asset class for LPs. With over $60 billion raised globally, including $17 billion between 2022-2023,[(1)] GP stakes have transitioned from niche to mainstream. More than 40% of large private equity firms in the U.S. have already opened their capital, underscoring the asset class's maturity.

In Europe, the mid-market GP segment represents a vast reservoir of opportunities. These firms, akin to SMEs in the financial sector, possess stable recurring revenues, scalable business models but they also face structural challenges increasing the need for strategic minority partnerships.

Successful GP stakes investing in Europe requires:

- Local expertise
- Established relationships
- Proven strategic and operational know-how

European mid-market GP stakes investing is best described as private equity for private equity, aligning with the three classical investment phases: Sourcing, Managing and Exiting.

GP stakes investing offers LPs a unique combination, particularly in Europe's mid-market GP segment:

- **Recurring Revenues and Stable Cash Flow**: Investing in GP stakes generates consistent, predictable cash flow through management fees, which are (i) Durable and Countercyclical: Protected against market downturns due to long-term fee agreements; and (ii) Steady Over Time: Locked in through multi-year fund structures, ensuring reliability in income generation.

- **Diversification Across Asset Classes and Strategies**: Exposure to varied strategies (private equity, private debt, real estate, infrastructure) and geographically diverse markets, particularly with Europe's fragmented but opportunity-rich ecosystem. This diversification enhances risk mitigation and positions LPs to benefit from different growth trajectories.

- **Capital Appreciation Potential**: Scalable GP business models deliver significant returns via strategy expansion, geographic diversification and operational efficiencies. Strong exit options can be realized through various M&A options and liquidity scenarios.

- **Downside Protection**: Secured fee income and resilient GP performance safeguard against losses. Even in distressed cases, investment in mid-market GPs often maintain over 1.0x MOIC, offering a level of security that outperforms many traditional private equity investments.

- **Europe is providing a differentiating opportunity: It benefits from an established U.S. model and a burgeoning need for GP stakes solutions within an underserved market. With limited M&A advisors and minimal competition, valuations remain favourable for investors in a still relatively disintermediated market.**

GP stakes investments balance stability with growth, making them a highly attractive asset class for LPs seeking long-term, risk-adjusted returns.

(1) Source: Armen internal research, Preqin, Pitchbook, other research papers
There is a risk of partial or total loss of the invested capital in GP stakes fund

Introduction and Reminder

The Origins of GP Stakes Investing

The concept of GP stakes investing began in the United States in the early 2000s, focusing on acquiring minority stakes in alternative asset managers, particularly targeting General Partners (GPs) rather than the underlying funds they manage.

The first notable transactions emerged from Lehman Brothers through its Neuberger Berman team, which specialized in acquiring minority stakes in hedge funds. Following the 2008 Global Financial Crisis and Lehman's collapse, Neuberger Berman underwent a management buyout and shifted its focus to private equity firms. These firms provided more stable recurring cash flows and stronger performance compared to hedge funds.

In 2011, as part of its strategic expansion, Neuberger Berman launched Dyal Capital Partners, a dedicated GP stakes platform. Other major players such as Goldman Sachs' Petershill Partners and Blackstone Strategic Capital Holdings entered the GP stakes market.

In 2021, Dyal Capital Partners merged with Owl Rock Capital to form Blue Owl Capital, a publicly listed asset manager specializing in both GP stakes and direct lending. Together, Blue Owl, Petershill, and Blackstone Strategic Partners now stand as pioneers and dominant players in the U.S. GP stakes space, each having become multi-billion-dollar fund managers.

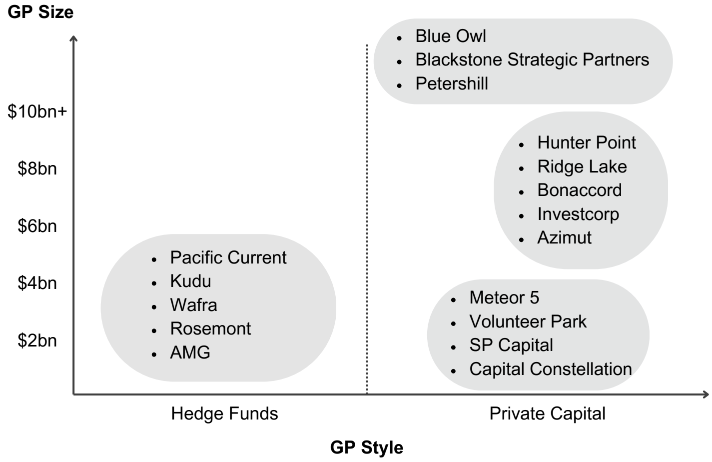
The Evolution of the U.S. GP Stakes Market

Over the past two decades, the U.S. GP stakes market has evolved from a niche strategy focused on hedge fund managers into a mainstream asset class. To date, more than $60 billion has been raised, targeting a broad array of alternative asset managers.

