



In Focus: Private equity returns to its roots as the popularity of deal-by-deal investing continues to grow

Seismic shifts are underway in private equity (PE) as the industry comes full circle, away from blind pool funds and back toward single asset deal-by-deal investing—the original PE investment model that originated in the 1970s. The “founding fathers” of contemporary PE (David Bonderman, Thomas Lee, Henry Kravis, Stanley Golder, Carl Thoma, etc.) used a deal-by-deal approach before the advent of the fund structure in the early 1980s. Funds came about almost by necessity to facilitate the high velocity of capital deployed by pensions, endowments, foundations, and other institutional allocators.

As PE funds have recently struggled to return capital and produce DPI (Distributed to Paid-In Capital) for limited partners (LPs) over the last half decade, investor confidence in PE funds has eroded, alternative approaches are gaining traction, and the middle market PE landscape is looking increasingly like it did 50 years ago. Independent sponsors—general partners (GPs) that raise capital on a deal-by-deal basis to acquire pre-identified companies—are now a significant force in lower mid-market PE, offering LPs greater visibility into underlying assets, more flexible holding periods, and the ability to build sponsor relationships through individual transactions.

What is driving the surge of investor interest in single-asset investing?

- Eliminating blind pool risk associated with PE funds.
- More transparency and understanding of underlying asset(s).
- Better GP/LP alignment through tiered carry structures based on MOIC and/or IRR hurdles.
- No fund-related timing constraints (five-year investment periods) that force sponsors to deploy committed capital in suboptimal markets.
- No misaligned selling and cross-collateralized carried interest.
- Discounted economics versus 2 & 20 for funds, paying fees on invested capital only.
- Generating alpha in a potentially quicker time frame with more flexible holding periods.
- Get to know a sponsor in a single deal ahead of a potential fund.

Private investing goes granular

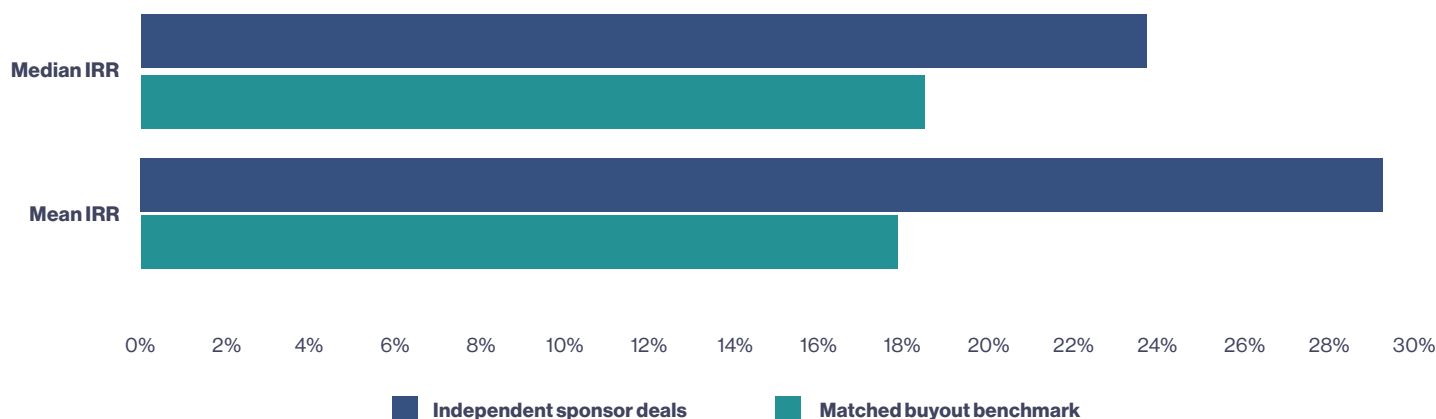
Changing dynamics on both sides of the investing equation have been driving this shift. First, fund fatigue has set in with LPs. They have a laundry list of grievances with the risk and terms of blind pools: limited transparency, 2 & 20 fee structures, 10-year lockup periods plus extensions, forced deployment during an investment period, forced selling during a harvest period, and other features leading to misalignment. In an uncertain macro environment, there is fast-growing LP appetite to invest directly in pre-identified businesses that they can see and touch. These LPs still need to rely on a sponsor to identify the asset, run due diligence, execute the value creation plan, and exit successfully.

