

ASC
INSIGHT

CROSS-FUND TRANSACTIONS EMERGE AS STRATEGIC, VALUE-CREATION LEVER

*Sometimes the ideal buyer for an asset
is the existing sponsor*

Cross Fund Transactions Emerge as Strategic Value-Creation Lever

A decade ago, cross-fund transactions were viewed as somewhat taboo. The conventional wisdom was that if a sponsor was buying and selling assets between two funds, one side must be getting the better end of the deal. Today, that perception has shifted dramatically. Cross-fund transactions have frequently proven to be mutually advantageous, and since reframed as a win/win opportunity that can serve all stakeholders. As a result, cross-fund investments have also become far more common.

Today, just to put the growth into context, roughly two out of every five single-asset continuation fund transactions from the first half of 2025 involved a cross-fund investment (per Morgan Stanley). This trend aligns with ASC's experience, having closed three cross-fund transactions over the past two years. ASC's forward pipeline similarly reflects this momentum.

The growing propensity of cross-fund transactions, we believe, underscores two distinct factors that increasingly shape and encourage these investments. First, the acceleration in cross-fund transactions has been enabled by both the maturation and sophistication of the CV marketplace as well as the evolution of flexible strategic capital solutions, like those provided by Audax Strategic Capital ("ASC"). And as capital solutions obviate previous concerns, sponsors have increasingly gravitated to cross-fund deals as a way to manage portfolios, preserve alignment, and support continued portfolio company growth with additional time and capital.

Unpacking the Growth

To be sure, as the number of cross-fund deals has increased, their benefits have become increasingly clear to sponsors, LPs, and capital providers alike. This may be particularly true in a more muted deal environment when even the

strongest assets can struggle to transact if the "perfect" buyer doesn't emerge. Yet even as the LBO market improves, sponsors and management teams may determine that the ideal buyer for a particular holding is the existing GP, who not only fully appreciates the value of the underlying asset, but may also better recognize the path for future growth given their familiarity with the company and its ongoing value creation initiatives.

We believe the value proposition is straight forward and compelling. Existing limited partners secure a realization within expected investment timelines, while new LPs initiate an investment in a holding that's further along on its growth trajectory or approaching a new inflection point that informs a refined thesis.

It's often the case, for instance, that actionable value-creation initiatives are either already in process or clearly in the line of sight. The decision to reinvest on the part of the sponsor, thus, reflects their conviction in the ongoing opportunity set, coupled with potentially higher confidence in other variables. These can include conviction about the management team, operational infrastructure, or the ability to scale, in addition to other factors that might otherwise represent risks to outside investors. Moreover, the initial thesis may have been to professionalize the organization to enable scale-building initiatives. The selling fund,

theoretically, is realizing the value created through those efforts, while the incoming fund is investing behind a different thesis to then accelerate growth through moving into new markets and geographies.

From a portfolio construction standpoint, too, a cross-fund transaction, beyond delivering distributions to existing LPs, can provide a compelling start for a newer fund earlier in its investment period. Sponsors benefit from the information asymmetry of investing in a known asset and the new fund can hit the ground running, absent the disruption typical in a traditional change-of-control buyout.

Along these same lines, cross-fund investments for new LPs can represent a counterbalance to the tendency for GPs to pursue high-profile, complex investments earlier in a fund life. It's a more nuanced factor, but in this sense, cross-fund investments mitigate the concentration of resources – including time, capital and talent – that can often be associated with the first or second investments in a new fund. The continuity and minimal disruption of a cross-fund investment compared to a more traditional change-of-control transaction, in this regard, can facilitate a faster time to value, positioning the fund on the front foot for delivering performance and DPI to investors.

Why Now?

Historically, investor scrutiny on both sides of a transaction and perceived conflicts of interest made cross-fund deals more difficult to execute. Those perceptions have largely faded with the rise of co-investor participation, through either a CV or strategic capital partner, helping to reinforce transparency and provide validation to the structure.

Through providing true third-party marks, CVs and mid-hold equity commitments help substantiate and endorse the valuations for sponsors at re-entry, mitigating a potential risk associated with cross-fund transactions that don't involve third-party co-investments. Instead of a rubber stamp from a firm hired by the sponsor, strategic capital providers and CV co-investors deliver a true third-party mark that accompanies the new equity investment of strategic capital partners whose diligence is as rigorous and thorough as the sponsors leading the investment.



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Moreover, and equally important, the co-investments are premised on fueling actionable growth initiatives, underscoring the alignment between the sponsor and the new investors. No two situations are necessarily alike, but in one case, in Europe, our investment supported a strategic acquisition and cross-fund investment from the existing sponsor that effectively represented a new inflection point and revised thesis for the portfolio company. In another instance, in the U.S., our investment allowed the sponsor to consolidate majority control and at the same time accompanied a new investment from the sponsor through a new fund. Without missing a beat, the portfolio company was positioned to pursue a pipeline of actionable

acquisition targets to quickly fill the gaps within its product portfolio.

At the highest level, we believe the growth of cross-fund transactions marks the ongoing evolution of the asset class and reflects private equity's role as patient capital focused on delivering long-term outcomes. Both CVs and strategic capital solutions are playing a valuable part in giving sponsors more tools at their disposal to drive long-term growth. Absent the stigma that previously colored these transactions without third-party validation, we believe these alternative growth levers will continue to increase in prominence and help to drive value for sponsors' portfolios. △

Investment Team Overview



Kumber Husain
Managing Director



Daniel Green
Managing Director



Brian C. Doherty
Principal



Emily Castle Seitz
Vice President

Business Development



David Santoni
Managing Director
dsantoni@audaxprivateequity.com



Kurt Ondash
Senior Vice President
kondash@audaxstrategiccapital.com

△ Audax Strategic Capital

Equity for Portfolio Growth:



Acquisitions



Balance-Sheet
Enhancement

Equity for Portfolio Management:



Cross-Fund
Investments



Shareholder
Consolidation



Manage Fund
Concentration



Converting
Minority Stakes
to Control

ASC by the Numbers*

\$1.3B
CAPITAL RAISED

11

DEDICATED INVESTMENT TEAM

9

INVESTMENTS, SINCE INCEPTION

*As of 1/12/2026



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www.linkedin.com/company/audax-strategic-capital/



ASCDeals@audaxstrategiccapital.com