The growth of this market has attracted new entrants, primarily U.S.-centric players, including Hunter Point Capital, Investcorp, Azimut, Ridge Lake and Bonaccord. This consistent innovation and expansion have firmly established GP stakes as a cornerstone of the private capital ecosystem in the U.S.

Exhibit 1. GP Stakes players

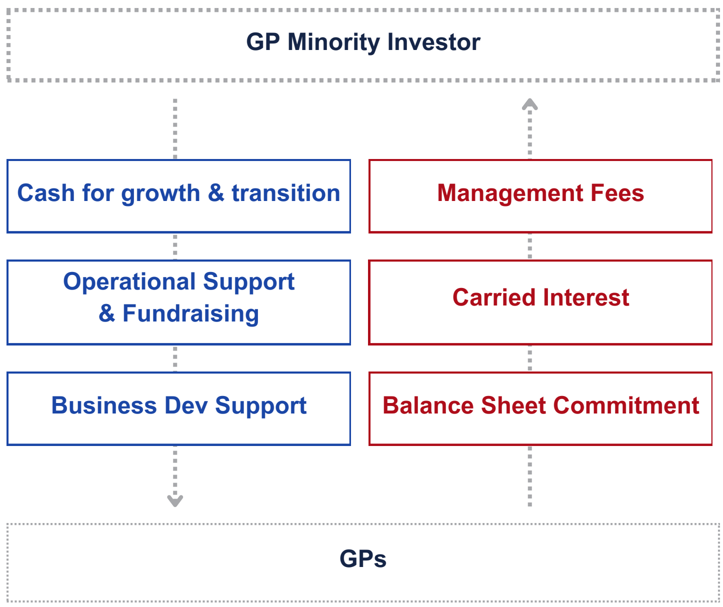
US centric both in HQ and focus(1)



The Value Proposition of GP Stakes

Investing in GP stakes—targeting GPs rather than their underlying funds—offers a compelling asset class with unique and attractive characteristics for Limited Partners (LPs). This strategy combines features such as cash yield akin to private debt or infrastructure, diversification similar to secondaries, and downside protection, all while delivering significant capital appreciation. This combination is often referred to by capital allocators as "asymmetric risk."

Exhibit 2. GP stakes: direct exposure to the GP and the overall cash flow generated



(1) Source: Armen internal research, Preqin, Pitchbook, other research papers

Benefits of GP Stakes for LPs[1][2]

Recurring Revenue
GP stakes provide consistent and durable income through management fees, which are typically countercyclical. This ensures a steady cash flow, even during market downturns, secured over long-term investment periods.

Diversified Exposure
By investing in GP stakes, LPs gain access to a diverse portfolio of asset managers across various strategies, including private equity, real estate, private debt and infrastructure. This diversification strengthens risk mitigation and enhances returns.

Capital Appreciation
Beyond the predictable income generated from fees, GP stakes offer significant capital appreciation upon exit. The returns from these investments can rival traditional private equity returns but with a more favourable risk profile.

Downside Protection
GP stakes deliver robust downside protection, even in worst-case scenarios. The long-term, secured dividend streams act as a financial safeguard. For example, research by Pitchbook (2020) revealed that investments in large firms could return approximately 0.68x MOIC in failure scenarios, while small to medium firms would stand at c.1.0x MOIC.

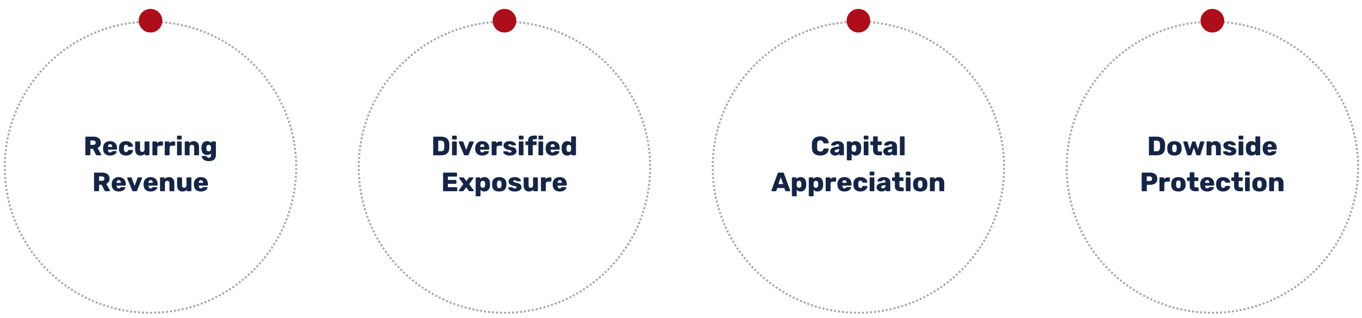
This White Paper: GP Stakes – The European Opportunity provides key insights into the value and opportunities within the European GP stakes market. It follows the traditional cycle of private capital investing:

- Sourcing
- Managing
- Exiting

In doing so, it addresses the most common questions raised by LPs regarding this emerging asset class, offering a focused lens on why and where value can be unlocked in Europe.

> *Investments in large firms could return approximately 0.68x MOIC in failure scenarios, while **small to medium firms would stand at c.1.0x MOIC**[1][2]*

Main Benefits of GP Stakes Investment



(1) Source: Risks and returns in GP stakes investing (Pitchbook, Sep 2020)
(2) For illustrative purpose only
There is a risk of partial or total loss of the invested capital in GP stakes fund

STEP 1. Sourcing and Selecting
The Reservoir of Opportunities

Europe: An Attractive Market

Europe offers a compelling landscape for GP stakes investing, driven by its macroeconomic backdrop and the sheer scale of opportunities within the region.

1. Value in the European Arena

The European Union, representing the world's largest single market with 28 member countries, boasts the second-largest global economy. Positive megatrends further underscore its long-term potential.

However, Europe's complexity poses challenges for investors. Diverse legal and regulatory frameworks across countries require nuanced navigation, particularly in key jurisdictions like the UK, France, Germany and Benelux. Each region imposes unique rules regarding minority ownership, investor protections, and private equity operations. These barriers to entry necessitate local expertise, experienced professionals, and regionally based offices to successfully capitalize on the European market opportunity.

Exhibit 3. Macro and Micro European Play

MACRO PLAY

- **The largest single market with 28 countries** and 2nd largest economy
- **Skilled and educated workforce**: 5 universities in top 10 ranking (QS Ranking, 2023). 6 countries in the top 10 ranking for patent application favaouring R&D
- Transportation, ports and logistics facilitating **supply chain and distribution**

DYNAMIC PRIVATE EQUITY SECTOR

- **Resilient European PE**: 20,000 transactions out of 60,000 globally (2022)
- Mid-market showing **higher net IRR and MOIC** with large pool of co-investment opportunities due to slowdown in fund raising
- **Positive sectors dynamics**: healthcare, tech, consumer goods, energy – with long term favorable mega trends

COMPELLING PRIVATE MARKET

- **Double-digit growth**: European alternatives' AUM (Preqin) - 10.7% CAGR 2010-2027
- **Sustained institutional appetite** and growing retail demand driving the growth
- **Attractive investment timing for GPs** given current market conditions

2. A Deep Reservoir of Opportunities

Europe's mid-market GP landscape is vast, offering a pool of ~1,000 eligible GPs managing €500 million to €10 billion in assets across various alternative asset classes.(1)

Why is the mid-market segment so attractive?

Strong Financial Fundamentals
Mid-market GPs typically maintain EBITDA margins of 30-50% with high visibility on cash flows due to locked-up fees from prior fund vintages.

Scalable Growth Potential
These firms often exhibit higher growth rates than larger sponsors, leveraging scalable core products, geographic diversification, and the ability to launch new strategies or consolidate markets.

Agility and Collaboration
Mid-market GPs are known for their agility and strong team dynamics, supported by better wealth-sharing structures (refer to the Armen HEC Index for more detailed insights: ***Armen Index***).(2)

In addition, these GPs operate in favourable market dynamics:

- **Emerging Mega Trend**: Europe benefits from an established U.S. model and a burgeoning need for GP stakes solutions.

- **Underserved Market**: With limited M&A advisors and minimal competition, valuations remain favourable for investors in a still relatively disintermediated market.

> ***Europe's mid-market*** *GP landscape is vast, offering* ***a pool of ~1,000 eligible GPs*** *managing €500 million to €10 billion in assets*(1)

(1) Source: Armen internal research, Preqin (as of Decemeber 2024)
(2) https://armen.eu/en/armen-index

Who Are These GPs?