With this single-asset approach, an investor's primary focus is on the company and the merits of the deal itself. Investors want to understand the business, its management team, the fairness of the valuation, and the achievability of the projected base case return. And yes, LPs also want to understand the experience of the independent sponsor and its ability to execute on the value creation plan. For this reason, it can be a challenge to get LPs comfortable with first-time deals with new sponsors; however, if a target company is outstanding with an exceptional management team, LPs are more likely to accept an unproven sponsor profile.

Returns are reinforcing the LP migration to deal-by-deal investing: recent data shows independent sponsors are outperforming traditional blind pool funds.

Returns are reinforcing the migration to deal-by-deal investing: recent data shows independent sponsors are outperforming traditional blind pool funds. [A June 2026 study](#) by the Institute for Private Capital at the University of North Carolina's Kenan-Flagler Business School reported that independent sponsor deals generated a median equity IRR of 23.8% versus 18.5% for comparable investments made by U.S. buyouts. In addition, Citrin Cooperman released its [2026 Independent Sponsor Report](#) in September, revealing that the percentage of independent sponsor respondents returning 3x or more to investors has risen significantly, from 57% in 2023 to 84% this year, with 34% returning 5x or more to investors this year.

Independent sponsor deals vs. matched buyouts



Source: Institute for Private Capital — as of Summer 2026.

Independent sponsors: from fringe to mainstream

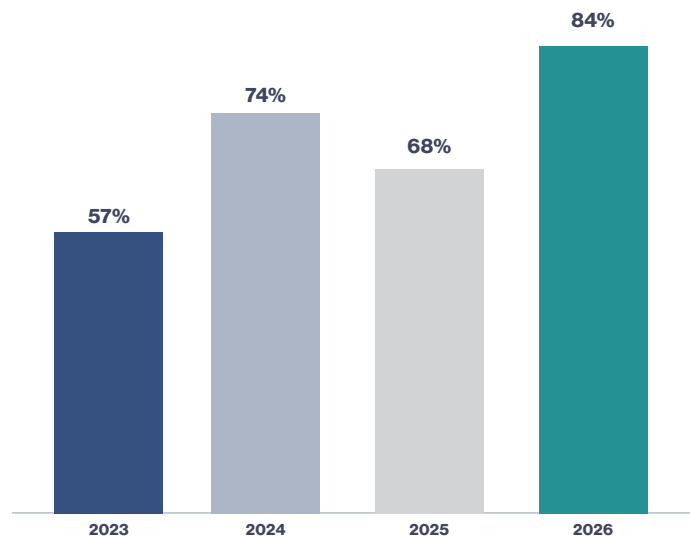
On the investor side, family offices have been investing deal-by-deal for years, building carefully selected portfolios of single asset investments. The number of institutional investors adopting the approach is now also growing exponentially, decreasing their dependency on fund managers to provide a co-investment that often comes with very limited time frames to make an investment decision. Investor frustrations have also compounded as fund managers raise successively bigger and bigger commingled funds. From the investor's perspective they see GPs playing for bigger management fee pools as, for example, a PE platform evolves from a \$250M Fund I, a \$500M Fund II, then a \$1B+ Fund III. Now focused on asset aggregation, those managers often drift away from the original investment strategy and the firm's core competency.

Fifteen years ago, "fundless sponsor" was a derogatory term, signaling a manager's inability to raise a fund. Today, managers are making conscious decisions to not raise funds in a highly saturated PE fundraising market. Across sectors, many funds are not hitting targets and even the most established funds with a history of strong returns and cash distributions are taking longer than expected to hit final close.

Deal-by-deal investing can strengthen the position of a sponsor, giving them better deal selection and removing the pressure to deploy "use it or lose it" committed capital. Their incentives are matched to individual deals versus a commingled fund. At Cascadia, [our Equity Capital Solutions \(ECS\) practice](#) takes the capital formation workstream off a sponsor's plate so they can focus on deal execution.

