

2026



BUILDING AN EMERGING MANAGER PROGRAM

*An LP's Guide to Identifying, Evaluating and Structuring Exposure to
the Next Generation of Private Equity Managers*

DRAWN FROM THE LP GATEWAY INSTITUTIONAL INVESTOR
COMMUNITY FORUM AND THE LATEST PRIVATE MARKETS DATA





Building an Emerging Manager Program: An LP's Guide

How institutional investors can identify, evaluate and build structured exposure to the next generation of private equity managers: lessons drawn from the LP Gateway community forums.

Few topics generate as much genuine debate among institutional allocators as emerging managers.

The case is compelling. Decades of data show that the earliest funds in a GP's lifecycle tend to outperform. Yet the challenges of backing an unproven team are real and the stakes are high.

This article draws on a wide-ranging discussion on the LP Gateway online forum, where institutional limited partners have been sharing their practical approaches to defining, sourcing and underwriting emerging managers, as well as structuring program and managing the very particular risks that come with backing a first- or second-time fund.

The conversation always remains live, and any LP who wants to contribute their own Emerging Manager experience or learn from others can jump in at: <https://www.lpgateway.com/other-discussion/>.

Contents

1. Defining the Universe: Who is an 'Emerging' Manager?
2. The Investment Thesis: The Three 'A's — Alpha, Access and Alignment
3. Assessing the Opportunity: What Should LPs Actually Evaluate?
4. Sourcing the Universe: How to Find Them
5. Portfolio Logic: Building and Structuring the Program



Defining the Universe: Who is an 'Emerging' Manager?

Market definitions may have broadly converged (a GP raising Fund I–III with AUM below c.\$1–2 billion is typically considered “emerging”), but the edges of that are contested everywhere. The **Teacher Retirement System of Texas** sets a formal AUM ceiling of \$3 billion and limits eligibility to a manager’s fourth generation or earlier. **Hamilton Lane** applies a \$2 billion AUM threshold and caps eligibility at the third fund in the original series.

On LP Gateway, forum contributors were equally fluid. There was broad consensus that Fund I and Fund II were unambiguously “emerging.” Though by a third fundraise, several participants felt a GP could be considered established, having already successfully deployed two prior vehicles, and could be considered the right balance of “hunger and experience”.

Others on the forum were less categorical, noting that a sponsor’s true maturity depends more on the degree to which the team, strategy and operational infrastructure have stabilised. As one contributor put it, the key question is what has “*settled down*”: a manager with significant team turnover through Funds I–IV may still be effectively emerging, regardless of what the label says.

Fund size has also complicated the picture. The emergence of large, multi-billion-dollar first-time vehicles, such as **Haveli** (founded by **Vista Equity** partner Brian Sheth) and **26North** (led by **Apollo** founder Josh Harris), demonstrate that new sponsors need not begin small. LP Gateway contributors were broadly in agreement that scale alone does not disqualify a GP from being considered “emerging” for portfolio construction purposes. Nor does scale fully insulate a sponsor from the trials and tribulations of being an emerging GP.

The practical conclusion is that eligibility criteria should be defined with reference to a combination of factors beyond vintage number: team tenure and stability, a solidified strategy, AUM and particularly the degree of institutional infrastructure and ownership dynamics in place. Fund count alone tells only a part of the story.

“Fund III could be considered the right balance of ‘hunger and experience’”.



The Investment Thesis: The Three 'A's — Alpha, Access and Alignment

Why would an investor take on the additional complexity and risk of backing a first-time fund? The answer, for those who have done it well, comes down to three structural advantages that established managers struggle to replicate.

Alpha. The evidence is robust. For LPs seeking incremental return, the emerging alpha premium is a compelling reason to allocate. Among realised buyout and growth funds, the average Fund I delivered a 20.7% IRR, compared to 18.4% for Funds I–III combined, and 17.5% for Funds IV and beyond, according to **Salica Investments**. A study of 731 debut buyout funds by **Unigestion** found meaningful outperformance in the aftermath of major market dislocations, including the dotcom crash and the 2008 credit crisis.