Mid-market GPs are akin to SMEs in financial services and face challenges similar to the companies they invest in, such as:

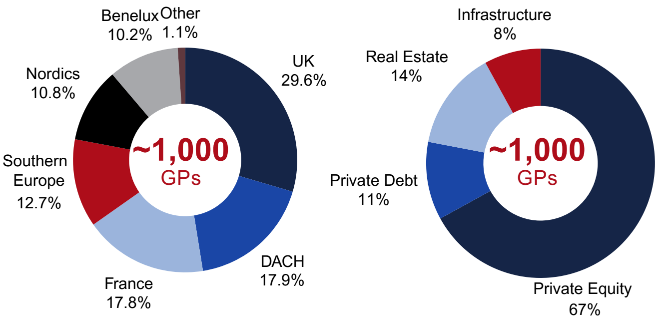
- Developing a brand and recurring revenue streams.
- Expanding from mono-country, mono-strategy operations to multi-strategy platforms.
- Balancing culture and leadership continuity.

Their managing partners often seek strategic minority partnerships to address these challenges more efficiently and sustainably.

Europe's mid-market opportunities are geographically diverse, with concentrations in the UK, France, and DACH regions, as well as notable activity in the Nordics, Benelux, and Southern Europe. The market is dynamic, with new GPs consistently emerging or surpassing the €500 million AUM threshold.

Exhibit 4. Deep and attractive European mid-market GPs pool [(1)]

European Mid-market GPs by Region and Strategy



3. An Accelerating Play

GP stakes transactions in Europe have risen sharply over the past two years, driven by several factors:

Pioneering Transactions
Prominent European GPs like Bridgepoint (Dyal, 2018) and Permira (Petershill, 2020) set early examples. Recent deals include Park Square (2022), PAI (2023), and Coller Capital (2023), inspiring mid-sized GPs across Europe to follow suit.

Growing Capital Needs
Many mid-sized private equity firms managing between €500 million and €10 billion seek capital to expand, diversify, seed new investments, meet GP commitments, and manage succession planning.

Market Timing
Geopolitical and economic uncertainties, coupled with challenging fundraising conditions, are prompting GPs to consider partnerships with GP stakes investors to strengthen their competitive positioning in the next cycle.

Exhibit 5. Increasing European Activity Since 2022 [(2)]

2021	2022	2023	2024
Savills	Park Square	PAI	UI Investissement
CVC	Warwick	L Catterton	Ancala
	Roundshield	Coller Capital	Jolt Capital
		Meridiam	Trinity Street
		Inflexion	Suma Capital
		RGREEN	Triple PE
		MML	Rivage Invst.
		Synova	Chorus
		AltamarCAM	Signal
		HPE Growth	PAM
			Andera

Conclusion

Europe's mid-market GP ecosystem, comprising ~1,000 GPs, offers a unique reservoir of opportunities. These firms benefit from the robust fundamentals of private capital businesses, including stable revenues, strong EBITDA margins, and cash flow generation.

The rising demand for growth capital underscores the need for experienced strategic partners who not only provide capital but also bring:

- Operational expertise.
- A deep understanding of local dynamics.
- A strategic roadmap for sustainable growth.

The following section, Step Two: Managing Period, delves into how value is created during the holding/managing phase.

(1) Source: Armen internal research, Preqin (as of December 2024)
(2) Pitchbook, Preqin, Mergermarket

STEP 2. Managing Period
Creating Value

Mid-market GPs open their capital for a variety of financial, strategic and operational motivations. While these investments may carry more risk compared to top-tier firms, they also offer higher potential returns, with studies indicating that mid-market GP stakes deliver returns approximately five percentage points higher than larger peers (Pitchbook: Risks and Returns in GP Stakes Investing)

Rationale for a transaction

The rationale for mid-market GPs to engage in a GP stakes transaction is rooted in their need to transition into sustainable platforms. This transformation is driven by several key levers that contribute to long-term value creation during the managing period.

Exhibit 6. Mid-Market GPs: Rationale for a Transaction

1. To develop **new products** or **geographic expansion**
2. To improve **b/s capabilities** & finance **GP commitments** in larger funds
3. To facilitate **cap structure reorganisation**
4. To address **strategic** and **operational** challenges

1. Revenue Growth Opportunities

There are several pathways to grow a mid-market GP's revenue:

<u>**Expanding Existing Strategies**</u>
- Assessing the potential to scale current franchises and subsequent funds without compromising historical performance.
- Exploring geographic expansion to diversify the client base and investment opportunities.
- Evaluating historical co-investment offerings and average ticket sizes to increase AUM and management fees.

