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Limited Partners Grapple With Rolling Over Into Credit CVs as Deal Volume Surges

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Limited partners, or LPs, to private credit funds are struggling to find ways to maintain their exposure to existing portfolios that are being moved into fresh continuation vehicles, or CVs, amid a rush in private credit CV activity, according to sources.

Market participants tell Octus that LPs struggle to do this for a mix of reasons, including insufficient internal teams to evaluate reinvestment decisions and, in some cases, restrictively short decision deadlines. Chief among LPs' gripes, however, is the concern that rights afforded to them as existing investors in a fund will not be carried over into a CV, which is itself an altogether different fund.

One way to secure these rights has been through general partners, or GPs, offering a so-called "status quo" option to LPs. This arrangement allows an LP to maintain its existing arrangement with a GP on terms such as fee and carried interest provisions under the original fund documents when rolling over into the CV.

However, friction exists between both sides on whether or not such an arrangement is possible. "Even if you have the same management fee and carry structure, it's not going to be status quo," said Rob O'Connor, partner and portfolio manager at Sycamore Tree Partners.

"It will potentially be highly equivalent economically, but there is going to be new leverage and fund documents," he added. "There's always going to be some level of leverage on the vehicle that probably does not look like the leverage in the original vehicle."

Recent changes to guidelines from the Institutional Limited Partners Association, or ILPA, reflect this reality. In its updated guidelines released in late October, ILPA moved away from suggesting GPs offer a status quo option in favor of a "remain in place" option that preserves LPs' legacy terms through an existing fund structure.

"There is no universally accepted definition of 'status quo'," said Sean Hill, a partner at Kirkland & Ellis. "What we mean when we talk about that is equivalent economic terms."

'Impossible' Status Quo

For the sponsor, accommodating an LP looking to roll can present challenges if there is a clash between the terms set for old investors and incoming ones.

This dynamic played out last year when Benefit Street Partners pursued its $2.3 billion CV and reached an agreement that would allow the fund's existing LPs to receive the interest income. However, that arrangement would flip after a certain period of time if the deal dragged on, said Allison Davi, head of business development and co-chief operating officer at Benefit Street.

Determining whether the incoming secondaries buyer or the selling LPs get access to the interest income generated from a portfolio is among the most immediate challenges when executing these transactions, market participants said.

This part of a credit secondary transaction is often heavily negotiated, said Hill. He noted that both sides want access to post-record-date cash flow and added that buyers may focus on trying to get all of these benefits from the reference date until closing. However, he said that secondary investors have moderated their approach to be more accommodating to selling funds and their LPs.

"Pricing strategy by secondary investors is evolving because they understand it needs to be a fair deal for both sides and [limited partner advisory committees, or LPACs] are becoming more focused on both headline and net purchase price," said Hill. "Otherwise, the selling fund's LPACs just won't approve the deal."

Getting a leverage facility in place to re-lever the CV could be potentially hampered if rolling LPs do not agree to offer additional capital. "One of the advantages of the CV for new investors is you're able to re-lever the portfolio, because you set a new fund life and have the ability to invest in new assets," said Davi.

Under the ILPA guidelines, sponsors can offer these LPs terms that do not require a fresh commitment, but they are also encouraged to consider offering them a partial roll and sell option if the CV requires additional capital.

However, if the level of capital needed comes up short, it can result in lenders providing a smaller leverage facility or having to turn to incoming investors for a bigger commitment, said one secondaries banker. They cautioned that this is not guaranteed to happen unless additional concessions are offered, which could drag out the process further.

Keeping Pace

To be sure, most LPs opt to take liquidity rather than roll into a CV; Jefferies finds a rollover rate of about 15% in 2025 across asset classes. Market participants tell Octus that the rate for LPs considering private credit CVs is closer to 10%.

One advisor to institutional investors said that most LPs tap the secondary market because they are not seeing the level of distributions that they may have expected when first allocating to a sponsor. For a number of these LPs, there is a skepticism that they will be receiving distributions as soon as they anticipated, they said.

But even when an LP decides to roll, the process is not without hurdles. For the sponsor moving a portfolio to a CV, there is a desire to move as quickly as possible in order to lock in the best possible price on the transaction. Indeed, sources agreed that credit CVs often move at a faster pace than similar processes in the private equity space.

For Benefit Street, the CV process lasted two to three months from start to finish, Davi said.

“You really don’t want it to go beyond that because everyone’s buying in at a certain price,” Davi added. “And you want to make sure there’s not a lot of movement in value of the underlying assets between the time you bought in at and the time that you ultimately transact the deal.”

On the other hand, moving quickly creates issues for many LPs. Many lack internal processes for quickly evaluating CV roll decisions, which are treated as new investments that require fresh diligence ahead of approval. This could take more time than the 20-business-day election period typically offered to incumbent LPs.

The pace of credit CV deals coming their way has also surged in recent years. For the first half of 2026, Evercore recorded $20 billion in volume, matching the volume seen for all of 2025. This volume may more than double by the end of the year, according to a report by Carlyle AlpInvest.

For Benefit Street’s CV, there was some rollover into the CV from existing investors, but Davi said none of its public pension LPs were able to make the decision in time. “That’s where the disappointment comes in because there were investors who wanted to roll, but they could not do it in the time allotted,” she said.

“You don’t want a huge lag between the deal getting announced and closing because it is a question of how much the underlying assets move in value during that period, and who gets the interest income,” Davi said.

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