Reinforcing this is the collapse in performance persistence among established managers. Research once supported the view that top-quartile funds repeat. That belief has been significantly eroded: recent analysis suggests that the probability of a previously top-quartile fund repeating has now declined toward a near-random distribution. The traditional argument for staying loyal to established managers has weakened, just as the emerging manager case has strengthened.

Access. Many of the most sought-after managers in private equity can be effectively closed to new investors with funds like Hg Capital, for example, heavily oversubscribed. Backing a GP at Fund I or II is for many, a viable route to a position in a relationship that may become structurally inaccessible at scale. As one limited partner described it, early alignment offers the ability to scale future commitments as desired as well as the visibility and co-investment access that comes from being embedded in a successful GP's investor base from the start.

Alignment. Emerging managers exhibit a quality of economic and personal commitment that is structurally different from their established peers. Founders' capital, reputation and professional identity are directly tied to the success of the fund. Investment decisions tend to be made with heightened discipline, and LPs are treated as strategic partners rather than transactional capital sources.

The data from the recent **Buyouts** Emerging Manager Survey reflects this dynamic. In their most recent fundraise, 63% of emerging managers surveyed offered anchor LPs an LPAC seat, 53% offered contractual co-investment rights and 19% offered an ownership stake in the GP itself, up sharply from just 8% who had done so in 2024. While there may be symptoms of a tougher fundraising environment, they can be attractive terms that established managers simply do not offer. Combined, these three factors create an investment case that, for the right program, more than justifies the additional diligence burden.



Average IRR by fund generation — buyout & growth equity (fully realised)

Fund I managers consistently outperform as fund series mature

■ Fund I — 20.7% ■ Funds I-III avg — 18.4% ■ Fund IV+ — 17.5%

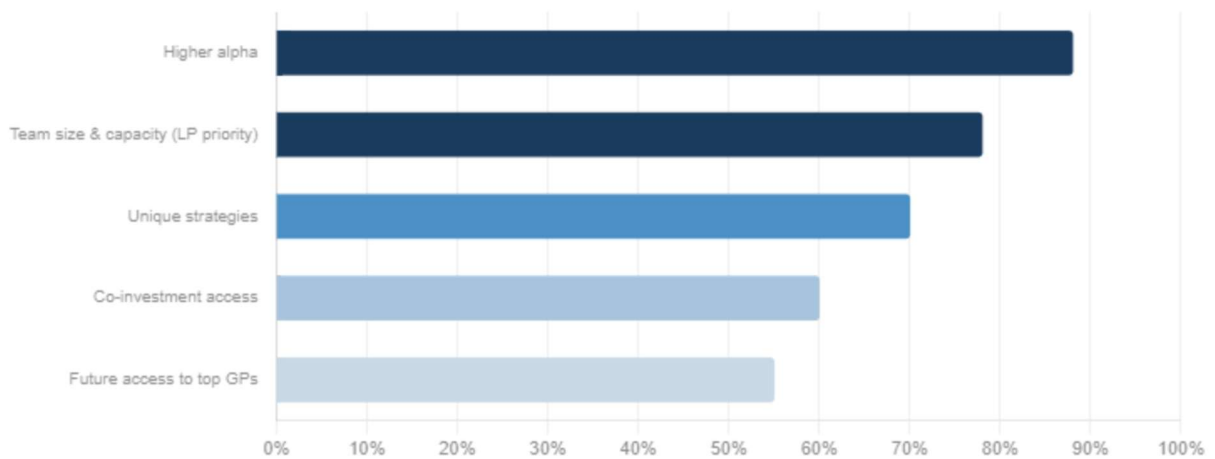


Source: Salica Investments, citing industry data — salicainvestments.com/the-established-merits-of-emerging-managers-in-private-markets/

Why LPs invest in emerging managers

Alpha and differentiated strategies are the primary drivers of allocation decisions

■ % of LPs citing each factor



Source: SS&C Technologies / Private Equity Wire LP survey; LP Perspectives 2026 Study (PEI) — ssctech.com



Assessing the Opportunity: What Should LPs Actually Evaluate?