<u>**Developing New Products**</u>
- Launching adjacent investment strategies, such as private debt or infrastructure, as natural extensions of core expertise.
- Introducing smaller funds targeting niche markets or larger strategies aimed at scaling up operations.

<u>**Organic or Acquired Growth**</u>
- Expanding capabilities through acquisitions or lifting experienced teams to enhance diversification.
- Securing strong anchor LPs to support initial fundraising for new initiatives.

<u>**Global Expansion**</u>
- Establishing operations in additional countries requires understanding cultural nuances and clearly defining roles in new geographies.
- Applying the same successful strategies used in portfolio companies to internal growth initiatives.

2. Balance Sheet Optimisation

GP stakes investments also improve a GP's financial position by:
- Enhancing balance sheet capacity to fund GP commitments, crucial in a challenging fundraising environment.
- Aligning incentives by ensuring partners have adequate resources for GP commitments.

3. Reorganisation and Generational Transition

As many European GPs were founded over 20 years ago, succession planning is critical. Key considerations include :
- Transitioning ownership and leadership from founders to the next generation.
- Redistributing equity to provide junior partners with meaningful stakes in the firm.
- Establishing professional governance structures to replace traditional partnership models.

This rebalancing of the capital structure often involves a mix of cash-out for departing partners and cash-in to support growth initiatives, creating a more sustainable trajectory for the firm.

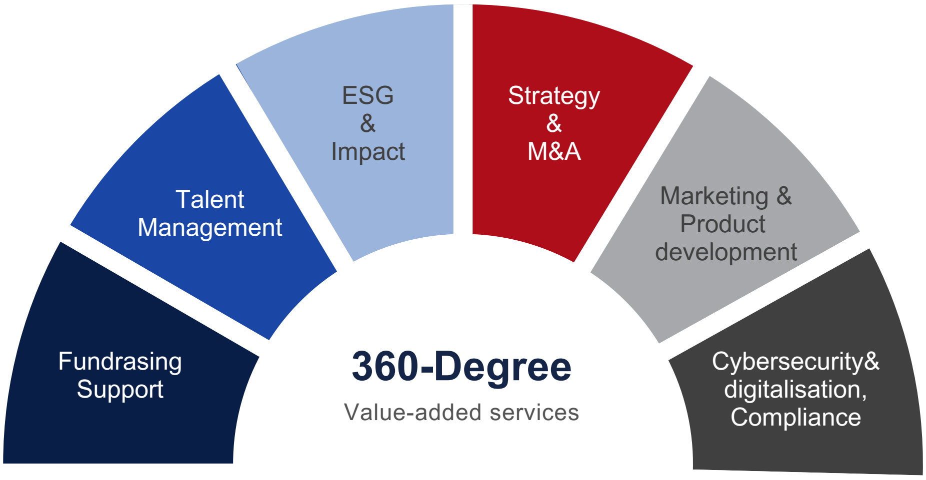
4. Strategic and Operational excellence

Mid-market GPs often exhibit scalable cost structures, with revenues outpacing expenses over time. For example:

- EBITDA margins typically range from 30% to 50%,(1) improving as the firm grows and operational efficiencies are realized.
- Initial investments in resources, such as hiring IR teams or consolidating external functions, may cause a short-term J-curve before profitability increases.

(1) Source: Armen internal research, Pitchbook, other research papers

Exhibit 7. Value-Added Services: Building a Sustainable Organization



Mid-market GPs also face other growing number of operational challenges, including:

- Regulatory compliance.
- ESG integration.
- Cybersecurity concerns.
- Talent retention.
- Digital transformation, such as enhancing client portals.

A strategic minority partner can provide value-added services to address these needs, enabling the GP to focus on long-term growth while ensuring operational resilience by addressing the following:

- Addressing conflicts of interest between new and existing strategies.
- Managing HR complexity as the firm grows, including structuring carried interest and remuneration across teams of different sizes and maturities.
- Ensuring cohesive organizational culture and clear strategic vision during growth phases.

Day-to-Day Value Creation

The relationship between the GP stakes investor and the GP involves regular, actionable collaboration, such as:

- **Formal Governance**: Structured board meetings to monitor and guide strategic initiatives.
- **Informal Engagements**: Monthly or bi-monthly interactions to address operational challenges and refine execution plans.

These engagements mirror the value-creation activities typical in private equity portfolio companies but are applied to the GP itself, a unique dynamic that underscores the distinctiveness of GP stakes investing.

