

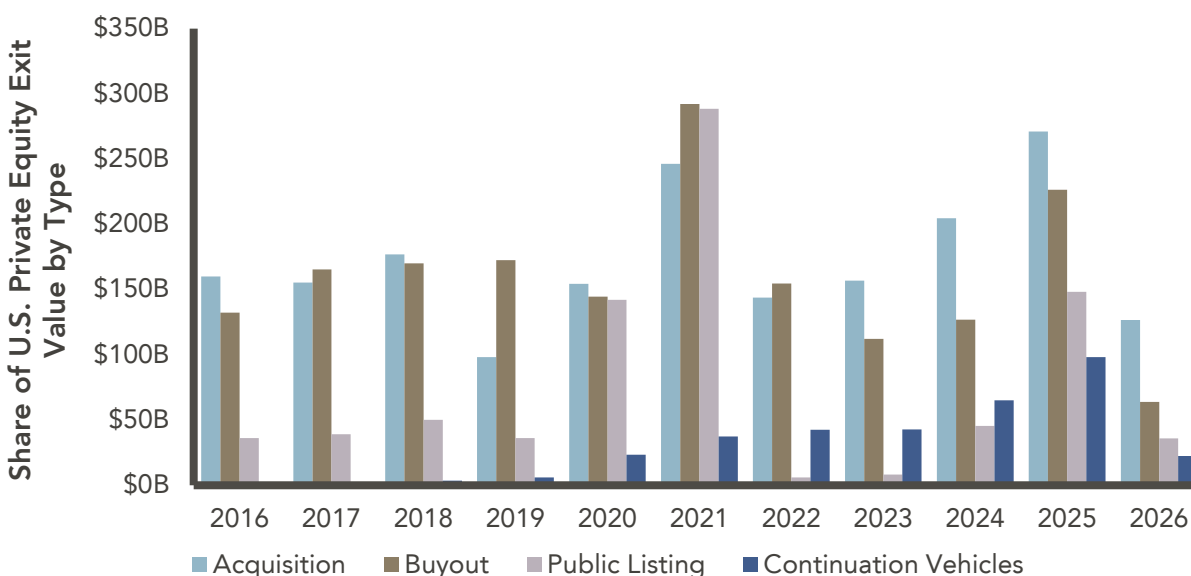
# Chart of the Week

July 6, 2026

## To CV or Not to CV?

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↙ Continuation vehicles provide liquidity in a constrained exit environment but introduce important governance and incentive considerations



Source: Pitchbook as of May 31, 2026

Since traditional exit routes have remained constrained in recent years due to higher interest rates, valuation gaps, and a subdued IPO market, continuation vehicles (“CVs”) have become an increasingly important liquidity tool for private equity investors. At a high level, CVs are investment structures in which a sponsor transfers one or more portfolio companies from an existing fund into a newly formed fund, allowing existing investors to either cash out or roll their investment while providing the manager with additional time to create value. While CVs do help to mitigate a challenging exit environment, they are also raising several considerations for fund investors. For instance, many are concerned about potential conflicts related to valuation, governance, and asset selection given the fund manager’s direct involvement in both the sale and acquisition process. These concerns often call for active discussions about asset valuation if third-party sales are considered. The economics of CVs have also been called into question by some, as the transfer of assets into a new vehicle can reset management fees and performance incentives for fund managers. Moreover, some CV structures include performance-related tiered carried interest arrangements, which may eventually result in a higher-than-industry-average fee paid by fund investors. Additionally, limited partners are closely examining the quality of assets being transferred since CVs can potentially reduce the impact of underperforming portfolio companies

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on a primary fund's track record. CVs also offer less visibility into a fund manager's ability to achieve traditional third-party exits, which remains an important measure of execution and realization capabilities. More recently, the emergence of "CV-squared" transactions (in which assets move from one CV into another) has led to even more discussion around the ultimate path to liquidity and the alignment of incentives between fund managers and investors. While the rise of CVs is clearly a response to a market with constrained traditional exits, it is important to note that these structures are creating a more circular liquidity ecosystem that may make it harder for investors to evaluate portfolio company quality and exit opportunities. Ultimately, while continuation vehicles can provide valuable flexibility in a difficult exit environment, investors should carefully evaluate each transaction to ensure that governance, valuation, and incentive structures remain aligned with their long-term interests. ■

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