The due diligence process for an emerging manager differs materially from the one applied to an established fund. With limited fund-level track record, fewer exits and often no audited performance history for the new vehicle, LPs must work harder and look in different places.

Track record attribution. An emerging GP will typically arrive with a deal-by-deal track record assembled from their prior firm. This is a starting point though, not a conclusion. As multiple LP Gateway contributors stressed, the critical question is not what the table shows, but who, and also what, actually drove each result. Ultimately, as was suggested, just because a name is attributed to a deal, doesn't mean they necessarily drove key value. Especially with multi-team deals at larger firms.

This view resonated across the forum discussion. Leading a deal, sourcing it, winning it and driving the exit, demand skills that are entirely different from supporting one within a large, well-resourced firm. Several LPs noted the key value of third-party referencing to reconstruct the true picture: where did the deal originate, who was in the room with management and who drove the key decisions?

When a track record has not been provided by the prior firm, placement agents can help. One LP Gateway member described that for a recent spin-out GP, they had the associated placement agent to construct the track record through multiple sources. It is always worth asking a supporting placement agent for help in sourcing documentation.

Operational readiness. Being an outstanding dealmaker does not automatically make someone a capable fund manager. Limited partners agreed that the ability to deals does not necessarily mean a sponsor can run a firm. LPs look for evidence that the founding team has thought carefully about fund administration, investment committee discipline and the governance structures that institutional investors require from day one.

Team dynamics. Across the online LP Gateway discussion and broader industry, one risk factor stood out as the primary cause of emerging manager failures: team breakdown. Analysis by **Unigestion**, found that every investment that resulted in a capital loss traced back to team fracture rather than poor investment decisions. LP Gateway contributors were equally emphatic on this point, several describing the chemistry, risk appetite and shared goals of founding partners as the most important things they probe for.

This has implications for how diligence is conducted, probing how decisions are made, how disagreements are handled and whether the culture of the new firm reflects genuine collegiality or suppressed tension.



Referencing: Going broad. The LP Gateway community was consistent in highlighting the importance of referencing from multiple angles: prior LPs, co-investors, portfolio company management teams and industry contacts who can speak to the partner's sourcing reputation and competitive positioning. One contributor specifically noted the value of referencing a partner's ability to source independently to assess the weight of their old firm's brand in accessing deal flow.

“As multiple LP Gateway contributors stressed, the critical question is not what the (attribution) table shows, but who, and also what, actually drove each result”

Sourcing the Universe: How to Find Them

One of the most underestimated challenges in building an emerging manager program is the sourcing problem. The best managers often raise quickly, rely on existing networks rather than broad marketing, and may be virtually invisible to LPs who are not already in the right conversations.

Several approaches have proven effective across the institutional landscape:

Follow your existing managers. One of the most consistently cited sourcing strategies among LP Gateway contributors was tracking spin-outs from GPs already in their portfolio. The logic is compelling: the LP already has an intimate view of the team's historical performance, investment style and character, removing the greatest single information asymmetry in emerging manager diligence.

This is not a universally applicable strategy. It requires an existing portfolio of relationships to draw on, but for LPs who have it, it is among the most high-conviction sourcing routes available.

Network and referral channels. For many LPs, the most valuable sourcing comes from the broader community of institutional investors. Peer recommendations “who are your peers backing, and why?,” cut through the noise in a market where the volume of approaches from new managers can be overwhelming. The LP Gateway forum, where peers share conviction about specific managers and strategies, serves exactly this purpose.



Conferences and events platforms. Events such as the ILPA Summit's Emerging Manager Showcase bring together emerging GPs and institutional LPs in structured one-to-one meeting formats. These events provide efficient access to a curated universe of managers, with prior vetting by LP-led committees.