Conclusion

The managing period in GP stakes investing is where significant value is created by addressing financial, strategic, and operational challenges. This phase requires expertise in scaling platforms, aligning incentives, and fostering growth through sustainable practices. The next section, Step Three: Exiting, explores strategies for realizing value from these investments.

Mid-market GPs often exhibit scalable cost structures, *with revenues outpacing expenses over time.*

...

EBITDA margins typically range from 30% to 50%, *improving as the firm grows and operational efficiencies are realized.* [(1)]

(1) Source: Armen internal research, Pitchbook, other research papers

STEP 3. Exiting
Securing Liquidity for Investors

As with any investment strategy, the question of exit and respective materialization of a return is crucial to investment success and should already be accounted for upon initial investment. As we explore exit routes for a GP stake investment, we shall underline the following: GPs are human capital heavy people businesses and a GP stake investor is a minority growth investor in such businesses. Since the GP stake segment is still nascent in Europe, LPs are rightfully asking for viable routes to exit a GP stake.

What are the exit and liquidity scenarios? The U.S. market, with over two decades of established precedent, provides valuable case studies on exit scenarios. Several primary monetization routes for LPs have been identified, and are illustrated by concrete examples on the following page.

1.M&A Scenarios

Several exit paths involve M&A transactions:

Asset Sales: U.S.-based GP stakes firms looking to expand internationally are natural buyers of European GP stakes operations. Buyers interested in acquiring minority stakes in mid-market European GPs also include institutional investors (pension funds, insurance companies, etc.) and large family offices. These buyers value structured platforms, robust governance, and strong brands developed during the holding period.

Institutional Takeovers: Institutional investors such as pension funds, insurance companies, sovereign wealth funds, and asset managers may seek to acquire stakes to gain better control over their commitments as anchor investors in GP strategies. For these buyers, acquiring GP stakes offers a strategic complement to their private asset portfolios.

Buying a minority stakes is also a possible opportunity to a controlling path for these possible buyers.

Management Buybacks: GP management teams can repurchase stakes using personal wealth, carried interest, or leveraged capital. Most European mid-market GPs are unlevered, making this a feasible exit route.

Consolidation Plays : Larger GPs can acquire mid-market GPs in a two-step process: first acquiring a minority stake, then transitioning to full ownership. For example, a buyout firm may purchase a mid-market GP specializing in infrastructure or private debt to expand its capabilities.

Public Listing (IPO): An IPO remains an unlikely exit path for mid-market GPs in Europe, given the minimum €10 billion AUM threshold required. However, this option could be viable for exceptionally strong franchises with substantial growth and diversification.

2. Liquidity Routes

For LPs, liquidity can also be achieved through mechanisms beyond direct M&A:

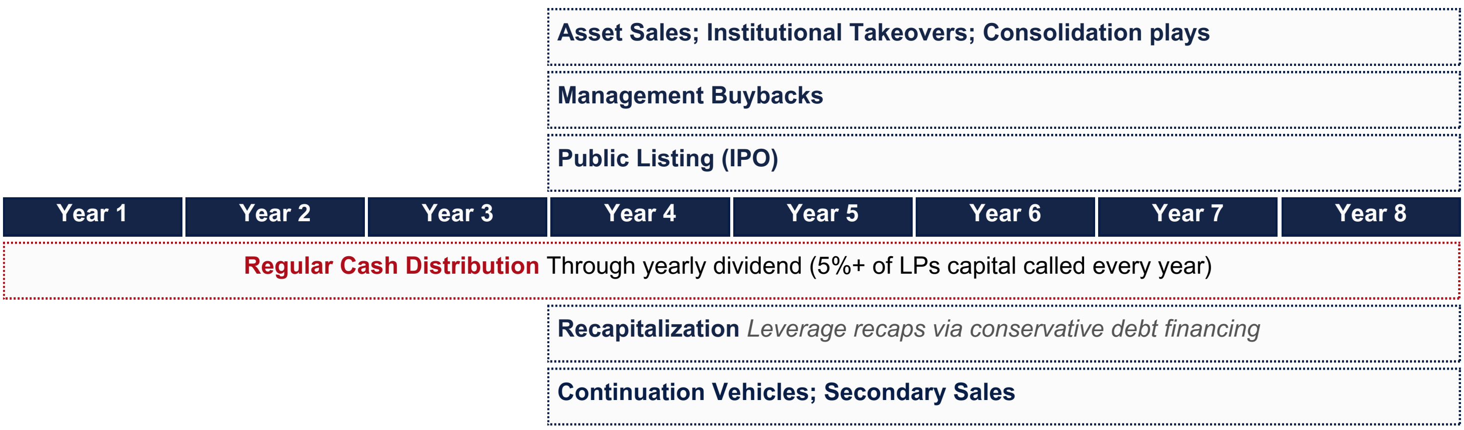
Regular Cash Dividends: Annual distributions from the portfolio's net income.

