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ILPA'S NEW CONTINUATION FUND DISCLOSURE TEMPLATE: MORE ROLLOVERS ON THE CARDS?

Continuation funds have cemented their position in the private capital ecosystem. The growth of the continuation fund market and the increase in both scale and complexity of these transactions has resulted in a heightened focus on transparency, governance standards and the need for a robust and well-run process.

As the volume of continuation fund transactions increases year-on-year, industry data indicates that approximately 90% of existing fund LPs ("**LPs**") are electing to take liquidity in these transactions rather than rolling their interests into the continuation fund[1]. While numerous factors drive this decision, a lack of process clarity and information asymmetry can be determining factors. Against this backdrop, the **Institutional Limited Partners Association (ILPA)** has released a **Continuation Fund Disclosure Template** aimed at standardising key disclosures and improving the information available to LPs across continuation fund transactions.

While the template is not mandatory, it is a further signal of evolving market norms and the increased focus on transparency and robustness of process with respect to continuation fund transactions.

PURPOSE AND SCOPE OF THE TEMPLATE

The ILPA Continuation Fund Disclosure Template is intended to provide a consolidated, high-level summary of the material terms and mechanics of a continuation fund transaction to LPs, complementing other GP-furnished materials and disclosures. The emphasis is on clarity, comparability and efficiency, particularly where LPs are required to assess pricing, alignment and governance as part of a time-limited election process.

The template follows ILPA's prior guidance on continuation funds and is an extension of ILPA's response to long-standing perceptions around inconsistent disclosure and information asymmetry in continuation fund transactions.

KEY AREAS OF DISCLOSURE

The template aims to standardise disclosure around four core pillars to provide LPs with consistent information to assist their review and decision-making:

- **Asset overview and valuation**: Summary information on the assets being transferred, valuation methodology and pricing support.
- **Transaction process and governance**: Disclosure of approval mechanics, LPAC involvement, conflicts management and key timing considerations.
- **Economic terms**: High-level presentation of fees, carried interest, transaction expenses and roll-versus-sell economics.
- **Continuation vehicle terms**: Key fund terms, governance rights, GP commitment and material differences from the legacy fund.

IMPLICATIONS FOR SPONSORS

For sponsors, adoption of the template presents an opportunity to demonstrate process transparency and alignment with emerging best practices. Proactive, standardised disclosure also has the potential to reduce the risk of post-closing disputes or reputational harm arising from perceived disclosure gaps.

As continuation funds increasingly attract competitive pools of secondary capital, clear articulation of valuation rationale, economics and governance is increasingly becoming a necessity, rather than simply a compliance exercise for sponsors.

IMPLICATIONS FOR LPS

For LPs, the template represents the potential for a more efficient approach to assessing roll-versus-sell decisions. Standardisation of disclosure could prove particularly helpful for institutional investors operating under internal

1 Houlihan Lokey, 2024 Continuation Fund Study, https://cdn.hl.com/pdf/2025/2024-continuation-fund-study.pdf

governance and committee approval constraints, improving both efficiency and access to information. It may also shape future expectations for disclosure and process in continuation fund documentation.

Widespread adoption of the template could help mitigate concerns around disclosure and information asymmetry for LPs. However this will not necessarily result in a corresponding increase in the proportion of LPs that elect to roll, given the other constraints that can often deter LPs from rolling, including, but not limited to, underwriting having been limited to the original fund, the additional diligence, analysis and approvals required to participate in a continuation fund, limitations on their mandate (e.g. lack of authority to invest in relatively concentrated vehicles such as continuation funds), restrictions on investment allocations (e.g. they may be fully allocated to the sponsor in question), and limitations on their fund term which restrict investment in the continuation fund.

IMPLICATIONS FOR SECONDARY INVESTORS

For secondary investors, a standardised approach to disclosure has several potential benefits. Primarily, it reduces the information imbalance between sponsors, LPs and secondary investors by standardising disclosure around asset fundamentals, pricing mechanics and governance protections. This has the potential to allow incoming investors to focus more on core terms and improve underwriting efficiency by reducing the extent of the diligence to be undertaken by those investors around process and disclosure.

Should the template be adopted widely, it could also prove to be a helpful baseline reference point for secondary investors to compare terms across continuation fund transactions.

LOOKING AHEAD

Although voluntary, the template could prove to be a useful tool for sponsors, LPs and their counsel as continuation funds mature as an asset class. Early and thoughtful adoption may become a hallmark of well-run transaction processes. However, disclosure requirements will still need to be assessed on a deal-by-deal basis. While the adoption of the template goes some way to mitigate disclosure concerns in the context of roll-versus-sell decision making, we don't anticipate that its introduction will prompt a material increase in LP's electing to roll simply as a result of more robust disclosure, as many of the constraints LPs face when making the roll-versus-sell decision remain.

FOR MORE INFORMATION

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