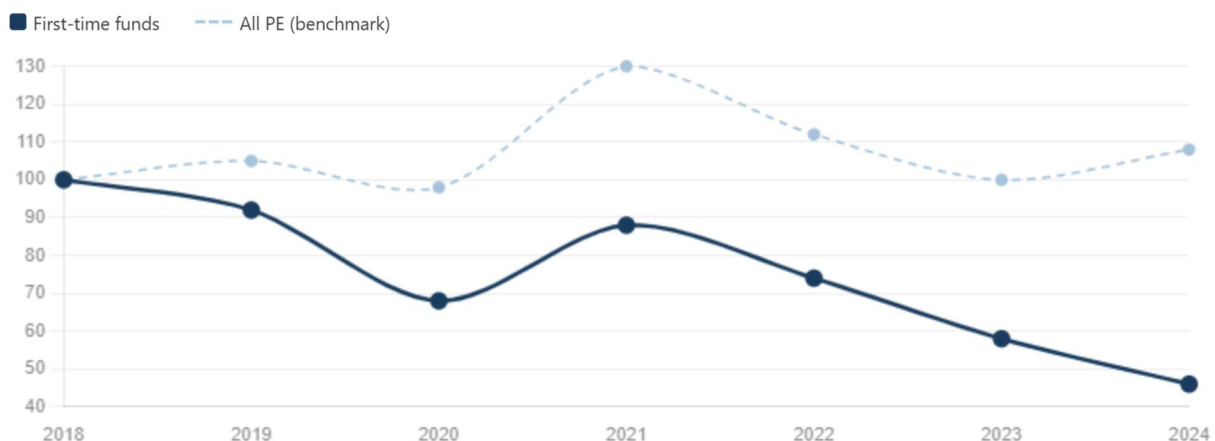
The **LP Gateway events calendar** (<https://www.lpgateway.com/events/>) tracks the widest range of key dates for emerging manager conferences, such as the McGuireWoods Emerging Manager Conference and the TRS/ERS Emerging Manager Virtual Conference. Novel platforms, such as the **Global Emerging Manager Institute**, also now provide curated platforms for LPs seeking such exposure.

Funds of funds. For LPs without the team capacity to run a direct program, specialist fund-of-funds managers with dedicated emerging manager strategies, such as GCM Grosvenor, HarbourVest and Hamilton Lane, offer a structured and institutionally managed route to this segment.

Beyond access, these managers can offer co-investment and seeding exposure alongside fund commitments.

Placement agents and advisers. Specialist placement agents with active emerging manager practices such as **Acanthus**, can be valuable sources of curated pipeline. Beyond introductions, they can assist with track record reconstruction, as discussed above. The caveat is that placement agents are selective about the managers they take on, so their engagement with a manager can itself function as a quality signal.

First-time fund commitments vs all PE — indexed 2018=100
Capital raised by first-time funds hit multi-year lows in 2024 as bifurcation intensified

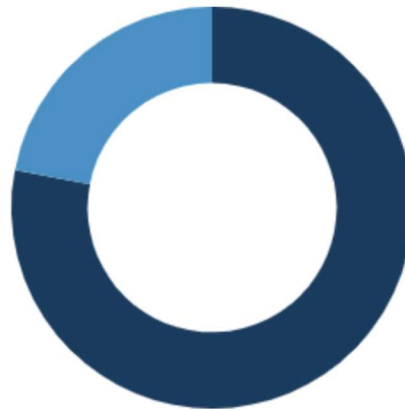


Source: Gen II Emerging Manager Report 2024; PitchBook data; With Intelligence 2025 analysis — gen2fund.com / withintelligence.com

Share of PE capital raised by fund generation

Established managers (Fund IV+) capture the overwhelming majority of LP commitments

■ Fund IV+ (established) — 78% ■ Fund I-III (emerging) — 22%



Source: PitchBook 2020 Annual Private Fund Strategies Report — pitchbook.com/news/articles/lps-bet-on-emerging-fund-managers

Portfolio Logic: Building and Structuring the Program

Once the sourcing and evaluation challenges are addressed, LPs face a structural question: how should emerging manager exposure sit within the portfolio, and what disciplines should govern it?

Approaches varied significantly across LP Gateway contributors, reflecting differences in team size, risk appetite and portfolio maturity. Some common themes nonetheless emerged.