Dividend Recapitalization: Recapitalization at the fund level, representing 30-40% of NAV, once the fund is well-invested. These mechanisms ensure that LPs recover their capital sooner post-investment.

Continuation Vehicles: The sale of a portion of the portfolio through a continuation fund allows LPs to secure early liquidity while providing the remaining portfolio with additional runway.

Secondary Sales: Individual LPs can exit through organized secondary sales, providing further flexibility.

Exhibit 8. M&A and Liquidity Routes for LPs



3. Past and Concrete Examples

The recent market activity showcases a range of viable exit and liquidity solutions mentioned above, underlining the maturing nature of the GP stakes investment segment.

For M&A transactions, Petershill Partners executed a partial exit in November 2024 by selling part of its stake in Accel-KKR for $282 million, which enabled a $189 million special dividend for shareholders. Similarly, Wendel acquired a 75% stake in Monroe Capital for $1.13 billion in October 2024, marking a successful exit for Bonaccord Capital Partners, which had invested in Monroe in 2021.

As for liquidity mechanisms, in October 2024, Blue Owl sold a 10% stake in its GP Stakes Fund III to Eldridge Industries, generating $985 million in liquidity for investors.

We observed an uptick in refinancing among GP stakes players, even though it remains a controversial subject. In October 2024, Investcorp raised $125 million in debt, secured by cash flows from its GP stakes fund, to distribute proceeds to investors. Hunter Point Capital also employed a debt-driven strategy, securing $425 million in debt in the same month to issue dividends to LPs of its GP stakes fund.

The recent surge in exit activity (Exhibit 9) underscores the resilience and adaptability of the GP Stakes sector, revealing diverse strategies for liquidity and growth.

4. European Dynamics

The European GP stakes market offers additional comfort to investors due to its unique dynamics:

Valuation Attractiveness: As previously explained, with limited M&A advisors and minimal competition, valuations remain favourable for investors in a still relatively disintermediated and underserved market.

Diverse Buyer Base: The smaller size of European mid market GPs compared to the U.S. attract a broader array of buyers, making exits more flexible and accessible.

Nascent Evergreen Structures: As the market develops, evergreen fund structures may become more common, offering LPs long-term cash yields and optionality without fixed exit dates.

Market Sophistication: Increased activity from U.S. GP stakes firms and advisory firms (e.g., Evercore, Campbell Lutyens, Lincoln) in Europe signals the emergence of a robust M&A market in this region.

Exhibit 9. Selective M&A and Liquidity Routes for LPs

Deal date	Seller	Target	Buyer	Rationale
Dec-24	Blue Owl / Guardian Life	HPS Investment Partners	BlackRock	Majority acqusition by BlackRock
Nov-24	Petershill	Accel-KKR	Undisclosed	Sale of partial stake
Oct-24	Bonaccord	Monroe Capital	Wendel / AXA IM Prime	Majority acquisition by Wendel
Apr-24	Azimut Group	Kennedy Lewis Investment	Petershill	GP stake sold to another GP Staker
Oct-23	Capital Constellation	Ara Partners	AMG	GP stake sold to an asset manager
Jan-23	Ridge Lake	Newbury Partners	Bridge Investment group	GP stake sold as part of a control acquisition
Jan-23	Hunter Point Capital	Iron Park Capital	General Atlantic	GP stake sold as part of a control acquisition
Apr-22	Wafra	Digital Bridge	Digital Bridge IM	GP buyback
Jan-22	Dyal Capital Partners	Arcmont Asset Management	Nuveen	GP stake sold as part of a control acquisition
Jan-22	Goldman Sachs / Petershill	Thrive Capital	Undisclosed	Undisclosed
Jan-22	Kudu	Versus Capital	Colliers	Majority acquisition from an asset manager
Jan-22	Wafra	Basalt Infrastructure Partners	Colliers	GP stake sold to an asset manager
Jan-22	Goldman Sachs	Oak Street Real Estate Capital	Blue Owl Capital	Majority sale
Dec-21	Rosemont Investment	Foundry Partners' stake	Foundry Partners	GP buyback
Nov-21	Kudu	BOS	Cerity Partners	Merger
Nov-21	Kudu	WestEnd Advisors	Victory Capital Holdings	Majority acquisition from an asset manager
Jan-21	Azimut Holding	AZ Quest Investimentos	XP Inc	GP stake sold to an asset manager
Jan-21	Blackstone	Arkkan Capital	TIG Advisors	GP stake sold to an asset manager
Jan-21	Dyal Capital Partners	Bridgepoint	IPO exit	IPO