Cascadia also works extensively with traditional PE funds that seek supplemental equity for larger deals. The fund may have hit a percentage of portfolio concentration limit on the deal's equity check, LPs may have already maxed out their no-fee co-investment allocation, or a manager may be in between funds and wanting to do a single-asset special purpose vehicle (SPV). Investors who are not fund LPs are eager to see the best deals and participate alongside

Independent sponsor returns of 3x or more have risen significantly over the last four years



Source: Citrin Cooperman, 2026 Independent Sponsor Report (September 2026).

renowned fund managers in a single asset, without a 10-year fund commitment and full 2 & 20 fees. In other cases, a fund may need third-party equity to close a large add-on for an existing portfolio company in which case Cascadia ECS raises that capital in a single-deal SPV alongside the fund. We also help funds find creative solutions when they have fallen short of fundraising targets and advise on securing additional non-fund capital around deals, on which they can earn economics, versus offering it at zero cost.

The emerging PE barbell

Given the insatiable LP appetite for deal-by-deal investing, we believe it will continue to increase in popularity. We expect the market to evolve towards a barbell dynamic: mega-cap funds will continue to raise successfully because pensions, endowments, and other allocators will need funds for high-quantum, high-velocity PE deployment, while single-asset investing will increasingly dominate the lower middle market.

As these shifts reshape how capital is raised and deployed across the middle market, Cascadia's independence and flexibility as an employee-owned firm enable us to be

nimble and creative in crafting and implementing solutions for clients across capital and transaction types. This is underpinned by our proprietary investor network.

As one recent example, in Q2 2026 a sole practitioner independent sponsor spun out of a blue-chip PE firm with exclusivity on a founder-family-owned aerospace business requiring a circa \$110 million equity check. Cascadia ECS focused on a short (8-10 week) timeline and executed the capital formation process to align with deal-closing parameters. For such decidedly compelling, proprietary deals the process can indeed take a matter of weeks versus raising a blind pool fund, which can take 12-24 months or longer. The swift timelines involved in single-asset investing are another appealing attribute for both LPs and GPs.

Five priorities for independent sponsors competing for capital

To maximize effectiveness in a competitive deal-by-deal market, we recommend independent sponsors keep the following guidance top of mind:

1. Get Cascadia involved early in the conversation,

long before you have signed a letter of intent / exclusivity. Being ready to approach investors immediately after you have exclusivity on a deal is paramount given the aim to complete the capital closing process in line with the exclusivity period on the business. Too many sponsors underestimate the time and attention that the capital formation workstream requires and start investor conversations too late.

2. Develop a crystal-clear transaction rationale

to stand out amidst the over-supply of direct deals in the market. Investors want proprietary deals with market-leading businesses in geographies with favorable competitive dynamics. Given macro uncertainty, LPs are seeking protected margins that can weather a downturn, with revenue that is ideally a non-discretionary spend item for the end market.

3. Be prepared to talk about your unrealized and

realized track record and your value creation plan for the company. While the company and deal profile are the focus in direct investing, LPs will evaluate the deal team

responsible for underwriting and managing the asset, preferring hands-on strategic value-add and sector specialists.

4. Make sure your diligence is airtight. Investors will primarily reference your due diligence work when determining the attractiveness of the investment, with your investment memo and underwriting model as the most critical data points for their analysis complemented by third-party buyer commissioned due diligence reports (including quality of earnings, market study, tax, legal, etc.). Seller-produced vendor due diligence will be discounted.

5. Be flexible on capital type, fee structures, and governance. Investors will typically negotiate a tiered carried interest structure to incentivize the GP to maximize value creation over the hold period and to align interests with the investors, while certain strategic co-investors will have strong off-market preferences. The direct market involves a wide spectrum of governance “asks” and negative control rights, as well as fee structure flexibility depending on deal-specific market feedback.

We are in a new, dynamic era for private capital markets, with a multitude of ways to transact in the lower-middle market and increasing options for sellers.

To discuss how Cascadia's Equity Capital Solutions team can help you achieve your objectives through direct investing, contact us:



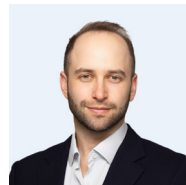
Sim Ketchum,
Managing Director
Co-Head of Equity Capital Solutions

[CONTACT](#)



Peter Purcell,
Managing Director
Co-Head of Equity Capital Solutions

[CONTACT](#)



Michael Kahn,
Director
Equity Capital Solutions

[CONTACT](#)