Dedicated allocation buckets. Several contributors described operating a split portfolio structure, with emerging GPs in a clearly delineated bucket, separate from the main portfolio. The practical value is primarily in managing expectations and communication. Emerging GPs are in a separate bucket knowing that performance could be 100 or 0. When they ‘mature’ they can graduate to the primary bucket. With the most mature programs defining in advance what a successful emerging manager relationship looks like over time and how and when a GP transitions from an emerging bucket to a mainstream allocation.

Without this clarity, even a successful emerging manager investment can stall at the portfolio level, as the LP lacks the internal framework to scale the commitment. Several LP Gateway contributors described looking for two full vintages plus meaningful co-investment experience before treating a manager as established.

Smaller initial ticket sizes. Across the forum discussion and the broader industry, initial commitments to emerging managers are typically set at a meaningful discount to the LP’s standard ticket size — often half or less — with a stated intention to scale if the manager



performs. This approach calibrates risk appropriately, while leaving room to build a position as conviction grows. It also serves as a natural portfolio construction discipline, encouraging an LP to invest across a sufficient number of managers rather than concentrating in one or two.

Opportunistic versus programmatic approaches. Not all LPs run formal programs. Several contributors described a more opportunistic stance, allocating where they see “good pedigree and a good story”. This approach works for LPs with limited team capacity or a more conservative risk profile, but multiple participants cautioned that it can lead to underweighting the asset class or failing to build the expertise needed to evaluate it well.

Anchor and seeding structures. For LPs with strong conviction in a specific manager, acting as an anchor investor, providing a first-close commitment of 20–30% of fund size, offers enhanced economics and governance rights in exchange for the validation and early risk the LP takes on. Structures can range from a simple LP commitment with preferred terms to a formal seeding arrangement, which may include a revenue share or even a minority equity stake in the management company.

The **Buyouts** 2026 survey data showed ownership stakes in emerging GPs seeing a significant escalation, likely driven by the increasingly competitive fundraising environment. LPs considering anchor arrangements should approach them with care, however: they require deep conviction, carry negotiating complexity, and are harder to exit than a standard fund commitment.

“The most valuable sourcing comes from the broader community of institutional investors... The LP Gateway forum, where peers share conviction about specific managers and strategies, serves exactly this purpose.”

Conclusion: A Program Worth Building

The LP Gateway forum discussion on emerging managers reflects the broader tension that sophisticated institutional investors navigate every day: the pull of safety and familiarity, against the opportunity cost of missing the next generation of top-performing managers.

The evidence is clear that the best emerging managers consistently outperform, that Fund I, II and III carry structural advantages, in terms of alignment, agility and access to under-competed opportunities, that their established peers cannot replicate at scale. The data equally shows



that these advantages are highly dispersed, that picking well matters enormously, and that the diligence required is substantively different from that applied to an established fund.

What the LP Gateway community has illustrated is that the most effective approaches share a set of common disciplines: knowing precisely where to look and why, building referencing networks that reveal the true contribution of a partner rather than just the table, structuring the portfolio to reflect the risk profile honestly, and committing to a program with enough structure and continuity to build genuine expertise over time.

It is not an asset class for the unprepared or the opportunistic. But for those who invest the time and build the right frameworks, the evidence suggests the reward is significant and durable.

About LP Gateway

LP Gateway (www.lpgateway.com) is a free, anonymous and private online forum for institutional limited partners to discuss insights on strategies, market dynamics and reference specific general partners. The platform is efficiently segmented by sponsor, strategy and geography enabling LPs to assess what they need and when.

The emerging manager discussion referenced in this article was begun by limited partners on the platform and is open to all LP Gateway members. The LP Gateway events calendar tracks key conferences and meetings relevant to institutional private markets investors, including emerging manager showcases and LP–GP networking events.

This article draws on the LP Gateway forum discussion on emerging managers, the Buyouts Emerging Manager Survey 2026, research from Cambridge Associates, Preqin, Unigestion, Flexstone Partners/Natixis Investment Managers, Salica Investments, GCM Grosvenor, Hamilton Lane and CAIA. Data points are attributed to their original sources throughout.