Source: Armen internal research, Preqin, Pitchbook, Mergermarket, Companies websites

Additional Insights

Comparative analysis- US versus Europe

The U.S. GP stakes market is a mature, competitive space, offering established players stable returns. In contrast, Europe presents a dynamic and underserved market, particularly in the mid-market GP segment, with attractive competitive dynamics and significant growth potential. Deals are often structured differently: we have seen more revenue deals in the US versus minority growth transactions in Europe. Investors with local expertise and strategic vision can capitalize on Europe's unique opportunities, mirroring the success of the U.S. market while navigating its distinct challenges.

Exhibit 10. Snapshot - US and Europe

U.S. MARKET		EUROPEAN OPPORTUNITY
Well-established; led by major players	Market Maturity	Nascent; growing rapidly
Large & established GPs	Target GPs	Mid-market GPs with €500m~€10bn in AUM
Highly competitive	Competitive Dynamics	Less competition in a fragmented market
Future opportunities in niche segments	Growth Potential	Significant room for expansion
Robust ecosystem	Exit Routes	Growing interest in secondary and M&A

Future outlook

Private Markets remains an asset class in demand

Structurally, institutional LPs typically allocated a range between 10 to 20% according to a recent Partners Group survey and a significant proportion of institutional investors intend to further increase allocations.

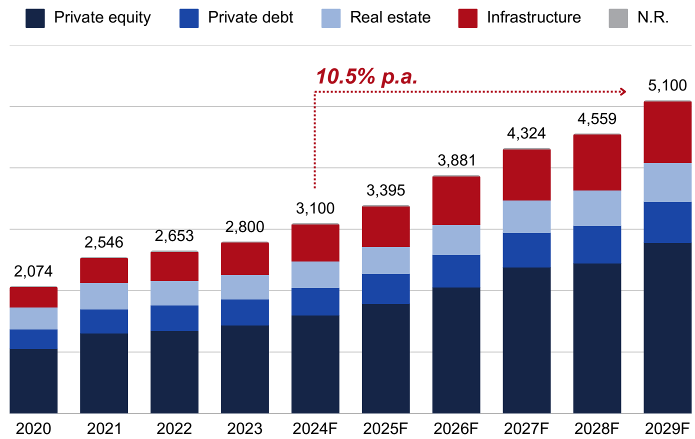
This is further backed by a structural demand from retail and HNW allocations (3-5% or even close to 0% in Europe) versus exposure of circa 40% for large Family Offices. The Defined Contribution plans across Europe and the opening of the life insurance also represent structuring trends.

The slowdown in growth over the past two years is cyclical rather than structural, driven by the denominator effect for Institutionals and a lower volume of M&A. Those elements reflect a cycle which also comes with its usual attractive characteristics: it is a good time to invest, stress and uncertainty generate opportunities.

Market studies from Preqin forecast Alternative growth to remain strong over the next five years.

Exhibit 11. European markets outlook

Europe-focused Private capital AUM ($bn)



Source: Preqin - Future of Alternatives 2029

LPs are increasingly looking for Alpha

The largest GPs in the world are very comforting for LPs – one buys a brand with a track record over various vintages spreading over sometimes 20 years. Having said that, the largest funds could now struggle to deliver more returns than the market. Fund over €10 billion can accommodate large tickets from LPs and money is safe there but there is a need to find the next top performers delivering more than market returns.

Mid-market GPs with either a strong sector or geographic focus and focus or firms with a solid track record and a platform model can provide those type of alpha returns. Selection is key and GP Stakes operation in Europe are there to unlock this value both at the GP and funds levels.

Operational excellence is paramount and digitalisation will play a critical role

Operational excellence is a cornerstone of successful GP stakes investing. It involves leveraging strategic insights, governance frameworks and value-added services to optimize the performance and scalability of the GPs in which stakes are acquired.

It encompasses governance and alignment, operational optimization, ESG and compliance integration, talent development and retention but one critical part is the integration of digitalization and data science. It will revolutionize the GP stakes ecosystem, enhancing decision-making, operational efficiency, and long-term value creation. By leveraging advanced analytics and digital tools, both GP stakes investors and portfolio GPs will gain critical insights, improve transparency and optimize performance.

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